

Company: Southern California Gas Company (U 904 G)
Proceeding: 2016 General Rate Case
Application: A.14-11-____
Exhibit: SCG-19

SOCALGAS

DIRECT TESTIMONY OF PETER R. WALL

(CORPORATE CENTER – GENERAL ADMINISTRATION)

November 2014

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



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SUMMARY

O&M	2013 (\$000)	2016 (\$000)	Change
SDG&E Allocations	68,422	62,130	(6,292)
SCG Allocations	48,629	49,235	606
Total Utilities	117,051	111,365	(5,686)

Summary of Request – Southern California Gas Company (“SoCalGas”)

- Although the need for outside legal services continues to escalate and constitutes a \$1,519,000 pressure, the Base Year 2013 contains \$3,190,000 in fees for matters (Sesnon) not requested in this General Rate Case (“GRC”) application. The net reduction for outside legal is (\$1,671,000).
- Shareholders funded actual incentive compensation payouts (“ICP”) in excess of target goals in the Base Year 2013. This leads to a net reduction of (\$1,346,000) from Base Year actual ICP, which again is not requested in this application.
- Employee transfers from SDG&E on other hiring have raised various causal-beneficial allocation rates, primarily Full Time Equivalent (“FTE”) based methods, as well as driven a 4% increase in the Multi-Factor, overall shifting allocations by \$1,690,000.
- Rating agency fees, which are calculated based on debt in reported financial statements, as higher by \$772,000, reflecting SoCalGas’ expected future borrowing levels. Also trustee, bond, and back processing fees are up \$303,000, primarily from growing electronic transaction volume.
- As a result of Sempra’s move to a new headquarters in 2015, SoCalGas will see \$445,000 higher allocations from property taxes on leasehold improvements in Test Year (“TY”) 2016. Moving to a custom long-term lease will avoid significant capital expenditures needed for Sempra’s aging and inefficient structure.
- Other net pressures, primarily systems fees, external contract fees, and staffing, amount to \$413,000, itemized in more detail in this testimony and workpapers.

**SOCALGAS DIRECT TESTIMONY OF PETER R. WALL
(CORPORATE CENTER – GENERAL ADMINISTRATION)**

I. INTRODUCTION

A. Summary of Costs

I sponsor the TY 2016 forecasts for allocations of Shared General Administration costs from Corporate Center to SoCalGas. Table 1 summarizes my total sponsored costs, and the portion 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 San Diego Gas & Electric Company (“SDG&E”) and Southern California Gas Company (“SCG” or “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 also served our other businesses.

Today, as described in more detail in this testimony, Corporate Center is primarily structured to provide 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 1
Test Year 2016 Summary of Total Costs**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
A Finance	62,755	(3,633)	59,122	29,729	(384)	29,345
B Legal and Governance	80,299	(21,179)	59,120	39,467	(4,948)	34,519
C Human Resources	18,512	(1,835)	16,677	13,443	364	13,807
D External Affairs	6,315	633	6,948	2,214	406	2,620
E Facilities/Assets	12,045	4,096	16,141	6,618	2,027	8,645
F Pension & Benefits	74,271	(3,340)	70,931	25,580	(3,150)	22,430
Total	<u>\$254,197</u>	<u>(\$25,258)</u>	<u>\$228,940</u>	<u>\$117,051</u>	<u>(\$5,686)</u>	<u>\$111,365</u>
Allocations						Escalated 2016
SDG&E	68,422	(6,292)	62,130			64,650
So Cal Gas	48,629	606	49,235			51,776
Total Utility	<u>117,051</u>	<u>(5,686)</u>	<u>111,365</u>			<u>\$116,426</u>
Global / Retained	137,146	(19,572)	117,574			
Total	<u>\$254,197</u>	<u>(\$25,258)</u>	<u>\$228,940</u>			

1 My testimony presents costs on a cash-paid basis: the recorded costs for 2013; forecasted costs
2 for 2016; and the allocation of those costs to SDG&E, SoCalGas and Global/Retained. For
3 2016, more than 50% of all Corporate Center shared service costs are not allocated to SDG&E
4 and SoCalGas and are not included in their request.

5 **B. Summary of Activities**

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

15 In addition, SDG&E and SoCalGas are responding to customer and regulatory demand
16 for expanded infrastructure and programs. Their future capital plans, particularly at SDG&E,
17 call for significant investments in electric generation, transmission, gas infrastructure, and
18 metering technology that enable demand response. Such growth creates pressure on services at
19 Corporate Center that support capital assets, primarily the Legal and Treasury functions, which
20 assist in generating the financing necessary for construction. While the cost of capital is not at
21 issue in this proceeding, other expenses such as short-term credit, banking and rating agency fees
22 are impacted.

23 This request also includes legal fees paid to outside firms and consultants, directly
24 attributable to SDG&E and SoCalGas matters. There is no question that corporate litigation has
25 been a rising trend, and SDG&E, in particular, is challenged to defend itself from claims that
26 require increasing resources.

27 **C. Support To/From Other Witnesses**

28 In addition to sponsoring my own organization’s costs, I also provide policy justification
29 for Katherine Carbon, the witness for Corporate Insurance (Exhibit SDG&E-21 and Exhibit
30 SCG-20). As insurance is also centrally procured on behalf of all or various Sempra business
31 units, any policies that are not directly-assigned are subject to the same allocation hierarchy and

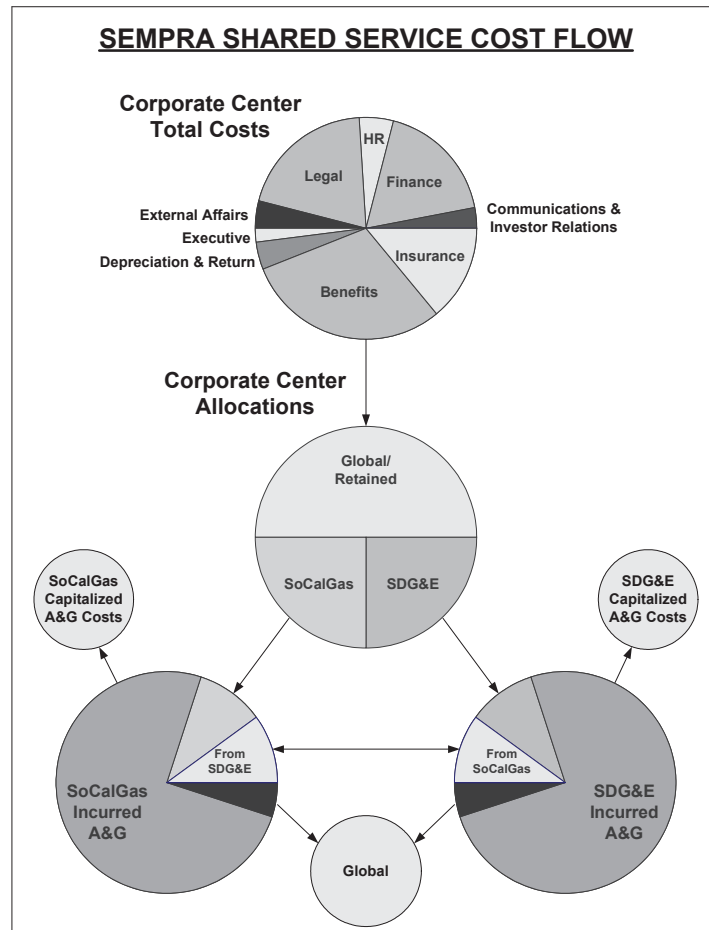
1 methodologies I discuss in the following chapter (II.B.), particularly the Multi-Factor (II.B.3). In
 2 the following chapter, I also describe the flow of shared services (II.A) that are charged to
 3 Corporate Center by SDG&E and SoCalGas, subject to the Corporate Re-Allocation method,
 4 whose calculation (workpaper J-4) we provide to their Shared Service Policy & Billing witness
 5 Mark Diancin (Exhibit SDG&E-26 and Exhibit SCG-25).

6 While direct salaries for each Corporate Center function are included in my testimony,
 7 the corresponding benefits and payroll tax overheads are grouped separately (III.F) and were
 8 determined consistent with the plans described by Compensation & Benefits witness Debbie
 9 Robinson (Exhibit SDG&E-22 and Exhibit SCG-21) and Pension/PBOPS witness David
 10 Sarkaria (Exhibit SDG&E-23 and Exhibit SCG-22).

11 **II. CORPORATE CENTER POLICIES**

12 **A. Shared Services**

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



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

7 For the TY 2016 forecast, all Corporate Center expenses billed to SDG&E and SoCalGas
8 are reflected in A&G accounts. The chart above shows utility charges from Corporate Center
9 being added to utility-incurred A&G expenses. Each utility also capitalizes a portion of their
10 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 the utility. These services, referred to as Corporate Shared Services (“CSS”), are
14 primarily Rent and Facilities Maintenance, Real Estate Services, Information Technology (“IT”),
15 Document and Supply Management Services, and some Accounting (e.g., Accounts Payable)
16 Services. Rather than duplicate these business functions, the Corporate Center benefits from the
17 structure that already exists at SDG&E and SoCalGas, which results in more cost-effective
18 Corporate Center overhead. The CSS charges to Corporate Center are determined at the Utilities
19 based on appropriate direct assignment or cost allocation methods, which the Corporate Center
20 annually reviews for reasonableness and applicability. Since SDG&E and SoCal Gas calculate
21 and retain their share of CSS charges using the Corporate Center’s overall allocation rate, known
22 as the “Corporate Re-Allocation” method, any remaining charges to the Corporate Center are
23 retained and not re-allocated to business units.

24 **B. Cost Allocations**

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

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

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

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

5 Corporate Center expenses which are not recoverable in rate-making (e.g., lobbying,
 6 contributions, corporate branding) are not billed to business units and are referred to as
 7 “**retained**” at Corporate Center.

8 All departments use direct assignment when possible; remaining costs are allocated by an
 9 appropriate Causal/Beneficial or Multi-Factor method. This process is illustrated in the
 10 following example: Assume a total department budget of \$2.5 million, of which \$1.2 million is
 11 directly assigned and the remaining \$1.3 million portion is allocated using a Causal/Beneficial
 12 method, with 38% going to SDG&E, 40% to SoCal Gas, and 22% to Global.

<i>\$ - 000's</i>	<u>Total Budget</u>	<u>SDG&E</u>	<u>SoCal Gas</u>	<u>Global/ Retained</u>
	\$ 2,500			
Direct Assignment:	<u>\$ (1,200)</u>	\$ 400	\$ 20	\$ 780
Remaining Amount to be Allocated:	\$ 1,300	<i>x 38%</i>	<u>\$ 494</u>	<i>x 40%</i>
			<u>\$ 520</u>	<i>x 22%</i>
Total of \$2,500 Charged to Business Units:		<u>\$ 894</u>	<u>\$ 540</u>	<u>\$ 1,066</u>

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

14 **1. Direct Assignment**

15 All costs that relate to a specific business unit are direct-assigned to that business unit.
 16 An example would be outside legal costs associated with a specific case. Non-labor costs can be
 17 specifically identified to a business unit directly by entering charges through the accounts
 18 payable system or journal entries to the general ledger. Labor costs can be specifically identified
 19 by entering employee work hours into Sempra Energy’s Workforce Information & Timekeeping
 20 System (“WITS”). Labor overheads, including payroll taxes and employee benefits, follow in
 21 proportion to the labor dollars charged to business units.
 22

23 Some departments, such as the Law Department, use customized timekeeping systems to
 24 track hours by project or cases in detail. Instead of re-entering the detail into WITS for direct

1 assignment, summaries of the resulting data are used as the basis for Causal/Beneficial rates.
2 The resulting allocations, while using Causal/Beneficial percentages, are nevertheless the same
3 as if direct assignment had been used in WITS.

4 **2. Causal/Beneficial Methods**

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

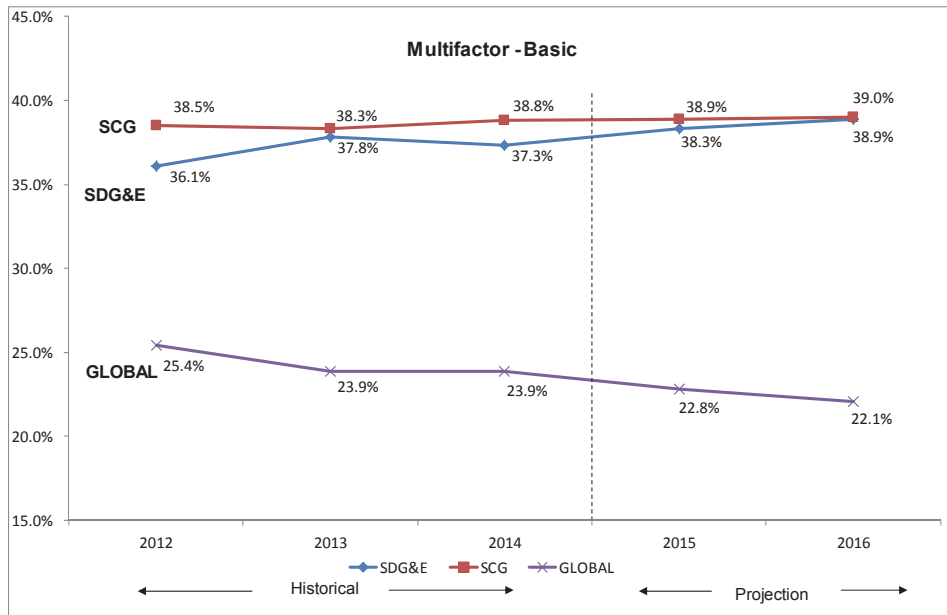
14 **3. Multi-Factor Methods**

15 The four-factor allocation method, also referred to as “Multi-Factor,” is used for
16 functions that serve all business units but for which there is no causal relationship, such as
17 Investor Relations. The Multi-Factor weighs four factors from all business units:

- 18 a. Revenue;
- 19 b. Gross Plant Assets & Investments;
- 20 c. Operating Expenses; and
- 21 d. Full-Time Employees or Equivalents.

22 These are the four factors that the CPUC has utilized for many years in allocating
23 SDG&E’s costs between its electric and gas customers for the purposes of setting utility rates. In
24 addition, this cost allocation methodology is consistent with previous CPUC decisions, such as
25 the Merger Decision (D.98-03-073), the 2004 Cost of Service Decision (D.04-12-015), the 2008
26 GRC Decision (D.08-07-046), and the 2012 GRC Decision (D.13-05-010). The four factors are
27 compiled each year, using prior years’ data as the basis for the following year’s actual
28 allocations.

29 To arrive at the forecasted rates for 2016, historical factors from 2011-2013 were
30 projected using a statistical trend forecasting method.



	Historical			Projection	
	2012	2013	2014	2015	2016
SDG&E	36.1%	37.8%	37.3%	38.3%	38.9%
SCG	38.5%	38.3%	38.8%	38.9%	39.0%
UTILITIES	74.6%	76.1%	76.1%	77.2%	77.9%
GLOBAL	25.4%	23.9%	23.9%	22.8%	22.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

Data from Audited Financials: 2011 2012 2013

1 This process is consistent with the technique used in the aforementioned Cost of Service
 2 and GRC test years. The chart above illustrates the trend results for the current GRC period.
 3 Despite growth in Sempra Energy’s Global business units, continuing capital investment at
 4 SDG&E and SoCalGas indicates the utilities will maintain a slightly increasing trend from the
 5 Base Year. The trends are similar to those forecasted in the 2012 GRC (although the Utilities’
 6 overall share is now projected at 77.9%, down from the 83.0% authorized in 2012). The Base
 7 Year allocation shift can be noted throughout the following testimony and in related workpapers
 8 for cost areas that use the Multi-Factor for allocation.
 9

10 **C. Forecasting Approach**

11 My TY 2016 forecasts for each Corporate Center department were developed through
 12 careful examination of cost elements and drivers for each cost center. Where possible, for costs
 13 such as salaries, contract fees, actuarial calculations, I used a zero-based forecasting approach.
 14 This means the budget for such costs was not established based on prior year spending, but was
 15 built by examining individual job positions and cost elements and providing a supporting

1 rationale for each item. A five-year trend was utilized only for Outside Legal forecasting,
2 because individual matters cannot be predicted, and the overall volume has steadily increased.
3 For all other supporting costs, forecasted estimates are based on the most recent year's activity.
4 Thus, all the department-level testimony in Chapter III may contain a blend of forecasting
5 methods.

6 The allocation method for each cost center was reviewed and updated to reflect services
7 provided in these forecasts. In most cases, the forecast allocation method is the same method as
8 used in historical actuals (and accepted in prior GRCs), although rates may vary by year. The
9 TY 2016 cost forecasts were analyzed in terms of both rate and volume changes from 2013.

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

15 **D. Escalation Approach**

16 Total labor and non-labor costs are presented in this testimony in 2013 dollars. Forecasts
17 for labor and non-labor in 2016 are stated in both 2013 and 2016 escalated dollars. Exceptions to
18 these guidelines are items that are considered "non-standard" or not subject to standard inflation.
19 Examples are costs that have contractual rates of increase, such as multi-year service agreements.
20 Other non-standard items are fixed expenses such as depreciation or amortization of financing
21 costs. Still, there may be other areas for which costs will increase at a different rate than that of
22 general inflation. Contractual and other-than-standard inflation areas are itemized as drivers
23 within the testimony and workpapers, and all non-standard items are excluded from further
24 escalation.

25 Because of the variety of standard and non-standard costs, and the blending of labor and
26 non-labor standard expenses allocated to SDG&E and SoCalGas, the approach taken in this
27 filing is for the Corporate Center to escalate forecasted costs for the Utilities. SDG&E and
28 SoCalGas incorporate their respective allocated costs as "non-standard" so they are not escalated
29 a second time.

30 The escalation factors used by Corporate Center for 2016 from the 2013 Base Year are
31 1.0762 for non-labor and 1.0729 for labor. The factors are composed of indexes used by

1 SDG&E and SoCalGas, as discussed in escalation testimonies of Scott R. Wilder (Exhibit
2 SDG&E-33 and Exhibit SCG-31). For non-labor, a simple average of electric and gas indexes
3 for Administrative & General (except for FERC account 926) was used. For labor, a simple
4 average of indexes for Managers & Administrators and Professional & Technical was used, as
5 these most closely correspond to the employee population at Corporate Center. SDG&E indexes
6 were selected as the basis for Corporate Center, since both entities are primarily located in the
7 San Diego market.

8 **III. SHARED COSTS**

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

11 Finance	A
12 Legal & Governance	B
13 Human Resources	C
14 External Affairs	D
15 Facilities/Assets (including Depreciation)	E
16 Pension & Benefits	F

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

20 Within the division sections, each departmental table presents their total costs, broken
21 down to the lowest organizational level, referred to as “cost centers.” For each cost center, 2013
22 actual recorded costs are presented, with the TY 2016 forecast and a calculation of the
23 incremental change. Of these total amounts, the portion applicable only to SDG&E and
24 SoCalGas (combined) is shown in the columns to the right. The lower half of each table, for
25 each department, shows the amounts allocated to SDG&E and SoCalGas respectively, with all
26 remaining, un-requested costs summarized as Global/Retained.

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

1 **A. Finance**

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

6 **TABLE 2A**
7 **Finance Summary of Costs**

<i>(2013 \$ - 000's)</i>	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
A-1 CFO	929	151	1,079	468	103	571
A-2 Accounting Services	13,005	590	13,595	8,857	414	9,271
A-3 Tax Services	12,062	(2,164)	9,898	5,584	(487)	5,097
A-4 Treasury	25,461	(2,179)	23,281	7,871	263	8,133
A-5 Investor Relations	2,180	5	2,185	1,651	50	1,702
A-6 Audit Services	7,036	(243)	6,793	4,775	(731)	4,044
A-7 Development / M&A	1,042	209	1,251	-	-	-
A-8 Financial Leadership Program	1,040	(0)	1,040	524	3	526
Total	<u>\$62,755</u>	<u>(\$3,633)</u>	<u>\$59,122</u>	<u>\$29,729</u>	<u>(\$384)</u>	<u>\$29,345</u>
Allocations						Escalated 2016
SDG&E	16,246	(1,524)	14,723			15,659
So Cal Gas	13,483	1,139	14,622			15,486
Total Utility	<u>29,729</u>	<u>(384)</u>	<u>29,345</u>			<u>\$31,145</u>
Global / Retained Total	<u>33,026</u>	<u>(3,249)</u>	<u>29,777</u>			
	<u>\$62,755</u>	<u>(\$3,633)</u>	<u>\$59,122</u>			

8 The costs for Finance allocated to SDG&E and SoCalGas decrease by \$0.4 million from
9 2013 to 2016. The primary drivers are:

10 \$ - millions

- (1.3) Non recurring tax and audit consulting
- (0.8) Risk Management Special Projects group discontinued for SDG&E
 - 1.1 Rating and bank fees for SCG up based on debt levels and activity
- 0.6 Other - Systems expense, staffing to replace consulting

11 \$ (0.4)

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

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
A-1.1 1100-0039-EXECUTIVE VP & CFO	929	151	1,079	468	103	571
Total	<u>\$929</u>	<u>\$151</u>	<u>\$1,079</u>	<u>\$468</u>	<u>\$103</u>	<u>\$571</u>
Allocations						Escalated 2016
SDG&E	260	44	304			326
So Cal Gas	208	59	267			287
Total Utility	468	103	571			<u>\$613</u>
Global / Retained	461	48	508			
Total	<u>\$929</u>	<u>\$151</u>	<u>\$1,079</u>			

2
3 The CFO is responsible for the development of Sempra’s short- and long-term financial
4 goals as well as operating and capital budgets. Distinct from CFOs at affiliates, the Sempra CFO
5 oversees the functions of the Corporate Controller, Treasury, Tax Services, Investor Relations,
6 Internal Audit Services, Risk Management, Development / M&A, and the Financial Leadership
7 Program. The CFO maintains strong relationships with members of the financial community,
8 such as investment bankers, credit analysts and long-term lenders. In addition, the CFO oversees
9 preparation of all external financial reports and analyses and is responsible for certifying them
10 under SEC requirements. The CFO also provides management and the Board of Directors with
11 reports that evaluate performance against operating objectives, actively participating with other
12 members of senior management to develop long-term business strategy, providing leadership and
13 strategic direction to all business units.

14 Allocation of Costs

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

VP - CFO		Allocation Rates	
		2013	2016
	SDG&E	29.3%	28.1%
	SoCalGas	23.5%	24.8%
	Global / Retained	47.2%	47.1%
		<u>100.0%</u>	<u>100.0%</u>

2. Accounting Services (A-2)

(2013 \$ - 000's)		Corporate Center			Utility Allocations		
Services Provided		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
A-2.1	1100-0338- SVP & CONTROLLER	557	(56)	501	361	(62)	299
A-2.2	1100-0054-ASSISTANT CONTROLLER - CORP	416	(128)	288	316	(92)	224
A-2.3	1100-0390-SOX COMPLIANCE	414	98	512	315	(59)	256
A-2.4	1100-0347-ACCOUNTING RESEARCH	370	46	416	281	43	324
A-2.5	1100-0299-CORPORATE PLANNING	1,613	(76)	1,537	806	(38)	769
A-2.6	1100-0049-CORPORATE CENTER ACCOUNTING	170	(170)	-	129	(129)	-
A-2.7	1100-0051-CORPORATE & GLOBAL ACCTG	1,039	205	1,245	517	106	622
A-2.8	1100-0014-TAX ACCOUNTS	379	323	702	186	176	362
A-2.9	1100-0047-FINANCIAL REPORTING	1,569	225	1,794	1,164	233	1,397
A-2.10	1100-0219-D&T AUDIT FEES	6,478	122	6,600	4,783	234	5,018
	Total	<u>\$13,005</u>	<u>\$590</u>	<u>\$13,595</u>	<u>\$8,857</u>	<u>\$414</u>	<u>\$9,271</u>
							Escalated 2016
Allocations							<u>5,010</u>
	SDG&E	4,546	115	4,661			4,955
	So Cal Gas	4,311	299	4,610			<u>\$9,966</u>
	Total Utility	<u>8,857</u>	<u>414</u>	<u>9,271</u>			
	Global / Retained	4,148	176	4,324			
	Total	<u>\$13,005</u>	<u>\$590</u>	<u>\$13,595</u>			

Accounting Services includes the Sempra Controller, corporate-level accounting and consolidated financial reporting, and other accounting-related functions that 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.
- The SOX Compliance function not only coordinates Corporate Center SOX, but also facilitates communication among compliance departments at all business units with Audit Services, external auditors, and senior management.
- Accounting Research analyzes accounting, financial reporting, and regulatory issues as needed to comply with GAAP and SEC rules and regulations.
- Corporate Planning tracks and reports on Corporate Center and business unit performance versus budgets, and for Sempra Energy on a consolidated basis. In addition, this group is responsible for shared service allocations to all business units and supports SDG&E's and SoCalGas' GRCs and other regulatory filings by developing Corporate Center testimony and workpapers, and by responding to data requests. They also provide systems support across all business units for Sempra Energy's corporate financials systems. This includes training and support for the consolidation system, Hyperion Financial Management ("HFM"), planning systems (Hyperion Strategic Finance and Clarity) as well as various reporting tools.

- Corporate & Global Accounting maintains asset, cost and financial accounting functions for the parent and Global companies.
- The Tax Accounts group 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 financial reporting of all income tax related disclosures in our SEC quarterly 10-Q and annual 10-K filings.
- Financial Reporting prepares and consolidates internal financial reports and external reporting to the SEC and other government agencies. External reporting for regulatory agencies (i.e., CPUC, FERC) is primarily handled by SDG&E and SoCalGas.
- Also included in this department are all external audit fees paid to Deloitte (“D&T”).

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 by “Multi-Factor Basic.”

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

Exceptions are Corporate Planning, SOX Compliance 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 the utilities and other business units.

		Allocation Rates	
		2013	2016
Multi-Factor Split	SDG&E	25.3%	24.8%
	SoCalGas	24.7%	25.2%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

The Tax Accounts staff, though reporting to the Controller, recently transferred from Tax Services, and continues to follow the same allocation.

Tax		Allocation Rates	
		2013	2016
	SDG&E	26.6%	27.7%
	SoCalGas	22.4%	23.8%
	Global / Retained	51.0%	48.5%
		<u>100.0%</u>	<u>100.0%</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. This allocation method is referred to as “VP Controller.”

VP - Controller		Allocation Rates	
		2013	2016
	SDG&E	32.1%	29.9%
	SoCalGas	30.9%	29.9%
	Global / Retained	37.0%	40.2%
		<u>100.0%</u>	<u>100.0%</u>

3. Tax Services (A-3)

(2013 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
A-3.1	1100-0373-CORPORATE TAX SERVICES	12,062	(2,164)	9,898	5,584	(487)	5,097
	Total	<u>\$12,062</u>	<u>(\$2,164)</u>	<u>\$9,898</u>	<u>\$5,584</u>	<u>(\$487)</u>	<u>\$5,097</u>
Allocations							Escalated 2016
	SDG&E	3,207	(470)	2,737			2,940
	So Cal Gas	2,377	(17)	2,360			2,535
	Total Utility	<u>5,584</u>	<u>(487)</u>	<u>5,097</u>			<u>\$5,475</u>
	Global / Retained	6,478	(1,677)	4,801			
	Total	<u>\$12,062</u>	<u>(\$2,164)</u>	<u>\$9,898</u>			

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

Federal, state, and local tax compliance 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

1 handles federal, state, local, and international audits of tax issues by taxing authorities and
2 regulatory bodies. Tax planning and regulatory compliance responsibilities entail: research and
3 reporting of ratemaking tax impacts of proposed transactions; preparation of ratemaking taxes
4 reported to federal, state, local, and foreign regulatory bodies; and, where necessary, litigating
5 tax positions. The Tax Department evaluates and quantifies impacts of tax legislation and
6 regulatory decisions and proposals. The group is also responsible for preparing quarterly tax
7 sections of the FERC form regulatory filings, and interfacing with internal and external auditors
8 on tax accounting issues.

9 Allocation of Costs

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

Tax		Allocation Rates	
		2013	2016
	SDG&E	26.6%	27.7%
	SoCalGas	22.4%	23.8%
	Global / Retained	51.0%	48.5%
		<u>100.0%</u>	<u>100.0%</u>

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4. Treasury (A-4)

Services Provided	(2013 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
A-4.1 1100-0112-VP TREASURY	523	(54)	469	199	4	202
A-4.2 1100-0119-ASSISTANT TREASURER	849	73	922	422	39	461
A-4.3 1100-0114-INSURANCE RISK ADVISORY	638	248	887	453	222	675
A-4.4 1100-0120-PENS & TRUST INV DIR	722	17	738	885	(180)	705
A-4.5 1100-0121-ENERGY RISK MGMT	749	36	785	88	1	89
A-4.6 1100-0010-DIR ENTERPRISE RISK MGMT	428	(428)	-	385	(385)	-
A-4.7 1100-0061-RISK ANALYSIS - SPECIAL PROJE	491	(491)	-	491	(491)	-
A-4.8 1100-0113-CASH MANAGEMENT	903	(47)	856	686	(19)	667
A-4.9 1100-0053-PLANNING AND ANALYSIS	731	41	771	366	20	386
A-4.10 1100-0224-CORPORATE - CASH MGMT	1,718	267	1,985	1,440	267	1,706
A-4.11 1100-0225-CORP - TTEE & RATE AGENCY	16,684	(1,986)	14,698	2,457	785	3,242
A-4.12 1100-0052-PROJECT FINANCE	518	41	560	-	-	-
A-4.13 1100-0393-CORPORATE ECONOMICS	507	103	610	-	-	-
Total	<u>\$25,461</u>	<u>(\$2,179)</u>	<u>\$23,281</u>	<u>\$7,871</u>	<u>\$263</u>	<u>\$8,133</u>
Allocations						Escalated 2016
SDG&E	4,236	(764)	3,472			3,583
So Cal Gas	3,635	1,026	4,661			4,795
Total Utility	<u>7,871</u>	<u>263</u>	<u>8,133</u>			<u>\$8,378</u>
Global / Retained	17,590	(2,442)	15,148			
Total	<u>\$25,461</u>	<u>(\$2,179)</u>	<u>\$23,281</u>			

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Corporate Treasury is responsible for Corporate Finance, Cash Management, Pensions & Investments, Strategic Planning, Project Finance and the Corporate Risk Management function.

- Corporate Finance and Cash Management collectively manage the liquidity needs and overall capital structure of Sempra Energy companies, which include 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 and investment activities, and maintain relationships with commercial and investment banks and credit rating agencies. These functions are centralized at the Corporate Center for efficiencies in volume, management oversight, standardization, and compliance credit and banking fees are a significant cost, necessary for backstop liquidity, short-term financing and the high volume of banking transactions involved in utility revenue operations. Most lines of credit are arranged for and directly assigned to the business unit they benefit. Trustee fees and rating agency fees are necessary costs in the marketing of new long-term financings, and include fees for Standard & Poor's, Moody's, and Fitch Rating Services as well as other holding and remarketing expenses. Interest expense on debt for business units is not included in these O&M charges.

- 1 • The Pensions and Investments group is responsible for managing Sempra Energy’s long-term
2 asset portfolios including qualified and non-qualified retirement plan assets and nuclear
3 decommissioning trust funds.
- 4 • Planning & Analysis facilitates the long-term strategic planning and performance
5 measurement process for Sempra Energy. While SDG&E and SoCalGas both have
6 operational budgeting functions, the Corporate Center sets policy and provides long-range
7 planning services that are essential to all business units in attracting capital.
- 8 • Project Finance supports the Sempra Energy companies with advice and structuring (as
9 relevant) for long-term non-recourse financing of specific projects such as renewable energy
10 projects and other infrastructure such as pipelines, LNG facilities and power plants.
11 Corporate Economics also contributes in areas of development and analysis of potential new
12 projects. No services to the Utilities are included in this GRC.
- 13 • Enterprise Risk Management manages Energy Risk and Credit Risk for Sempra’s non-
14 regulated subsidiaries, and performs Dodd-Frank aggregation and compliance work for all
15 business units.
- 16 • Insurance Risk Advisory directs the corporate insurance program, including the
17 property/casualty self-insurance program, and risk control activities for property/casualty for
18 all Sempra Energy companies. Activities in purchasing and managing the corporate-wide
19 insurance program involve bond procurement, contract review, and risk assessments for
20 Sempra Energy companies. For a description and forecast of direct costs of Property and
21 Liability insurance, see the separate testimony of Katherine Carbon (Exhibit SDG&E-21 and
22 Exhibit SCG-20).

23 Allocation of Costs

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

27 Treasury services including Cash Management and Insurance Risk Advisory are allocated
28 by “Multi-Factor Basic,” as they support operational functions at all business units, such as
29 payroll, accounts payable, gas purchases, wire transfers, and insurance premiums.

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

As Planning & Analysis facilitates the long-term planning and performance measurement process enterprise-wide, their costs are allocated using the Multi-Factor Split method to divide costs evenly between the Utilities and Global business units.

		Allocation Rates	
		2013	2016
Multi-Factor Split	SDG&E	25.3%	24.8%
	SoCalGas	24.7%	25.2%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

The Assistant Treasurer estimates percentages of effort for the business units based on overall activity level and projects requiring financing or advisory work, a method called “CB – Treasury.”

		Allocation Rates	
		2013	2016
Treasury	SDG&E	25.0%	25.0%
	SoCalGas	25.0%	25.0%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

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

		Allocation Rates	
		2013	2016
Risk	SDG&E	5.2%	5.2%
	SoCalGas	6.1%	6.1%
	Global / Retained	88.7%	88.7%
		<u>100.0%</u>	<u>100.0%</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."

		Allocation Rates	
		2013	2016
Pension	SDG&E	26.7%	27.3%
	SoCalGas	68.3%	68.2%
	Global / Retained	5.0%	4.5%
		<u>100.0%</u>	<u>100.0%</u>

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

		Allocation Rates	
		2013	2016
VP - Treasurer	SDG&E	23.0%	21.3%
	SoCalGas	22.6%	21.8%
	Global / Retained	54.4%	56.9%
		<u>100.0%</u>	<u>100.0%</u>

5. Investor Relations/Shareholder Services (A-5)

<i>(2013 \$ - 000's)</i>		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
A-5.1	1100-0375-VP - INVESTOR RELATIONS	494	(5)	488	374	7	380
A-5.2	1100-0042-INVESTOR RELATIONS	1,687	10	1,697	1,278	44	1,321
	Total	<u>\$2,180</u>	<u>\$5</u>	<u>\$2,185</u>	<u>\$1,651</u>	<u>\$50</u>	<u>\$1,702</u>
Allocations							Escalated 2016
	SDG&E	852	(3)	850			900
	So Cal Gas	799	53	852			903
	Total Utility	<u>1,651</u>	<u>50</u>	<u>1,702</u>			<u>\$1,803</u>
	Global / Retained	529	(46)	483			
	Total	<u>\$2,180</u>	<u>\$5</u>	<u>\$2,185</u>			

The Investor Relations department's primary objective is to attract debt and equity capital at the lowest possible cost, to benefit the utilities and global business units. They maintain regular communications with security analysts, shareholders and the financial community through conferences, meetings and internet updates. This group is responsible for communicating Sempra Energy's financial goals and results. They relay financial market

1 information to senior management. They are also responsible for monitoring the outside stock
 2 transfer agent and responding to shareholder inquiries.

3 Allocation of Costs

4 Costs are allocated using “Multi-Factor Basic,” as the proper valuation of company
 5 securities benefits all business units by providing capital for operations.

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

6
7 **6. Internal Audit (A-6)**

<i>(2013 \$ - 000's)</i>	Corporate Center			Utility Allocations			Escalated 2016
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast	
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016	
Services Provided							
A-6.1 1100-0349-VP AUDIT SERVICES	369	(42)	327	326	(155)	172	
A-6.2 1100-0041-AUDIT SERVICES	5,758	(788)	4,970	4,449	(576)	3,873	
A-6.3 1100-0453-AUDIT - LATIN AMERICA	909	587	1,496	-	-	-	
Total	<u>\$7,036</u>	<u>(\$243)</u>	<u>\$6,793</u>	<u>\$4,775</u>	<u>(\$731)</u>	<u>\$4,044</u>	
Allocations							
SDG&E	2,759	(444)	2,315				2,487
So Cal Gas	2,016	(287)	1,729				1,857
Total Utility	<u>4,775</u>	<u>(731)</u>	<u>4,044</u>				<u>\$4,344</u>
Global / Retained	2,261	487	2,748				
Total	<u>\$7,036</u>	<u>(\$243)</u>	<u>\$6,793</u>				

8
9 The Internal Audit Services department is centralized at Corporate Center for all business
 10 units. The types of engagements conducted include general controls reviews in operational,
 11 financial, and information systems areas, as well as conducting testing on behalf of management
 12 for SOX compliance. The group is charged with independent evaluation of risk and business
 13 controls as well as identifying solutions to business control issues. They issue reports on the
 14 effectiveness and efficiency of operations, economical and efficient use of resources, security of
 15 assets, reliability and integrity of financial information, and compliance with applicable policies,
 16 plans, procedures, laws and regulations. The Audit Services department also performs
 17 environmental, health and safety audits to evaluate controls and compliance around internal
 18 policies and procedures and regulatory requirements.

1 Allocation of Costs

2 Allocation of costs for the VP of Audit Services group is based on total annual Audit Plan
3 hours, which outlines the anticipated audits for each business unit. The hours attributed to
4 Corporate Center audits are re-allocated using the Multi-Factor Basic method to result in a
5 blended percentage for each business unit. This allocation method is referred to as “Audit Plan.”

		Allocation Rates	
		2013	2016
Audit Plan	SDG&E	33.8%	31.2%
	SoCalGas	23.8%	21.3%
	Global / Retained	42.4%	47.5%
		<u>100.0%</u>	<u>100.0%</u>

6
7 Allocation of costs for the Audit Services group is based on the same annual Audit Plan,
8 but excluding hours for Mexico and South America entities. This allocation method is referred
9 to as “Audit US.”

		Allocation Rates	
		2013	2016
Audit Plan US	SDG&E	46.2%	44.5%
	SoCalGas	32.6%	33.4%
	Global / Retained	21.2%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

10
11 Audit Services for Latin America are allocated based on anticipated audits and planned
12 audit hours specific to Latin American holdings. None of the costs associated with this group are
13 allocated to the Utilities.

1 **7. Development/M&A (A-7)**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
A-7.1 1100-0059-SVP CORPORATE DEVELOPMENT	619	13	632	-	-	-
A-7.2 1100-0392-CORPORATE DEVELOPMENT	423	197	619	-	-	-
Total	<u>\$1,042</u>	<u>\$209</u>	<u>\$1,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allocations						Escalated 2016
SDG&E	-	-	-			-
So Cal Gas	-	-	-			-
Total Utility	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Global / Retained	1,042	209	1,251			
Total	<u>\$1,042</u>	<u>\$209</u>	<u>\$1,251</u>			

2 The Corporate Development department handles merger and acquisition analysis
3 services, primarily for Global business units. None of the costs associated with this group are
4 allocated to the Utilities.
5

6 **8. Financial Leadership Program (A-8)**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
A-8.1 1100-0340-ACCTG & FINANCE ROTATION	1,040	(0)	1,040	524	3	526
Total	<u>\$1,040</u>	<u>(\$0)</u>	<u>\$1,040</u>	<u>\$524</u>	<u>\$3</u>	<u>\$526</u>
Allocations						Escalated 2016
SDG&E	386	(2)	384			412
So Cal Gas	138	5	142			153
Total Utility	<u>524</u>	<u>3</u>	<u>526</u>			<u>\$565</u>
Global / Retained	517	(3)	513			
Total	<u>\$1,040</u>	<u>(\$0)</u>	<u>\$1,040</u>			

7 The Financial Leadership Program (“FLP”) is a significant way in which Sempra Energy
8 attracts and develops talented accounting and finance staff. Using a multi-year rotation plan,
9 new recruits are given exposure to many areas of audit, accounting and finance before applying
10 for available positions at the end of their three-year rotations.
11

12 Allocation of Costs

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

FLP		Allocation Rates	
		2013	2016
	SDG&E	37.1%	37.0%
	SoCalGas	13.2%	13.6%
	Global / Retained	49.7%	49.4%
		100.0%	100.0%

B. Legal & Governance

Led by Sempra Energy’s Executive Vice President and General Counsel, 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 and Board of Directors. The division provides legal, governance and compliance 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 2B
Legal & Governance Summary of Costs

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
B-1 Legal Services	70,527	(20,138)	50,389	35,036	(4,874)	30,161
B-2 Governance	5,891	(72)	5,818	4,432	(74)	4,357
B-3 Executive	3,882	(969)	2,913	-	-	-
Total	<u>\$80,299</u>	<u>(\$21,179)</u>	<u>\$59,120</u>	<u>\$39,467</u>	<u>(\$4,948)</u>	<u>\$34,519</u>
Allocations						Escalated 2016
SDG&E	28,150	(3,515)	24,635			25,051
So Cal Gas	11,318	(1,434)	9,884			10,148
Total Utility	<u>39,467</u>	<u>(4,948)</u>	<u>34,519</u>			<u>\$35,199</u>
Global / Retained	40,832	(16,230)	24,602			
Total	<u>\$80,299</u>	<u>(\$21,179)</u>	<u>\$59,120</u>			

Legal & Governance costs assigned to SDG&E and SoCalGas overall decrease by \$4.9 million from 2013 to 2016. This decrease is primarily due to outside legal fees related to significant cases that are not part of this GRC request. Offsetting this, however, is the significant expense facing SDG&E and SoCal Gas in responding to escalating legal costs and challenges, based on the realized trend of the last five years.

\$ - millions

(11.7) Legal fees incurred in 2013 but not requested in GRC

6.3 Trend of expense for all other Legal fees

0.5 Staffing to support regulatory and compliance

\$ (4.9)

1. Legal Services (B-1)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
B-1.1 1100-0141-EXECUTIVE VP & GENERAL CO	1,145	(314)	831	533	(107)	426
B-1.2 1100-0144-LEGAL	7,368	638	8,006	3,696	629	4,325
B-1.3 1100-0145-OUTSIDE LEGAL	62,014	(20,462)	41,552	30,807	(5,397)	25,410
Total	<u>\$70,527</u>	<u>(\$20,138)</u>	<u>\$50,389</u>	<u>\$35,036</u>	<u>(\$4,874)</u>	<u>\$30,161</u>
Allocations						Escalated 2016
SDG&E	25,897	(3,444)	22,453			22,705
So Cal Gas	9,139	(1,431)	7,708			7,808
Total Utility	<u>35,036</u>	<u>(4,874)</u>	<u>30,161</u>			<u>\$30,513</u>
Global / Retained	35,491	(15,264)	20,228			
Total	<u>\$70,527</u>	<u>(\$20,138)</u>	<u>\$50,389</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 lawyers, the retention and hiring of outside counsel, and provides legal advice to Sempra management and the Sempra Board of Directors. The General Counsel also serves on the Boards of Directors of SDG&E, SoCalGas and the other Sempra Energy business units.

As described in more detail below, CCLD lawyers offer services in the areas of litigation and labor and employment law, regulatory law and environmental law, and commercial law and corporate law, including real estate, mergers and acquisitions, financing and security 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 obviates 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

1 given year. CCLD also coordinates the retention and oversight of outside law firms for all the
2 business units. From this coordinating position, CCLD is best able to leverage cost-effective
3 outside legal fee arrangements that the business units by themselves would not be able to
4 arrange.

5 CCLD lawyers are available to provide legal advice and support to all of the Sempra
6 Energy business units, including SDG&E and SCG, and represents them in certain, unique legal
7 matters. CCLD is responsible for the delivery, quality and cost of the legal services it provides
8 to the Sempra Energy business units. CCLD comprises lawyers and support staff providing cost-
9 effective legal support in the following areas of law: Litigation and Labor and Employment,
10 Regulatory and Environmental, and Commercial and Corporate.

11 a. *Litigation and Labor and Employment*

12 CCLD litigation lawyers represent SDG&E, SCG, and other Sempra Energy business
13 units in litigation matters arising primarily from disputes in the areas of commercial law and tort
14 law. CCLD litigation lawyers also advise SDG&E, SCG and other Sempra Energy business
15 units in the area of corporate compliance.

16 CCLD labor and employment lawyers provide legal advice and counsel to SDG&E, SCG
17 and other Sempra Energy business units in all human resource-related matters, including
18 employee relations, compensation and benefits, discrimination, and employee conduct and
19 ethics. CCLD labor and employment lawyers also support confidential investigations and
20 responses to human relations issues raised on employee calls to the Company Hot Line; represent
21 SDG&E and SCG in relations with unions on matters arising under collective bargaining
22 agreements; and represent all Sempra Energy business units, including SDG&E and SCG, before
23 state and federal labor agencies such as Cal-OSHA, the Equal Employment Opportunity
24 Commission, the Office of Federal Contract Compliance, and the National Labor Relations
25 Board.

26 b. *Regulatory and Environmental*

27 Regulatory and environmental lawyers within CCLD are available to provide advice and
28 counsel on various matters that may impact SDG&E, SCG and other Sempra Energy business
29 units. CCLD's regulatory lawyer is available to represent either SDG&E or SCG before the
30 Commission and/or FERC.

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

5 c. *Commercial and Corporate*

6 Commercial lawyers within CCLD are available to provide advice and counsel to the
7 Sempra Energy business units, including SDG&E and SCG, on various commercial matters.
8 This includes drafting agreements and contracts, periodically reviewing commercial practices
9 and standard form agreements, and representing the Sempra Energy business units, including
10 SDG&E and SCG, in commercial negotiations and transactions in the areas of advertising and
11 communications, real estate, utility operations, energy efficiency, franchises, gas and electricity
12 supply, general services, intellectual property, technology, licenses, marketing, materials
13 management, joint ventures, Natural Gas Vehicle ("NGV") development, energy law, research,
14 design, and development, rights of way, transmission, underground gas storage, political law,
15 and transactions with women, minority, and disabled veterans business enterprises. Preventive
16 counseling is also provided in the areas of antitrust, legal compliance, and political law.

17 The CCLD corporate lawyers are available to provide advice and counsel on certain
18 corporate and finance matters, including infrastructure development, mergers and acquisitions,
19 project finance, stock and bond issuances, corporate governance, including Securities and
20 Exchange Commission matters, and other finance-related matters of significance to SDG&E,
21 SCG and the other Sempra business units. A corporate lawyer also supervises corporate
22 paralegals in connection with, among other things, the formation of new companies, the
23 preparation of written consents and minutes of meetings, and other general corporate
24 housekeeping matters on behalf of Sempra Energy and all of its subsidiaries, including SDG&E
25 and SCG.

26 As discussed above, when neither the business unit law department nor CCLD is able to
27 provide necessary legal services, outside counsel is retained. Typically, this involves matters
28 that require a level of resources or an area of expertise not available within the business unit law
29 departments or CCLD. In selecting outside counsel, CCLD seeks to achieve quality and cost-
30 effectiveness and to increase its use of women- and minority-owned law firms. The retention
31 and oversight of outside legal services are coordinated by CCLD, at the direction of the General

1 Counsel, for the business unit law departments, including SDG&E and SCG, and the costs for
2 such outside legal services are directly-assigned based on the matter. Matters and needed
3 services can vary from year to year. The TY 2016 forecast, shown in the following table, is
4 based on a statistical trend method that uses recorded expense levels going back five years prior
5 to the 2013 base year, adjusted for any non-recoverable matters or those considered significant
6 and non-recurring.

7 The following table shows the base year 2013 costs for CCLD (comprising General
8 Counsel, Law Department and Outside Legal costs) and the TY 2016 forecast for such costs.
9 The table also shows how such costs are allocated to SDG&E and SCG.

10 Allocation of Costs

11 Labor and all other costs not otherwise directly assigned, such as support staff, supplies,
12 law library, etc. are allocated based upon a ratio of time spent on matters for each business unit,
13 as computed by a timekeeping system used by CCLD lawyers and para-professional staff. The
14 allocation rates are updated monthly to ensure that all departmental costs flow to business units
15 based on the most recent activity by matter. Forecast rates rely on historical activity from the
16 2013 base year. The General Counsel’s cost center allocation uses the same “CB - Law” method
17 as CCLD.

		Allocation Rates	
		2013	2016
Law	SDG&E	35.7%	36.0%
	SoCalGas	14.7%	15.3%
	Global / Retained	49.6%	48.7%
		<u>100.0%</u>	<u>100.0%</u>

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19 Outside legal fees are directly-assigned by matter to the business unit(s) involved,
20 including SDG&E and SCG. Also directly-assigned are invoiced costs such as travel, expert
21 witnesses, CPUC, FERC and state or federal court fees, courier services and other non-
22 professional legal services. Costs associated with certain corporate matters, not otherwise
23 directly-assigned to SDG&E, SCG or other Sempra Energy business unit, are allocated using the
24 Multi-Factor Basic methodology.

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2. Governance (B-2)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016
Services Provided						
B-2.1 1100-0150-VP - COMPLIANCE & GOVERNANC	387	40	427	275	19	294
B-2.2 1100-0348-CORPORATE COMPLIANCE DIREC	1,025	(220)	805	813	(194)	619
B-2.3 1100-0143-CORPORATE SECRETARY	882	169	1,050	615	152	767
B-2.4 1100-0004-BOARD OF DIRECTORS	3,597	(61)	3,536	2,729	(52)	2,677
Total	<u>\$5,891</u>	<u>(\$72)</u>	<u>\$5,818</u>	<u>\$4,432</u>	<u>(\$74)</u>	<u>\$4,357</u>
Allocations						Escalated 2016
SDG&E	2,253	(71)	2,182			2,346
So Cal Gas	2,179	(3)	2,176			2,340
Total Utility	<u>4,432</u>	<u>(74)</u>	<u>4,357</u>			<u>\$4,686</u>
Global / Retained	1,459	2	1,461			
Total	<u>\$5,891</u>	<u>(\$72)</u>	<u>\$5,818</u>			

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For purposes of this testimony, certain functions are grouped together as “governance” because they represent the highest level of leadership of Sempra Energy. Corporate Compliance is also 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.

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

- Business conduct programs includes management and oversight of compliance risk assessment, development and maintenance of Sempra Energy’s Employee Business Conduct Guidelines, Corporate Code of Conduct and Supplier Code of Conduct programs, corporate policy maintenance, records management and retention programs, coordination of affiliate compliance programs, compliance and ethics education and communication, including web-based training. This section also manages the scope, design, development, and implementation of programs that integrate into existing business systems.
- Emergency preparedness duties include oversight and monitoring of corporate business resumption, emergency (CPR, First Aid) training, management of the crisis management center, and consolidated safety performance tracking and reporting to the Board, and oversight of corporate emergency preparedness drills.

1 All of these activities contribute to an ethical and legally compliant business culture at
2 Sempra Energy, where employees are committed to act ethically, and are provided the tools and
3 resources to comply with all laws and regulations and a productive work environment where
4 ethical and compliance concerns may be raised without fear of retribution.

5 The Office of the Corporate Secretary oversees the corporate governance of Sempra
6 Energy and each major business unit within Sempra Energy, including SDG&E, SoCalGas and
7 the two Global businesses. Among other things, it supports the board of directors of each
8 company by coordinating all board meetings, providing guidance on board action items and
9 overseeing the general organizational structure of the parent company and its several hundred
10 subsidiaries. The Office of the Corporate Secretary also has primary responsibility for
11 coordinating and overseeing Sempra Energy’s annual meeting of shareholders and management
12 of Sempra Energy’s subsidiary governance functions.

13 The Sempra Energy Board of Directors is a shareholder elected body responsible for
14 overseeing the management of the corporation’s overall business and affairs.

15 Allocation of Costs

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

		Allocation Rates	
		<u>2013</u>	<u>2016</u>
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

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3. Executive (B-3)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
B-3.1 1100-0011-CEO	1,839	(320)	1,519	-	-	-
B-3.2 1100-0186-SEMPRA PRESIDENT	1,205	34	1,239	-	-	-
B-3.3 1100-0040-RETAINED EXECUTIVE COSTS	740	(622)	118	-	-	-
B-3.4 1100-0003-CHAIRMAN	52	(52)	-	-	-	-
B-3.5 1100-0002-PRESIDENT & COO	3	(3)	-	-	-	-
B-3.6 1100-0001-RETIRED CHAIRMAN	42	(6)	36	-	-	-
Total	<u>\$3,882</u>	<u>(\$969)</u>	<u>\$2,913</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allocations						Escalated 2016
SDG&E	-	-	-			-
So Cal Gas	-	-	-			-
Total Utility	-	-	-			-
Global / Retained	3,882	(969)	2,913			
Total	<u>\$3,882</u>	<u>(\$969)</u>	<u>\$2,913</u>			

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The Executive division consists of the Chief Executive Officer (“CEO”) and the Sempra Energy President. 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 functions within the Executive group are currently allocated to the Utilities. They are all “retained” at Corporate Center.

C. Human Resources

The Human Resources (“HR”) division at Corporate Center develops corporate-wide policies, procedures and programs that apply to the entire Sempra Energy companies’ workforce and provides specific services not found in Sempra Energy’s subsidiary organizations, related to the support and maintenance of the Company’s employees, which Sempra Energy considers its most important asset.

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TABLE 2C
HR Summary of Costs

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
C-1 Human Resources SVP	1,260	(175)	1,085	1,111	(122)	989
C-2 Compensation & Benefits	4,112	29	4,141	3,596	40	3,636
C-3 Payroll/HRIS (MyInfo)	8,453	(22)	8,431	7,811	188	7,999
C-4 Staffing & Development	1,033	195	1,228	784	172	956
C-5 Employee Programs	3,654	(1,863)	1,791	141	85	227
Total	\$18,512	(\$1,835)	\$16,677	\$13,443	\$364	\$13,807
Allocations						Escalated 2016
SDG&E	5,607	(338)	5,269			5,663
So Cal Gas	7,837	702	8,538			9,177
Total Utility	13,443	364	13,807			\$14,841
Global / Retained	5,068	(2,199)	2,869			
Total	\$18,512	(\$1,835)	\$16,677			

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The costs for HR assigned to SDG&E and SoCalGas increase by \$0.4 million from 2013 to 2016. The increase is attributable to both the filling of vacant positions that existed in 2013, as well as growth in employee headcount that has shifted FTE-based allocations to SoCal Gas.

\$ - millions

0.2 Filling vacant positions, net of 2013 temp services

0.2 Increased allocation rates from FTE growth

\$ 0.4

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1. HR Senior VP (C-1)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
C-1.1 1100-0122-SVP-HR DIVERSITY & INCLUSION	1,260	(175)	1,085	1,111	(122)	989
Total	\$1,260	(\$175)	\$1,085	\$1,111	(\$122)	\$989
Allocations						Escalated 2016
SDG&E	471	(93)	379			407
So Cal Gas	640	(29)	610			656
Total Utility	1,111	(122)	989			\$1,063
Global / Retained	149	(53)	96			
Total	\$1,260	(\$175)	\$1,085			

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The Senior VP of HR oversees the entire HR division that provides human resource services to the Corporate Center and all business units. Strategic direction and overall corporate policy guidance is provided in the areas of compensation, benefits, HR information systems,

1 diversity programs, workforce planning, corporate security, leadership development, and
 2 compliance training. This division is also responsible for the administration of all employee
 3 benefit plans, payroll, HR information systems, executive compensation plans, security
 4 functions, human resource budgeting and accounting/financial compliance related to employee
 5 retirement and benefit plans, including health and welfare, pension and savings plans. In
 6 addition, the division directly supports the human resource needs of the Corporate Center
 7 including compensation administration, staffing, and employee relations. The Senior VP of HR
 8 also serves as the Chief Ethics Officer, and maintains e-mail and telephonic systems through
 9 which employees can communicate any potential ethical concerns.

10 Allocation of Costs

11 Costs associated with the Senior VP of HR are allocated using a weighted average of the
 12 diverse allocation methodologies used by each department reporting to this officer. This
 13 allocation average is referred to as “VP - HR.”

		Allocation Rates	
		2013	2016
VP - HR	SDG&E	38.2%	34.9%
	SoCalGas	51.9%	56.3%
	Global / Retained	9.9%	8.8%
		100.0%	100.0%

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15 **2. Compensation & Benefits (C-2)**

(2013 \$ - 000's)	Corporate Center			Utility Allocations			Escalated 2016
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast	
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016	
<u>Services Provided</u>							
C-2.1 1100-0134-COMP & BENEFITS	1,712	(257)	1,455	1,605	(231)	1,374	
C-2.2 1100-0135-COMPENSATION	818	33	851	767	37	804	
C-2.3 1100-0136-EXECUTIVE COMPENSATION	912	140	1,052	596	123	719	
C-2.4 1100-0137-HR ACCTG & BUDGETS	670	113	783	628	111	740	
Total	<u>\$4,112</u>	<u>\$29</u>	<u>\$4,141</u>	<u>\$3,596</u>	<u>\$40</u>	<u>\$3,636</u>	
<u>Allocations</u>							
SDG&E	1,583	(144)	1,439				1,546
So Cal Gas	2,013	184	2,197				2,360
Total Utility	<u>3,596</u>	<u>40</u>	<u>3,636</u>				<u>\$3,906</u>
Global / Retained	516	(11)	505				
Total	<u>\$4,112</u>	<u>\$29</u>	<u>\$4,141</u>				

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

4 a. *Compensation Services*

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

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

21 b. *Benefits Services*

22 The Benefits Services Group (“BSG”) covers several important functions covering health
23 and welfare plans and retirement (401(k) and pension) plans.

24 The BSG is responsible for designing, contracting, communicating, and insuring
25 compliance with all legal, regulatory, and union requirements affecting health and insurance
26 plans for twenty three medical plans, seven dental plans, five vision plans, and six life insurance
27 plans for approximately 13,000 employees and 11,000 retirees.

28 Health and welfare plans are designed so that they are both competitive and cost
29 effective. To negotiate the best rates available, the BSG uses the leverage created by Sempra
30 Energy companies’ 13,000 total employees. Higher coverage levels at lower costs are achieved

1 by negotiating on behalf of the total population of employees working for Sempra Energy rather
2 than negotiating for each company, or business unit, on a separate basis.

3 In addition to designing, negotiating and contracting for health and insurance benefits, the
4 BSG is responsible for developing and producing enrollment information (both new hire and
5 annual open enrollment) and the Summary Plan Descriptions required under the Employee
6 Retirement Insurance Security Act (“ERISA”). This law, while primarily regulating pension
7 plans, also mandates disclosure of health and welfare plan provisions. The BSG is also
8 responsible for ensuring compliance with all federal and state regulations governing health and
9 insurance plans. This includes making sure that plans are administered according to plan
10 documents, that all beneficiaries are treated fairly, advising HR in the business units of changes
11 in requirements, and training HR generalists so they can educate supervisors.

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

17 The BSG is also responsible for plan design, implementation and compliance with
18 governmental agencies of the pension and savings plans, and ensures strategic and cost
19 competitive retirement benefits to employees as a component of total compensation. This group
20 provides support and internal consulting to SDG&E and SoCalGas, HR and labor advisors with
21 regard to benefit strategies, employee communications and specific employee issues. The plans
22 include seven savings plans and three defined benefit plans covering all of Sempra Energy’s
23 employees and retirees.

24 In addition, this group is responsible for daily management and administration of all
25 plans in collaboration with other company departments, including HR, Legal, Tax, Investor
26 Relations, Payroll, and IT. They also support the chief negotiating team during union
27 negotiations with cost implications of various proposals and data requests and also offer
28 alternative design strategies on retirement benefits. Further, they act as lead contact on
29 Department of Labor and IRS audits for all plans as well as working with various financial
30 groups on preparation of federal reporting and disclosure forms.

1 Moreover, the BSG acts as vendor manager for the plans’ trustees, record keepers,
2 consultants and the MyRetirement Service Center. They evaluate all service providers to the
3 plans and recommend changes when appropriate, utilizing cost analysis and benchmarking.

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

7 c. *HR Accounting & Budgets*

8 The HR Accounting & Budgets group is responsible for all accounting, financial and
9 regulatory compliance activities related to Sempra Energy companies’ compensation and benefit
10 plans. The group reviews, analyzes and processes all benefit plan payments including premiums,
11 professional service fees, administrative charges and other related expenses. The group also
12 administers the distribution of employee pension, savings and deferred compensation payments.

13 Additionally, the HR Accounting & Budget group is responsible for various accounting
14 and financial reporting activities associated with employee compensation, retirement, and benefit
15 plans, including coordination with external actuaries, third-party administrators, trustees, and
16 independent auditors. In addition, this group prepares and files tax returns for all retirement and
17 benefit plans (Form 5500s), coordinates audits by various state and federal regulatory agencies,
18 including the IRS and the Department of Labor, and maintains ERISA compliance services. The
19 group also coordinates, prepares, and monitors the HR division operating budget and the pension
20 and benefit budgets for all Sempra Energy companies. The group also evaluates the financial
21 and operational impact of all major business and regulatory issues, including reorganizations and
22 GRC proceedings.

23 Allocation of Costs

24 Compensation & Benefits Administration and HR Accounting & Budgets costs are
25 allocated by the “CB - FTE” method, which appropriately reflects the level of service provided
26 to each business unit based on active employees.

		Allocation Rates	
		2013	2016
FTE	SDG&E	39.0%	34.4%
	SoCalGas	54.7%	60.0%
	Global / Retained	6.3%	5.6%
		<u>100.0%</u>	<u>100.0%</u>

For the Executive Comp & 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.”

		Allocation Rates	
		2013	2016
FTE Executive	SDG&E	36.6%	35.8%
	SoCalGas	28.8%	32.6%
	Global / Retained	34.6%	31.6%
		<u>100.0%</u>	<u>100.0%</u>

3. MyInfo - Payroll & HR Information Systems (C-3)

<i>(2013 \$ - 000's)</i>		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
C-3.1	1100-0383-MYINFO SERVICES	8,186	(31)	8,155	7,560	178	7,738
C-3.2	1100-0057-PAYROLL	267	9	276	250	10	261
	Total	<u>\$8,453</u>	<u>(\$22)</u>	<u>\$8,431</u>	<u>\$7,811</u>	<u>\$188</u>	<u>\$7,999</u>
Allocations							Escalated 2016
	SDG&E	3,096	(205)	2,891			3,109
	So Cal Gas	4,715	393	5,108			5,493
	Total Utility	<u>7,811</u>	<u>188</u>	<u>7,999</u>			<u>\$8,602</u>
	Global / Retained	642	(210)	432			
	Total	<u>\$8,453</u>	<u>(\$22)</u>	<u>\$8,431</u>			

The MyInfo 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

1 operations centers with profiles of employee data by location, ensuring relevant contact
 2 information is included. This group is also responsible for the evaluation, design and
 3 implementation of new systems and enhancements to existing applications, including utilization
 4 of internet/intranet functionality; overseeing the service center that responds to employee
 5 inquiries regarding payroll and benefits; monitoring ancillary payroll services, including
 6 garnishments, tuition reimbursements, and charitable contributions; managing vendor
 7 relationships for payroll processing and human resource systems; and limiting access to
 8 confidential employee data through the design and monitoring of key data security system
 9 controls.

10 This latter activity requires compliance with evolving regulations and laws such as the
 11 Health Portability and Accountability Act of 1996 (“HIPAA”) as it relates to the confidentiality
 12 and security of employee data. Compliance is especially critical given heightened concerns
 13 about, and increasing incidences of, identity theft and fraud. As employees are given more direct
 14 access to personal information, there will be an even greater need to protect data. Accordingly,
 15 new employee self-service applications and web-based systems require sophisticated and
 16 complex security measures and controls to ensure confidentiality of personal data and protection
 17 of employee rights to privacy.

18 Allocation of Costs

19 Costs associated with MyInfo Services are allocated based on the number of employee
 20 records attributed to each business unit, including those on disability or other leave of absence.
 21 These non-active employees are still tracked in system reports; thus this allocation method,
 22 known as “CB - MyInfo,” is appropriate for all support costs of the system.

		Allocation Rates	
		2013	2016
MyInfo	SDG&E	37.4%	34.3%
	SoCalGas	56.7%	60.6%
	Global / Retained	5.9%	5.1%
		<u>100.0%</u>	<u>100.0%</u>

1 **4. Corporate Staffing & Development (C-4)**

Services Provided	(2013 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
C-4.1 1100-0130-CORPORATE HUMAN RESOURCES	1,033	195	1,228	784	172	956
Total	<u>\$1,033</u>	<u>\$195</u>	<u>\$1,228</u>	<u>\$784</u>	<u>\$172</u>	<u>\$956</u>
Allocations						Escalated 2016
SDG&E	397	80	477			465
So Cal Gas	387	92	479			466
Total Utility	784	172	956			<u>\$931</u>
Global / Retained	249	23	272			
Total	<u>\$1,033</u>	<u>\$195</u>	<u>\$1,228</u>			

2
3 The Corporate Human Resources (“CHR”) function is responsible for day-to-day
4 employee relations, staffing, and recruiting for Corporate Center only. The department provides
5 a broad range of human resources advisory and support services to all Corporate Center
6 functions that provide shared services to SDG&E and SoCalGas.

7 Corporate Human Resources’ activities include HR policy interpretation, performance
8 management, employee discipline, career counseling, salary administration, employee/team
9 development, and processing terminating employees from the Corporate Center. The team is
10 responsible for external and internal staffing, including college recruiting and relationships. In
11 connection with those recruiting activities, the team pursues Equal Employment
12 Opportunity/Affirmative Action Plan objectives, new employee orientation, and employee
13 applicant processing.

14 CHR provides additional development courses in communication skills, management
15 skills, personal work effectiveness, energy industry knowledge, and financial skills. Skill
16 training is provided with respect to topics considered key to corporate success. Classroom and
17 on-line training is provided to employees to educate them about some of the most important
18 aspects of our industry in order to meet legal or regulatory requirements.

19 Allocation of Costs

20 Costs associated with corporate staffing are allocated using “Multi-Factor Basic.” This
21 function provides services to all areas of the Corporate Center that in turn serve the various
22 Sempra Energy companies, including SDG&E and SoCal Gas.

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		100.0%	100.0%

5. Employee Programs (C-5)

(2013 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
C-5.1	1100-0155-CORP COMM PARTNERSHIPS	221	70	291	141	85	227
C-5.2	1100-0156-CONTRIBUTIONS & MEMBERSHIPS	3,433	(1,933)	1,500	-	-	-
	Total	<u>\$3,654</u>	<u>(\$1,863)</u>	<u>\$1,791</u>	<u>\$141</u>	<u>\$85</u>	<u>\$227</u>
Allocations							Escalated 2016
	SDG&E	59	24	83			89
	So Cal Gas	83	62	144			155
	Total Utility	<u>141</u>	<u>85</u>	<u>227</u>			<u>\$244</u>
	Global / Retained	3,512	(1,948)	1,564			
	Total	<u>\$3,654</u>	<u>(\$1,863)</u>	<u>\$1,791</u>			

Employee Programs 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 company memberships and contributions processes with SDG&E, SoCalGas, and Global.

This group also plans, promotes and manages the Sempra Energy Foundation, which funds community initiatives and programs in the areas of environment, education, and 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.

FTE		Allocation Rates	
		2013	2016
	SDG&E	39.0%	34.4%
	SoCalGas	54.7%	60.0%
	Global / Retained	6.3%	5.6%
		100.0%	100.0%

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 memberships is being requested in this GRC.

D. External Affairs

Sempra Energy companies conduct business in multiple communities, states, and countries throughout the world. 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 chart, and in more detail in this section.

TABLE 2D
External Affairs Summary of Costs

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
D-1 Communications	2,146	379	2,525	1,349	196	1,544
D-2 Government Affairs	4,169	254	4,423	865	210	1,075
Total	<u>\$6,315</u>	<u>\$633</u>	<u>\$6,948</u>	<u>\$2,214</u>	<u>\$406</u>	<u>\$2,620</u>
Allocations						Escalated 2016
SDG&E	1,124	178	1,301			1,398
So Cal Gas	1,090	228	1,318			1,416
Total Utility	2,214	406	2,620			<u>\$2,814</u>
Global / Retained	4,102	227	4,329			
Total	<u>\$6,315</u>	<u>\$633</u>	<u>\$6,948</u>			

1 The costs for External Affairs assigned to SDG&E and SoCalGas increase by \$0.4
 2 million from 2013 to 2016.

\$ - millions

0.2 Filling vacant positions, other external services

0.2 Allocation shift away from political activities

\$ 0.4

3
 4 **1. Communications (D-1)**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016
Services Provided						
D-1.1 1100-0164-EVP EXTERNAL AFFAIRS	569	139	708	270	38	309
D-1.2 1100-0169-CORPORATE COMMUNICATIONS	475	171	646	237	86	323
D-1.3 1100-0168-DIGITAL/PRINT COMMUNICATIONS	551	58	610	419	56	475
D-1.4 1100-0378-ANNUAL REPORT	563	(2)	562	422	15	437
D-1.5 1100-0208-INTERNET COMMUNICATIONS	(12)	12	-	-	-	-
Total	\$2,146	\$379	\$2,525	\$1,349	\$196	\$1,544
Allocations						Escalated 2016
SDG&E	685	83	769			826
So Cal Gas	663	112	776			834
Total Utility	1,349	196	1,544			\$1,660
Global / Retained Total	797	184	981			
	\$2,146	\$379	\$2,525			

5
 6 The Corporate Communications department oversees most shareholder communications,
 7 including media related activities (broadcast and print) and earnings announcements, which
 8 communicate critical information to investors and customers about the financial health and
 9 strategy of Sempra Energy, SDG&E and SoCalGas.

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

1 Additionally, this department publishes Sempra Energy’s Annual Report and provides
2 substantial support for employee communications.

3 Allocation of Costs

4 Because of the diversity of allocation methods used by the various functions, a weighted
5 average of the allocation methodologies used by each department reporting to the External
6 Affairs officer was developed. This allocation method is referred to as “VP – Ext Affairs.”

		Allocation Rates	
		2013	2016
VP - Ext Affairs	SDG&E	24.1%	21.6%
	SoCalGas	23.5%	22.0%
	Global / Retained	52.5%	56.4%
		<u>100.0%</u>	<u>100.0%</u>

7
8 Services provided by Corporate Communications may be on behalf of executives and/or
9 issues for either the Utilities or Global business units and, therefore, it is appropriate to use a
10 “Multi-Factor Split” method that divides costs equally between them.

		Allocation Rates	
		2013	2016
Multi-Factor Split	SDG&E	25.3%	24.8%
	SoCalGas	24.7%	25.2%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

11
12 The Annual Report and other forms of external communications are allocated using the
13 “Multi-Factor Basic” method, consistent with Investor Relations.

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

2. **Governmental Affairs (D-2)**

Services Provided	(2013 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
D-2.1 1100-0379- VP-FEDERAL GOVERNMENTAL AF	322	(44)	278	-	-	-
D-2.2 1100-0152-FEDERAL GOVERNMENT AFFAIRS	979	2	981	-	-	-
D-2.3 1100-0151-CORPORATE POLITICAL CONTR	1,037	226	1,264	0	(0)	-
D-2.4 1100-0163-FERC RELATIONS	420	(19)	401	183	17	200
D-2.5 1100-0381-DIRECTOR - ISSUES MANAGEMEN	543	5	549	385	(99)	285
D-2.6 1100-0157-GOVT PROGRAMS & CORP RESPC	868	83	951	297	293	590
Total	<u>\$4,169</u>	<u>\$254</u>	<u>\$4,423</u>	<u>\$865</u>	<u>\$210</u>	<u>\$1,075</u>
Allocations						Escalated 2016
SDG&E	438	95	533			572
So Cal Gas	427	116	543			583
Total Utility	<u>865</u>	<u>210</u>	<u>1,075</u>			<u>\$1,155</u>
Global / Retained Total	<u>3,304</u>	<u>43</u>	<u>3,348</u>			
	<u>\$4,169</u>	<u>\$254</u>	<u>\$4,423</u>			

The Federal Government Affairs department is responsible for management of federal legislation and advocacy. The department represents Sempra Energy and its affiliates on all federal legislative issues that have the potential to directly impact the Sempra Energy companies. The Federal Government Affairs departments' activity predominately involves lobbying activities and as such allocations are 100% 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 affiliates, 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, protecting the interests of ratepayers as well as Sempra Energy shareholders. The department tracks federal regulatory proceedings, and addresses and seeks changes to regulations applicable to business units.

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

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 throughout the

1 business units, including SDG&E and SoCal Gas. This department also has responsibility for the
 2 management of the corporate political contributions budget and the operation of the Sempra
 3 Energy Employees Political Action Committee (“PAC”). These program costs are retained.

4 Political Reporting and Compliance is also part of the Corporate Responsibility
 5 department and it provides budget support for the division and is also responsible for the
 6 management and oversight of political contributions, political compliance training, lobbying and
 7 gift reporting, and PAC reporting with external agencies, including but not limited to, the Federal
 8 Election Commission and California Fair Political Practices Commission.

9 Allocation of Costs

10 Issues management supports activities across all the business units, but also has a
 11 component that is related directly to the unregulated businesses. For that reason, the department
 12 allocation method starts with the Multi-Factor as a basis and then reduces the percentages to
 13 exclude a portion attributed to direct time spent on issues related to certain unregulated
 14 businesses. This blended method is called “CB - Issues Mgmt.”

		Allocation Rates	
		2013	2016
Issues Mgmt	SDG&E	38.5%	28.1%
	SoCalGas	37.4%	29.1%
	Global / Retained	24.1%	42.8%
		100.0%	100.0%

15
 16 Corporate Responsibility supports activities across all the business units, but also has a
 17 component that is related directly to the PAC and political reporting. For that reason, the
 18 department allocation method starts with the Multi-Factor as a basis and then reduces the
 19 percentages to exclude a portion attributed to estimated time spent on political activities. This
 20 blended method is known as “CB - Corp Responsibility.”

		Allocation Rates	
		2013	2016
Corp Responsibility	SDG&E	17.3%	30.7%
	SoCalGas	16.9%	31.3%
	Global / Retained	65.8%	38.0%
		100.0%	100.0%

1 FERC Relations is allocated by Multi-Factor Split in order to evenly divide the benefits
 2 between regulated and un-regulated business units.

		Allocation Rates	
		2013	2016
Multi-Factor Split	SDG&E	25.3%	24.8%
	SoCalGas	24.7%	25.2%
	Global / Retained	50.0%	50.0%
		100.0%	100.0%

3
 4 Federal Government Affairs is mainly a lobbying activity, so allocations are 100%
 5 retained at the Corporate Center, as are any political contributions.

6 **E. Facilities/Assets**

7 For purposes of this testimony, certain cost centers are grouped together as they relate to
 8 the physical environment and tools used in the conduct of corporate shared services. This
 9 includes the depreciation expense of corporate capital assets and annual property taxes paid on
 10 them. Also included are the security services provided to protect corporate assets and
 11 employees.

12 **TABLE 2E**
 13 **Facilities/Assets Summary of Costs**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016
Services Provided						
E-1 Depreciation/Rate of Return	8,253	1,520	9,773	3,990	709	4,699
E-2 Property Taxes	490	2,383	2,873	348	1,053	1,400
E-3 Security Services	3,007	228	3,235	2,281	265	2,546
E-4 Other Facilities	295	(35)	260	-	-	-
Total	<u>\$12,045</u>	<u>\$4,096</u>	<u>\$16,141</u>	<u>\$6,618</u>	<u>\$2,027</u>	<u>\$8,645</u>
Allocations						Escalated 2016
SDG&E	3,568	1,043	4,611			4,752
So Cal Gas	3,050	984	4,034			4,190
Total Utility	6,618	2,027	8,645			<u>\$8,942</u>
Global / Retained	5,427	2,069	7,496			
Total	<u>\$12,045</u>	<u>\$4,096</u>	<u>\$16,141</u>			

14
 15 The costs for Facilities/Assets assigned to SDG&E and SoCalGas increase by \$2.0
 16 million from 2013 to 2016. The primary factors for the increase are:

\$ - millions

- 0.9 Headquarters property taxes and depreciation
- 0.9 Shared systems replacements - Tax, Timekeeping
- 0.2 Security contract increases and systems fees

\$ 2.0

1. Depreciation/ROR (E-1)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
E-1.1 1100-0248-DEPRECIATION & AMORTIZATION	8,253	1,520	9,773	3,990	709	4,699
Total	<u>\$8,253</u>	<u>\$1,520</u>	<u>\$9,773</u>	<u>\$3,990</u>	<u>\$709</u>	<u>\$4,699</u>
Allocations						Escalated 2016
SDG&E	2,370	375	2,744			2,744
So Cal Gas	1,620	334	1,955			1,955
Total Utility	3,990	709	4,699			<u>\$4,699</u>
Global / Retained	4,263	811	5,074			
Total	<u>\$8,253</u>	<u>\$1,520</u>	<u>\$9,773</u>			

Corporate Center assets are composed primarily of office leasehold improvements, furniture, desktop equipment, application software and enterprise-wide information systems software and hardware (e.g., MyInfo), managed by Corporate Center employees. These assets are depreciated according to their asset class and/or expected life, resulting in expense to the Corporate Center. Also included is an asset carrying charge, or rate of return (“ROR”), on the assets’ net book value (“NBV”). The Corporate Center assesses ROR on its assets in order to earn a return on them, in the same way SDG&E and SoCalGas earn a return on their rate base. Depreciation and ROR are both allocated to SDG&E, SoCal Gas, and Global according to Causal/Beneficial allocation methods on each asset type.

Sempra is in process of implementing a Cash Management system, in service in 2014, at a cost of \$780,000. In addition, a replacement of the outmoded WITS timekeeping system is planned to be in service by end of 2014 at a cost of \$1.4 million, and an update of the Tax Compliance system, at a cost of \$2.1 million, is also expected in 2014. As a result of these replacements, total Depreciation and ROR expense applicable to the utilities is forecast to increase by \$766,000 from 2013 to 2016. Depreciation and ROR for leasehold improvements will decrease charges to the utilities by \$57,000 in 2016 as not all of the SDG&E occupants of the current HQ building are expected to move to the new facility.

1 Depreciation & Asset Carrying Charge Policies

2 Sempra Energy utilizes the straight-line method in computing depreciation. All
3 calculations adhere to the “following month convention.” Hence, any assets capitalized or
4 placed in service the current month will start being depreciated the following month.

5 Sempra Energy’s assets have various lives depending on expected life. For example,
6 standard computer hardware is depreciated over five years, while the MyInfo system is
7 depreciated over the length of the external vendor contract. Depreciation lives for building
8 improvements range based on the asset classification and expected occupancy of the new
9 headquarters building, assumed to be through 2040.

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

15 ROR is calculated by applying the asset carrying charge rate to the average monthly asset
16 balance (average of monthly beginning and ending asset balances), minus deferred taxes. The
17 asset carrying charge rates charged to SDG&E and SoCalGas are based on their current
18 authorized rates of return (SoCalGas – 8.02%, SDG&E/Global – 7.79%).

19 *a. Corporate Center Assets - Headquarters*

20 This category includes building improvements, furniture and equipment used by
21 Corporate Center employees and other occupants of the HQ facilities. Headquarters are
22 currently located in a 1968 building in downtown San Diego, at 101 Ash Street, but Sempra
23 expects to move nearby to a new building located at 488 Eighth Avenue. Specific assets in this
24 category are primarily fixed building improvements, including electrical, mechanical and safety,
25 carpeting, security systems, cafeteria and restroom facilities. Also included are office furniture,
26 movable cubicle dividers, conference and storage equipment, lighting and other fixtures. Total
27 NBV at January 1, 2016 is forecast to be \$40.4 million.

28 Allocation of Costs

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

		Allocation Rates	
		2013	2016
HQ	SDG&E	31.6%	27.9%
	SoCalGas	21.7%	20.1%
	Global / Retained	46.8%	52.0%
		100.0%	100.0%

b. *Corporate Center Assets – Hardware & Software*

Hardware in this category consists primarily of desktop workstations, servers and peripheral computer equipment. 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 MyInfo payroll and benefits system. Other major shared systems in the Corporate Center asset base include HFM and the Corporate Tax system. Total NBV at January 1, 2016 is forecast at \$3.2 million.

Allocation of Costs

This category is allocated by various methods, depending on the system, although the methods are generally based on the number of users, or in the case of MyInfo/Timekeeping by the number of employees per business unit served by the system. Corporate Center use is allocated by the Multi-Factor method. The allocation methods applied to depreciation/ROR in this category are as follows:

		Allocation Rates	
		2013	2016
FTE	SDG&E	39.0%	34.4%
	SoCalGas	54.7%	60.0%
	Global / Retained	6.3%	5.6%
		100.0%	100.0%

		Allocation Rates	
		2013	2016
MyInfo	SDG&E	37.4%	34.3%
	SoCalGas	56.7%	60.6%
	Global / Retained	5.9%	5.1%
		100.0%	100.0%

		Allocation Rates	
		2013	2016
Hyperion	SDG&E	27.9%	25.9%
	SoCalGas	29.7%	27.7%
	Global / Retained	42.4%	46.4%
		<u>100.0%</u>	<u>100.0%</u>

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

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. Also in this category is artwork used for interior and common area décor, although no depreciation or asset carrying charge is generated on artwork. Total NBV on January 1, 2016 is forecast at \$1.6 million.

Allocation of Costs

Most of the depreciation for Other Equipment assets (with the exception of artwork) is allocated by Multi-Factor.

		Allocation Rates	
		2013	2016
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

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 a Charitable Gift Tracking system, 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, 2016 is forecast at \$1.4 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)

<i>(2013 \$ - 000's)</i>	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
E-2.1 1100-0311-PROPERTY TAXES	490	2,383	2,873	348	1,053	1,400
Total	<u>\$490</u>	<u>\$2,383</u>	<u>\$2,873</u>	<u>\$348</u>	<u>\$1,053</u>	<u>\$1,400</u>
Allocations						Escalated 2016
SDG&E	181	632	813			875
So Cal Gas	166	421	587			632
Total Utility	348	1,053	1,400			<u>\$1,507</u>
Global / Retained	142	1,330	1,472			
Total	<u>\$490</u>	<u>\$2,383</u>	<u>\$2,873</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 office equipment and leasehold improvements, 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 by “Multi-Factor Basic.” Taxes on leasehold improvements for the new Headquarters building are allocated based on business unit occupancy, using the same method as its Depreciation.

		Allocation Rates	
		<u>2013</u>	<u>2016</u>
Multi-Factor Basic	SDG&E	38.5%	38.9%
	SoCalGas	37.4%	39.0%
	Global / Retained	24.1%	22.1%
		<u>100.0%</u>	<u>100.0%</u>

		Allocation Rates	
		<u>2013</u>	<u>2016</u>
HQ	SDG&E	31.6%	27.9%
	SoCalGas	21.7%	20.1%
	Global / Retained	46.8%	52.0%
		<u>100.0%</u>	<u>100.0%</u>

3. Corporate Security Services (E-3)

<i>(2013 \$ - 000's)</i>	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
E-3.1 1100-0133-CORPORATE SECURITY DIR	2,423	383	2,805	2,115	355	2,471
E-3.2 1100-0275-EXECUTIVE SECURITY	470	(168)	302	108	(33)	76
E-3.3 1100-0043-AFFILIATE SECURITY SERVICES	115	13	128	58	(58)	-
Total	<u>\$3,007</u>	<u>\$228</u>	<u>\$3,235</u>	<u>\$2,281</u>	<u>\$265</u>	<u>\$2,546</u>
Allocations						Escalated 2016
SDG&E	1,017	36	1,054			1,132
So Cal Gas	1,264	229	1,493			1,604
Total Utility	2,281	265	2,546			<u>\$2,736</u>
Global / Retained	726	(37)	689			
Total	<u>\$3,007</u>	<u>\$228</u>	<u>\$3,235</u>			

The Corporate Security Services (“CSS”) department is responsible for the development and management of programs and policies for security systems, security investigations, workplace violence avoidance, as well as crisis and security risk management services. The CSS department also jointly investigates violations of cyber security policy and potential cyber-crimes with the Utilities’ Information Security & Information Security Compliance department.

The CSS department investigates special situations that require professional and confidential expertise, for example, in the investigation of crimes, and reports findings to management. Security maintains ongoing relationships with local, state, and federal law enforcement agencies on issues of importance to SDG&E, SoCalGas, and other business units. CSS 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 include upgrading access control
6 systems; centralizing the administration of the access control system; hiring well-trained guards;
7 installing new x-ray machines for evaluating packages; redesigning employee
8 identification/access badges; conducting background checks and installing new security systems
9 at key operating facilities such as compressor stations, Mission Control, the Corporate Security
10 Operations Center (“CSOC”), 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”). The
14 NERC CIP Standards include some twenty requirements that address the control, logging and
15 monitoring of physical access to critical cyber assets. These requirements have mandated the
16 installation and maintenance of additional security equipment and the implementation of
17 processes and procedures to ensure compliance. The cost of these security enhancements have
18 been managed with reductions in other areas, such as executive security services.

19 Allocation of Costs

20 CSS uses a causal-beneficial allocation referred to as “CB – Security,” which is based
21 primarily on FTEs per business unit, but which separately allocates the HQ Guard Service costs
22 by FTEs occupying the headquarters location only.

		Allocation Rates	
		2013	2016
Security	SDG&E	38.1%	33.8%
	SoCalGas	50.2%	55.1%
	Global/ Retained	11.7%	11.1%
		<u>100.0%</u>	<u>100.0%</u>

23
24 Security services for top executives and the Board of Directors are essential in the current
25 volatile and competitive environment to protect the interests of all business units. The Executive
26 Security and Affiliate Security Services costs are allocated based on an estimate of usage (1/4 to

1 the Utilities, 1/4 to Global, and 1/2 retained at Corporate Center). This method is referred to as
 2 “CB – Security Exec.”

		Allocation Rates	
		2013	2016
Security Exec	SDG&E	12.5%	12.5%
	SoCalGas	12.5%	12.5%
	Global / Retained	75.0%	75.0%
		100.0%	100.0%

3
 4 **4. Other Assets (E-4)**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
<u>Services Provided</u>						
E-4.1 1100-0341-AIRCRAFT FRACTIONAL SHARE	295	(35)	260	-	-	-
E-4.2 1100-0391-HQ PROJECTS	1	(1)	-	-	-	-
Total	<u>\$295</u>	<u>(\$35)</u>	<u>\$260</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Allocations</u>						Escalated 2016
SDG&E	-	-	-			-
So Cal Gas	-	-	-			-
Total Utility	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Global / Retained	295	(35)	260			
Total	<u>\$295</u>	<u>(\$35)</u>	<u>\$260</u>			

5
 6 This grouping represents various cost centers that have historically been used for projects
 7 and other corporate expenses or credits, but which are not associated with ongoing shared
 8 services.

9 Allocation of Costs

10 Generally, Other Assets costs are retained at Corporate Center, but in some cases credits
 11 have been allocated to business units using the Multi-Factor Basic. None of this activity is
 12 recurring or forecast for 2016 allocations to the Utilities.

13 **F. Pension & Benefits (“P&B”)**

14 In order to allocate benefits, incentive plan accruals, and payroll taxes, Sempra Energy
 15 uses average rates as a percentage of direct labor dollars. The resulting costs are referred to as
 16 “labor overheads,” which then can be allocated in the same manner as the direct labor in each
 17 cost center. For purposes of this testimony, the labor overheads were then removed from the
 18 operational cost centers presented in sections II.A through II.E, and consolidated in the following

1 table. Also included in this group of costs are the Supplemental Executive Retirement Plan
 2 (“SERP”) and Long-Term Incentive Plan (“LTIP”).

3 **TABLE 2F**
 4 **P&B Summary of Costs**

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2013-2016	Forecast	Base Year	2013-2016	Forecast
	2013	Incr/(Decr)	2016	2013	Incr/(Decr)	2016
Services Provided						
F-1 Employee Benefits	11,179	(416)	10,762	5,855	(4)	5,850
F-2 Payroll Taxes	4,342	491	4,834	2,445	338	2,783
F-3 Incentive Compensation	20,666	(8,917)	11,749	9,060	(3,184)	5,876
F-4 Long-Term Incentives	25,484	8,532	34,016	5,287	345	5,633
F-5 Supplemental Retirement	12,600	(3,030)	9,570	2,932	(645)	2,288
Total	\$74,271	(\$3,340)	\$70,931	\$25,580	(\$3,150)	\$22,430
Allocations						Escalated 2016
SDG&E	13,728	(2,136)	11,591			12,127
So Cal Gas	11,852	(1,014)	10,838			11,358
Total Utility	25,580	(3,150)	22,430			\$23,485
Global / Retained	48,691	(190)	48,502			
Total	\$74,271	(\$3,340)	\$70,931			

5 The forecasted requested costs for P&B assigned to SDG&E and SoCalGas in 2016 is
 6 \$3.2 million less than actual costs in 2013. This is because shareholder funding contributed to
 7 the actual, above-target incentive compensation paid in 2013. However, SDG&E and SoCalGas
 8 do not request funding above forecasted target levels for 2016.
 9

\$ - millions

(3.3) Shareholder-funded incentive pay above target in 2013

1.1 Increase in long-term incentive plan issuances

(1.0) Other net adjustments and allocation shifts

\$ (3.2)

10

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

Services Provided	(2013 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
F-1.1 1100-0802-P&B OVERHEAD	10,296	(190)	10,107	5,814	5	5,819
F-1.2 1100-0370-LIFE INSURANCE	882	(226)	656	41	(9)	32
Total	<u>\$11,179</u>	<u>(\$416)</u>	<u>\$10,762</u>	<u>\$5,855</u>	<u>(\$4)</u>	<u>\$5,850</u>
						Escalated 2016
Allocations						
SDG&E	3,091	(128)	2,963			3,178
So Cal Gas	2,763	124	2,887			3,096
Total Utility	<u>5,855</u>	<u>(4)</u>	<u>5,850</u>			<u>\$6,275</u>
Global / Retained	5,324	(412)	4,912			
Total	<u>\$11,179</u>	<u>(\$416)</u>	<u>\$10,762</u>			

2
3 This category contains all health and welfare plans available to Corporate Center
4 employees. The major benefits included are pension, medical, dental, disability, life insurance,
5 and retirement savings plan, as well as other post-retirement benefit costs. The choice of plans,
6 coverage levels, and company contributions are consistent with benefits offered to the Utility
7 employees. The forecast is applied as an overhead rate to all direct labor. Most of the decrease
8 is due to changes in cost sharing for medical plans and lower projected post-retirement benefit
9 expense. See a description of employee benefit assumptions in the testimony of Debbie S.
10 Robinson (Exhibit SDG&E-22 and Exhibit SCG-21), and discussion of pension costs in the
11 testimony of David Sarkaria (Exhibit SDG&E-23 and Exhibit SCG-22).

12 **2. Payroll Taxes (F-2)**

Services Provided	(2013 \$ - 000's)					
	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
F-2.1 1100-0803-PAYROLL TAX	4,342	491	4,834	2,445	338	2,783
Total	<u>\$4,342</u>	<u>\$491</u>	<u>\$4,834</u>	<u>\$2,445</u>	<u>\$338</u>	<u>\$2,783</u>
						Escalated 2016
Allocations						
SDG&E	1,290	120	1,409			1,512
So Cal Gas	1,155	218	1,373			1,474
Total Utility	<u>2,445</u>	<u>338</u>	<u>2,783</u>			<u>\$2,986</u>
Global / Retained	1,897	154	2,051			
Total	<u>\$4,342</u>	<u>\$491</u>	<u>\$4,834</u>			

13
14 At Sempra Energy, payroll tax expense is applied as an overhead rate to all direct labor.
15 The composite overhead rate for payroll taxes used in 2013 was 3.1%. In 2016, the rate is
16 forecasted at 3.3%. No change to the Social Security (i.e., Federal Insurance Contributions Act
17 ["FICA"]) or unemployment rates is assumed through 2012. In 2013, the wage limit for the Old-

Age, Survivor's, and Disability Insurance ("OASDI") portion¹ of the FICA tax was \$113,700; in 2016, the limit is projected to be \$123,600.

3. Incentive Compensation (F-3)

(2013 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided						
F-3.1 1100-0800-EXECUTIVE ICP	4,318	(116)	4,203	1,306	(41)	1,265
F-3.2 1100-0801-ICP OVERHEAD	6,789	757	7,546	4,057	554	4,611
F-3.3 1100-0369-CORPORATE BENEFITS	9,559	(9,559)	-	3,697	(3,697)	-
Total	<u>\$20,666</u>	<u>(\$8,917)</u>	<u>\$11,749</u>	<u>\$9,060</u>	<u>(\$3,184)</u>	<u>\$5,876</u>
Allocations						Escalated 2016
SDG&E	4,826	(1,838)	2,988			3,206
So Cal Gas	4,234	(1,346)	2,888			3,099
Total Utility	<u>9,060</u>	<u>(3,184)</u>	<u>5,876</u>			<u>\$6,304</u>
Global / Retained	11,606	(5,733)	5,873			
Total	<u>\$20,666</u>	<u>(\$8,917)</u>	<u>\$11,749</u>			

Variable pay plans have been a part of Sempra's total compensation strategy since its inception. The variable pay plans are commonly referred to as the 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 **target** performance. If actual ICP performance exceeds target performance, the differential is funded by shareholders and is not recoverable in rates. This Plan is consistent with the Total Compensation structure used at SDG&E and SoCalGas, as described in the testimony of Debbie S. Robinson (Exhibit SDG&E-22 and Exhibit SCG-21). Year 2013 actual expense reflects a shareholder ICP payout above target, while the forecast year shows a funding request at target.

¹ The Hospital Insurance or Medicare portion of the FICA tax does not have a wage limit.

1 **4. Long-Term Incentive (F-4)**

(2013 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
F-4.1	1100-0805-RESTRICTED STOCK	21,498	8,949	30,447	4,886	575	5,461
F-4.2	1100-0811-STOCK OPTIONS	215	(215)	-	30	(30)	-
F-4.3	1100-0806-LIFE INSURANCE	3,482	(47)	3,435	144	(72)	72
F-4.4	1100-0129-EXECUTIVE BENEFITS	125	(125)	-	95	(95)	-
F-4.5	1100-0310-AFFILIATE BENEFITS - HR	164	(30)	134	132	(32)	100
	Total	<u>\$25,484</u>	<u>\$8,532</u>	<u>\$34,016</u>	<u>\$5,287</u>	<u>\$345</u>	<u>\$5,633</u>
Allocations							Escalated 2016
	SDG&E	2,945	82	3,026			3,026
	So Cal Gas	2,343	263	2,606			2,606
	Total Utility	<u>5,287</u>	<u>345</u>	<u>5,633</u>			<u>\$5,633</u>
	Global / Retained	20,197	8,186	28,383			
	Total	<u>\$25,484</u>	<u>\$8,532</u>	<u>\$34,016</u>			

2
3 Long-term incentives are an integral component of a competitive compensation program
4 for key management and executive employees. They are critical to the attraction, motivation and
5 retention of a skilled, experienced leadership team. Long-term incentives awards are granted
6 under the Sempra Energy LTIP, in the form of performance-based restricted stock units and
7 service-based restricted stock units. The costs are based on the accounting expense incurred for
8 awards issued to Corporate Center employees. The LTIP is consistent with the Total
9 Compensation structure used at SDG&E and SoCalGas, as described in the testimony of Debbie
10 S. Robinson (Exhibit SDG&E-22 and Exhibit SCG-21).

11 **5. Supplemental Retirement (F-5)**

(2013 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016	Base Year 2013	2013-2016 Incr/(Decr)	Forecast 2016
Services Provided							
F-5.1	1100-0804-SERP	12,600	(3,030)	9,570	2,932	(645)	2,288
	Total	<u>\$12,600</u>	<u>(\$3,030)</u>	<u>\$9,570</u>	<u>\$2,932</u>	<u>(\$645)</u>	<u>\$2,288</u>
Allocations							Escalated 2016
	SDG&E	1,576	(372)	1,204			1,204
	So Cal Gas	1,357	(273)	1,084			1,084
	Total Utility	<u>2,932</u>	<u>(645)</u>	<u>2,288</u>			<u>\$2,288</u>
	Global / Retained	9,667	(2,385)	7,282			
	Total	<u>\$12,600</u>	<u>(\$3,030)</u>	<u>\$9,570</u>			

12 SERP benefits form an important component of the total reward package for key
13 managers, directors, attorneys and executives. These plans are a key component of a competitive
14 compensation and benefits package to attract and retain the leadership talent required to operate
15

1 the company. Cost forecasts represent the projected benefit accruals for executives eligible for
2 SERP by 2016. This Plan is consistent with the SERP at SDG&E and SoCalGas, as described in
3 the testimony of Debbie Robinson (Exhibit SDG&E-22 and Exhibit SCG-21).

4 Allocation of Costs

5 The benefits and compensation plan totals in this section are a compilation of labor
6 loaders and benefit accruals, which retain the allocation nature of the original labor dollars by
7 which they were generated. The allocation of direct labor and non-labor costs has been covered
8 for each functional area in sections II.A through II.E. None of the benefit costs associated with
9 the Sempra Energy CEO or President is allocated to SDG&E and SoCalGas, consistent with how
10 labor and other costs for those positions are handled.

1 **IV. CONCLUSION**

2 The Corporate Center services described in this testimony are unique and complete the
 3 scope of functions that would be essential to any large-scale public utility. Through the
 4 centralized Corporate Center, Sempra is able to deliver a superior level of service and
 5 professional oversight to all its business units very efficiently, using fair allocation policies.
 6 SDG&E and SoCalGas benefit from this approach by avoiding the need for staffing duplicative
 7 functions in their own organizations and by sharing the costs along with other affiliates. Less
 8 than 50% of Corporate Center’s total forecast is being requested in this GRC.

9 Following is a summary of all forecast allocations to SDG&E and SoCalGas, on an
 10 escalated basis, which I believe is fair and reasonable. The Summary of Earnings testimonies by
 11 Khai Nguyen (Exhibit SDG&E-36 and Exhibit SCG-34) show these allocations as non-standard
 12 charges under A&G Combined (NSS).

<i>(Escalated \$ - 000's)</i>		Test Year 2016 Utility Allocations		
Services Provided		SDG&E	So Cal Gas	Total Utilities
A	Finance	\$ 15,659	\$ 15,486	\$ 31,145
B	Legal and Governance	25,051	10,148	35,199
C	Human Resources	5,663	9,177	14,841
D	External Affairs	1,398	1,416	2,814
E	Facilities/Assets	4,752	4,190	8,942
F	Pension & Benefits	12,127	11,358	23,485
Total		\$ 64,650	\$ 51,776	\$ 116,426
Services by FERC Account				
F923.1	Outside Services Employed	61,905	49,821	111,727
F923.4	Depreciation & ROR	2,744	1,955	4,699
Total		\$ 64,650	\$ 51,776	\$ 116,426

13 This concludes my prepared direct testimony.
 14

1 **V. WITNESS QUALIFICATIONS**

2 My name is Peter R. Wall. My business address is 101 Ash Street, 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 (Securities and Exchange Commission reporting). I am a Certified
6 Public Accountant. My professional career began in 1998, when I received a Masters of
7 Professional Accountancy from the University of Utah.

8 From 1998 to 2012, I was employed in public accounting at Ernst & Young, LLP. My
9 experience in the power and utility industry began in 2008, and I joined Sempra Energy in 2012.

10 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
FLSA: Fair Labor Standards Act
FTEs: full time equivalents
GAAP: Generally Accepted Accounting Practices
GRC: general rate case
HIPAA: Health Portability and Accountability Act
HQ: headquarters building
HR: human resources
ICP: Incentive Compensation Plan
IRS: Internal Revenue Service
IT: information technology
LNG: liquefied natural gas
LTIP: long term incentive plan
NBV: net book value
NEIL: Nuclear Electric Insurance Limited
NERC: North American Electric Reliability Corporation
NGV: natural gas vehicle
OASDI: Old Age, Survivors, and Disability Insurance
O&M: operations and maintenance

OFCCP: Office of Federal Contract Compliance Programs

PAC: Political Action Committee

ROR: rate of return

SCE: Southern California Edison Company

SDG&E: San Diego Gas & Electric Company

SEC: Securities and Exchange Commission

Sempra: Sempra Energy

SERP: supplemental executive retirement plan

SoCalGas: Southern California Gas Company

SOX: Sarbanes-Oxley Act

Utilities: SDG&E and SoCalGas, collectively

VP: Vice President

WITS: Workforce Information & Timekeeping System