

Company: Southern California Gas Company (U 904 G)/ San Diego Gas and Electric  
Company (U 902 M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-\_\_\_\_\_  
Exhibit: SCG-28/SDG&E-26

**SOCALGAS/SDG&E**

**DIRECT TESTIMONY OF MIA L. DEMONTIGNY**

**(CORPORATE CENTER – GENERAL ADMINISTRATION)**

**October 6, 2017**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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## **SUMMARY**

<b>Operations &amp; Maintenance (in 2016 \$)</b>	<b>Adjusted Recorded 2016 (\$000)</b>	<b>Test Year 2019 (\$000)</b>	<b>Change (\$000)</b>
SDG&E Allocations	59,202	58,146	(1,056)
SoCalGas Allocations	60,270	70,983	10,713
Total Utilities	119,472	129,129	9,657

### **Summary of Request – San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas, collectively Utilities)**

The overall request for SDG&E of \$58,146,000 represents a decrease of \$1,056,000 for Test Year (TY) 2019 from 2016 adjusted-recorded costs. The overall request for SoCalGas of \$70,983,000 represents an increase of \$10,713,000 for TY 2019 over 2016 adjusted-recorded costs. Primary pressures are the following:

- Pension and Benefits costs have increased by \$1,062,000 for SDG&E and by \$3,686,000 for SoCalGas. These costs are higher due to restricted stock expense and an increase in overall costs for medical plans, higher projected post-retirement benefit expense, and new staffing hires in information technology, cybersecurity, infrastructure, governance, and architecture.
- Labor costs have increased by \$1,316,000 and \$3,068,000 at SDG&E and SoCalGas, respectively. These increases are primarily related to an effort to increase our corporate-wide information technology, cybersecurity, infrastructure, governance, and architecture support, resulting in new staffing hires.
- Consulting costs, primarily in the Human Resources and Administration division, represent additional pressures of \$1,119,000 at SDG&E and \$1,782,000 at SoCalGas. Human Resources and Administration consulting is increasing due to the need to support the implementation of Sempra Energy's new Human Resources capital management system and for our information technology, cybersecurity, infrastructure, governance, and architecture support.
- New corporate Human Resources, Corporate Tax, Corporate Security, and Treasury Management systems going online in 2017 and 2018 are resulting in higher allocations from depreciation in TY 2019 for SDG&E and SoCalGas of \$1,361,000 and \$1,311,000, respectively.

allocations from depreciation in TY 2019 for SDG&E and SoCalGas of \$1,361,000 and \$1,311,000, respectively.

- Travel and training expenses constitute additional pressures of \$546,000 at SDG&E and \$807,000 at SoCalGas.
- Rent and maintenance increased by \$491,000 for SDG&E and by \$658,000 for SoCalGas.
- SDG&E's and SoCalGas' allocations are higher by \$230,000 and \$339,000, respectively, due to an increase in Board of Directors fees and expenses for management oversight and the addition of new Board members.
- Other net pressures amount to \$780,000 at SoCalGas and are included in this testimony and supporting workpapers.

These pressures are partially offset by the following reductions:

- Fueling our Future operational improvements at the Corporate Center related to labor cost reductions and contracting/procurement efficiencies contribute to a reduction in allocations of \$2,997,000 at SDG&E and \$3,380,000 at SoCalGas.
- There is an additional reduction in legal fees and services for concluded matters in 2016 of \$1,617,000 at SDG&E and \$199,000 at SoCalGas for which costs are not forecasted to recur in the future.
- The net reduction for Outside Legal services includes a reduction at SDG&E of \$2,543,000, offset by an increase at SoCalGas of \$1,861,000. TY 2019 excludes legal fees for SDG&E matters (SONGS, Sunrise, Wildfires, and Rim Rock) and SoCalGas matters (Aliso Canyon, Sesnon, and Pengzuan Diao) not requested in this General Rate Case (GRC) application.

**SDG&E and SOCALGAS DIRECT TESTIMONY OF MIA L. DEMONTIGNY**  
**(CORPORATE CENTER – GENERAL ADMINISTRATION)**

**I. INTRODUCTION**

**A. Summary of Corporate Center General Administrative Costs and Activities**

I sponsor the TY 2019 forecasts for allocations of Shared General Administration costs from Sempra Energy's Corporate Center to SDG&E and SoCalGas. In Table MLD-1A, you will find a summary of my total sponsored costs, and the portions attributable to SDG&E and SoCalGas.

The California Public Utilities Commission (CPUC) in Decision (D.) 98-03-073 approved the application to merge Enova Corporation and Pacific Enterprises, the former parent companies of SDG&E and SoCalGas, respectively (collectively Utilities), and form Sempra Energy. Sempra Energy then formed a centralized Corporate Center that combined many shared services of both Utilities and served our other businesses (referred to as Global).

Corporate Center, as described in more detail throughout this testimony, provides corporate governance, policy direction, and critical control functions, as well as services that are still performed most effectively as a centralized operation. They are services that would otherwise require additional staffing and Operations and Maintenance (O&M) at SDG&E and SoCalGas, if not performed and allocated by the Corporate Center.

**TABLE MLD-1A**  
**Test Year 2019 Summary of Total Costs**

Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<i>(2016 \$ - 000's)</i>						
A Finance	90,913	(31,356)	59,556	32,161	(3,590)	28,571
B Legal, Compliance and Governance	50,929	11,414	62,344	25,162	(1,634)	23,528
C Human Resources & Administration	18,030	6,668	24,698	15,413	6,287	21,700
D Corporate Strategy & External Affairs	8,110	6,310	14,420	3,542	349	3,890
E Facilities and Assets	25,379	4,777	30,155	12,533	3,498	16,031
F Pension & Benefits	87,431	6,618	94,048	30,662	4,748	35,409
Total	<u>\$280,792</u>	<u>\$4,430</u>	<u>\$285,222</u>	<u>\$119,472</u>	<u>\$9,657</u>	<u>\$129,129</u>
Allocations						Escalated 2019
SDG&E	59,202	(1,056)	58,146			60,986
So Cal Gas	60,270	10,713	70,983			74,526
Total Utility	<u>119,472</u>	<u>9,657</u>	<u>129,129</u>			<u>\$135,512</u>
Global / Retained						
Total	<u>161,320</u>	<u>(5,227)</u>	<u>156,093</u>			
	<u>\$280,792</u>	<u>\$4,430</u>	<u>\$285,222</u>			

1 My testimony presents costs on an incurred basis: the recorded costs for 2016; forecasted  
2 costs for 2019; and the allocation of those costs to SDG&E, SoCalGas, and Global/Retained.  
3 For TY 2019, 45% of all forecasted, un-escalated Corporate Center shared service costs are  
4 allocated to SDG&E and SoCalGas. Corporate Center shared service costs not allocated to  
5 SDG&E and SoCalGas are not included in this request.

6 The expenses requested are required so that both SDG&E and SoCalGas can continue to  
7 comply and be in good standing with existing and potentially new governmental, legal, and  
8 regulatory requirements. Examples of governing federal, state, and local authorities are the  
9 Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), Financial  
10 Accounting Standards Board (FASB), the Federal Energy Regulatory Commission (FERC) and  
11 CPUC. Compliance is a basic requirement of corporate governance. The expenses requested are  
12 also necessary for basic corporate support functions and services, such as payroll and benefits  
13 administration, tax services, and internal audit, among others. These are provided to the  
14 operating areas of the Companies in an efficient, effective, and timely manner.

15 SDG&E and SoCalGas infrastructure programs are also growing and evolving in  
16 response to customer preferences and the changing energy, regulatory, and policy environment.  
17 Their future capital plans call for significant investments in:

- 18 • Safety and Reliability – Enhancing and updating electric and natural gas  
19 infrastructure.
- 20 • System Modernization – Investments in natural gas and electric distribution and  
21 integration of new storage technology.
- 22 • Electrification and Decarbonization – Transitioning to electric and natural gas based  
23 transportation solutions to address environmental concerns and societal preferences.

24 This growth creates pressure on services at Corporate Center that support capital  
25 investment, primarily within the Legal and Finance functions, both of which assist in activities to  
26 obtain the financing necessary for construction. While the cost of capital is not at issue in this  
27 proceeding, financing-related expenses such as short-term credit, banking, and rating agency fees  
28 are included.

29 This request also includes legal fees paid to outside firms and consultants, directly  
30 attributable to SDG&E and SoCalGas matters, as well as allocations for Sempra Energy matters.

**B. Summary of Risk Assessment Mitigation Phase-Related Costs**

Certain of the costs supported in my testimony are driven by activities described in SoCalGas and SDG&E's November 30, 2016 Risk Assessment Mitigation Proceeding (RAMP) Report. The RAMP Report presented an assessment of the key safety risks of SoCalGas and SDG&E and proposed plans for mitigating those risks. As discussed in the Direct Testimony of Diana Day and Jamie York (Ex. SDG&E-02 and SCG-02), the costs of risk-mitigation projects and programs were translated from that RAMP Report into the individual witness areas.

In the course of preparing my GRC forecasts, I evaluated the scope, schedule, resource requirements, and synergies of RAMP-related projects and programs. Therefore, the final representation of RAMP costs may differ from the ranges shown in the original RAMP Report.

Table MLD-1B provides a summary of the RAMP-related costs supported by my testimony by RAMP risk:

**TABLE MLD-1B**

**Corporate General Administration RAMP-Related Costs**

	2016 Embedded Base Costs (000s)	TY 2019 Estimated Incremental (000s)	Total (000s)
SDG&E – Records Management	107	(4)	103
SDG&E – Workplace Violence	145	196	341
SoCalGas – Records Management	116	2	118
SoCalGas – Workplace Violence	328	304	632
<b>Total O&amp;M</b>	<b>696</b>	<b>498</b>	<b>1,194</b>

**C. Summary of Costs Related to Fueling Our Future (FOF)**

As described in the Direct Testimony of Hal Snyder and Randall Clark (Ex. SCG-03/SDG&E-03), the Utilities kicked off the Fueling Our Future (FOF) initiative in May 2016 to identify and implement efficient operational improvements. Savings to be realized as a result of implementing FOF operational improvements at the Corporate Center primarily relate to contracting/procurement efficiencies and labor cost reductions. Total FOF savings reflected in TY 2019 are approximately \$6,377,000. The savings for SDG&E and SoCalGas are \$2,997,000 and \$3,380,000, respectively.



**D. Summary of Aliso-Related Costs**

In compliance with D.16-06-054,<sup>1</sup> the Direct Testimony of Andrew Steinberg (Ex. SCG-12) describes the process undertaken so that TY 2019 forecasts do not include the additional costs from the Aliso Canyon Storage Facility gas leak incident (the Aliso Incident) and demonstrates that the itemized recorded costs are removed from the historical information used by the impacted GRC witnesses.

As a result of removing historical costs related to the Aliso Incident from Corporate Center General Administration adjusted recorded data, and in tandem with the forecasting methods employed and described herein, additional costs of the Aliso Incident response are not included as a component of my TY 2019 funding request. Historical Corporate Center General Administration costs that are related to the Aliso Incident are removed as adjustments in my workpapers (Ex. SDG&E-26-WP and SCG-28-WP) and identified in Table MLD-1C below.

**TABLE MLD-1C**

**Corporate General Administration Historical Adjustments to Remove Aliso Incident Costs**

	<b>2015 Adjusted- Recorded (000s)</b>	<b>2016 Adjusted- Recorded (000s)</b>	<b>Total (000s)</b>
Aliso Canyon Leak Legal Costs	(1,403)	(44,605)	(46,006)
Aliso Canyon Emergency Services	(26)	(170)	(196)
Aliso Canyon Gas Leak Support	0	(5)	(5)
Aliso Canyon Relocation Review	0	(1,276)	(1,276)
<b>Total O&amp;M</b>	<b>(1,429)</b>	<b>(46,056)</b>	<b>(47,485)</b>

**E. Summary of Costs Related to the Voluntary Retirement Enhancement Program**

Sempra Energy (including SDG&E and SoCalGas) implemented a Voluntary Retirement Enhancement Program (VREP) in 2016, designed to offer savings from operating efficiencies,

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<sup>1</sup> D.16-06-054, at 332 (Ordering Paragraph 12) and 324 (Conclusion of Law 75).

1 optimized business processes, and enhanced overall operations. At Corporate Center, there was  
2 a one-time post-retirement benefits special termination benefit charge of \$1,720,000 in 2016.

### 3 **F. Support to / From Other Witnesses**

4 In addition to sponsoring my own organization's costs, I provide the Multi-Factor  
5 allocation methodology to be used in the Corporate Insurance Direct Testimony of Neil  
6 Cayabyab (Ex. SDG&E-27 and SCG-29). Because insurance is also centrally procured on behalf  
7 of Sempra Energy's business units, any policies that are not directly assigned are subject to the  
8 same allocation hierarchy and methodologies I discuss in section II.B., particularly the Multi-  
9 Factor (II.B.3).

10 In section II.A., I also describe the flow of shared services that are charged to Corporate  
11 Center by SDG&E and SoCalGas, subject to the Corporate Re-Allocation method, whose  
12 calculation (workpaper J-4) we provide to the Direct Testimony of Jim Vanderhye (Ex. SDG&E-  
13 26 and SCG-25).

14 While the direct salaries for each Corporate Center function are included in my  
15 testimony, the corresponding benefits and payroll tax overheads are classified separately in  
16 section III.F. and were determined to be consistent with the plans described in the Compensation  
17 & Benefits Direct Testimony of Debbie Robinson (Ex. SDG&E-22 and SCG-21), and in her  
18 Direct Testimony on Pension and Post-Retirement Benefits Other Than Pensions (PBOPs) (Ex.  
19 SDG&E-23 and SCG-22).

## 20 **II. RISK ASSESSMENT MITIGATION PHASE AND SAFETY CULTURE**

### 21 **A. Risk Assessment Mitigation Phase**

22 As illustrated in Table MLD-1B above, a portion of my requested funds is linked to  
23 mitigating top safety risks that have been identified in the RAMP Report. These risks are further  
24 described here:

<b>RAMP Risk</b>	<b>Description</b>
Records Management (SCG-8 and SDG&E-13)	Relates to the potential public safety, property, reliability, regulatory, or financial impacts that result from the use of inaccurate or incomplete records.
Workplace Violence (SCG-5 and SDG&E-9)	This involves a violent incident related to the workplace, resulting in emotional or physical harm to an employee(s) or third parties.

1 In developing my request, priority was given to these key safety risks to determine  
2 which currently established risk-control measures were important to continue and what  
3 incremental efforts were needed to further mitigate these risks.

4 Identifying projects and programs that help to mitigate these result in adjustments to my  
5 forecasted costs. This adjustment process was used to identify both RAMP mitigation costs  
6 embedded as part of traditional and historic activities, as well as forecasted RAMP-incremental  
7 costs associated with mitigation strategies and corresponding to historic or new activities. These  
8 can be found in my workpapers as described below. The general treatment of RAMP forecasting  
9 is described in the testimony of Ms. Day (Ex. SDG&E-02 and SCG-02).

10 For each of these risks, an “embedded” 2016 estimated cost-to-mitigate, and any  
11 incremental costs expected by the Test Year 2019, are shown in the following tables. RAMP-  
12 related costs are further described in Sections III, IV, and V below as well as in my workpapers.  
13 The tables also provide the location in my workpapers where the specific adjustments  
14 representing those incremental costs can be found.

15 **TABLE MLD-2A**

16 **Summary of Related RAMP Costs – Records Management**

<b>Records Management (In 2016 \$)</b>	<b>2016 Embedded Base Costs (000s)</b>	<b>TY2019 Estimated Incremental (000s)</b>	<b>Total (000s)</b>
<b>SCG-8 - Third Party Gap Assessment</b>	116	2	118
<b>SDG&amp;E-13 - Third Party Gap Assessment</b>	107	(4)	103
<b>Total Cost</b>	<b>223</b>	<b>(2)</b>	<b>221</b>

17 **TABLE MLD-2B**

18 **Summary of Related RAMP Costs – Workplace Violence**

<b>Workplace Violence (In 2016 \$)</b>	<b>2016 Embedded Base Costs (000s)</b>	<b>TY2019 Estimated Incremental (000s)</b>	<b>Total (000s)</b>
<b>SCG-5 Workplace Violence - Planning, Awareness, and Incident Management</b>	328	304	632
<b>SDG&amp;E-9 Workplace Violence - Planning, Awareness, and Incident Management</b>	145	196	341
<b>Total Cost</b>	<b>473</b>	<b>500</b>	<b>973</b>

1 As the tables demonstrate, the RAMP risk mitigation efforts are associated with specific  
2 programs or projects. For each of these mitigation efforts, an evaluation was made to determine  
3 the portion, if any, that was already being performed in our historical activities.

4 While the starting point for consideration of the risk mitigation effort and cost was the  
5 RAMP Report, our evaluation of those efforts continued through the preparation of this GRC  
6 request. Changes in scope, schedule, availability of resources, overlaps or synergies of  
7 mitigation efforts, and shared costs or benefits were also considered. Therefore, the incremental  
8 costs of risk mitigation sponsored in my testimony may differ from those first identified in the  
9 RAMP report.

## 10 **1. Records Management**

11 Many, if not all, departments at both Companies rely on having correct, updated, and  
12 easily accessible information that is stored in the Companies' data centers. As such, records  
13 management is an issue for everyone at SDG&E and SoCalGas and adherence to records  
14 management policies is vital to operations. Failure in records management, or in the use of  
15 inaccurate or incomplete records, has potential public safety, property, regulatory and financial  
16 impacts, as well as the threat of erosion of public confidence.

17 Corporate Center is responsible for administration of and adherence to its record  
18 management policy and practices, resources to manage records, internal audits, and records  
19 storage and retention. Corporate Center's record management policies include, but are not  
20 limited to, processes and systems containing records, definition and identification of records,  
21 organizational records, and document retention and disposal policy. The goal of our records  
22 management policies and practices is to provide consistent responsibilities for records  
23 management, and to require the assignment of specific accountability for oversight and  
24 administration of records management. As such, it is essential that the records management  
25 policies be free from deficiencies and that employees follow leading records management  
26 practices.

27 In order for our employees to follow leading records management practices, we must first  
28 identify what these leading practices for utilities are and what we need to do to improve our  
29 practices. To do this, the companies will hire a third-party records management expert to  
30 conduct a gap assessment between current policies and practices and leading policies and  
31 practices, then provide recommendations on filling these gaps. This assessment will help us

1 develop a roadmap to remediate any deficiencies in our records management practices and  
2 minimize our records management-related risk.

3 **Alternatives Considered:**

4 No alternative was considered to the proposed leading practice and gap assessment  
5 mitigation. We believe it is a critical and necessary first step in reducing our records  
6 management risk.

7 **2. Workplace Violence**

8 The Companies consider workplace violence to be a violent incident related to the  
9 workplace, resulting in emotional or physical harm to an employee(s) or third parties. The  
10 workplace violence risk has potential safety consequences, including emotional abuse, injury, or  
11 fatality; operational disruptions; adverse litigation and related financial impacts; and/or costs  
12 associated with policy or procedure changes.

13 The mitigation for workplace violence that we focused on at Corporate Center is the  
14 mitigation for Planning, Awareness, and Incident Management. This mitigation includes  
15 projects and programs that provide services to try to manage this risk before an event can occur.  
16 These mitigations consist of the Workplace Violence Mitigation Team, training, investigations,  
17 employee awareness, new hire screening processes, employee assistance and wellness programs,  
18 the incident/case management system, and Corporate Security's risk management program.

19 The Workplace Violence Mitigation Team is trained to assess and respond to the threat  
20 posed by individuals who may be prone to violence. This team is responsible for developing and  
21 executing an effective Workplace Violence Prevention program. It includes training supervisors  
22 and employees to detect early warning signs of possible workplace violence, investigating and  
23 mitigating potential workplace violence incidents, responding appropriately to threat-related  
24 emergencies, identifying and enlisting the assistance of qualified professionals in workplace  
25 violence assessment, security, and incident management, and documenting all activities related  
26 to workplace violence prevention and control.

27 Sempra Energy offers a variety of training opportunities to employees to increase  
28 awareness regarding the identification and response to criminal activity, including workplace  
29 violence. These trainings include Active Shooter Training, Security Awareness Training, and  
30 Workplace Violence Training.

1 To further mitigate these risks, Corporate Security has expanded and added new  
2 activities. These include an upgrade of the incident/case management system, the addition of a  
3 social media monitoring tool, and adding personnel in the corporate security areas.

4 **Alternatives Considered:**

5 A potential alternative for training is to outsource training or develop computer-based  
6 training. Although this alternative may have an increased cost in the short term (i.e., to hire the  
7 outside agency or develop the training), it would generally reduce costs in the future. Current  
8 training uses Corporate Security agents as instructors. Ideally, it is best to use Corporate  
9 Security agents as they provide greater insight into the Companies' employees, history,  
10 locations, and operations. Accordingly, this alternative was dismissed. However, as demand  
11 increases for security-related training, it may be necessary to further explore alternatives.

12 **B. Safety Culture**

13 SDG&E and SoCalGas are committed to providing safe and reliable service to their  
14 customers. The safety-first culture focuses on public, customer, and employee and contractor  
15 safety, with this commitment embedded in every aspect of our work, and at all levels of the  
16 organization. The Corporate Center function for SG&E and SoCalGas implements and builds on  
17 that safety culture through its involvement in corporate governance, policy direction, and  
18 centralized functions.

19 Compliance is fundamental to a safety culture. Compliance is also a basic requirement of  
20 SDG&E and SoCalGas' corporate governance. As capital infrastructure improvements for safety  
21 and reliability grow and evolve, so too do the demands on the supporting organizational and  
22 system structures. For capital improvement plans, the Legal and Finance functions need to be  
23 involved to obtain the necessary financing and comply with federal, state, and local  
24 requirements.

25 As discussed in the RAMP section of my testimony, the Corporate Center function also  
26 plays a key role in records management. Having access to accurate and complete records is also  
27 a necessary aspect of a safety culture. The Corporate Center function is responsible for the  
28 administration of offsite records storage and management, including the retention of records,  
29 audit for accuracy and compliance, and storage facilities.

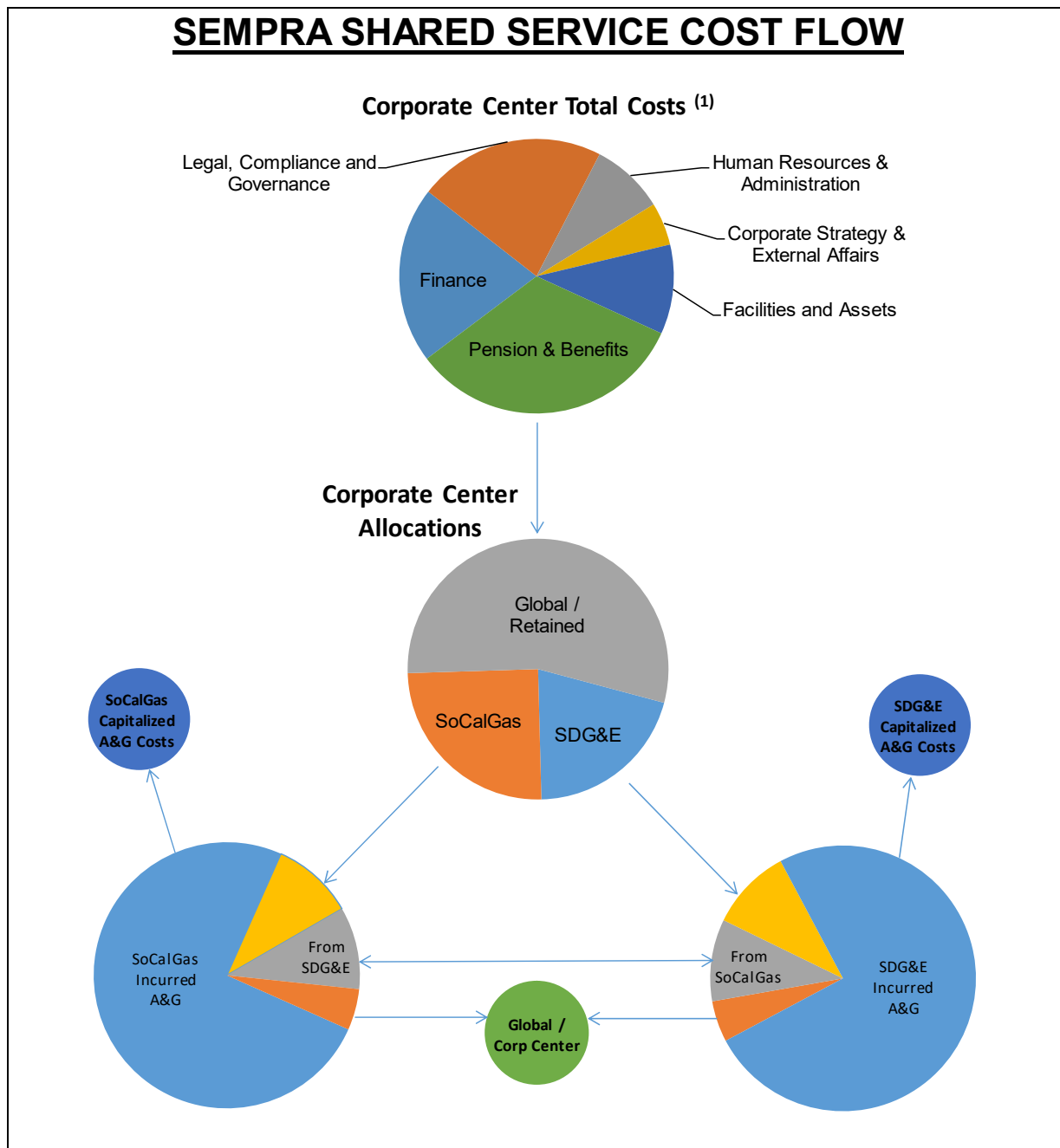
30 Finally, the Corporate Center function is also actively involved in mitigation efforts for  
31 the identified risk of workplace violence by supporting the planning and incident management

investigation as well as programs to mitigate the risk before it occurs. As explained in the RAMP section of my testimony, this includes training, investigation, employee awareness, new hire screening, employee assistance, and corporate security activities.

### III. CORPORATE CENTER POLICIES

#### A. Shared Services

The following Shared Service Cost Flow chart shows how shared service costs are allocated among entities within Sempra Energy.



1 (1) Only includes costs sponsored by this testimony

2 The Corporate Center incurs costs for functions and services discussed below. These  
3 costs are charged out using direct assignment and allocation to SDG&E, SoCalGas, Global, or  
4 are retained at the Corporate Center. The costs charged from the Corporate Center to SDG&E  
5 and SoCalGas are recorded in the appropriate accounts as defined by the FERC. Most of those  
6 costs are related to FERC Administrative & General (A&G) accounts, but some charges support  
7 other FERC operational accounts as applicable.

8 For the TY 2019 forecast, all Corporate Center expenses billed to SDG&E and SoCalGas  
9 are reflected in their respective A&G costs as depicted in the chart above. Each utility also  
10 capitalizes a portion of their total A&G costs.

11 Each utility may not only charge shared A&G costs (Utility Shared Services) between  
12 each other, they may also charge costs to the Corporate Center for shared services that are  
13 located at each utility. These services are referred to as Corporate Shared Services (CSS). They  
14 are primarily Rent and Facilities Maintenance, Real Estate Services, Information Technology  
15 (IT), Document and Supply Management Services, and some Accounting Services (e.g.,  
16 Accounts Payable). Rather than duplicate these business functions across the organization,  
17 Corporate Center benefits from the structure that already exists at SDG&E and SoCalGas. This  
18 results in more cost-effective Corporate Center overhead. The CSS charges to Corporate Center  
19 are determined at the Utilities based on appropriate direct assignment or cost allocation methods,  
20 which the Corporate Center reviews annually for reasonableness and applicability. Since  
21 SDG&E and SoCalGas calculate and retain their share of CSS charges using the Corporate  
22 Center's overall allocation rate, known as the "Corporate Re-Allocation" method, any remaining  
23 charges to the Corporate Center are retained and not re-allocated to business units.

24 **B. Cost Allocations**

25 The goal in Corporate Center allocation practices is to reasonably and equitably bill its  
26 costs to business units, associating the costs as closely as possible to the level of service being  
27 provided to each business unit. To achieve this, the Corporate Center uses a hierarchy to allocate  
28 its costs to SDG&E, SoCalGas, and Global:

- 29 1. Direct Assignment
- 30 2. Causal/Beneficial
- 31 3. Multi-Factor



First, where an expense, such as labor, can be directly attributed to a business unit it is **directly assigned** to that business unit.

Second, Corporate Center functions supporting multiple business units are charged to the business units using a **Causal/Beneficial** factor.

Third, areas such as corporate oversight or governance functions that support the Sempra Energy companies as a whole are allocated using a **Multi-Factor** method.

Corporate Center applies generally accepted accounting practices for cost allocation, and those expenses which are deemed to solely benefit the Corporate Center (e.g., lobbying, contributions, corporate branding) are not billed to business units and are referred to as **“retained”** at Corporate Center.

All cost centers will use direct assignment when possible and any remaining costs are allocated by an appropriate Causal/Beneficial or Multi-Factor method as applicable. This process is illustrated in the following example: Assume a total cost center budget of \$1.5 million, of which \$0.5 million is directly assigned and the remaining \$1.0 million portion is allocated using a Causal/Beneficial method, with 36% going to SDG&E, 40% to SoCalGas, and 24% to Global.

<u>\$ - 000's</u>	<u>Total Budget</u>		<u>SDG&amp;E</u>		<u>SoCal Gas</u>		<u>Global/ Retained</u>
	\$ 1,500						
Direct Assignment:	\$ (500)		\$ 50		\$ 100		\$ 350
Remaining Amount to be Allocated:	\$ 1,000	x 36%	<u>\$ 360</u>	x 40%	<u>\$ 400</u>	x 24%	<u>\$ 240</u>
<b>Total of \$1,500 Charged to Business Units:</b>			<b><u>\$ 410</u></b>		<b><u>\$ 500</u></b>		<b><u>\$ 590</u></b>

Following is a more complete description of Corporate Center’s cost allocation methods.

### **1. Direct Assignment**

All costs that relate to a specific business unit are direct-assigned to that business unit. An example would be outside legal costs associated with a specific case. Non-labor costs can be specifically identified to a business unit directly by entering charges through the accounts payable system or through journal entries to the general ledger. Labor costs can be specifically identified upon entering employee work hours into Sempra Energy’s Timekeeping System (My

Time). Labor overheads, including payroll taxes and employee benefits, follow in proportion to the labor dollars charged to business units.

Some cost centers use customized timekeeping systems to track hours by project or cases in detail. For example, summaries of the Legal cost center's tracked hours by activity are also used as the basis for Causal/Beneficial rates, rather than use of the My Time system. The resulting allocations are nevertheless the same as if direct assignment had been used in My Time.

## **2. Causal/Beneficial Methods**

When costs cannot be directly assigned, they are allocated using a Causal/Beneficial (CB) method, which is based on drivers that would be comparable for all business units and that would indicate the level of benefit received by each. An example of drivers for Causal/Beneficial methods is the number of employees per business unit for Human Resources (HR)-related services. Such cost-related drivers, budget plans, or historical work studies are the basis for Causal/Beneficial methods developed to allocate costs. Some administrative cost centers use a weighted average of the various methods employed within their department. Causal/Beneficial methods are re-evaluated each year during the planning process, or whenever major organizational changes occur, to ensure their reasonableness for the costs being allocated.

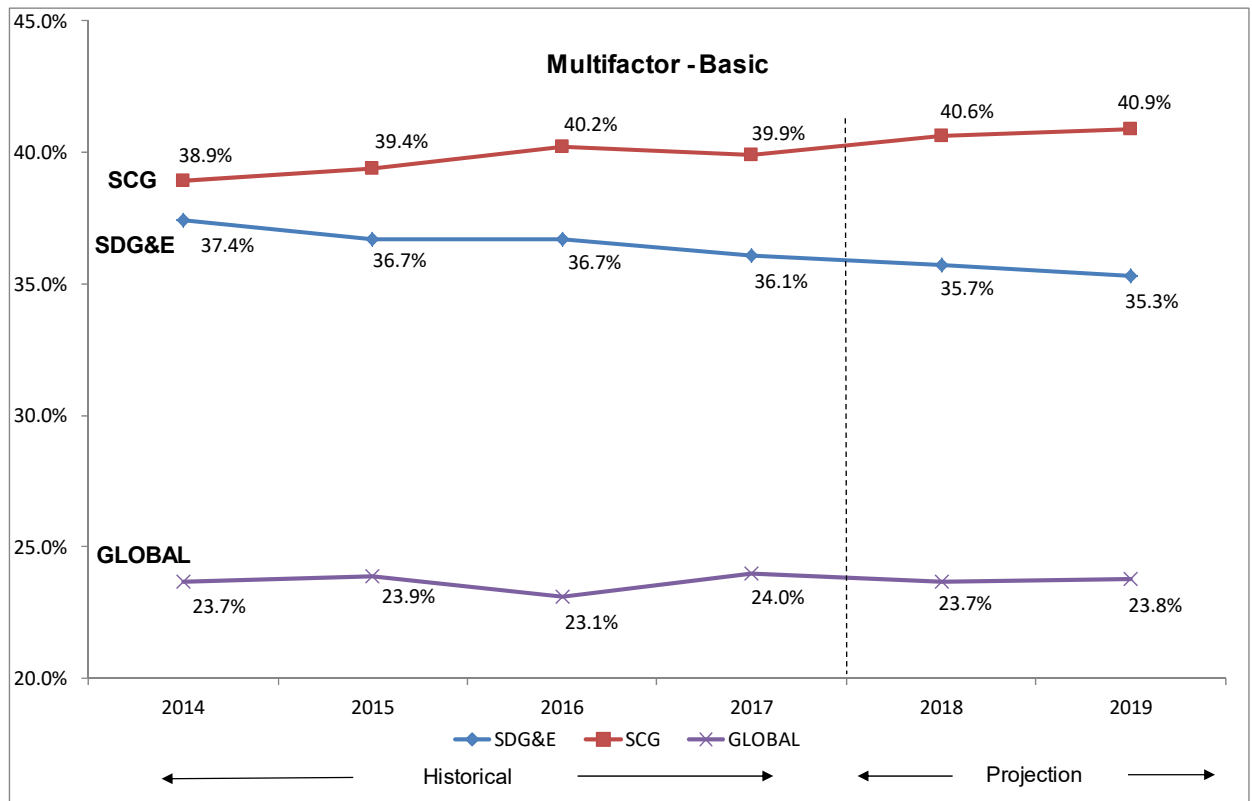
## **3. Multi-Factor Methods**

The four-factor allocation method, also referred to as "Multi-Factor," is used for functions that serve all business units but for which there is not a causal relationship, such as Investor Relations, or Financial Reporting. The Multi-Factor weighs four factors from all business units:

- a. Revenues;
- b. Operating Expenses;
- c. Gross Plant Assets and Investments; and
- d. Full-Time Employees or Equivalents.

This cost allocation methodology is consistent with previous CPUC decisions, such as the Merger Decision (D.98-03-073), the 2004 Cost of Service Decision (D.04-12-015), and prior GRC Decisions in 2008 (D.08-07-046), 2012 (D.13-05-010), and 2016 (D.16-06-054). These four factors are compiled at the beginning of each year, using prior years' data as the basis for the following year's actual allocations.

To arrive at the forecasted rates for 2018 and 2019, historical data from 2013-2016 were projected using a trend forecasting method.



	Historical				Projection	
	2014	2015	2016	2017	2018	2019
SDG&E	37.4%	36.7%	36.7%	36.1%	35.7%	35.3%
SCG	38.9%	39.4%	40.2%	39.9%	40.6%	40.9%
UTILITIES	76.3%	76.1%	76.9%	76.0%	76.3%	76.2%
GLOBAL	23.7%	23.9%	23.1%	24.0%	23.7%	23.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data from Audited Financials: 2013 2014 2015 2016

The chart above illustrates the trend results for the current GRC period. These trends show that the Utilities' overall share in TY 2019 is projected to be 76.2%, which is in line with their combined historical allocation percentage. The Base Year allocation shift can be noted throughout this testimony and in related workpapers for cost areas that use the Multi-Factor for allocation.

1           **C.     Forecasting Approach**

2           My TY 2019 forecasts for each Corporate Center division were developed through an  
3 examination of cost elements and drivers for each cost center. Budget planners worked with  
4 division vice presidents, directors, and managers and where possible, used a zero-based  
5 forecasting approach for costs such as salaries, contract fees, and actuarial calculations. This  
6 means the budget for such costs was not established based on prior year spending, but was built  
7 by examining individual job positions and cost elements and providing a supporting rationale for  
8 each item. A five-year trend was utilized for Outside Legal services forecasting because  
9 unknown future legal matters cannot be predicted and the overall demand for legal services has  
10 steadily increased. For all other supporting costs, forecasted estimates are based on the most  
11 recent year's activity. Thus, the division-level testimony in section III will contain a blend of  
12 forecasting methods.

13           The allocation method for each cost center was reviewed and updated to reflect services  
14 provided in these forecasts. In most cases, the forecast allocation method is the same method as  
15 used in historical actuals (and accepted in prior GRCs), although rates may vary by year. The  
16 TY 2019 cost forecasts were analyzed in terms of both rate and volume changes from 2016.

17           The division forecasts exclude labor overheads such as payroll tax and benefits, which  
18 are shown separately in the Pension & Benefits division (Section IV.F.). Corporate Center's  
19 costs were forecast by cost center and then allocated to SDG&E, SoCalGas, and  
20 Global/Retained. None of the costs allocated to Global or costs that are being retained at the  
21 Corporate Center are included in this application.

22           **D.     Escalation Approach**

23           Total labor and non-labor costs are presented in this testimony in 2016 dollars. Forecasts  
24 for labor and non-labor in 2019 are stated in both 2016 and 2019 escalated dollars. Exceptions to  
25 these guidelines are items that are considered "non-standard" or not subject to standard inflation,  
26 for example costs that have contractual rates of increase, such as multi-year service agreements.  
27 Other non-standard items are fixed expenses such as depreciation or amortization of financing  
28 costs. Still, there may be other areas for which costs will increase at a different rate than that of  
29 general inflation. Contractual and other-than-standard inflation areas are itemized as drivers  
30 within the testimony and workpapers, and all non-standard items are excluded from further  
31 escalation.

1 Because of the variety of standard and non-standard costs, and the blending of labor and  
2 non-labor standard expenses allocated to SDG&E and SoCalGas, the approach taken in this  
3 filing is for the Corporate Center to escalate forecasted costs for the Utilities. SDG&E and  
4 SoCalGas incorporate their respective allocated costs as “non-standard” so they are not escalated  
5 a second time.

6 The escalation factors used by the Corporate Center for TY 2019 from the 2016 Base  
7 Year are 1.0534 for non-labor and 1.0849 for labor. The factors are composed of indices used by  
8 SDG&E, as discussed in the Direct Testimonies on escalation of Scott R. Wilder (Ex. SDG&E-  
9 39 and SCG-40). SDG&E indices were selected as the basis for Corporate Center, since both  
10 entities are primarily located in the San Diego market. For non-labor, a simple average of  
11 electric and gas indices for Administrative & General (except for FERC account 926, Employee  
12 pensions and benefits) was used. For labor, a simple average of indices for Managers &  
13 Administrators and Professional & Technical was used, as these most closely correspond to the  
14 employee population at Corporate Center.

#### 15 **IV. SHARED COSTS**

16 The Corporate Center is made up of the divisions listed below. The divisions are  
17 arranged in the testimony with the reference/section letters shown below.

18 Finance	A
19 Legal, Compliance, and Governance	B
20 Human Resources and Administration	C
21 Corporate Strategy and External Affairs	D
22 Facilities/Assets (including Depreciation)	E
23 Pension & Benefits	F

24 I am sponsoring the cost forecasts herein on a total incurred basis, as well as the shared  
25 services allocation percentages related to those costs. Those percentages are presented, along  
26 with a description explaining the activities being allocated.

27 Within the division sections, each table presents the related division’s total costs, broken  
28 down first to departments within the division, and then to the lowest organizational level,  
29 referred to as “cost centers.” For each cost center, 2016 adjusted-recorded costs are presented,  
30 with the TY 2019 forecast and incremental change from base year (BY) 2016. Of these total  
31 amounts, the portion applicable only to SDG&E and SoCalGas (combined) is shown in the

columns to the right. The lower half of each table, for each department, shows the amounts allocated to each of SDG&E and SoCalGas, with all remaining costs, not requested, summarized as Global/Retained.

Please refer to applicable workpapers for detailed calculations and explanations of changes. Workpapers are referenced by the index codes shown next to each division, department, and cost center name within the testimony and tables.

#### A. Finance

The Finance division is responsible for maintaining the financial integrity of the Sempra Energy companies, including raising and managing capital. The role of each department within the Finance division is discussed in this section, with major functions highlighted in the table below.

**TABLE MLD-4A**  
**Finance Summary of Costs**

(2016 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>						
A-1 CFO	1,205	(236)	970	506	101	607
A-2 Accounting Services	35,961	(26,781)	9,180	10,388	(4,858)	5,530
A-3 Tax Services	12,262	(659)	11,603	6,491	259	6,750
A-4 Treasury	29,561	(5,007)	24,554	7,432	305	7,737
A-5 Investor Relations	2,218	(4)	2,214	1,668	23	1,691
A-6 Internal Audit and Risk Management	8,497	1,125	9,622	4,970	487	5,457
A-7 Financial Leadership Program	1,208	206	1,414	706	93	799
Total	<u>\$90,913</u>	<u>(\$31,356)</u>	<u>\$59,556</u>	<u>\$32,161</u>	<u>(\$3,590)</u>	<u>\$28,571</u>
<b>Allocations</b>						Escalated 2019
SDG&E	16,171	(2,206)	13,965			14,840
So Cal Gas	15,989	(1,384)	14,605			15,478
Total Utility	<u>32,161</u>	<u>(3,590)</u>	<u>28,571</u>			<u>\$30,317</u>
Global / Retained	<u>58,752</u>	<u>(27,766)</u>	<u>30,986</u>			
Total	<u>\$90,913</u>	<u>(\$31,356)</u>	<u>\$59,556</u>			

The Finance division costs allocated to SDG&E and SoCalGas are projected to decrease by \$3.6 million from BY 2016 to TY 2019. The primary drivers are:

\$ (3.0) Fueling Our Future staffing savings  
 (2.9) Fueling Our Future contracting/procurement savings  
 (0.5) Lower external audit fees  
 1.8 Higher consulting & contract labor  
 0.8 Higher training, travel, and recruiting  
 0.2 Other - primarily IT systems expense and staffing  
\$ (3.6)

# **1. Chief Financial Officer (“CFO”) (A-1)**

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year	2016-2019	Forecast	Base Year	2016-2019	Forecast
Services Provided		2016	Incr/(Decr)	2019	2016	Incr/(Decr)	2019
A-1.1	1100-0039-EXECUTIVE VP & CFO	1,205	(236)	970	506	101	607
	Total	<u>\$1,205</u>	<u>(\$236)</u>	<u>\$970</u>	<u>\$506</u>	<u>\$101</u>	<u>\$607</u>
Allocations							Escalated 2019
	SDG&E	252	48	301			323
	So Cal Gas	253	52	306			329
	Total Utility	506	101	607			<u>\$653</u>
	Global / Retained	700	(337)	363			
	Total	<u>\$1,205</u>	<u>(\$236)</u>	<u>\$970</u>			

The CFO is responsible for the development of Sempra Energy’s short- and long-term financial goals as well as operating and capital budgets. Distinct from the CFOs at its subsidiaries, the Sempra Energy CFO oversees the functions of the Corporate Controller, Treasury, Tax Services, Investor Relations, Internal Audit Services and Risk Management, Corporate Development/Mergers & Acquisitions, and the Financial Leadership Program. The CFO maintains relationships with members of the financial community, such as investment bankers, credit analysts and long-term lenders. In addition, the CFO oversees preparation of all external financial reports and analyses and is responsible for certifying them under SEC requirements. The CFO also provides management and the Board of Directors with reports that evaluate performance against operating objectives, actively participates with other members of senior management to develop long-term business strategy, and provides leadership and strategic direction to all business units.

## Allocation of Costs

Because of the diversity of allocation methods used by the various functions working under the CFO, a weighted average of the allocation methodologies used by each department reporting to the CFO was developed. This allocation method is referred to as “EVP - CFO.”

		Allocation Rates	
		2016	2019
<b>EVP - CFO</b>	SDG&E	28%	31%
	SoCalGas	29%	32%
	Global / Retained	43%	37%
		100%	100%

## 2. Accounting Services (A-2)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
A-2.1	1100-0338- SVP & CONTROLLER	604	4	608	365	(23)	342
A-2.2	1100-0054-ASSISTANT CONTROLLER	325	(11)	313	340	(102)	239
A-2.3	1100-0347-ACCOUNTING RESEARCH & POLICIES	1,028	(153)	875	786	(119)	667
A-2.4	1100-0051-CORPORATE & GLOBAL ACCOUNTING	1,327	748	2,076	662	381	1,043
A-2.5	1100-0047-FINANCIAL REPORTING	2,016	75	2,092	1,541	54	1,595
A-2.6	1100-0299-CORPORATE PLANNING	1,395	(1,103)	293	705	(559)	146
A-2.7	1100-0053-STRATEGIC PLANNING	936	640	1,576	468	320	788
A-2.8	1100-0219-AUDIT FEES	7,139	(89)	7,050	5,520	(144)	5,376
A-2.9	1100-0326-CORPORATE BUDGETS & REPORTING	-	(5,702)	(5,702)	-	(4,666)	(4,666)
A-2.10	1100-0019-EHS PROJECT	21,191	(21,191)	-	-	-	-
Total		\$35,961	(\$26,781)	\$9,180	\$10,388	(\$4,858)	\$5,530
Allocations					Escalated 2019		
SDG&E		4,845	(2,326)	2,519	2,683		
So Cal Gas		5,543	(2,532)	3,011	3,210		
Total Utility		10,388	(4,858)	5,530	\$5,893		
Global / Retained		25,573	(21,923)	3,650			
Total		\$35,961	(\$26,781)	\$9,180			

Accounting Services includes the Sempra Energy Controller, Assistant Controller, Accounting Research and Policies, Strategic Planning, Corporate and Global Accounting, and Financial Reporting. These functions are centralized at the Corporate Center for efficiencies in volume, system support, management oversight, standardization, and compliance.

- The Controller has overall responsibility for maintaining the financial reporting and internal controls of Sempra Energy companies with support from the Assistant Controller.



- 1       • Accounting Research and Policies analyzes accounting, financial reporting, and  
2       regulatory issues as needed to comply with Accounting Principles Generally  
3       Accepted in the United States of America (GAAP) and SEC rules and regulations.
- 4       • Strategic Planning facilitates the short- and long-term strategic planning and  
5       performance measurement process for Sempra Energy. While SDG&E and  
6       SoCalGas both have operational planning and budgeting functions, Corporate Center  
7       sets policy and provides long-range planning services that are essential to all business  
8       units in attracting and allocating capital. This cost center also tracks and reports on  
9       Corporate Center, business unit, and Sempra Energy consolidated performance versus  
10      budgets. In addition, this group is responsible for shared service allocations to all  
11      business units and supports SDG&E's and SoCalGas' GRCs and other regulatory  
12      filings by developing Corporate Center testimony and workpapers and responding to  
13      data requests.
- 14      • Corporate & Global Accounting maintains asset, cost and financial accounting  
15      functions for the parent and Global companies. It also provides systems support  
16      across all business units for Sempra Energy's corporate financial systems. This  
17      includes training and support for the consolidation system, Hyperion Financial  
18      Management (HFM), planning systems (Hyperion Strategic Finance and Clarity) as  
19      well as various reporting tools.
- 20      • Financial Reporting consolidates and prepares internal financial analyses and  
21      prepares external reports filed with the SEC. External reporting for regulatory  
22      agencies (i.e., CPUC, FERC) is primarily handled by SDG&E and SoCalGas.
- 23      • Sempra Energy's audit fees paid to our external auditors are also included in this  
24      department.
- 25      • Corporate Budgets and Reporting comprises FOF savings. The portion of FOF labor  
26      cost reductions related to the Finance division is included in this cost center; the  
27      remaining labor FOF reductions are included in the applicable cost centers throughout  
28      the Corporate Center. FOF contracting/procurement efficiencies savings are also  
29      included in this cost center.
- 30      • The EHS cost center contains the FOF implementation and consulting costs. These  
31      costs are 100% retained at the Corporate Center.

## Allocation of Costs

Accounting Services are primarily enterprise-wide functions that benefit SDG&E, SoCalGas, and all other business units, and all non-direct costs for these functions are allocated using the “Multi-Factor Basic” method.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<u>100%</u>	<u>100%</u>

Exceptions are Strategic Planning and Corporate & Global Accounting. Because of additional reliance by Global affiliates on these groups, it is more equitable to use the “Multi-Factor Split” method, a variation which equally divides the overall allocation between Global and the Utilities.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Split</b>	SDG&E	24%	23%
	SoCalGas	26%	27%
	Global / Retained	50%	50%
		<u>100%</u>	<u>100%</u>

Because of the diversity of allocation methods used by the various functions reporting to the Controller, a weighted average of the allocation methodologies used by each department was developed for purposes of allocating the Controller’s costs. This allocation method is referred to as “SVP - Controller.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>SVP - Controller</b>	SDG&E	30%	29%
	SoCalGas	33%	33%
	Global / Retained	37%	38%
		<u>100%</u>	<u>100%</u>

### 3. Tax Services (A-3)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	
A-3.1 1100-0046-VP OF CORPORATE TAX	-	329	329	-	188	188	
A-3.2 1100-0373-CORPORATE TAX SERVICES	11,884	(610)	11,274	6,293	269	6,562	
A-3.3 1100-0014-TAX ACCOUNTS	378	(378)	-	198	(198)	-	
Total	<u>\$12,262</u>	<u>(\$659)</u>	<u>\$11,603</u>	<u>\$6,491</u>	<u>\$259</u>	<u>\$6,750</u>	
Allocations							Escalated 2019
SDG&E	3,298	41	3,339				3,580
So Cal Gas	3,193	218	3,411				3,655
Total Utility	<u>6,491</u>	<u>259</u>	<u>6,750</u>				<u>\$7,235</u>
Global / Retained	5,771	(918)	4,853				
Total	<u>\$12,262</u>	<u>(\$659)</u>	<u>\$11,603</u>				

The Tax Department is responsible for federal, state, local, and international tax compliance and planning, tax accounting, regulatory tax research and compliance, and establishing tax policy governance for Sempra Energy and its business units.

- Federal, state, and local tax compliance and planning includes research and preparation of all income tax filings, research and preparation of filings for state-assessed property taxes, franchise fees, utility user tax, sales taxes, and handling of any other local taxes and fees. This group also handles federal, state, local, and international audits of tax issues by taxing authorities and regulatory bodies.
- Regulatory compliance responsibilities comprise research and reporting of ratemaking tax impacts of proposed transactions; preparation of ratemaking taxes reported to federal, state, local, and foreign regulatory bodies; and, where necessary, assisting in litigating tax positions. The Tax Department evaluates and quantifies the impacts of tax legislation and regulatory decisions and proposals. The group is also responsible for preparing quarterly tax sections of the FERC form regulatory filings and interfacing with internal and external auditors on tax accounting issues.
- Tax accounting is responsible for the reconciliation and integrity of all tax accounts, tax accounting research for the accounting for income taxes under GAAP, management reporting of tax issues, balance sheet, income statement, and cash flow account analytics, and income tax related disclosures in our SEC filings.

## Allocation of Costs

The Tax Department's costs, including the VP of Tax, are allocated using an average based on an annual time estimate from every staff member. This causal-beneficial allocation method is referred to as "CB – Tax."

		Allocation Rates	
		2016	2019
CB - Tax	SDG&E	26%	29%
	SoCalGas	26%	29%
	Global / Retained	48%	42%
		100%	100%

## 4. Treasury (A-4)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
A-4.1	1100-0112-VP & TREASURER	536	27	563	220	91	311
A-4.2	1100-0119-FINANCE	893	2	894	357	90	447
A-4.3	1100-0113-CASH MANAGEMENT	1,006	19	1,025	770	12	781
A-4.4	1100-0120-PENSIONS & TRUSTS	646	(169)	477	559	(101)	458
A-4.5	1100-0052-PROJECT FINANCE	623	16	639	-	-	-
A-4.6	1100-0016-MAJOR PROJECTS CONTROLS & ANALYSIS	120	(120)	-	1	(1)	-
A-4.7	1100-0017-BUSINESS PLANNING AND CONTROLS	946	138	1,083	823	135	958
A-4.8	1100-0018-BUSINESS PLANNING AND PROJECT CONTROLS	843	(140)	704	695	(74)	621
A-4.9	1100-0187-STRATEGIC PROJECTS	706	(706)	-	-	-	-
A-4.10	1100-0224-CORPORATE CASH MANAGEMENT FEES	1,353	79	1,432	1,096	157	1,253
A-4.11	1100-0225-CORPORATE TRUSTEE & RATING AGENCY FEES	18,799	(2,012)	16,787	2,911	(4)	2,908
A-4.12	1100-0162-INTERNATIONAL-SOUTH AMERICA	604	(604)	-	-	-	-
A-4.13	1100-0059-SVP CORPORATE DEVELOPMENT	1,643	(1,643)	-	-	-	-
A-4.14	1100-0392-CORPORATE DEVELOPMENT/M&A	844	106	950	-	-	-
Total		\$29,561	(\$5,007)	\$24,554	\$7,432	\$305	\$7,737
Allocations							Escalated 2019
SDG&E		3,823	17	3,841			4,001
So Cal Gas		3,609	288	3,897			4,020
Total Utility		7,432	305	7,737			\$8,021
Global / Retained		22,130	(5,313)	16,817			
Total		\$29,561	(\$5,007)	\$24,554			

Corporate Treasury is responsible for Corporate Finance, Cash Management, Pensions & Investments, Project Finance, the Business Planning and Project Controls function, and Corporate Development/Mergers and Acquisitions.

- Corporate Finance and Cash Management collectively manage the liquidity needs and overall capital structure of the Sempra Energy companies, which includes maintaining adequate liquidity through committed bank lines and cash-on-hand, issuance of short-term debt via commercial paper programs, and the issuance and redemption of long-term debt and equity. These groups oversee day-to-day banking

1 and investment activities and maintain relationships with commercial and investment  
2 banks and credit rating agencies. These functions are centralized at the Corporate  
3 Center for efficiencies in volume, management oversight, standardization, and  
4 compliance. Credit and banking fees are a significant cost, necessary for backstop  
5 liquidity, short-term financing, and the high volume of banking transactions involved  
6 in utility revenue operations. Most lines of credit are arranged for and directly  
7 assigned to the business unit they benefit. Trustee fees and rating agency fees are  
8 necessary costs in the marketing of new long-term financings, and include fees for  
9 Standard & Poor's, Moody's, and Fitch Rating Services as well as other holding and  
10 remarketing expenses. Interest expense on debt for business units is not included in  
11 these O&M charges.

- 12 • The Pensions and Investments group is responsible for managing Sempra Energy's  
13 long-term asset portfolios including qualified and non-qualified retirement plan assets  
14 and nuclear decommissioning trust funds.
- 15 • Project Finance prepares analysis and structuring proposals as relevant, for long-term  
16 non-recourse financing of specific projects such as renewable energy projects and  
17 other infrastructure such as pipelines, liquefied natural gas facilities and power plants.  
18 These costs are retained at the Corporate Center and/or allocated to Global entities  
19 with no allocations to the Utilities.
- 20 • Business Planning and Controls and Business Planning and Project Controls support  
21 the implementation of standardized processes and reporting capabilities across the  
22 Sempra Energy business units. As a supporting function, the group provides project  
23 control assistance, particularly in cost, schedule, and risk management for major  
24 capital projects (generally, projects that are \$100 million or greater). Additionally,  
25 the group provides project management training, as well as project financial and  
26 reporting tools development.
- 27 • The Corporate Development/Mergers and Acquisitions handles merger and  
28 acquisition analysis services, primarily for the Global business units. None of the  
29 costs associated with this group are allocated to the Utilities.

## Allocation of Costs

Fees for short- and long-term financing, bank line of credit, and trustee and rating agencies are all assigned directly to the business units for which they are contracted. Fees associated with Sempra Energy financings are retained and not allocated to business units.

The Corporate Finance cost center estimates percentages of effort for the business units based on overall activity level and projects requiring financing or advisory work, resulting in allocating costs using a method called “CB – Treasury.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Treasury</b>	SDG&E	20%	25%
	SoCalGas	20%	25%
	Global / Retained	60%	50%
		<u>100%</u>	<u>100%</u>

Cash Management services are allocated using the “Multi-Factor Basic” method, as the cost center supports operational functions at all business units. Daily cash management services support various functions including payroll, accounts payable, gas purchases, and wire transfers.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<u>100%</u>	<u>100%</u>

The Pension and Investments group uses a causal-beneficial allocation method based on the present value of each utility’s pension funds, referred to as “CB – Pension.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Pension</b>	SDG&E	43%	42%
	SoCalGas	53%	54%
	Global / Retained	4%	4%
		<u>100%</u>	<u>100%</u>

Business Planning and Controls and Business Planning and Project Controls use a causal-beneficial allocation method based on the estimated percentage of direct labor hours spent working on projects to be financed for each business unit, referred to as “CB – Projects.”

		<b>Allocation Rates</b>	
		2016	2019
<b>CB - Projects</b>	SDG&E	57%	60%
	SoCalGas	26%	29%
	Global / Retained	17%	11%
		100%	100%

As with other officer positions that oversee a variety of functions, a weighted average of the allocation methodologies used by each cost center reporting to the Treasurer was developed. This allocation is referred to as “VP -Treasurer.”

		<b>Allocation Rates</b>	
		2016	2019
<b>VP - Treasurer</b>	SDG&E	32%	32%
	SoCalGas	22%	24%
	Global / Retained	46%	44%
		100%	100%

## 5. Investor Relations (A-5)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>							
A-5.1 1100-0375-VP INVESTOR RELATIONS		565	17	581	406	38	443
A-5.2 1100-0042-INVESTOR RELATIONS		1,653	(21)	1,632	1,262	(15)	1,248
Total		<u>\$2,218</u>	<u>(\$4)</u>	<u>\$2,214</u>	<u>\$1,668</u>	<u>\$23</u>	<u>\$1,691</u>
<b>Allocations</b>							Escalated 2019
SDG&E		795	(18)	778			822
So Cal Gas		873	41	913			964
Total Utility		<u>1,668</u>	<u>23</u>	<u>1,691</u>			<u>\$1,786</u>
Global / Retained		550	(27)	523			
Total		<u>\$2,218</u>	<u>(\$4)</u>	<u>\$2,214</u>			

The Investor Relations department’s primary objective is to facilitate the flow of information and dialogue with investors to ensure they have the tools to evaluate fundamental value. This in turn helps Sempra Energy raise equity capital when needed at the lowest possible cost for the Utilities and Global business units. The department maintains regular

communication with securities analysts, shareholders, and the financial community through a variety of means, such as conferences, meetings, and internet updates. This department is also responsible for communicating Sempra Energy's financial goals and results and relaying financial market information to Corporate Center and business unit senior management. In addition, the department is responsible for maintaining the outside stock transfer agent relationships and responding to shareholder inquiries.

#### Allocation of Costs

Costs are allocated using "Multi-Factor Basic," as the activities of Investor Relations benefits all business units.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<b>100%</b>	<b>100%</b>

### **6. Internal Audit Services and Risk Management (A-6)**

<i>(2016 \$ - 000's)</i>						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
A-6.1 1100-0349-VP AUDIT SERVICES & RISK MANAGEMENT	420	38	459	355	(81)	275
A-6.2 1100-0041-AUDIT SERVICES	4,429	727	5,156	3,680	536	4,216
A-6.3 1100-0453-AUDIT - LATIN AMERICA	1,480	142	1,622	10	(10)	-
A-6.4 1100-0390-SOX COMPLIANCE	616	308	924	257	35	292
A-6.5 1100-0114-INSURANCE & RISK ADVISORY	799	(2)	797	593	15	607
A-6.6 1100-0121-RISK MANAGEMENT	753	(89)	664	75	(9)	66
<b>Total</b>	<b>\$8,497</b>	<b>\$1,125</b>	<b>\$9,622</b>	<b>\$4,970</b>	<b>\$487</b>	<b>\$5,457</b>
<b>Allocations</b>						<b>Escalated 2019</b>
SDG&E	2,662	15	2,677			2,877
So Cal Gas	2,308	472	2,780			2,988
<b>Total Utility</b>	<b>4,970</b>	<b>487</b>	<b>5,457</b>			<b>\$5,865</b>
<b>Global / Retained Total</b>	<b>3,527</b>	<b>638</b>	<b>4,165</b>			
	<b>\$8,497</b>	<b>\$1,125</b>	<b>\$9,622</b>			

The Internal Audit Services and Risk Management department is centralized at Corporate Center for all business units. This department is responsible for internal audits, Sarbanes-Oxley Act (SOX) compliance, risk management, and insurance and risk advisory.

- **Audit Services:** The types of engagements conducted include general controls reviews in operational, financial, and information systems areas, as well as conducting testing on behalf of management for SOX compliance. The group is



1 charged with performing independent evaluations of risk and business controls as  
2 well as identifying solutions to business control issues. It issues reports on the  
3 effectiveness and efficiency of operations, economical and efficient use of resources,  
4 security of assets, reliability and integrity of financial information, and compliance  
5 with applicable policies, plans, procedures, laws, and regulations. The Audit Services  
6 department also performs environmental, health, and safety audits to evaluate controls  
7 and compliance with internal policies and procedures and regulatory requirements.

- 8 • The SOX Compliance function coordinates SOX activities for Corporate Center and  
9 Global, and facilitates communication among compliance departments at all business  
10 units with Audit Services, senior management, and external auditors.
- 11 • Risk Management manages Energy Risk and Credit Risk for Sempra Energy's non-  
12 regulated subsidiaries and performs Dodd-Frank aggregation and compliance work  
13 for all business units. The group also facilitates the identification, assessment, and  
14 monitoring of aggregated risk impacts.
- 15 • Insurance and Risk Advisory directs the corporate insurance program, including the  
16 property/casualty self-insurance program, and risk control activities for  
17 property/casualty for the Sempra Energy companies. Activities in purchasing and  
18 managing the corporate-wide insurance program involve bond procurement, contract  
19 review, and risk assessments for the Sempra Energy companies. For a description  
20 and forecast of direct costs of Property and Liability insurance, see Neil Cayabyab's  
21 testimony (Ex. SDG&E-27/SCG-29).

## 22 Allocation of Costs

23 Allocation of costs for the VP of Audit Services and Risk Management is based on the  
24 weighted average of the annual labor budget for departments that report to the VP. The hours  
25 attributed to Corporate Center audits are re-allocated using the Multi-Factor Basic method to  
26 result in a blended percentage for each business unit. This allocation method is referred to as  
27 "VP-Risk."

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>VP - Risk</b>	SDG&E	31%	31%
	SoCalGas	26%	29%
	Global / Retained	43%	40%
		<u>100%</u>	<u>100%</u>

Allocation of costs for the Audit Services group is based on the annual Audit Plan, but excludes hours for Mexico and South America entities (Latin America). This allocation method is referred to as “Audit Plan US.” Costs associated with Latin America are not allocated to the Utilities.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Audit Plan US</b>	SDG&E	42%	40%
	SoCalGas	39%	42%
	Global / Retained	19%	18%
		<u>100%</u>	<u>100%</u>

The allocation of costs for SOX Compliance is based on an annual time study of the weighted average of the workload of each employee within the group. Corporate Center hours are reallocated using Multi-Factor Basic, resulting in a blended percentage. This causal-beneficial allocation method is referred to as “CB – SOX.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - SOX</b>	SDG&E	14%	16%
	SoCalGas	15%	16%
	Global / Retained	71%	68%
		<u>100%</u>	<u>100%</u>

Risk Management estimates the percentage of effort for the business units based on significant projects, a method called “CB – Risk.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Risk</b>	SDG&E	5%	5%
	SoCalGas	5%	5%
	Global / Retained	90%	90%
		<u>100%</u>	<u>100%</u>

Insurance and Risk Advisory services are allocated using the “Multi-Factor Basic” method, as they support operational functions across all business units.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		100%	100%

## 7. Financial Leadership Program (A-7)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
A-7.1	1100-0340-ACCOUNTING & FINANCE ROTATION	1,208	206	1,414	706	93	799
	Total	<u>\$1,208</u>	<u>\$206</u>	<u>\$1,414</u>	<u>\$706</u>	<u>\$93</u>	<u>\$799</u>
Allocations							Escalated 2019
	SDG&E	495	16	511			554
	So Cal Gas	211	77	287			311
	Total Utility	<u>706</u>	<u>93</u>	<u>799</u>			<u>\$865</u>
	Global / Retained	502	114	616			
	Total	<u>\$1,208</u>	<u>\$206</u>	<u>\$1,414</u>			

The Financial Leadership Program (FLP) is an important way in which Sempra Energy attracts and develops talented accounting and finance staff. Using a multi-year rotation plan, new recruits are given exposure to the areas of audit, tax, accounting, and finance before having the opportunity to apply for available positions at the end of their three-year rotations.

### Allocation of Costs

FLP allocations are based on a weighted average of the employees in the Program based on the business units they support. Corporate Center assignments are reallocated using Multi-Factor Basic, resulting in a blended percentage.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>FLP</b>	SDG&E	41%	36%
	SoCalGas	17%	20%
	Global / Retained	42%	44%
		100%	100%

**B. Legal, Compliance, and Governance**

This division includes the office of the Executive Vice President and General Counsel, the Corporate Center Law Department (CCLD), and Governance, including Compliance, Corporate Secretary, Board of Directors, and the Sempra Energy Executives. The division provides legal, compliance, and governance services to all Sempra Energy companies and coordinates the retention and oversight of outside law firms, including the negotiation of outside legal fee arrangements.

**TABLE MLD-4B**

**Legal, Compliance, and Governance Summary of Costs**

<i>(2016 \$ - 000's)</i> Services Provided	Corporate Center			Utility Allocations		
	Base Year	2016-2019	Forecast	Base Year	2016-2019	Forecast
	2016	Incr/(Decr)	2019	2016	Incr/(Decr)	2019
B-1 Legal Services	40,929	10,299	51,228	21,149	(2,985)	18,163
B-2 Compliance and Governance	5,806	1,230	7,036	4,014	1,351	5,365
B-3 Executive	4,194	(115)	4,079	-	-	-
Total	<u>\$50,929</u>	<u>\$11,414</u>	<u>\$62,344</u>	<u>\$25,162</u>	<u>(\$1,634)</u>	<u>\$23,528</u>
Allocations						Escalated 2019
SDG&E	14,842	(3,928)	10,914			11,282
So Cal Gas	10,321	2,294	12,614			13,072
Total Utility	<u>25,162</u>	<u>(1,634)</u>	<u>23,528</u>			<u>\$24,354</u>
Global / Retained	25,767	13,049	38,816			
Total	<u>\$50,929</u>	<u>\$11,414</u>	<u>\$62,344</u>			

Legal, Compliance, and Governance costs assigned to SDG&E and SoCalGas overall are forecasted to decrease by \$1.1 million from BY 2016 to TY 2019. This decrease is primarily due to overall lower outside legal fees and services, taking into account the realized trend for the last five years and excluding outside legal fees for matters for SoCalGas (Aliso Canyon, Sesnon, and Pengzuan Diao) and SDG&E (SONGS, Sunrise, Wildfires, and Rim Rock) not requested in this GRC application.

However, shareholder activism continues to increase, resulting in higher costs for services related to the Sempra Energy Board of Directors, which partially offsets the lower outside legal costs.

\$ - millions

\$ (1.8) Non-recurring legal fees & services

(0.7) Outside Legal

0.6 Board of Director fees & services

0.3 Other - primarily consulting fees

\$ (1.6)

## 1. Legal Services (B-1)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
B-1.1 1100-0141-EXECUTIVE VP & GENERAL COUNSEL		837	(15)	822	495	116	611
B-1.2 1100-0144-LEGAL		7,720	(406)	7,314	5,239	(3)	5,236
B-1.3 1100-0145-OUTSIDE LEGAL		32,305	10,787	43,092	15,414	(3,098)	12,316
B-1.4 1100-0146-GAS INFRASTRUCTURE SPECIAL COUNSEL		67	(67)	-	-	-	-
Total		<u>\$40,929</u>	<u>\$10,299</u>	<u>\$51,228</u>	<u>\$21,149</u>	<u>(\$2,985)</u>	<u>\$18,163</u>
Allocations							Escalated 2019
SDG&E		12,909	(4,480)	8,429			8,646
So Cal Gas		8,240	1,494	9,734			10,017
Total Utility		<u>21,149</u>	<u>(2,985)</u>	<u>18,163</u>			<u>\$18,663</u>
Global / Retained		19,781	13,285	33,065			
Total		<u>\$40,929</u>	<u>\$10,299</u>	<u>\$51,228</u>			

The General Counsel is responsible for Sempra Energy's legal affairs and compliance oversight. The General Counsel oversees a broad range of legal issues that impact SDG&E, SoCalGas, and the other Sempra Energy business units. The General Counsel also oversees the work of all Sempra Energy lawyers, the hiring and retention of outside counsel, and provides legal advice to Sempra Energy management and the Sempra Energy Board of Directors. The General Counsel also serves on the Boards of Directors of SDG&E, SoCalGas, and certain other Sempra Energy business units as permitted.

### Allocation of Costs

Costs for the Executive VP and General Counsel are allocated using a weighted average of the diverse allocation methodologies used by each department within the Legal, Compliance, and Governance division. This allocation average is referred to as "EVP - Legal."

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>EVP - Legal</b>	SDG&E	34%	35%
	SoCalGas	37%	38%
	Global / Retained	29%	27%
		<u>100%</u>	<u>100%</u>

As described in more detail below, CCLD lawyers offer services in the areas of litigation, labor and employment law, environmental law, commercial law, and corporate law, including real estate, mergers and acquisitions, financing, and securities matters. The CCLD offers legal expertise in areas of the law not covered by lawyers operating within the individual business unit law departments, thus avoiding the need to pay for outside counsel to handle such matters or hire more lawyers for each business unit. Additionally, CCLD lawyers are available to provide peak legal capacity when the business unit lawyers are unable to take on new matters. This avoids the need to hire additional business unit lawyers or outside counsel when the volume of legal work peaks, which it often does during various times throughout any given year. CCLD also coordinates the retention and oversight of outside law firms for all the business units. From this coordinating position, CCLD is best able to leverage cost-effective outside legal fee arrangements that the business units by themselves would not be able to arrange.

CCLD lawyers are available to provide legal advice and support to Sempra Energy business units, including SDG&E and SoCalGas, and represent them in specific, unique legal matters. CCLD is responsible for the delivery, quality, and cost of the legal services it provides to the Sempra Energy business units. As described below, CCLD comprises lawyers and support staff providing cost-effective legal support in the areas of Litigation, Labor and Employment, Environmental, and Commercial and Corporate.

***a. Litigation, Labor and Employment***

CCLD litigation lawyers represent SDG&E, SoCalGas, and other Sempra Energy business units in litigation matters arising primarily from disputes in the areas of commercial law and tort law. CCLD litigation lawyers are available to provide advice to assist SDG&E, SoCalGas, and other Sempra Energy business units in avoiding or minimizing disputes. CCLD litigation lawyers also advise SDG&E, SoCalGas, and other Sempra Energy business units in the area of corporate compliance.

1 CCLD labor and employment lawyers provide legal advice and counsel to SDG&E,  
2 SoCalGas, and other Sempra Energy business units in human resource-related matters, including  
3 employee relations, compensation and benefits, discrimination, employee conduct and ethics,  
4 and compliance with the myriad state and federal laws and regulations applicable to employers.  
5 CCLD labor and employment lawyers also support confidential investigations and responses to  
6 human relations issues raised on employee calls to the Ethics and Compliance Help Line;  
7 represent SDG&E and SoCalGas in relations with unions on matters arising under collective  
8 bargaining agreements; and represent all Sempra Energy business units, including SDG&E and  
9 SoCalGas, in employment-related litigation in state and federal courts, as well as in proceedings  
10 before state and federal labor agencies such as Cal-OSHA, the Equal Employment Opportunity  
11 Commission, the Office of Federal Contract Compliance, and the National Labor Relations  
12 Board.

13 ***b. Environmental***

14 An environmental lawyer within CCLD is available to provide advice and counsel on  
15 various matters that may impact SDG&E, SoCalGas, and other Sempra Energy business units.

16 CCLD's environmental lawyer is available to provide services to SDG&E and SoCalGas  
17 in the areas of air quality, water quality, waste management, site assessment and mitigation,  
18 endangered species protection, and project review under the National Environmental Policy Act  
19 and the California Environmental Quality Act.

20 ***c. Commercial and Corporate***

21 Commercial lawyers within CCLD are available to provide advice and counsel to the  
22 Sempra Energy business units, including SDG&E and SoCalGas, on various commercial matters.  
23 This includes drafting agreements and contracts, periodically reviewing commercial practices  
24 and standard form agreements, and representing the Sempra Energy business units, including  
25 SDG&E and SoCalGas, in commercial negotiations and transactions in the areas of advertising  
26 and communications, real estate, utility operations, energy efficiency, franchises, gas and  
27 electricity supply, general services, intellectual property, technology, licenses, marketing,  
28 materials management, joint ventures, Natural Gas Vehicle development, energy law, research,  
29 design, and development, rights of way, transmission, underground gas storage, political law,  
30 and transactions with women, minority, and disabled veterans business enterprises. Preventive  
31 counseling is also provided in the areas of antitrust, legal compliance, and political law.

1 The CCLD corporate lawyers are available to provide advice and counsel on certain  
2 corporate and finance matters, including infrastructure development, mergers and acquisitions,  
3 project finance, securities issuances, corporate governance, investor relations, and public  
4 disclosures, including SEC matters and other finance-related matters of significance to SDG&E,  
5 SoCalGas, and the other Semptra Energy business units.

6 As discussed above, when neither the business unit law department nor CCLD can  
7 provide necessary legal services, outside counsel is retained. Typically, this involves matters  
8 that require a level of resources or an area of expertise not available within CCLD or the  
9 business unit law departments. In selecting outside counsel, CCLD seeks to achieve quality and  
10 cost-effectiveness and to increase its use of women- and minority-owned law firms. The  
11 retention and oversight of outside legal services are coordinated by CCLD, at the direction of the  
12 General Counsel, for the business unit law departments, including SDG&E and SoCalGas, and  
13 the costs for such outside legal services are directly-assigned based on the matter. Legal matters  
14 and needed services can vary from year to year. The TY 2019 forecast of outside legal costs,  
15 shown in table B-1 above, is based on a trend method that uses recorded expense levels going  
16 back five years through the 2016 base year, adjusted for any non-recoverable matters or those  
17 considered significant and non-recurring.

18 Table B-1 shows the base year 2016 costs for CCLD (comprising General Counsel, Law  
19 Department, and Outside Legal costs) and the TY 2019 forecast for such costs. This table also  
20 shows how such costs are allocated to SDG&E and SoCalGas.

#### 21 Allocation of Costs

22 Labor and all other costs not otherwise directly assigned, such as support staff, supplies,  
23 and law library, are allocated based upon a ratio of time spent on matters for each business unit,  
24 as computed by a timekeeping system used by CCLD lawyers and para-professional staff. The  
25 allocation rates are updated monthly to ensure that all departmental costs flow to business units  
26 based on the most recent activity by matter. Forecast rates rely on historical activity from the  
27 2016 base year. The non-labor costs relate to legal resources that are common yet essential in  
28 the work performed by lawyers and staff. Legal research tools and supplies, for example, are  
29 used daily. The CCLD cost center allocation uses the “CB - Law” method.



		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Law</b>	SDG&E	35%	33%
	SoCalGas	37%	39%
	Global / Retained	<u>28%</u>	<u>28%</u>
		100%	100%

Outside legal fees are directly assigned by matter to the business unit(s) involved, including SDG&E and SoCalGas. Invoiced costs such as travel, expert witnesses, CPUC, FERC and state or federal court fees, courier services, and other non-professional legal services are also directly assigned. Costs associated with certain corporate matters, not otherwise directly-assigned to SDG&E, SoCalGas, or other Sempra Energy business units, are allocated using the “Multi-Factor Basic” methodology. Also, as noted above, TY 2019 excludes outside legal fees for matters for SoCalGas (Aliso Canyon, Sesnon, and Pengzuan Diao) and SDG&E (SONGS, Sunrise, Wildfires, and Rim Rock) not requested in this GRC application.

## 2. Compliance and Governance (B-2)

Services Provided	(2016 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
B-2.1 1100-0150-VP COMPLIANCE & GOVERNANCE	330	721	1,050	232	568	801
B-2.2 1100-0348-CORPORATE COMPLIANCE	1,230	152	1,383	968	87	1,054
B-2.3 1100-0143-CORPORATE GOVERNANCE	1,129	75	1,204	791	126	918
B-2.4 1100-0004-BOARD OF DIRECTORS	3,117	282	3,399	2,022	569	2,592
B-2.5 1100-0006-COMPLIANCE	-	-	-	-	-	-
Total	<u>\$5,806</u>	<u>\$1,230</u>	<u>\$7,036</u>	<u>\$4,014</u>	<u>\$1,351</u>	<u>\$5,365</u>
Allocations						Escalated 2019
SDG&E	1,933	552	2,485			2,636
So Cal Gas	2,081	799	2,880			3,056
Total Utility	<u>4,014</u>	<u>1,351</u>	<u>5,365</u>			<u>\$5,691</u>
Global / Retained	1,792	(121)	1,671			
Total	<u>\$5,806</u>	<u>\$1,230</u>	<u>\$7,036</u>			

For purposes of this testimony, certain functions are grouped together as “governance” because they represent the highest level of leadership of Sempra Energy. Compliance and Governance is included, as it reports to the Board of Directors and senior Sempra Energy management on a broad range of risk and business controls and compliance issues relating to policies, plans, procedures, laws, and regulations.

1 The Compliance and Governance department provides leadership and partners with staff  
2 at all Sempra Energy companies and includes two primary functions: (1) Business Conduct  
3 Programs and (2) Emergency Preparedness.

4 Business Conduct Programs includes management and oversight of compliance risk  
5 assessment, development and maintenance of Sempra Energy's Employee Business Conduct  
6 Guidelines, Corporate Code of Conduct, and Supplier Code of Conduct programs, corporate  
7 policy maintenance, records management and retention programs, coordination of affiliate  
8 compliance programs, compliance and ethics education, and communication, including web-  
9 based training. This area also manages the scope, design, development, and implementation of  
10 programs that integrate into existing business systems.

11 The Compliance and Governance department's emergency preparedness duties include  
12 oversight and monitoring of corporate business resumption, emergency (CPR, First Aid) training,  
13 management of the crisis management center, consolidated safety performance tracking and  
14 reporting to the Board, and oversight of corporate emergency preparedness drills.

15 These activities contribute to an ethical and legally compliant business culture at Sempra  
16 Energy, where employees are committed to act ethically, and are provided the tools and  
17 resources to comply with all laws and regulations and a productive work environment where  
18 ethical and compliance concerns may be raised without fear of retribution.

19 The Office of the Corporate Secretary oversees the corporate governance of Sempra  
20 Energy and each major business unit within Sempra Energy, including SDG&E, SoCalGas, and  
21 the Global businesses. Among other things, it supports Boards of Directors of Sempra Energy  
22 and of its businesses by coordinating board meetings, providing guidance on board action items,  
23 and overseeing the general organizational structure. The Office of the Corporate Secretary also  
24 has primary responsibility for coordinating and overseeing Sempra Energy's annual meeting of  
25 shareholders and management of Sempra Energy's subsidiary governance functions.

26 The Sempra Energy Board of Directors is a shareholder-elected body responsible for  
27 overseeing the management of the corporation's overall business and affairs.

28 A CCLD corporate lawyer also supervises the formation of new companies, the  
29 preparation of written consents and minutes of meetings, and other general corporate  
30 housekeeping matters on behalf of Sempra Energy and its subsidiaries, including SDG&E and  
31 SoCalGas.

## Allocation of Costs

The Corporate Compliance and Governance department directly assigns costs to business units for compliance assessments and specific programs. All other costs for Compliance and Governance activities are allocated using the “Multi-Factor Basic” method.

		Allocation Rates	
		2016	2019
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		100%	100%

### 3. Executive (B-3)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
B-3.1	1100-0011-CEO	2,382	(287)	2,095	-	-	-
B-3.2	1100-0186-SEMPRA PRESIDENT	1,243	(1,243)	-	-	-	-
B-3.3	1100-0040-RETAINED EXECUTIVE COSTS	253	(52)	200	-	-	-
B-3.4	1100-0001-RETIRED CHAIRMAN	36	(36)	-	-	-	-
B-3.5	1100-0003-CHAIRMAN	34	(34)	-	-	-	-
B-3.6	1100-0002-PRESIDENT & COO	19	(19)	-	-	-	-
B-3.7	1100-0185-EXECUTIVE VICE PRESIDENT	227	(227)	-	-	-	-
B-3.8	1100-0007-GROUP PRESIDENT - UTILITIES	-	816	816	-	-	-
B-3.9	1100-0008-GROUP PRESIDENT - INFRASTRUCTURE	-	968	968	-	-	-
Total		\$4,194	(\$115)	\$4,079	-	-	-
Allocations							Escalated 2019
SDG&E		-	-	-			-
So Cal Gas		-	-	-			-
Total Utility		-	-	-			-
Global / Retained		4,194	(115)	4,079			
Total		\$4,194	(\$115)	\$4,079			

The Executive department consists of the Chairman, President, and Chief Executive Officer (CEO) of Sempra Energy, as well as the Sempra Energy Group Presidents. These executives provide high-level leadership and governance to the operations and finances of all Sempra Energy companies. Also included are some miscellaneous costs associated with retired executives. None of the costs associated with the Executive department are allocated to the Utilities. They are all retained at Corporate Center.

### C. Human Resources and Administration

The Human Resources and Administration division at Corporate Center develops corporate-wide policies, procedures and programs that apply to the entire Sempra Energy

companies' workforce. It also provides services not found in Sempra Energy's subsidiary organizations, related to the support and maintenance of Sempra Energy's employees, which Sempra Energy considers its most important asset. This division also oversees Sempra Energy's information technology activities, including corporate systems, physical security, and cybersecurity.

**TABLE MLD-4C**  
**Human Resources and Administration Summary of Costs**

<i>(2016 \$ - 000's)</i>						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
C-1 Senior VP Chief Human Resources & Administration	1,295	217	1,512	1,161	140	1,301
C-2 Compensation & Benefits	4,611	506	5,116	3,984	503	4,487
C-3 Corporate Human Resources Staffing & Development	1,439	299	1,738	1,079	239	1,318
C-4 CIO, Corporate Systems & Security	10,685	5,646	16,331	9,188	5,406	14,594
Total	<u>\$18,030</u>	<u>\$6,668</u>	<u>\$24,698</u>	<u>\$15,413</u>	<u>\$6,287</u>	<u>\$21,700</u>
Allocations						Escalated 2019
SDG&E	5,742	2,263	8,005			8,537
So Cal Gas	9,671	4,024	13,694			14,603
Total Utility	<u>15,413</u>	<u>6,287</u>	<u>21,700</u>			<u>\$23,140</u>
Global / Retained	2,618	381	2,998			
Total	<u>\$18,030</u>	<u>\$6,668</u>	<u>\$24,698</u>			

The costs for Human Resources and Administration assigned to SDG&E and SoCalGas are forecasted to increase by \$6.3 million from BY 2016 to TY 2019. The increase is primarily due to higher consulting and contract labor fees related to the implementation of our new Human Capital Management system and higher payroll processing fees.

*\$ - millions*

\$	2.2	Information Security Staffing
	1.7	Higher consulting fees & contract labor
	0.7	Computer hardware and software
	0.6	Training and travel
	0.5	ADP processing fees
	0.4	Security & Disaster Recovery
	0.2	Other
<u>\$</u>	<u>6.3</u>	

## 1. Senior VP Chief Human Resources and Administration (C-1)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
C-1.1	1100-0122-SVP CHIEF HUMAN RESOURCES & ADMINISTRATION OFFICER	1,295	217	1,512	1,161	140	1,301
	Total	\$1,295	\$217	\$1,512	\$1,161	\$140	\$1,301
Allocations							Escalated 2019
	SDG&E	420	60	480			512
	So Cal Gas	741	79	821			875
	Total Utility	1,161	140	1,301			\$1,386
	Global / Retained	134	77	212			
	Total	\$1,295	\$217	\$1,512			

The Senior VP Chief Human Resources and Administration oversees and provides strategic direction and overall corporate policy guidance in the areas of compensation, benefits, HR information systems, diversity programs, workforce planning, leadership development, compliance training, corporate security, and cybersecurity. Under the Senior VP Chief Human Resources and Administration, this division is also responsible for the administration of all employee benefit plans, payroll, HR information systems, executive compensation plans, security functions, HR budgeting, and accounting/financial compliance related to employee retirement and benefit plans, including health and welfare, pension, and savings plans. In addition, the division directly supports the human resource needs of the Corporate Center including compensation administration, staffing, and employee relations. The Senior VP Chief Human Resources and Administration also serves as the Chief Ethics Officer, overseeing systems through which employees can communicate any potential ethical concerns.

### Allocation of Costs

Costs associated with the Senior VP Chief Human Resources and Administration is allocated using a weighted average of the diverse allocation methodologies used by each department within the division. This allocation average is referred to as "SVP - HR."

		Allocation Rates	
		2016	2019
<b>SVP - HR</b>	SDG&E	32%	31%
	SoCalGas	50%	53%
	Global / Retained	18%	16%
		100%	100%

## 2. Compensation & Benefits (C-2)

(2016 \$ - 000's)						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
C-2.1 1100-0134-COMPENSATION & BENEFITS	1,170	161	1,331	1,092	175	1,267
C-2.2 1100-0135-COMPENSATION SERVICES	992	91	1,084	930	95	1,025
C-2.3 1100-0136-EXECUTIVE COMPENSATION	1,220	245	1,465	822	196	1,018
C-2.4 1100-0137-HR ACCOUNTING, BUDGETS, & COMPLIANCE	835	(5)	831	773	18	791
C-2.5 1100-0057-PAYROLL SERVICES	393	13	406	368	19	387
Total	<u>\$4,611</u>	<u>\$506</u>	<u>\$5,116</u>	<u>\$3,984</u>	<u>\$503</u>	<u>\$4,487</u>
Allocations						Escalated 2019
SDG&E	1,524	220	1,744			1,870
So Cal Gas	2,460	283	2,743			2,948
Total Utility	<u>3,984</u>	<u>503</u>	<u>4,487</u>			<u>\$4,818</u>
Global / Retained	626	3	629			
Total	<u>\$4,611</u>	<u>\$506</u>	<u>\$5,116</u>			

The Compensation & Benefits department administers employee compensation and benefit programs, including compensation and benefits plan design, contract negotiations, vendor management, and cost control responsibilities.

### *a. Compensation Services*

Compensation Services provides strategic compensation planning services, corporate governance overview, and internal support services for all business units. It also develops pay policies applicable to wage and hour laws and recommends annual pay structures and salary planning budgets, to ensure competitive market pay. Corporate governance responsibilities include conducting federally required annual audits of pay practices to ensure compliance with the Office of Federal Contract Compliance Programs and auditing job classifications to ensure compliance with Fair Labor Standards Act and other applicable California State laws.

Compensation Services also provides consulting and support services that include maintaining salary survey databases to establish competitive pay for new and existing jobs, designing base pay and incentive plans, and leading major projects that impact pay systems. Examples of leading major projects include: developing, documenting, and testing HR information systems changes that apply to pay programs and pay administration; participating in total compensation studies related to GRC filings; and researching and costing of union negotiation proposals and contracts. These are corporate-wide services that are not conducted at the business unit HR level.

1                                   ***b.       Benefits Services***

2           The Benefits Services Group (BSG) covers several important functions covering health  
3 and welfare plans and retirement (401(k) and pension) plans.

4           The BSG is responsible for designing, contracting, communicating, and ensuring  
5 compliance with all legal, regulatory, and union requirements affecting health and insurance  
6 plans for twenty-six medical plans, six dental plans, four vision plans, and five life insurance  
7 plans for nearly 13,000 employees and approximately 9,000 retirees.

8           Health and welfare plans are designed so that they are both competitive and cost  
9 effective. To negotiate the best rates available, the BSG uses the leverage created by Sempra  
10 Energy companies' total number of employees. Higher coverage levels at lower costs are  
11 achieved by negotiating on behalf of the total population of employees working for Sempra  
12 Energy rather than negotiating for each company, or business unit, on a separate basis.

13           In addition to designing, negotiating, and contracting for health and insurance benefits,  
14 the BSG is responsible for developing and producing enrollment information (for both new hires  
15 and the annual open enrollment) and the Summary Plan Descriptions required under the  
16 Employee Retirement Insurance Security Act (ERISA). The BSG is also responsible for  
17 ensuring compliance with all federal and state regulations governing health and insurance plans.  
18 This includes: making sure that plans are administered in accordance with plan documents and  
19 that all beneficiaries are treated fairly; advising HR in the business units of changes in  
20 requirements; and training HR personnel so they can educate supervisors.

21           The BSG also supports labor negotiations at SDG&E and SoCalGas. This support  
22 includes: providing data to both labor and management; analyzing cost implications of various  
23 proposals; working with management to determine the acceptability of labor demands; and  
24 developing alternative proposals that generate an equitable balance between the benefit to  
25 employees versus the cost to the ratepayers.

26           The BSG is also responsible for plan design and implementation of and compliance with  
27 regulations of the pension and savings plans, and ensures strategic and cost competitive  
28 retirement benefits to employees as a component of total compensation. This group provides  
29 support and internal consulting to SDG&E and SoCalGas, HR and labor advisors regarding  
30 benefit strategies, employee communications, and specific employee issues. The plans at

1 Sempra Energy and its subsidiaries include three savings plans and three defined benefit plans  
2 covering all of Sempra Energy's employees and retirees.

3 In addition, this group is responsible for daily management and administration of all  
4 plans in collaboration with other company departments, including HR, Legal, Tax, Investor  
5 Relations, Payroll, and IT. The BSG also supports the chief negotiating team during union  
6 negotiations with cost implications of various proposals and data requests and offers alternative  
7 design strategies on retirement benefits. Further, the group acts as the lead contact on  
8 Department of Labor and IRS audits for all plans as well as working with various financial  
9 groups on preparation of federal reporting and disclosure forms.

10 Moreover, the BSG acts as vendor manager for the plans' trustees, record keepers,  
11 consultants, and Sempra Energy's MyRetirement Service Center. It evaluates all service  
12 providers to the plans and recommends changes when appropriate, utilizing cost analysis and  
13 benchmarking.

14 The BSG also develops various communication strategies, which include conducting  
15 employee meetings on specific plan features and the retirement process in general, including  
16 financial education and estate planning meetings.

17 ***c. HR Accounting & Budgets***

18 The HR Accounting & Budgets group is responsible for all accounting, financial, and  
19 regulatory compliance activities related to Sempra Energy companies' compensation and benefit  
20 plans. The group reviews, analyzes, and processes all benefit plan payments including  
21 premiums, professional service fees, administrative charges, and other related expenses. The  
22 group also administers the distribution of employee pension, savings, and deferred compensation  
23 payments.

24 Additionally, the HR Accounting & Budget group is responsible for various accounting  
25 and financial reporting activities associated with employee compensation, retirement, and benefit  
26 plans, including coordination with external actuaries, third-party administrators, trustees, and  
27 independent auditors. In addition, this group prepares and files tax returns for all retirement and  
28 benefits plans (Form 5500s), coordinates audits by various state and federal regulatory agencies,  
29 including the IRS and the Department of Labor, and maintains ERISA compliance services. The  
30 group also coordinates, prepares, and monitors the HR division operating budget and the pension  
31 and benefit budgets for all Sempra Energy companies. The group also evaluates the HR-related



financial and operational impact of all major business and regulatory issues, including for reorganizations and GRC proceedings.

### Allocation of Costs

Compensation & Benefits Administration, HR Accounting & Budgets, and Payroll Services costs are allocated by the “CB - FTE” method, which appropriately reflects the level of service provided to each business unit based on active employees. The cost of Corporate Center FTEs is reallocated using the Multi-Factor Basic method.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - FTE</b>	SDG&E	32%	34%
	SoCalGas	62%	61%
	Global / Retained	<u>6%</u>	<u>5%</u>
		100%	100%

For the Executive Compensation & Benefits group, costs are allocated using a weighted combination of executive FTEs (75%) and director-level FTEs (25%) at all business units. This allocates costs to business units in proportion to the number of employees who benefit from the programs. This method is referred to as “FTE - Executive.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>FTE Executive</b>	SDG&E	35%	35%
	SoCalGas	32%	34%
	Global / Retained	<u>33%</u>	<u>31%</u>
		100%	100%

### **3. Corporate Human Resources Staffing and Development (C-3)**

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>							
C-3.1	1100-0130-CORPORATE HR STAFFING & DEVELOPMENT	1,439	299	1,738	1,079	239	1,318
	Total	<u>\$1,439</u>	<u>\$299</u>	<u>\$1,738</u>	<u>\$1,079</u>	<u>\$239</u>	<u>\$1,318</u>
<b>Allocations</b>							Escalated 2019
	SDG&E	518	93	610			653
	So Cal Gas	561	146	707			757
	Total Utility	<u>1,079</u>	<u>239</u>	<u>1,318</u>			<u>\$1,410</u>
	Global / Retained	360	61	420			
	Total	<u>\$1,439</u>	<u>\$299</u>	<u>\$1,738</u>			

The Corporate Human Resources Staffing and Development function is responsible for day-to-day employee relations, staffing, and recruiting for Corporate Center. The department provides a broad range of human resources advisory and support services to all Corporate Center functions that provide shared services to SDG&E and SoCalGas.

This department's activities include HR policy interpretation, performance management, employee discipline, career counseling, salary administration, and processing terminating employees from the Corporate Center. The team is responsible for external and internal staffing, including college recruiting and relationships. In connection with those recruiting activities, the team pursues Equal Employment Opportunity/Affirmative Action Plan objectives, new employee orientation, and employee applicant processing.

Corporate Human Resources Staffing and Development provides additional development courses in communication skills, management skills, personal work effectiveness, energy industry knowledge, and financial skills. Skill training is provided with respect to topics considered key to overall company success. Classroom and on-line training is provided to employees to educate them about some of the most important aspects of Sempra Energy's industry to assist employees in adhering to legal and regulatory requirements.

#### Allocation of Costs

Costs associated with corporate human resources staffing and development are allocated using the "Multi-Factor Basic" method. This function provides services to all areas of the Corporate Center that in turn serve the Sempra Energy companies, including SDG&E and SoCalGas.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<u>100%</u>	<u>100%</u>

#### 4. CIO, Corporate Systems, and Security (C-4)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
C-4.1	1100-0276-CHIEF INFORMATION OFFICER	-	512	512	-	487	487
C-4.2	1100-0383-MY INFO SERVICES	7,326	1,110	8,436	6,864	1,184	8,048
C-4.3	1100-0043-SECURITY SERVICES	86	2	89	26	(2)	25
C-4.4	1100-0275-EXECUTIVE SECURITY	778	31	809	173	9	182
C-4.5	1100-0133-CORPORATE SECURITY	2,494	816	3,310	2,125	705	2,830
C-4.6	1100-0170-INFO SECURITY OPS CENTER	-	1,074	1,074	-	1,022	1,022
C-4.7	1100-0075-SEMPRA ENERGY CYBERSECURITY	-	248	248	-	236	236
C-4.8	1100-0269-IS STRATEGY, GOVERNANCE & ARCHITECTURE	-	1,294	1,294	-	1,232	1,232
C-4.9	1100-0138-EMERGENCY MANAGEMENT & BUSINESS RESUMPTION	-	155	155	-	148	148
C-4.10	1100-0372-IS GOVERNANCE, AWARENESS & OVERSIGHT	-	404	404	-	385	385
Total		\$10,685	\$5,646	\$16,331	\$9,188	\$5,406	\$14,594
Allocations							Escalated 2019
SDG&E		3,280	1,891	5,171			5,502
So Cal Gas		5,908	3,515	9,423			10,023
Total Utility		9,188	5,406	14,594			\$15,525
Global / Retained		1,497	240	1,738			
Total		\$10,685	\$5,646	\$16,331			

The CIO, Corporate Systems, and Security (CCSS) department is responsible for the development and management of programs and policies for security systems, security investigations, and workplace violence avoidance, as well as crisis and security risk management services. The CCSS department also jointly investigates violations of cyber security policy and potential cyber-crimes together with the Utilities' Information Security & Information Security Compliance department. The CCSS department has also newly established the Office of the CIO which has responsibility for enterprise strategy, architecture, and innovation, and vendor management. The costs associated with activities of the Office of the CIO are included above in Chief Information Officer, Info Security Ops Center, Sempra Energy Cybersecurity, IS Strategy, Governance & Architecture, Emergency Management & Business Resumption and IS Governance, Awareness & Oversight cost centers.

##### a. MyInfo Services

The MyInfo Services group provides HR and payroll system support, maintains employee databases, and develops management information systems and reports for SDG&E, SoCalGas, and all other Sempra Energy companies. The MyInfo reporting function is critical to financial, legal, and regulatory processes that involve employee data; compiling and analyzing employee trends and forecasts; monitoring employee data integrity to ensure the accuracy in the administration of compensation and benefit programs; and providing Sempra Energy emergency operations centers with profiles of employee data by location, ensuring relevant contact information is included. This group is also responsible for the evaluation, design, and

implementation of new systems and enhancements to existing applications, including utilization of internet/intranet functionality; overseeing the service center that responds to employee inquiries regarding payroll and benefits; monitoring ancillary payroll services, including garnishments, tuition reimbursements, and charitable contributions; managing vendor relationships for payroll processing and human resource systems; and limiting access to confidential employee data through the design and monitoring of key data security system controls.

Compliance with evolving regulations and laws such as the Health Insurance Portability and Accountability Act of 1996 (HIPAA) as it relates to the confidentiality and security of employee data is also required. Compliance is especially critical given heightened concerns about, and increasing incidences of, identity theft and fraud. As employees are given more direct access to confidential information, there will be an even greater need to protect data. Accordingly, new employee self-service applications and web-based systems require sophisticated and complex security measures and controls to ensure confidentiality of personal data and protection of employee rights to privacy.

#### Allocation of Costs

Costs associated with MyInfo Services are allocated based on the number of employee records attributed to each business unit, including those on disability or other leave of absence, who remain tracked in system reports. This allocation method is known as “CB – MyInfo.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - MyInfo</b>	SDG&E	31%	34%
	SoCalGas	60%	62%
	Global / Retained	9%	4%
		<u>100%</u>	<u>100%</u>

#### ***b. CCSS***

The CCSS department investigates special situations that require professional and confidential expertise, for example, in the investigation of crimes, and reports findings to management. This department maintains ongoing relationships with local, state, and federal law enforcement agencies on issues of importance to SDG&E, SoCalGas, and other business units. CCSS distributes daily intelligence briefings to key members of management; communicates

1 assessments of crime, terrorism, and political instability; develops company-wide, cost-effective  
2 policies and programs dedicated to business loss prevention and reduction of exposure to  
3 security risk; and provides security systems and security risk assessment services.

4       Sempra Energy companies are continuously involved in maintaining, evaluating, and  
5 updating employee and physical security systems. These activities include upgrading access  
6 control systems; centralizing the administration of the access control system; hiring trained  
7 guards; installing new x-ray machines for evaluating packages as needed; redesigning employee  
8 identification/access badges; conducting background checks; and installing new security systems  
9 at key operating facilities such as compressor stations, Sempra Energy's Mission Control, the  
10 Corporate Security Operations Center, the Information Systems Data Center, and branch offices  
11 throughout SDG&E and SoCalGas service territories. Many of these security enhancements  
12 have been implemented to comply with mandatory North American Electric Reliability  
13 Corporation Critical Infrastructure Protection standards (the NERC CIP Standards), which  
14 include requirements to install and maintain additional security equipment and to implement  
15 processes and procedures to ensure compliance.

16       The Office of the CIO is responsible for developing and maintaining the enterprise  
17 technology strategy which sets the technology direction for Sempra Energy. The enterprise  
18 architecture function is responsible for defining the technology architecture required to support  
19 the technology strategy. The technology architecture is used to govern the selection, deployment,  
20 and use of applications, infrastructure, and tools to consistently enable reliable, secure, and  
21 efficient business operations. The vendor management function provides governance over  
22 technology sourcing strategies to provide Sempra Energy and its subsidiaries with the optimal  
23 vendor relationships and licensing arrangements to achieve desired business outcomes, including  
24 best pricing, and optimizing diverse business enterprise spend.

#### 25 Allocation of Costs

26       For security-related costs, CCSS uses a causal-beneficial allocation referred to as "CB –  
27 Security," which is based on FTEs per business unit, excluding the cost of Headquarters (HQ)  
28 Guard Services. HQ Guard Service costs are allocated separately based on FTEs occupying the  
29 headquarters location.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Security</b>	SDG&E	31%	32%
	SoCalGas	56%	54%
	Global / Retained	13%	14%
		<u>100%</u>	<u>100%</u>

Security services for senior executives and the Board of Directors are essential in the current volatile and competitive environment to protect the interests of all business units. These costs are allocated based on an estimate of usage (1/4 to the Utilities, 1/4 to Global, and 1/2 retained at Corporate Center). This method is referred to as “CB – Security Exec.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - Security Exec</b>	SDG&E	13%	13%
	SoCalGas	13%	13%
	Global / Retained	74%	74%
		<u>100%</u>	<u>100%</u>

CCSS costs related to the Office of the CIO are allocated by the “CB - FTE” method, which appropriately reflects the level of service provided to each business unit based on active employees. The cost of Corporate Center FTEs is reallocated using the Multi-Factor Basic method.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - FTE</b>	SDG&E	32%	34%
	SoCalGas	62%	61%
	Global / Retained	6%	5%
		<u>100%</u>	<u>100%</u>

#### **D. Corporate Strategy and External Affairs**

Sempra Energy companies conduct business in multiple communities, states, and countries. Corporate Strategy and External Affairs provides overall policy guidance for the Sempra Energy companies’ interactions with external constituents, in support of individual business objectives, and to ensure compliance with enterprise-wide objectives, laws, and

regulations. The functions and cost forecasts are listed in the following charts and in more detail in this section.

**TABLE MLD-4D**  
**Corporate Strategy and External Affairs Summary of Costs**

(2016 \$ - 000's)						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-1 Executive VP Corporate Strategy & External Affairs	925	(126)	799	392	(41)	351
D-2 Corporate Strategy	258	349	606	69	393	462
D-3 Corporate Communications	1,985	220	2,205	1,369	131	1,501
D-4 Issues Management	973	166	1,139	729	(185)	544
D-5 Corporate Responsibility	1,110	(42)	1,068	673	(47)	626
D-6 Government Affairs	1,968	1,421	3,388	126	4	130
D-7 Employee Programs	891	4,323	5,214	182	93	276
Total	<u>\$8,110</u>	<u>\$6,310</u>	<u>\$14,420</u>	<u>\$3,542</u>	<u>\$349</u>	<u>\$3,890</u>
						Escalated 2019
Allocations						
SDG&E	1,674	93	1,768			1,921
So Cal Gas	1,867	255	2,123			2,303
Total Utility	<u>3,542</u>	<u>349</u>	<u>3,890</u>			<u>\$4,224</u>
Global / Retained	4,569	5,962	10,530			
Total	<u>\$8,110</u>	<u>\$6,310</u>	<u>\$14,420</u>			

The costs for Corporate Strategy and External Affairs that are assigned to SDG&E and SoCalGas are forecast to increase by \$0.3 million from BY 2016 to TY 2019. This is primarily due to a slight increase in overall staffing costs.

### 1. Executive VP of Corporate Strategy and External Affairs (D-1)

(2016 \$ - 000's)						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-1.1 1100-0164-EXECUTIVE VP CORPORATE STRATEGY & EXTERNAL AFFAIRS	925	(126)	799	392	(41)	351
Total	<u>\$925</u>	<u>(\$126)</u>	<u>\$799</u>	<u>\$392</u>	<u>(\$41)</u>	<u>\$351</u>
						Escalated 2019
Allocations						
SDG&E	188	(30)	159			171
So Cal Gas	204	(11)	193			208
Total Utility	<u>392</u>	<u>(41)</u>	<u>351</u>			<u>\$379</u>
Global / Retained	533	(85)	448			
Total	<u>\$925</u>	<u>(\$126)</u>	<u>\$799</u>			

The Executive VP of Corporate Strategy and External Affairs oversees the entire division that provides corporate communications, issues management, corporate responsibility, and governmental affairs services and guidance to Corporate Center and all of the business units.

### Allocation of Costs

Because of the diversity of allocation methods used by the various functions, a weighted average of the allocation methodologies used by each department reporting to the Executive VP

of Corporate Strategy and External Affairs officer was developed. This allocation method is referred to as “EVP – Ext Affairs.”

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>EVP - Ext Affairs</b>	SDG&E	22%	20%
	SoCalGas	25%	24%
	Global / Retained	53%	56%
		<u>100%</u>	<u>100%</u>

## 2. Corporate Strategy (D-2)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>							
D-2.1 1100-0393-CORPORATE STRATEGY		258	349	606	69	393	462
Total		<u>\$258</u>	<u>\$349</u>	<u>\$606</u>	<u>\$69</u>	<u>\$393</u>	<u>\$462</u>
<b>Allocations</b>							Escalated 2019
SDG&E		33	181	214			229
So Cal Gas		36	212	248			266
Total Utility		69	393	462			<u>\$495</u>
Global / Retained		189	(45)	144			
Total		<u>\$258</u>	<u>\$349</u>	<u>\$606</u>			

Prior to 2017, Corporate Strategy was part of the Mergers & Acquisitions Department, for which all costs are retained as discussed in Section A.4. In 2017, Corporate Strategy is its own Department, and is responsible for facilitating and creating content for the annual strategy review for the Board of Directors and conducting or coordinating ad hoc research and analysis in support of senior management decision making and for the business units. The business units benefit from this cost center’s support of their content submissions to the annual strategy review and specific research and analytical support.

### Allocation of Costs

Corporate Strategy supports activities across all the business units. Therefore, these costs are allocated using the “Multi-Factor Basic” method.



		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<u>100%</u>	<u>100%</u>

### 3. Communications (D-3)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-3.1	1100-0169-CORPORATE COMMUNICATIONS	565	123	688	283	62	344
D-3.2	1100-0168-DIGITAL/PRINT COMMUNICATIONS	905	56	962	693	41	733
D-3.3	1100-0378-ANNUAL REPORT	514	41	555	394	29	423
Total		<u>\$1,985</u>	<u>\$220</u>	<u>\$2,205</u>	<u>\$1,369</u>	<u>\$131</u>	<u>\$1,501</u>
Allocations							Escalated 2019
SDG&E		656	39	695			739
So Cal Gas		714	92	806			856
Total Utility		<u>1,369</u>	<u>131</u>	<u>1,501</u>			<u>\$1,595</u>
Global / Retained		616	89	704			
Total		<u>\$1,985</u>	<u>\$220</u>	<u>\$2,205</u>			

The Corporate Communications department oversees most shareholder communications, including media-related activities (broadcast and print) and earnings announcements, which communicate critical information to investors and customers about the financial health and strategy of Sempra Energy and its business units.

This department also supports certain communications for the Sempra Energy companies, utility and business unit customers, and communities in which they do business. Such communications include raising awareness of philanthropic activities and support of the local communities in which the business units operate. Additionally, Corporate Communications develops, implements, coordinates, and manages overarching corporate standards and guidelines for the internet/intranet, brand and identity usage and protection, images, video, and other public information. These activities include providing guidance to the Utilities and other business units on web design and architecture (consistent with the corporate website), as well as management of the corporate identity to prevent copyright infringement, brand confusion, and unauthorized usage of the Sempra Energy, utility, business unit, or subsidiary brands for commercial purposes. Additionally, this department publishes Sempra Energy's Annual Report and provides support for employee communications.

## Allocation of Costs

Services provided by Corporate Communications may be on behalf of executives and/or issues for Sempra Energy or the Utilities or Global business units and, therefore, it is appropriate to use a “Multi-Factor Split” method that divides costs equally between them.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Split</b>	SDG&E	24%	23%
	SoCalGas	26%	27%
	Global / Retained	50%	50%
		100%	100%

The Annual Report and other forms of external communications are allocated using the “Multi-Factor Basic” method, consistent with Investor Relations.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		100%	100%

## **4. Issues Management (D-4)**

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-4.1	1100-0396-REGIONAL VP & DIRECTOR - ISSUES MANAGEMENT	-	425	425	-	-	-
D-4.2	1100-0381-ISSUES MANAGEMENT	973	(260)	713	729	(185)	544
Total		\$973	\$166	\$1,139	\$729	(\$185)	\$544
Allocations							Escalated 2019
SDG&E		350	(98)	252			273
So Cal Gas		379	(87)	292			316
Total Utility		729	(185)	544			\$589
Global / Retained		244	351	595			
Total		\$973	\$166	\$1,139			

The Issues Management Department is responsible for identifying, analyzing, and reporting on key external issues and trends that may impact Sempra Energy. Issues Management also provides resources and input to groups throughout Sempra Energy as they develop external plans for key projects and initiatives.

## Allocation of Costs

The Regional VP & Director for Issues Management does not work on utility-related issues and, therefore, the costs are not allocated to the Utilities. The remainder of the Issues Management group supports activities across all the business units. Therefore, these costs are allocated using the “Multi-Factor Basic” method.

		Allocation Rates	
		2016	2019
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		100%	100%

## 5. Corporate Responsibility (D-5)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>							
D-5.1	1100-0157-CORPORATE RESPONSIBILITY	1,110	(42)	1,068	673	(47)	626
	Total	<u>\$1,110</u>	<u>(\$42)</u>	<u>\$1,068</u>	<u>\$673</u>	<u>(\$47)</u>	<u>\$626</u>
<b>Allocations</b>							Escalated 2019
	SDG&E	323	(33)	290			312
	So Cal Gas	350	(14)	336			362
	Total Utility	673	(47)	626			<u>\$674</u>
	Global / Retained	437	5	442			
	Total	<u>\$1,110</u>	<u>(\$42)</u>	<u>\$1,068</u>			

The Corporate Responsibility department supports the goal setting, tracking, and monitoring of corporate responsibility objectives, collects all data for corporate responsibility reporting, and handles all surveys and data requests for such information. It is responsible for the communications and distribution of the Corporate Responsibility report for Sempra Energy and its business units, including SDG&E and SoCalGas. This department also has responsibility for the management of the corporate political contributions budget and the operation of the Sempra Energy Employees Political Action Committee (PAC), which program costs are retained.

Political Reporting and Compliance is also part of the Corporate Responsibility department and it provides budget support for the division and is also responsible for the management and oversight of political contributions, political compliance training, lobbying and

gift reporting, and PAC reporting with external agencies, including but not limited to, the Federal Election Commission and California Fair Political Practices Commission.

### Allocation of Costs

Corporate Responsibility supports activities across all the business units, but also has a component that is related directly to the PAC and political reporting. For that reason, the department allocation method starts with the Multi-Factor as a basis and then reduces the percentages to exclude a portion attributed to estimated time spent on political activities. This blended method is known as “CB - Corp Responsibility.”

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>CB - Corp Responsibility</b>	SDG&E	28%	27%
	SoCalGas	31%	31%
	Global / Retained	41%	42%
		<b>100%</b>	<b>100%</b>

## **6. Governmental Affairs (D-6)**

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-6.1	1100-0379-VP FEDERAL GOVERNMENTAL AFFAIRS	340	(37)	304	-	-	-
D-6.2	1100-0152-FEDERAL GOVERNMENT AFFAIRS	1,248	472	1,721	-	-	-
D-6.3	1100-0163-FERC RELATIONS	254	7	261	127	3	130
D-6.4	1100-0151-CORPORATE POLITICAL CONTRIBUTIONS	120	76	196	-	-	-
D-6.5	1100-0334-SEMPRA CORPORATION	5	902	908	-	-	-
Total		<u>\$1,968</u>	<u>\$1,421</u>	<u>\$3,388</u>	<u>\$127</u>	<u>\$3</u>	<u>\$130</u>
Allocations							Escalated 2019
SDG&E		61	(1)	60			92
So Cal Gas		66	3	70			102
Total Utility		<u>127</u>	<u>3</u>	<u>130</u>			<u>\$194</u>
Global / Retained		1,841	1,418	3,258			
Total		<u>\$1,968</u>	<u>\$1,421</u>	<u>\$3,388</u>			

The Governmental Affairs department is responsible for management of federal legislation and advocacy. The department represents Sempra Energy and its business units on all federal legislative issues that have the potential to directly impact the Sempra Energy companies. The Federal Government Affairs department’s activity predominantly involves lobbying activities and, as such, the costs are fully retained at the Corporate Center.

The FERC Relations department has responsibility for the management of federal regulations and governmental advocacy. FERC Relations represents Sempra Energy and its

business units, including SDG&E and SoCalGas, on all federal regulatory issues that have the potential to directly impact the Sempra Energy companies. This group works with governmental staff and officials to resolve issues, tracks federal regulatory proceedings and addresses and seeks changes to regulations applicable to business units.

#### Allocation of Costs

Federal Government Affairs is mainly a lobbying activity, so costs are 100% retained at the Corporate Center, as are any political contributions.

FERC Relations is allocated using the “Multi-Factor Split” method in order to evenly divide the benefits between the Utilities and Global.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Split</b>	SDG&E	24%	23%
	SoCalGas	26%	27%
	Global / Retained	50%	50%
		<u>100%</u>	<u>100%</u>

### **7. Employee Programs (D-7)**

<i>(2016 \$ - 000's)</i>						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
D-7.1 1100-0155-EMPLOYEE PROGRAMS	334	(15)	319	182	93	276
D-7.2 1100-0156-CONTRIBUTIONS & MEMBERSHIPS	557	4,338	4,895	-	-	-
Total	<u>\$891</u>	<u>\$4,323</u>	<u>\$5,214</u>	<u>\$182</u>	<u>\$93</u>	<u>\$276</u>
Allocations						Escalated 2019
SDG&E	63	34	98			107
So Cal Gas	119	59	178			194
Total Utility	<u>182</u>	<u>93</u>	<u>276</u>			<u>\$301</u>
Global / Retained	709	4,230	4,939			
Total	<u>\$891</u>	<u>\$4,323</u>	<u>\$5,214</u>			

The Employee Programs group develops, implements, and manages corporate policies and programs for charitable contributions and corporate memberships. This includes managing officer and corporate involvement in business associations and non-profit organizations and coordinating memberships and contributions processes with all business units.

This group also plans, promotes, and manages the Sempra Energy Foundation, which funds community initiatives and programs in the areas of environment, education, disaster relief, preparedness, and safety. The Sempra Energy Foundation also funds a corporate-wide employee

volunteerism program (the Volunteer Incentive Program) as well as the Matching Gifts program for employees contributing financially to their communities in the areas of education, arts, and culture. Additionally, corporate-wide programs include the Scholarship Program for Children of Employees and the Sempra Employee Giving Network.

#### Allocation of Costs

As this function primarily supports employee-based community involvement, the costs are allocated based on employees at each business unit, or the “CB - FTE” method.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - FTE</b>	SDG&E	32%	34%
	SoCalGas	62%	61%
	Global / Retained	6%	5%
		<u>100%</u>	<u>100%</u>

Sempra Energy makes charitable contributions and maintains corporate memberships because much of these dollars are invested in communities where our utility customers live and work. Corporate contributions to social, arts, and cultural organizations make Southern California a more vital and attractive place to live and work and help support the economy. Contributions to higher education fuel both a future workforce for the state and economic development efforts, which spur Southern California’s economy.

None of the corporate contributions or costs of memberships are being requested in this GRC.

#### **E. Facilities and Assets**

For purposes of this testimony, certain cost centers are grouped together as they relate to the physical environment and tools used in the conduct of corporate shared services. This includes the depreciation expense of corporate capital assets and annual property taxes paid on them.

**TABLE MLD-4E**

**Facilities and Assets Summary of Costs**

(2016 \$ - 000's)						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
E-1 Depreciation/Rate of Return	10,423	3,147	13,569	5,805	2,679	8,484
E-2 Property Taxes	3,169	(223)	2,946	1,445	16	1,462
E-3 Facilities and Other Assets	11,787	1,853	13,640	5,282	803	6,085
Total	<u>\$25,379</u>	<u>\$4,777</u>	<u>\$30,155</u>	<u>\$12,533</u>	<u>\$3,498</u>	<u>\$16,031</u>
						Escalated 2019
Allocations						
SDG&E	5,796	1,660	7,456			7,494
So Cal Gas	6,736	1,839	8,575			8,615
Total Utility	12,533	3,498	16,031			<u>\$16,109</u>
Global / Retained	12,846	1,278	14,124			
Total	<u>\$25,379</u>	<u>\$4,777</u>	<u>\$30,155</u>			

The costs for Facilities and Assets assigned to SDG&E and SoCalGas are forecast to increase by \$3.5 million from BY 2016 to TY 2019. The primary factors for the increase are:

**Facilities**

\$ - millions

\$ 2.7 Depreciation & RoR (Shared systems replacements - Vantage HCM, Project Analysis, Security)

1.1 HQ rent and maintenance

(0.3) Other - primarily IT Help-Desk support and consulting

\$ 3.5

**1. Depreciation/Rate of Return (E-1)**

(2016 \$ - 000's)						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
E-1.1 1100-0248-DEPRECIATION & AMORTIZATION	10,423	3,147	13,569	5,805	2,679	8,484
Total	<u>\$10,423</u>	<u>\$3,147</u>	<u>\$13,569</u>	<u>\$5,805</u>	<u>\$2,679</u>	<u>\$8,484</u>
						Escalated 2019
Allocations						
SDG&E	2,410	1,365	3,775			3,775
So Cal Gas	3,395	1,314	4,709			4,709
Total Utility	5,805	2,679	8,484			<u>\$8,484</u>
Global / Retained	4,618	468	5,085			
Total	<u>\$10,423</u>	<u>\$3,147</u>	<u>\$13,569</u>			

Corporate Center assets are comprised primarily of the Sempra Energy headquarters building leasehold improvements, furniture, voice, data, and other desktop equipment, application software, and enterprise-wide information systems software and hardware, managed

1 by Corporate Center employees. These assets are depreciated based on their asset class and/or  
2 expected life, resulting in expense to the Corporate Center. Also included is an asset carrying  
3 charge, or rate of return (ROR), on the assets' net book value (NBV). The Corporate Center  
4 assesses ROR on its assets to earn a return on them, in the same way SDG&E and SoCalGas earn  
5 a return on their rate base. Depreciation and ROR are both allocated to SDG&E, SoCalGas, and  
6 Global using Causal/Beneficial allocation methods on each asset type.

7       Sempra Energy is in the process of placing into service several capital projects in 2017  
8 and 2018. They are: (1) the replacement of Sempra Energy's MyInfo Human Resources system  
9 at a cost of \$9.9 million; (2) a new project analysis and reporting system for both SDG&E and  
10 SoCalGas that totals \$2.4 million; (3) new computer equipment for all headquarters personnel for  
11 \$1.6 million; (4) a new updated security system to be installed at headquarters and at both  
12 SDG&E and SoCalGas for a total of \$1.2 million; and (5) a new Treasury Management System  
13 that costs \$0.5 million. As a result of these new systems or replacements, total Depreciation and  
14 ROR expense applicable to the Utilities is forecast to increase by \$2,679,000 from 2016 to 2019.

#### 15 Depreciation & Asset Carrying Charge Policies

16       Sempra Energy utilizes the straight-line method in computing depreciation. All  
17 calculations adhere to the "following month convention." Hence, any assets capitalized or  
18 placed in service the current month will start being depreciated the following month.

19       Sempra Energy's assets have various lives depending on expected life. For example,  
20 standard computer hardware is depreciated over five years and leasehold improvements are  
21 depreciated over twenty-five years.

22       NBV is the total acquisition cost less total accumulated depreciation for any asset. The  
23 Corporate Center asset base is the sum of the NBVs of all its fixed assets. As new capital  
24 additions are placed into service, the NBV increases, generating new ROR in addition to new  
25 depreciation expense. If capital additions are low or none are forecast, the expense will decrease  
26 as NBVs decline.



ROR is calculated by applying the asset carrying charge rate to the average monthly asset balance (average of monthly beginning and ending asset balances), less associated deferred income taxes.<sup>2</sup>

**a. Corporate Center Assets - Headquarters**

This category includes building leasehold improvements, furniture, and equipment used by Corporate Center employees and other occupants of the HQ facilities, located at 488 Eighth Avenue in San Diego. Specific assets in this category are primarily leasehold improvements, including electrical, mechanical and safety, carpeting, security systems, and cafeteria and restroom facilities. Also included are office furniture, movable cubicle dividers, conference and storage equipment, lighting, and other fixtures. Total NBV at January 1, 2019 is forecast to be \$34.5 million.

Allocation of Costs

This category of assets is allocated first to business units based on their direct occupancy of the various facilities, with the remaining Corporate Center share being allocated using the Multi-Factor. The overall method is referred to as “CB – HQ.”

		Allocation Rates	
		2016	2019
CB - HQ	SDG&E	23%	22%
	SoCalGas	23%	23%
	Global / Retained	54%	55%
		100%	100%

**b. Corporate Center Assets – Hardware & Software**

Hardware in this category consists primarily of servers. Software consists of desktop and server applications, including various information systems that have been constructed that support Corporate Center functions. This includes the enterprise-wide MyTime timekeeping system and MyInfo payroll and benefits system. Other major shared systems in the Corporate Center asset base include HFM, Corporate Tax system, Corporate Security system, and the

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<sup>2</sup> The asset carrying charge rates charged to SoCalGas and SDG&E are based on an 8.02% rate of return for SoCalGas and a 7.79% rate of return for SDG&E. These asset carrying charge rates will be updated at the next available opportunity to reflect the rates of return adopted in Commission Decision 17-07-005.

Project Analysis and Reporting systems. Total NBV at January 1, 2019 is forecast at \$19.6 million.

#### Allocation of Costs

This category is allocated by various methods, including by direct allocation, depending on the system. The methods are generally based on the number of users, or in the case of MyInfo/MyTime timekeeping, by the number of employees per business unit served by the system. Corporate Center use is reallocated by the Multi-Factor method. The rates for these types of allocation methods are as follows:

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - FTE</b>	SDG&E	32%	34%
	SoCalGas	62%	61%
	Global / Retained	<u>6%</u>	<u>5%</u>
		100%	100%

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>CB - MyInfo</b>	SDG&E	31%	34%
	SoCalGas	60%	62%
	Global / Retained	<u>9%</u>	<u>4%</u>
		100%	100%

#### *c. Corporate Center Assets – Other Equipment*

This category includes all other equipment, vehicles and miscellaneous assets used by Corporate Center employees and other occupants of the Headquarters facilities. Total NBV on January 1, 2019 is forecast at \$1.7 million.

#### Allocation of Costs

The depreciation for Other Equipment assets is allocated using the Multi-Factor method.

		<b>Allocation Rates</b>	
		<u>2016</u>	<u>2019</u>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	<u>23%</u>	<u>24%</u>
		100%	100%

**d. Corporate Center Assets – Retained**

This category includes other assets for which depreciation and ROR expense is not allocated to business units. The major asset within this category is a fractional share ownership of a corporate aircraft. All expenses, including the depreciation of the aircraft, are retained and not allocated to business units. Also in this category is artwork used for interior and common area decor, although no depreciation or asset carrying charge is generated on artwork. Also, included in this category is a Charitable Gift Tracking system, which is used to assist with coordinating the numerous requests received and grants made to outside agencies. As described earlier in this testimony, charitable contributions are excluded from this request; thus, the tool for administering those grants is also excluded from depreciation and ROR expense. Other assets in this category are leasehold improvements for the Washington, D.C. office used by Governmental Affairs employees. Those offices conduct lobbying activities; thus, their facilities expenses are not allocated. This category was created to ensure depreciation and ROR for these assets are tracked, but not included in ratemaking. Total NBV on January 1, 2019 is forecast at \$2.5 million.

**Allocation of Costs**

As described above, all depreciation and ROR for these assets is 100% retained at the Corporate Center.

**2. Property Taxes (E-2)**

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
Services Provided							
E-2.1 1100-0311-PROPERTY TAXES		3,169	(223)	2,946	1,445	16	1,462
Total		<u>\$3,169</u>	<u>(\$223)</u>	<u>\$2,946</u>	<u>\$1,445</u>	<u>\$16</u>	<u>\$1,462</u>
Allocations							Escalated 2019
SDG&E		729	(22)	707			745
So Cal Gas		717	38	755			795
Total Utility		1,445	16	1,462			<u>\$1,540</u>
Global / Retained		1,723	(239)	1,484			
Total		<u>\$3,169</u>	<u>(\$223)</u>	<u>\$2,946</u>			

Property tax expense is paid at Corporate Center only for property owned by the Sempra Energy parent, not for any business unit assets. This property generally includes Sempra Energy

headquarters leasehold improvements and office equipment, and the forecast is estimated by Tax Services based on the expected changes in NBV and escalation.

### Allocation of Costs

Property taxes on hardware assets that support Corporate Center functions or have enterprise-wide use are allocated using the “Multi-Factor Basic” method. Taxes on leasehold improvements for the HQ building are allocated based on business unit occupancy, using the same method as its Depreciation.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		<u>100%</u>	<u>100%</u>

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>CB - HQ</b>	SDG&E	23%	22%
	SoCalGas	23%	23%
	Global / Retained	54%	55%
		<u>100%</u>	<u>100%</u>

### **3. Other Facilities and Assets (E-3)**

<i>(2016 \$ - 000's)</i>		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
E-3.1	1100-0032-HQ RENT EXPENSE & OTHER EXPENSE	11,001	2,134	13,135	5,011	917	5,928
E-3.2	1100-0391-HQ PROJECTS	24	(24)	-	11	(11)	-
E-3.3	1100-0280 IT HELP DESK - CORPORATE	340	(135)	205	260	(104)	157
E-3.4	1100-0341-AIRCRAFT - FRACTIONAL SHARE	422	(122)	300	-	-	-
Total		<u>\$11,787</u>	<u>\$1,853</u>	<u>\$13,640</u>	<u>\$5,282</u>	<u>\$803</u>	<u>\$6,085</u>
Allocations							Escalated 2019
SDG&E		2,657	317	2,974			2,974
So Cal Gas		2,625	486	3,111			3,111
Total Utility		5,282	803	6,085			<u>\$6,085</u>
Global / Retained		6,506	1,050	7,555			
Total		<u>\$11,787</u>	<u>\$1,853</u>	<u>\$13,640</u>			

Other Facilities and Assets represent various cost centers such as rent expense at headquarters, the Corporate IT Help Desk, and the fractional share ownership in the corporate aircraft.

Sempra Energy pays annual rent expense on its Headquarters building. The Corporate IT Desk provides IT help desk management services, assists with any personnel moves, and tracks computer devices and licenses. As mentioned above, all expenses and depreciation related to the fractional share ownership of the corporate aircraft are retained and not allocated to business units.

#### Allocation of Costs

HQ rent expense for the Headquarters building is allocated based on business unit occupancy, which uses the same method as Depreciation. The Corporate IT Help Desk supports Corporate Center functions that have enterprise-wide use and are thus allocated using the “Multi-Factor Basic” method.

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>CB - HQ</b>	SDG&E	23%	22%
	SoCalGas	23%	23%
	Global / Retained	54%	55%
		100%	100%

		<b>Allocation Rates</b>	
		<b>2016</b>	<b>2019</b>
<b>Multi-Factor Basic</b>	SDG&E	37%	35%
	SoCalGas	40%	41%
	Global / Retained	23%	24%
		100%	100%

#### **F. Pension & Benefits**

Pension & Benefits (P&B) costs are allocated using average rates representing such costs as a percentage of direct labor dollars. The resulting costs are referred to as “labor overheads,” which then can be allocated in the same manner as the direct labor in each cost center. For purposes of this testimony, the labor overheads were removed from the operational cost centers presented in sections IV.A through IV.E, and consolidated as depicted in the following table. In addition to pension and other post-retirement benefits and payroll taxes, Incentive Compensation Plan (ICP), Long-Term Incentive Plan (LTIP), and the Supplemental Executive Retirement Plan (SERP) costs are included in this group of costs. Please see the Direct Testimony of Debbie Robinson (Ex. SCG-31 and SDG&E-29) for more information on Pensions and Benefits.

**TABLE MLD-4F**

**Pension & Benefits Summary of Costs**

(2016 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>						
F-1 Employee Benefits	11,833	1,514	13,347	6,904	1,533	8,438
F-2 Payroll Taxes	5,016	501	5,517	2,905	590	3,496
F-3 Incentive Compensation	17,417	2,364	19,782	10,780	545	11,325
F-4 Long-Term Incentives	38,622	3,680	42,303	6,650	2,107	8,757
F-5 Supplemental Retirement	14,541	(1,441)	13,100	3,422	(28)	3,394
<b>Total</b>	<b>\$87,431</b>	<b>\$6,618</b>	<b>\$94,048</b>	<b>\$30,662</b>	<b>\$4,748</b>	<b>\$35,409</b>
<b>Allocations</b>						Escalated 2019
SDG&E	14,976	1,062	16,038			16,912
So Cal Gas	15,685	3,686	19,371			20,456
<b>Total Utility</b>	<b>30,662</b>	<b>4,748</b>	<b>35,409</b>			<b>\$37,368</b>
<b>Global / Retained Total</b>	<b>\$87,431</b>	<b>\$6,618</b>	<b>\$94,048</b>			

The forecasted requested costs for P&B assigned to SDG&E and SoCalGas in TY 2019 is \$4.7 million higher than adjusted-recorded costs in BY 2016. The increases are primarily related to long-term incentive executive benefits and an increase in pension and benefits expenses.

\$ - millions

\$ 2.7 Employee Benefits (P&B, ICP, Payroll Tax), net

2.1 Increase in long-term incentive plan issuances

(0.1) Other - primarily SERP & Life insurance

\$ 4.7

**1. Employee Benefits (F-1)**

(2016 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
<b>Services Provided</b>						
F-1.1 1100-0802-P&B OVERHEAD	11,486	1,755	13,241	6,783	1,607	8,390
F-1.2 1100-0370-LIFE INSURANCE	347	(242)	106	122	(74)	48
<b>Total</b>	<b>\$11,833</b>	<b>\$1,514</b>	<b>\$13,347</b>	<b>\$6,904</b>	<b>\$1,533</b>	<b>\$8,438</b>
<b>Allocations</b>						Escalated 2019
SDG&E	3,292	486	3,778			4,095
So Cal Gas	3,612	1,047	4,660			5,050
<b>Total Utility</b>	<b>6,904</b>	<b>1,533</b>	<b>8,438</b>			<b>\$9,145</b>
<b>Global / Retained Total</b>	<b>\$11,833</b>	<b>\$1,514</b>	<b>\$13,347</b>			

This category contains all health and welfare plans available to Corporate Center employees. The primary benefits included are pension, medical, dental, disability, life insurance, and retirement savings plan, as well as other post-retirement benefit costs. The choice of plans, coverage levels, and company contributions are consistent with benefits offered to the Utility employees. The forecast is applied as an overhead rate to all direct labor. Most of the increase is due to changes in medical plan costs and higher projected post-retirement benefit expense, consistent with those for the Utilities. See a description of employee benefit assumptions in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30) and a discussion of pension costs in the testimony of Ms. Robinson (Ex. SDG&E-29 and SCG-31).

## 2. Payroll Taxes (F-2)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year	2016-2019	Forecast	Base Year	2016-2019	Forecast
Services Provided		2016	Incr/(Decr)	2019	2016	Incr/(Decr)	2019
F-2.1 1100-0803-PAYROLL TAX		5,016	501	5,517	2,905	590	3,496
Total		<u>\$5,016</u>	<u>\$501</u>	<u>\$5,517</u>	<u>\$2,905</u>	<u>\$590</u>	<u>\$3,496</u>
Allocations							Escalated 2019
SDG&E		1,390	175	1,565			1,698
So Cal Gas		1,515	415	1,930			2,093
Total Utility		2,905	590	3,496			<u>\$3,791</u>
Global / Retained		2,111	(89)	2,022			
Total		<u>\$5,016</u>	<u>\$501</u>	<u>\$5,517</u>			

At Sempra Energy, payroll tax expense is applied as an overhead rate to all direct labor. The composite overhead rate for payroll taxes used in 2016 was 3.43%. In 2019, the rate is forecasted at 3.46%. No changes to the Social Security and Medicare (i.e., Federal Insurance Contributions Act (FICA)), or the federal unemployment tax rates are expected for 2019. State unemployment is expected to decrease from 2016 to 2019. In 2016, the wage limit for the Old-Age, Survivor's, and Disability Insurance (OASDI) portion<sup>3</sup> of the FICA tax was \$118,500; in 2019, the limit is projected to be \$135,900.

<sup>3</sup> The Hospital Insurance or Medicare portion of the FICA tax does not have a wage limit.

### 3. Incentive Compensation (F-3)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
F-3.1	1100-0800-EXECUTIVE ICP	5,655	158	5,813	1,659	320	1,979
F-3.2	1100-0801-ICP OVERHEAD	11,762	2,207	13,969	9,121	225	9,346
Total		<u>\$17,417</u>	<u>\$2,364</u>	<u>\$19,782</u>	<u>\$10,780</u>	<u>\$545</u>	<u>\$11,325</u>
Allocations							Escalated 2019
SDG&E		5,197	(171)	5,026			5,451
So Cal Gas		5,583	716	6,299			6,830
Total Utility		<u>10,780</u>	<u>545</u>	<u>11,325</u>			<u>\$12,281</u>
Global / Retained		6,638	1,819	8,457			
Total		<u>\$17,417</u>	<u>\$2,364</u>	<u>\$19,782</u>			

Variable pay plans have been a part of Sempra Energy's total compensation strategy since its inception. The variable pay plans are commonly referred to as ICP. The ICP places a portion of employee compensation at-risk, subject to achievement of the plan's performance measures, motivating employees to meet or exceed important financial and project completion goals.

Corporate Center's ICP costs are included for all eligible employees, based on expected overall performance results. The request is for ICP based on an average of the last five years of actual ICP payouts. This is consistent with the Total Compensation structure used at SDG&E and SoCalGas, as described in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30). Base Year 2016 actual expense reflects a shareholder ICP payout above target, while the forecast TY 2019 shows a funding request at the average of the last five years of actual ICP payout.

### 4. Long-Term Incentive (F-4)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
F-4.1	1100-0805-RESTRICTED STOCK	34,568	3,762	38,330	6,226	2,286	8,512
F-4.2	1100-0806-LIFE INSURANCE	3,723	118	3,841	127	2	129
F-4.3	1100-0310-UTILITY & AFFILIATE EXECUTIVE BENEFITS	333	(216)	118	299	(194)	105
F-4.4	1100-0129-EXECUTIVE BENEFITS	(3)	17	14	(2)	13	11
Total		<u>\$38,622</u>	<u>\$3,680</u>	<u>\$42,303</u>	<u>\$6,650</u>	<u>\$2,107</u>	<u>\$8,757</u>
Allocations							Escalated 2019
SDG&E		3,434	682	4,116			4,116
So Cal Gas		3,216	1,424	4,641			4,641
Total Utility		<u>6,650</u>	<u>2,107</u>	<u>8,757</u>			<u>\$8,757</u>
Global / Retained		31,972	1,573	33,545			
Total		<u>\$38,622</u>	<u>\$3,680</u>	<u>\$42,303</u>			



Long-term incentives are an integral component of a competitive compensation program for key management and executive employees. They are critical to the attraction, motivation, and retention of a skilled, experienced leadership team. Long-term incentives awards are granted under the Sempra Energy LTIP, in the form of performance-based restricted stock units and service-based restricted stock units. The costs are based on the accounting expense incurred for awards issued to Corporate Center employees. The LTIP is consistent with the Total Compensation structure used at SDG&E and SoCalGas, as described in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30).

## 5. Supplemental Retirement (F-5)

(2016 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year	2016-2019	Forecast	Base Year	2016-2019	Forecast
Services Provided		2016	Incr/(Decr)	2019	2016	Incr/(Decr)	2019
F-5.1	1100-0804-SERP	14,541	(1,441)	13,100	3,422	(28)	3,394
	Total	<u>\$14,541</u>	<u>(\$1,441)</u>	<u>\$13,100</u>	<u>\$3,422</u>	<u>(\$28)</u>	<u>\$3,394</u>
Allocations							Escalated 2019
	SDG&E	1,664	(112)	1,552			1,552
	So Cal Gas	1,759	83	1,842			1,842
	Total Utility	3,422	(28)	3,394			<u>\$3,394</u>
	Global / Retained	11,119	(1,413)	9,706			
	Total	<u>\$14,541</u>	<u>(\$1,441)</u>	<u>\$13,100</u>			

SERP benefits form an important component of the total reward package for key managers, directors, attorneys, and executives. These plans are a key component of a competitive compensation and benefits package to attract and retain leadership talent. Cost forecasts represent the projected benefit accruals for executives eligible for SERP by 2019. This Plan is consistent with the SERP at SDG&E and SoCalGas, as described in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30).

### Allocation of Pension and Benefits Costs

The benefits and compensation plan totals in this section are a compilation of labor loaders and benefit accruals, which retain the allocation nature of the original labor dollars by which they were generated. The allocation of direct labor and non-labor costs has been covered for each functional area in sections IV.A through IV.E. None of the benefit costs associated with

the Sempra Energy Chairman, President and CEO or Group Presidents are allocated to SDG&E and SoCalGas, consistent with how labor and other costs for those positions are handled.

## V. CONCLUSION

The Corporate Center services described in this testimony complete the scope of functions that would be essential to any large-scale public utility (apart from Corporate Insurance which is separately addressed by Mr. Cayabyab's Insurance testimony (Ex. SDG&E-27 and SCG-29)). Through the centralized Corporate Center, Sempra Energy is able to deliver efficient service and professional oversight to its business units, using fair allocation policies. SDG&E and SoCalGas benefit from this approach by avoiding the need for staffing duplicative functions in their own organizations and by sharing the costs with other Sempra Energy affiliates. Overall, 45% of Corporate Center's total forecasted costs are being requested in this GRC.

Following is a summary of all forecast allocations to SDG&E and SoCalGas, on an escalated basis, which I believe is fair and reasonable. The Summary of Earnings Direct Testimony of Khai Nguyen, (Ex. SDG&E-42 and SCE-43) show these allocations as non-standard charges under A&G Combined (Non-Shared Services).

### *Escalated (\$ - thousands)*

### **Test Year 2019 Utility Allocations**

<b><u>Services Provided</u></b>	<b><u>SDG&amp;E</u></b>	<b><u>SoCalGas</u></b>	<b><u>Total Utilities</u></b>
A Finance	14,840	15,478	30,317
B Legal, Compliance and Governance	11,282	13,072	24,354
C Human Resources & Administration	8,537	14,603	23,140
D Corporate Strategy & External Affairs	1,921	2,303	4,224
E Facilities and Assets	7,494	8,615	16,109
F Pension & Benefits	16,912	20,456	37,368
<b>Total</b>	<b>60,986</b>	<b>74,526</b>	<b>135,512</b>

### **Services by FERC Account**

### **SDG&E**

### **SoCalGas**

### **Total Utilities**

F923.1 Outside Services Employed	57,211	69,817	127,028
F923.4 Depreciation & ROR	3,775	4,709	8,484
<b>Total</b>	<b>60,986</b>	<b>74,526</b>	<b>135,512</b>

This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Mia L. DeMontigny. My business address is 488 8<sup>th</sup> Avenue, San Diego,  
3 California, 92101. My current position is Assistant Controller for Sempra Energy. My present  
4 responsibilities include work with corporate accounting, accounting research and policy, and  
5 external financial reporting (SEC reporting). I am a Certified Public Accountant. After I  
6 received my Bachelor of Commerce Degree in Accountancy from Concordia University in 1994,  
7 I began my professional career.

8 From 1994 to 2013, I was employed in public accounting at Price Waterhouse (Canada  
9 from 1994 to 1998) and PriceWaterhouseCoopers, LLP (United States from 1998 to 2013).

10 From 2013 to 2015, I was employed as the U.S. Assistant Controller for National Grid. My  
11 experience in the power and utility industry began in 1998, and I joined Sempra Energy in 2015.

12 I have not previously testified before the Commission.

## **APPENDIX A - Glossary of Terms**

A&G: Administrative and general  
CB: Causal-beneficial (allocation method)  
CEO: Chief Executive Officer  
CFO: Chief Financial Officer  
CIP: Critical Infrastructure Protection  
CPUC: California Public Utilities Commission  
ERISA: Employee Retirement and Income Security Act of 1974  
FASB: Financial Accounting Standards Board  
FERC: Federal Energy Regulatory Commission  
FICA: Federal Insurance Contributions Act  
FLP: Financial Leadership Program  
FTEs: Full time equivalents  
GAAP: Accounting Principles Generally Accepted in the United States of America  
GRC: General rate case  
HIPAA: Health Insurance Portability and Accountability Act  
HQ: Headquarters building  
HR: Human resources  
ICP: Incentive Compensation Plan  
IRS: Internal Revenue Service  
IT: Information technology  
LTIP: Long term incentive plan  
NBV: Net book value  
NERC: North American Electric Reliability Corporation  
NGV: Natural gas vehicle  
OASDI: Old Age, Survivor's, and Disability Insurance  
O&M: Operation and maintenance  
PAC: Political Action Committee  
ROR: Rate of return  
SCE: Southern California Edison Company  
SDG&E: San Diego Gas & Electric Company

SEC: U.S. Securities and Exchange Commission

SERP: Supplemental executive retirement plan

SoCalGas: Southern California Gas Company

SOX: Sarbanes-Oxley Act

Utilities: SDG&E and SoCalGas, collectively

VP: Vice President