

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

A.10-12-005  
(Filed December 15, 2010)

Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.

A.10-12-006  
(Filed December 15, 2010)

Application 10-12-006  
Exhibit No.: (SCG-17-R)

**REVISED**  
**PREPARED DIRECT TESTIMONY OF**  
**BRUCE A. FOLKMANN**  
**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

**JULY 2011**



**TABLE OF CONTENTS**

**I. EXECUTIVE SUMMARY ..... 1**

**A. Background ..... 1**

**B. Corporate Center Shared Services ..... 1**

**C. Cost Allocations..... 3**

**1. Direct Assignment ..... 4**

**2. Causal-Beneficial Methods..... 5**

**3. Multi-Factor Methods..... 5**

**D. Forecasting Approach ..... 7**

**E. Escalation Approach..... 8**

**F. Summary of 2009-2012 Costs and Allocations ..... 9**

**G. 2010 Reorganization ..... 10**

**II. DIVISION COSTS / ALLOCATION DETAIL ..... 13**

**A. Finance ..... 13**

**1. Chief Financial Officer (CFO) (A-1) ..... 15**

**2. Accounting Shared Services (A-2) ..... 16**

**3. Tax Services (A-3) ..... 18**

**4. Treasury (A-4) ..... 20**

**5. Investor Relations/Shareholder Services (A-5) ..... 22**

**6. Corporate Planning (A-6) ..... 23**

**7. Risk Management (A-7) ..... 25**

**8. Financial Leadership Program (A-8) ..... 26**

**B. Governance ..... 27**

**1. Internal Audit (B-1) ..... 28**

**2. Corporate Secretary (B-2) ..... 29**

**3. Sempra Board of Directors (B-3) ..... 30**

**4. Executive (B-4) ..... 31**

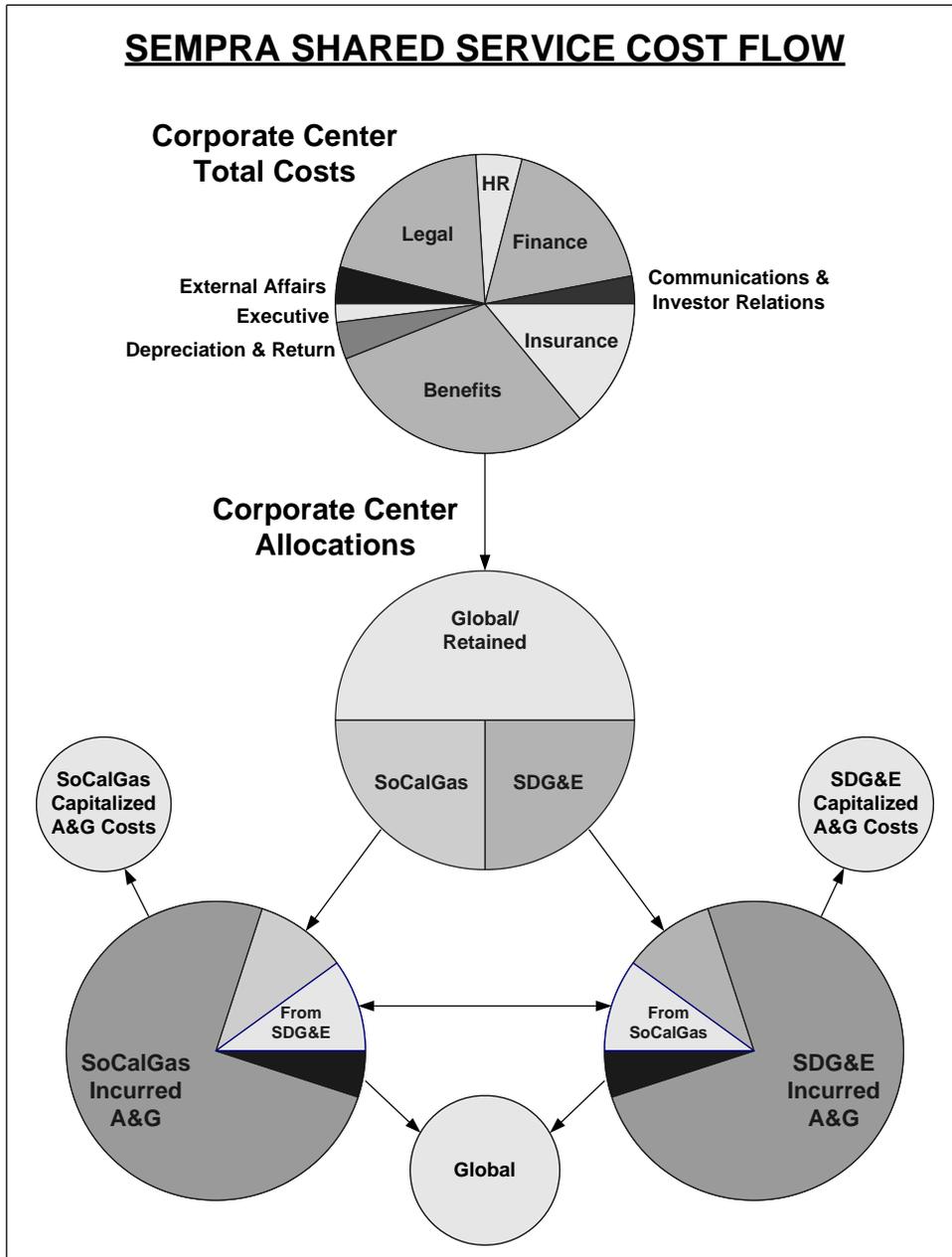
**C. Legal ..... 32**

**1. General Counsel (C-1) ..... 34**

**2. Corporate Center Law Department (C-2) ..... 35**

3.	<b>Outside Legal Fees (C-3)</b> .....	37
<b>D.</b>	<b>Human Resources</b> .....	38
1.	<b>HR Senior VP (D-1)</b> .....	40
2.	<b>Compensation &amp; Benefits (D-2)</b> .....	41
3.	<b>MyInfo - Payroll &amp; HR Information Systems (D-3)</b> .....	45
4.	<b>Corporate Staffing &amp; Development (D-4)</b> .....	47
5.	<b>Employee Programs (D-5)</b> .....	48
<b>E.</b>	<b>External Affairs</b> .....	51
1.	<b>Communications (E-1)</b> .....	52
2.	<b>Governmental Affairs (E-2)</b> .....	54
3.	<b>External Affairs (E-3)</b> .....	57
<b>F.</b>	<b>Facilities/Assets</b> .....	58
1.	<b>Depreciation/ROR (F-1)</b> .....	59
2.	<b>Property Taxes (F-2)</b> .....	63
3.	<b>Other Assets (F-3)</b> .....	64
4.	<b>Corporate Security Services (F-4)</b> .....	65
<b>G.</b>	<b>Pension &amp; Benefits (P&amp;B)</b> .....	68
1.	<b>Employee Benefits (G-1)</b> .....	69
2.	<b>Payroll Taxes (G-2)</b> .....	69
3.	<b>Incentive Compensation (G-3)</b> .....	70
4.	<b>Long-Term Incentive (G-4)</b> .....	71
5.	<b>Supplemental Retirement (G-5)</b> .....	72
<b>III.</b>	<b>SUMMARY OF UTILITY ALLOCATIONS - ESCALATED</b> .....	73
<b>IV.</b>	<b>WITNESS QUALIFICATIONS</b> .....	74
	<b>CHANGE LOG FOR ERRATA</b>	





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

1 For the 2012 Test Year (“2012 TY”) forecast, all Corporate Center  
2 expenses billed to SDG&E and SoCalGas are reflected in A&G accounts. The  
3 chart above shows utility charges from Corporate Center being added to utility-  
4 incurred A&G expenses. Each utility also capitalizes a portion of their total A&G  
5 costs.

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

22 **C. Cost Allocations**

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

- 27 1. Direct Assignment
- 28 2. Causal/Beneficial
- 29 3. Multi-Factor

30

1 First, where an expense, such as labor, can be directly attributed to a  
 2 business unit it is directly assigned to that business unit. Second, Corporate  
 3 Center functions supporting multiple business units are charged to the business  
 4 units using a Causal/Beneficial factor. Third, areas such as corporate oversight or  
 5 governance functions that support the Sempra Energy companies as a whole are  
 6 allocated using a Multi-Factor method. Corporate Center expenses which are not  
 7 recoverable in rate-making (e.g., lobbying, contributions, corporate branding) are  
 8 not billed to business units and are referred to as “retained” at Corporate Center.  
 9 All departments use direct-assignment when possible; remaining costs are  
 10 allocated by an appropriate Causal/Beneficial or Multi-Factor method. This  
 11 process is illustrated in the following example: Assume a total department budget  
 12 of \$2.1 million, of which \$1.2 million is directly assigned and the remaining \$0.9  
 13 million portion is allocated using a Causal/Beneficial method, with 36% going to  
 14 SDG&E, 46% to SCG, and 18% to Global.

(\$ - 000's)	<u>Total Budget</u>		<u>SDG&amp;E</u>		<u>SCG</u>		<u>Global/ Retained</u>
	\$ 2,100						
Direct Assignment	<u>\$(1,200)</u>	=	\$ 350		\$ 20		\$ 830
Remaining to be Allocated	\$ 900	x 36%	<u>\$ 324</u>	x 46%	<u>\$ 414</u>	x 18%	<u>\$ 162</u>
Total Charges to Business Units	<u>\$ 2,100</u>		<u>\$ 674</u>		<u>\$ 434</u>		<u>\$ 992</u>

15  
 16 Following is a more complete description of Corporate Center’s cost allocation  
 17 methods.

18 **1. Direct Assignment**

19 All costs that relate to a specific business unit are direct-assigned  
 20 to that business unit. An example would be outside legal costs associated  
 21 with a specific case. Non-labor costs can be specifically identified to a  
 22 business unit directly by entering charges through the accounts payable  
 23 system or journal entries to the general ledger. Labor costs can be

1 specifically identified by entering employee work hours into Sempra  
2 Energy's Workforce Information & Timekeeping System ("WITS").  
3 Labor overheads, including payroll taxes and employee benefits, follow in  
4 proportion to the labor dollars charged to business units.

5 Some departments, such as the Law department, use customized  
6 timekeeping systems to track hours by project or cases in detail. Instead of  
7 re-entering the detail into WITS for direct-assignment, summaries of the  
8 resulting data are used as the basis for Causal/Beneficial rates. The  
9 resulting allocations, while using Causal/Beneficial percentages, are  
10 nevertheless the same as if direct-assignment had been used in WITS.

## 11 **2. Causal-Beneficial Methods**

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

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

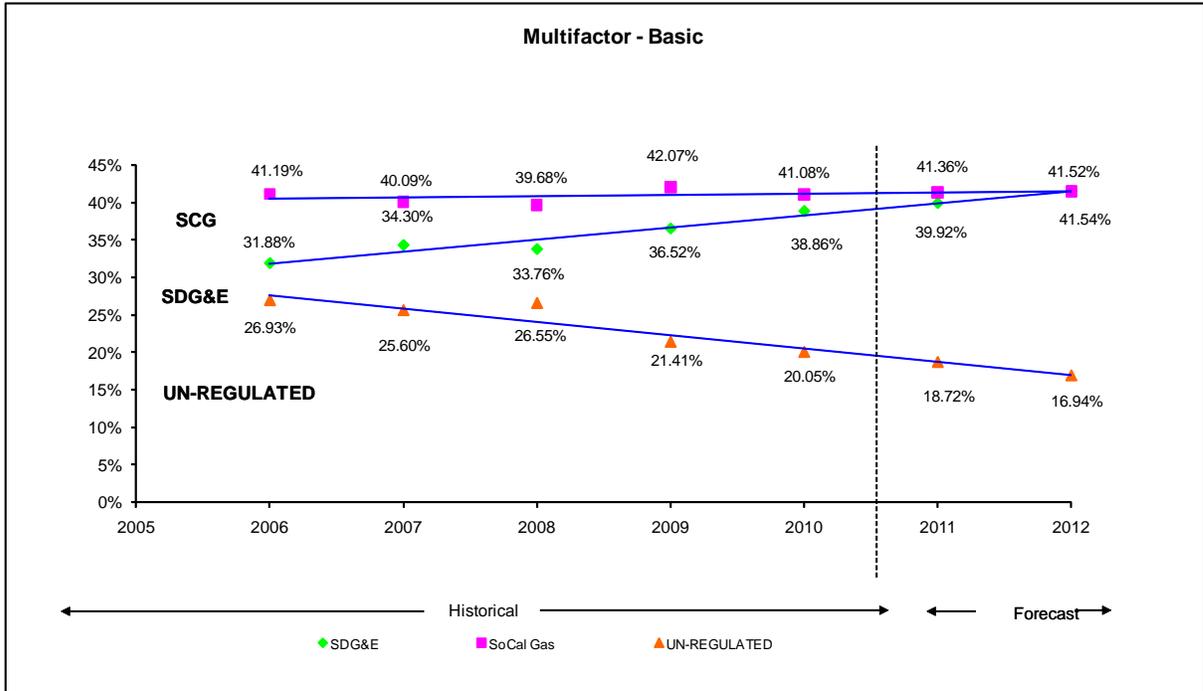
25 The four-factor allocation method, also referred to as "Multi-  
26 Factor," is used for functions that serve all business units but for which  
27 there is no causal relationship, such as Shareholder Records. The Multi-  
28 Factor weighs four factors from all business units:

- 29 a. Revenue;
- 30 b. Gross Plant Assets & Investments;
- 31 c. Operating Expenses; and

1 d. Full-Time Employees or Equivalentents (“FTEs”).

2 These are the four factors that the CPUC has utilized for many  
3 years in allocating SDG&E’s costs between its electric and gas customers  
4 for the purposes of setting utility rates. In addition, this cost allocation  
5 methodology is consistent with previous CPUC decisions, such as the  
6 Merger Decision (D.98-03-073), the 2004 Cost of Service Decision (D.04-  
7 12-015), and the 2008 General Rate Case (“GRC”) Decision (D.08-07-  
8 046). The four factors are compiled each year, using prior years’ data as  
9 the basis for the following year’s actual allocations.

10 To arrive at the forecasted rates for 2012, historical factors from  
11 2004-2009 were projected using a statistical forecasting method known as  
12 a least-squares formula. This process is consistent with the technique used  
13 in the aforementioned 2004 and 2008 GRC Test Years. The chart below  
14 illustrates the trend results for the current GRC period. In prior years, the  
15 rapid growth of Sempra Energy’s un-regulated (Global) business units  
16 created a flat or declining trend at the Utilities. With the reduction in  
17 Sempra Energy’s trading businesses, and the growth at SDG&E, the  
18 Utilities now outpace other business units under this formula. The  
19 resulting allocation shift can be noted throughout the following testimony  
20 and in related workpapers for cost areas that use the Multi-Factor for  
21 allocation.



	Historical					Forecast	
	2006	2007	2008	2009	2010	2011	2012
SDG&E	32%	34%	34%	37%	39%	40%	41.5%
SoCal Gas	41%	40%	40%	42%	41%	41%	41.5%
UTILITIES	73%	74%	74%	79%	80%	81%	83.0%
UN-REGULATED	27%	26%	26%	21%	20%	19%	17.0%
TOTAL	100%	100%	100%	100%	100%	100%	100%
Data from year:	2005	2006	2007	2008	2009		

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**D. Forecasting Approach**

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

Reference/Section

- Finance A
- Governance B
- Legal C
- Human Resources D
- External Affairs E
- Facilities/Assets (including Depreciation) F
- Pension & Benefits G

1           Budget planners worked closely with division vice presidents, directors,  
2 and managers to project costs using a zero-based budgeting approach for 2012.  
3 This means each department's budget was not established based on prior year  
4 spending, but was built by individual job positions and cost elements, with a  
5 supporting rationale for each item. The allocation method for each cost center  
6 was reviewed and updated to reflect services provided in these forecasts. In most  
7 cases, the forecast allocation method is the same method as used in historical  
8 actuals (and accepted in prior GRC's), although rates may vary by year. The 2012  
9 budgets were analyzed in terms of both rate and volume changes from 2009.

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

16       **E. Escalation Approach**

17           Total labor and non-labor costs are presented in this testimony in 2009  
18 dollars. Forecasts for labor and non-labor in 2012 are stated in 2009 dollars.  
19 Exceptions to these guidelines are items that are considered "non-standard" or not  
20 subject to standard inflation. Examples are costs that have contractual rates of  
21 increase, such as multi-year maintenance or rent agreements. Other non-standard  
22 items are fixed expenses such as depreciation or amortization of financing costs.  
23 Still, there may be other areas for which costs will increase at a different rate than  
24 that of general inflation. Contractual and other-than-standard inflation areas are  
25 itemized as drivers within the testimony and workpapers, and all non-standard  
26 items are excluded from further escalation.

27           Because of the variety of standard and non-standard costs, and the  
28 blending of labor and non-labor standard expenses allocated to SDG&E and  
29 SoCalGas, the approach taken in this filing is for the Corporate Center to escalate  
30 forecasted costs for the Utilities. SDG&E and SoCal Gas incorporate their

1 respective allocated costs as “non-standard” so they are not escalated a second  
 2 time.

3 The escalation factors used by Corporate Center for 2012 from a 2009  
 4 Base Year are 1.07265 for non-labor and 1.06765 for labor. The factors are  
 5 composed of indexes used by SDG&E, as discussed in escalation testimonies of  
 6 Scott R. Wilder (Exhs. SCG-31 and SDG&E-38). For non-labor, a simple  
 7 average of electric and gas indexes for Administrative & General (except for  
 8 FERC account 926) was used. For labor, a simple average of indexes for  
 9 Managers & Administrators and Professional & Technical was used, as these most  
 10 closely correspond to the employee population at Corporate Center SDG&E  
 11 indexes were selected as the basis for Corporate Center, since both entities are  
 12 primarily located in the San Diego market.

13 **F. Summary of 2009-2012 Costs and Allocations**

14 The following testimony presents costs on a cash-paid basis: the recorded  
 15 costs for 2009; forecasted costs for 2012; and the allocation of those costs to  
 16 SDG&E, SoCal Gas and Global/Retained. A summary of these costs and their  
 17 allocation is shown in the following table. For 2012, more than 50% of all  
 18 Corporate Center costs are not allocated to SDG&E and SoCalGas and are not  
 19 included in their request.

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
Services Provided						
A Finance	47,946	9,953	57,899	23,733	2,569	26,302
B Governance	9,547	564	10,111	4,939	714	5,654
C Legal	73,567	(36,403)	37,163	49,156	(23,874)	25,282
D Human Resources	20,297	(3,240)	17,058	15,044	(2,059)	12,985
E External Affairs	23,691	(17,516)	6,175	5,855	(3,815)	2,040
F Facilities/Assets	19,451	(4,009)	15,442	11,761	(1,667)	10,094
G Pension & Benefits	122,689	(29,917)	92,773	45,727	(16,595)	29,132
Total	<u>\$ 317,188</u>	<u>\$ (80,567)</u>	<u>\$ 236,621</u>	<u>\$ 156,215</u>	<u>\$ (44,726)</u>	<u>\$ 111,489</u>
Allocations						Escalated 2012
SDG&E	\$ 89,056	\$ (31,728)	\$ 57,328			\$ 59,618
So Cal Gas	67,159	(12,999)	54,160			56,481
Total Utility	156,215	(44,726)	111,489			<u>\$ 116,099</u>
Global / Retained	160,973	(35,841)	125,132			
Total	<u>\$ 317,188</u>	<u>\$ (80,567)</u>	<u>\$ 236,621</u>			

20

1           The expense level requested in this application is required to ensure that  
2 both SDG&E and SoCal Gas continue to be in compliance and good standing with  
3 existing and new governmental, legal and regulatory requirements. Examples of  
4 governing federal, state and local authorities are the Internal Revenue Service  
5 (“IRS”), Securities and Exchange Commission (“SEC”), Financial Accounting  
6 Standards Board (“FASB”), FERC and CPUC. Compliance is a basic  
7 requirement of Corporate Governance. The expense level requested is also  
8 necessary to ensure basic corporate support functions, such as payroll and benefits  
9 administration, are provided to the operating areas of the Company in an efficient,  
10 effective and timely manner.

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

22           **G.     2010 Reorganization**

23           Early in 2010, Sempra Energy implemented a reorganization that would  
24 transfer many Corporate Center and Global shared functions into the business  
25 units. This was intended to give the business entities more control and  
26 accountability for their respective businesses. While many services remain  
27 centralized at Corporate Center for efficiency and overall governance,  
28 departments which primarily served either the Utilities or Global business units  
29 were: a) divided into portions that were transferred into those respective units or  
30 b) transferred entirely into the primary business unit for which they were already  
31 providing support. Certain departments transferred to the Utilities will continue

1 to function as a shared service, but will report to a business unit leader, rather than  
 2 an officer of the Sempra Energy parent. These shared services have been reported  
 3 to the CPUC through the Utilities' Affiliate Compliance Plan.

4 The realignment of allocated shared functions creates the impression of  
 5 large reductions at Corporate Center, but with corresponding increases at SDG&E  
 6 and SoCalGas. It's important to note that notwithstanding other issues discussed  
 7 in this GRC testimony, the transferred functions did not result in net growth in  
 8 costs to the Utilities. In other words, as a result of the 2010 Reorganization, costs  
 9 that were previously allocated to the utilities are now Utility-based costs. The  
 10 table below reconciles the Test Year costs for the transferred groups:

<i>(2009 \$ - 000's)</i>					
		<u>2009</u>	<u>Change</u>	<u>2012</u>	
<b>SDG&amp;E Allocations</b>		89,056	<b>(31,728)</b>	57,328	<i>From Summary table above</i>
Reorganization-related Transfers:	<b>FTE's</b>				
Human Resources	7	949	(949)	-	<i>See Testimony of Sara Edgar</i>
Reg Affairs & Finance	17	1,922	(1,922)	-	<i>See Testimony of Ken Deremer</i>
External Affairs	12	1,763	(1,763)	-	<i>See Testimony of Cheryl Shepherd</i>
Legal	41	5,962	(5,962)	-	<i>See Testimony of Cheryl Shepherd</i>
Advertising	5	494	(494)	-	<i>See Testimony of Kathleen Cordova</i>
Environmental & Safety	3	470	(470)	-	<i>See Testimony of Scott Drury</i>
Total Transferred to SDG&E	85	11,560	(11,560)	-	
Remaining Changes in GRC:					
Pension & Benefits (incl. transfers)		23,303	(8,327)	14,976	<i>See BAF workpapers - G division</i>
Direct Outside Legal Fees		26,644	(15,695)	10,949	<i>See BAF workpapers C-3.1</i>
Direct Finance Fees		1,997	311	2,308	<i>See BAF workpapers A-4.5</i>
Deloitte Fees		2,004	706	2,710	<i>See BAF workpapers A-2.14</i>
Shift in Allocation Rates			1,181	1,181	<i>See BAF workpapers A-F divisions</i>
Other - Various		23,548	1,656	25,204	<i>Net amount - See various workpapers A-F</i>
Total GRC Reductions - SDG&E		77,496	(20,168)	57,328	
<b>SoCal Gas Allocations</b>		67,159	<b>(12,999)</b>	54,160	<i>From Summary table above</i>
Reorganization-related Transfers:	<b>FTE's</b>				
Human Resources	3	545	(545)	-	<i>See Testimony of Sara Edgar</i>
External Affairs	10	972	(972)	-	<i>See Testimony of Cheryl Shepherd</i>
Legal	32	5,059	(5,059)	-	<i>See Testimony of Cheryl Shepherd</i>
Total Transferred to SCG	45	6,576	(6,576)	-	
Remaining Changes in GRC:					
Pension & Benefits (incl. transfers)		22,425	(8,268)	14,157	<i>See BAF workpapers - G division</i>
Direct Outside Legal Fees		5,316	1,421	6,737	<i>See BAF workpapers C-3.1</i>
Direct Finance Fees		2,096	1,162	3,258	<i>See BAF workpapers A-4.5</i>
Deloitte Fees		2,275	434	2,709	<i>See BAF workpapers A-2.14</i>
Shift in Allocation Rates			(1)	(1)	<i>See BAF workpapers A-F divisions</i>
Other - Various		28,471	(1,171)	27,300	<i>Net amount - See various workpapers A-F</i>
Total GRC Reductions - SCG		60,583	(6,423)	54,160	

11  
 12 The table above begins with the allocations requested in the Summary  
 13 table from the previous section, starting with SDG&E. To provide a  
 14 reconciliation of the reduction, the transferred budgets are broken out first,

1 itemized by function and referenced to the Utility witness who will include those  
2 budgets in their Test Year forecast. These costs are internal SDG&E costs in  
3 2012, eliminating the Corporate Center allocation for them. The remaining  
4 change is then further itemized by the primary increases and decreases in  
5 allocations discussed within this testimony. The same reconciliation is provided  
6 for SoCalGas.

7

1 **II. DIVISION COSTS / ALLOCATION DETAIL**

2 Following is a brief description of each division and its departmental functions,  
3 the forecasted costs, and the allocation methods used. Please see applicable workpapers  
4 for detailed calculations and explanations of changes.

5 Within the following testimony, each departmental table presents their total costs,  
6 broken down to the lowest organizational level, referred to as “cost centers.” For each  
7 cost center, 2009 actual recorded costs are presented, with the 2012 forecast and a  
8 calculation of the incremental change. Of these total amounts, the portion applicable only  
9 to SDG&E and SoCalGas is shown in the columns to the right. The lower half of each  
10 table, for each department, shows the amounts allocated to SDG&E and SoCalGas  
11 respectively, with all remaining, un-requested costs summarized as Global/Retained.

12 Workpapers are referenced by the index codes shown next to each division,  
13 department and cost center name within the testimony and tables.

14  
15 **A. Finance**

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

- 20 • Set financial and accounting policies for Sempra Energy and its  
21 business units, ensuring compliance with Generally Accepted  
22 Accounting Principles (“GAAP”) and SEC rules; consolidate and  
23 report financial results to the Sempra Energy Board of Directors,  
24 the SEC and other governmental and regulatory bodies under SEC  
25 and SOX requirements.
- 26 • Raise capital for Sempra Energy and its business units at the lowest  
27 possible cost, while maintaining a capital structure that supports  
28 strong credit ratings.
- 29 • Tax planning and compliance for Sempra Energy and its business  
30 units.

- Direct the corporate insurance and risk management program, including property/casualty self-insurance and risk control activities for property/casualty for all Sempra Energy companies.
- Business planning and performance measurement.

A summary of the departments and cost forecasts for the Finance division is shown in the following table and in more detail in this section:

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2009 - 2012	Forecast	Base Year	2009 - 2012	Forecast
	2009	Incr/(Decr)	2012	2009	Incr/(Decr)	2012
Services Provided						
A-1 CFO	1,000	(91)	909	683	(163)	520
A-2 Accounting Services	10,818	(40)	10,778	7,904	662	8,566
A-3 Tax Services	8,048	75	8,123	3,529	(272)	3,257
A-4 Treasury	21,761	9,077	30,838	7,262	1,737	8,999
A-5 Investor Relations	1,934	353	2,287	1,565	225	1,789
A-6 Corporate Planning	2,533	(317)	2,216	1,276	(137)	1,139
A-7 Risk Management	605	751	1,356	495	379	875
A-8 Financial Leadership Program	1,248	145	1,392	1,019	138	1,156
Total	<u>\$ 47,946</u>	<u>\$ 9,953</u>	<u>\$ 57,899</u>	<u>\$ 23,733</u>	<u>\$ 2,569</u>	<u>\$ 26,302</u>
Allocations						Escalated 2012
SDG&E	\$ 11,565	\$ 994	\$ 12,559			\$ 13,232
So Cal Gas	<u>12,168</u>	<u>1,575</u>	<u>13,743</u>			<u>14,419</u>
Total Utility	23,733	2,569	26,302			<u>\$ 27,652</u>
Global / Retained	24,213	7,384	31,597			
Total	<u>\$ 47,946</u>	<u>\$ 9,953</u>	<u>\$ 57,899</u>			

The costs for Finance allocated to SDG&E and SoCalGas increased by \$2.5 million from 2009 to 2012. The primary factors for the increase are:

\$ - millions

- 1.4 Increased fees for short-term lines of credit
- 1.1 Escalation of external audit fees
- (0.5) Transfer of Bank Reconciliation function to SDG&E
- 0.3 Risk Management function for Utilities
- 0.2 Other
- \$2.5

1 See applicable workpapers for detail of changes by each department in Finance and the  
 2 individual impact for SDG&E and SoCalGas.

3  
 4 **1. Chief Financial Officer (CFO) (A-1)**

5 The CFO is responsible for the development of short and long-term  
 6 financial goals as well as operating and capital budgets. The CFO directs  
 7 treasury responsibilities and maintains strong relationships with members  
 8 of the financial community such as investment bankers, credit analysts and  
 9 long-term lenders. In addition, the CFO oversees preparation of all  
 10 external financial reports and analyses and is now responsible for  
 11 certifying them under new SEC requirements. The CFO also provides  
 12 management and the Board of Directors with reports that evaluate  
 13 performance against operating objectives and makes recommendations for  
 14 management action. Moreover, the CFO oversees the functions of the  
 15 Corporate Controller, Treasury, Tax Services, Investor Relations, Risk  
 16 Management, and Corporate Development, and actively participates with  
 17 other members of senior management to develop long-term business  
 18 strategy, providing leadership and strategic direction to all business units.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-1.1	1100-0039-EXECUTIVE VP & CFO	1,000	(91)	909	683	(163)	520
	Total	<u>\$ 1,000</u>	<u>\$ (91)</u>	<u>\$ 909</u>	<u>\$ 683</u>	<u>\$ (163)</u>	<u>\$ 520</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 339	\$ (78)	\$ 261			\$ 279
	So Cal Gas	344	(85)	259			277
	Total Utility	683	(163)	520			<u>\$ 556</u>
	Global / Retained	316	72	389			
	Total	<u>\$ 1,000</u>	<u>\$ (91)</u>	<u>\$ 909</u>			

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 20 Allocation of Costs

21 Because of the diversity of allocation methods used by the various functions  
 22 working with the CFO, a weighted average of the allocation methodologies used by each  
 23 department reporting to the CFO was developed. This allocation is referred to as "Avg -

1 VPCFO.” Prior to the 2010 Reorganization, the CFO average included many accounting  
2 and IT functions that are now embedded in business units.

		<b>Allocation Rates</b>	
		2009	2012
<b>Avg - VPCFO</b>	SDG&E	21.9%	28.7%
	SoCalGas	23.4%	28.5%
	Global / Retained	54.7%	42.8%
		100.0%	100.0%

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5 **2. Accounting Shared Services (A-2)**

6 Accounting Shared Services includes the Controller, corporate-  
7 level accounting and consolidated financial reporting, and other  
8 Accounting-related functions that are centralized at the Corporate Center  
9 for efficiencies in volume, system support, management oversight,  
10 standardization, and compliance. The Controller has overall responsibility  
11 for maintaining the financial reporting and internal controls of Sempra  
12 Energy companies. Corporate Center and Global Accounting is  
13 responsible for asset, cost and financial accounting functions for the parent  
14 companies. The SOX Compliance function coordinates SOX activities for  
15 the Corporate Center and facilitates communication among compliance  
16 departments at all business units with senior management, Audit Services,  
17 and the external auditors. Accounting Research analyzes accounting,  
18 financial reporting, and regulatory issues as needed to comply with GAAP  
19 and SEC rules and regulations. Financial Reporting prepares and  
20 consolidates internal financial reports and external reporting to the SEC  
21 and other government agencies. Also included in this department are all  
22 external audit fees paid to Deloitte & Touche (“D&T”). External reporting  
23 for regulatory agencies (i.e., CPUC, FERC) is primarily handled by  
24 SDG&E and SoCalGas.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year	2009 - 2012	Forecast	Base Year	2009 - 2012	Forecast
Services Provided		2009	Incr/(Decr)	2012	2009	Incr/(Decr)	2012
A-2.1	1100-0338-SVP - CONTROLLER	716	9	726	313	73	386
A-2.2	1100-0054-ASSISTANT CONTROLLER - CORP	226	31	256	185	28	213
A-2.3	1100-0044-ASSISTANT CONTROLLER	288	(288)	-	43	(43)	-
A-2.4	1100-0012-CORPORATE ACCT SPECIAL PROJ	-	296	296	-	246	246
A-2.5	1100-0345-DIR OF CORP FINL ACCTG	252	(252)	-	207	(207)	-
A-2.6	1100-0049-CORPORATE CENTER ACCOUNTIN	673	(166)	507	551	(130)	421
A-2.7	1100-0051-CORPORATE & GLOBAL ACCTG	264	250	513	-	257	257
A-2.8	1100-0386-SEMPRA FINANCIAL STAFF	-	-	-	-	-	-
A-2.9	1100-1346-BANK REC & ESCHEATMENT	738	(738)	-	544	(544)	-
A-2.10	1100-0390-SOX COMPLIANCE	615	(215)	400	371	(39)	332
A-2.11	1100-0347-ACCOUNTING RESEARCH	435	(37)	398	356	(25)	331
A-2.12	1100-0047-FINANCIAL REPORTING DIREC	478	(187)	291	391	(150)	242
A-2.13	1100-0048-FINANCIAL REPORTING	813	54	867	665	55	720
A-2.14	1100-0219-FINANCIAL REPORTING D&T FEES	5,321	1,203	6,524	4,279	1,140	5,419
Total		\$ 10,818	\$ (40)	\$ 10,778	\$ 7,904	\$ 662	\$ 8,566
Allocations							Escalated 2012
SDG&E		\$ 3,681	\$ 606	\$ 4,287			\$ 4,592
So Cal Gas		4,223	56	4,279			4,583
Total Utility		7,904	662	8,566			\$ 9,176
Global / Retained		2,914	(702)	2,212			
Total		\$ 10,818	\$ (40)	\$ 10,778			

## Allocation of Costs

The Corporate Center provides accounting research, consolidation, SOX controls, and reporting services, and procures external audit services, that benefit SDG&E, SoCalGas, and all other business units; thus, all non-direct costs are allocated by “Multi-Factor Basic.”

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		100.0%	100.0%

Two exceptions to the Multi-Factor Basic are the allocation for Corporate & Global Accounting and the SVP Controller. Because the parent companies include both Corporate and Global entities, it was deemed more equitable to use the “Multi-Factor Split” method, a variation which evenly divides the overall allocation between utilities and unregulated businesses.

		<b>Allocation Rates</b>	
		2009	2012
<b>Multi-Factor Split</b>	SDG&E	23.4%	25.0%
	SoCalGas	26.6%	25.0%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

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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 Controller was developed. This allocation is referred to as “SVP Controller.”

		<b>Allocation Rates</b>	
		2009	2012
<b>SVP Controller</b>	SDG&E	22.5%	27.0%
	SoCalGas	24.6%	26.2%
	Global / Retained	52.9%	46.8%
		<u>100.0%</u>	<u>100.0%</u>

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

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

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Federal, state, and local tax compliance includes research and preparation of all income tax filings, research and preparation of filings for ad valorem taxes, franchise fees, utility user tax, sales taxes, and handling of any other local taxes and fees. This group also handles federal, state, local, and international audits of tax issues by taxing authorities and regulatory bodies. Tax planning and regulatory compliance responsibility entails research and reporting of ratemaking tax impacts of proposed transactions and preparation of ratemaking taxes reported to federal, state, local, and foreign regulatory bodies. The Tax

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Department evaluates and quantifies impacts of tax legislation and regulatory decisions and proposals. Financial tax accounting and regulatory tax accounting entails recording of tax provisions and performing analysis for all financial reporting requirements, classifying and reporting current and deferred income taxes used in regulatory filings, and interfacing with internal and external auditors on tax accounting issues.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-3.1	1100-0046-VP OF CORPORATE TAX	788	40	827	355	(23)	332
A-3.2	1100-0045-CORPORATE TAX ACCTG & SYSTEM	1,715	(466)	1,249	785	(284)	501
A-3.3	1100-0373-DOMESTIC TAX COMPLIANCE	1,947	390	2,338	892	46	937
A-3.4	1100-0374-INTL TAX	1,371	356	1,727	510	183	693
A-3.5	1100-0376-TRANSACTIONAL TAX	840	38	878	373	(21)	352
A-3.6	1100-0399-TAX LAW GROUP	1,387	(284)	1,104	615	(172)	442
Total		<u>\$ 8,048</u>	<u>\$ 75</u>	<u>\$ 8,123</u>	<u>\$ 3,529</u>	<u>\$ (272)</u>	<u>\$ 3,257</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 1,738	\$ (60)	\$ 1,678			\$ 1,795
So Cal Gas		1,791	(212)	1,579			1,688
Total Utility		3,529	(272)	3,257			<u>\$ 3,483</u>
Global / Retained		4,519	347	4,866			
Total		<u>\$ 8,048</u>	<u>\$ 75</u>	<u>\$ 8,123</u>			

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Allocation of Costs

The Tax Department's costs are allocated using an average based on an annual time estimate from every staff member. Thus, regardless of the cost center name or activity emphasis, all cost centers and the VP use the same allocation, referred to as the "Tax Services" method.

		Allocation Rates	
		2009	2012
<b>Tax Services</b>	SDG&E	22.6%	20.7%
	SoCalGas	23.2%	19.4%
	Global / Retained	54.2%	59.9%
		<u>100.0%</u>	<u>100.0%</u>

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1                   **4. Treasury (A-4)**

2                   The Treasury group is responsible for managing the liquidity needs  
3                   and overall capital structure of Sempra Energy companies, which includes  
4                   the issuance and redemption of debt and equity. The group oversees day-  
5                   to-day banking and investment activities, maintains relationships with  
6                   commercial banks, investment banks and credit rating agencies. These  
7                   functions are centralized at the Corporate Center for efficiencies in  
8                   volume, management oversight, standardization, and compliance.

9                   The group is also responsible for managing Sempra Energy’s long-  
10                  term asset portfolios including: pension plans and employee savings plan  
11                  assets for all business units, nuclear decommissioning trust funds, post-  
12                  retirement trust funds (e.g., Voluntary Employee Benefit Associations  
13                  [“VEBAs”] and the Supplemental Executive Retirement Plan [“SERP”])  
14                  and deferred compensation plan assets. These are plans in which  
15                  employees of all business units, including the Utilities, participate.

16                  Credit and banking fees are a significant cost, necessary for short-  
17                  term financing and the high volume of banking transactions involved in  
18                  utility revenue operations. Most lines of credit are arranged for and  
19                  directly assigned to the business unit they benefit. Trustee fees and rating  
20                  agency fees are necessary costs in the marketing of new long-term  
21                  financings, and include fees for Standard & Poor’s, Moody’s, and Fitch  
22                  Rating Services as well as other holding and remarketing expenses.  
23                  Interest expense on debt for business units is not included in these  
24                  operations and maintenance (“O&M”) charges.

25                  Corporate Economic Analysis is a group that includes Sempra’s  
26                  Chief Economist; they analyze business development projects and  
27                  provides advisory services and presentation support to senior management  
28                  of all business units.

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

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(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-4.1	1100-0112-SVP TREASURER & STAFF	564	(74)	490	123	172	294
A-4.2	1100-0113-CASH MANAGEMENT	729	45	773	590	52	642
A-4.3	1100-0119-FINANCE DIRECTOR	741	43	785	607	45	652
A-4.4	1100-0120-PENS & TRUST INV DIR	612	61	674	501	58	560
A-4.5	1100-0224-CORPORATE - CASH MGMT	10,018	9,608	19,626	4,093	1,473	5,566
A-4.6	1100-0225-CORP - TTEE & RATE AGENCY	5,663	648	6,311	1,261	(35)	1,227
A-4.7	1100-0393-CORP ECONOMIC ANALYSIS	859	(221)	638	86	(28)	59
A-4.8	1100-0052-VP - MERGERS & ACQUISITIONS	518	(334)	184	-	-	-
A-4.9	1100-0392-CORPORATE DEVELOPMENT	1,934	(576)	1,358	-	-	-
A-4.10	1100-0059-DEVELOPMENT - REED	70	(70)	-	-	-	-
A-4.11	1100-0060-DEVELOPMENT - SAHAGIAN	52	(52)	-	-	-	-
Total		<u>\$ 21,761</u>	<u>\$ 9,077</u>	<u>\$ 30,838</u>	<u>\$ 7,262</u>	<u>\$ 1,737</u>	<u>\$ 8,999</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 3,750	\$ 91	\$ 3,841			\$ 3,917
	So Cal Gas	<u>3,512</u>	<u>1,646</u>	<u>5,159</u>			<u>5,245</u>
	Total Utility	<u>7,262</u>	<u>1,737</u>	<u>8,999</u>			<u>\$ 9,163</u>
	Global / Retained	14,498	7,340	21,839			
	Total	<u>\$ 21,761</u>	<u>\$ 9,077</u>	<u>\$ 30,838</u>			

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3 Allocation of Costs

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

8 Other Treasury services are allocated by "Multi-Factor Basic," as they generally  
9 benefit all business units. Daily cash management services support corporate functions  
10 (payroll, accounts payable, gas purchases, wire transfers, etc.) that benefit all business  
11 units, and all business units participate in the pension plans and insurance policies.

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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1 Sempra’s Chief Economist provides limited advisory services to SDG&E and  
 2 SoCalGas, and the costs for his department are allocated based on an estimate of overall  
 3 time spent. This method is referred to as “Economic Analysis.”

		<b>Allocation Rates</b>	
		2009	2012
<b>Economic Analysis</b>	SDG&E	5.0%	5.0%
	SoCalGas	5.0%	5.0%
	Global / Retained	90.0%	90.0%
		<u>100.0%</u>	<u>100.0%</u>

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 5 As with other officer positions that oversee a variety of functions, a weighted  
 6 average of the allocation methodologies used by each department reporting to the  
 7 Treasurer was developed. This allocation is referred to as “VP Treasury.” Prior to the  
 8 2010 Reorganization, the Treasurer average included IT functions that are now embedded  
 9 in business units.

		<b>Allocation Rates</b>	
		2009	2012
<b>VP Treasury</b>	SDG&E	10.2%	30.1%
	SoCalGas	11.6%	30.1%
	Global / Retained	78.2%	39.9%
		<u>100.0%</u>	<u>100.0%</u>

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

13 The Investor Relations department’s primary objective is to attract  
 14 debt and equity capital at the lowest possible cost. They maintain regular  
 15 communications with security analysts, shareholders and the financial  
 16 community through conferences, meetings and internet updates. This  
 17 group is responsible for communicating Sempra Energy’s goals and  
 18 financial data, including significant new disclosures required by the SEC.  
 19 They relay financial market information to senior management. They are  
 20 also responsible for monitoring the outside stock transfer agent and  
 21 responding to shareholder inquiries.

The Executive Projects Manager supports the CEO and senior management by providing, among other things, white papers, briefing reports, operational updates, and media-related preparation material. None of the costs associated with Executive Projects are allocated to the Utilities.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-5.1	1100-0375-VP - INVESTOR RELATIONS	352	157	509	288	135	423
A-5.2	1100-0042-INVESTOR RELATIONS	1,582	196	1,778	1,277	90	1,366
A-5.3	1100-0382-EXECUTIVE PROJECTS	-	-	-	-	-	-
Total		<u>\$ 1,934</u>	<u>\$ 353</u>	<u>\$ 2,287</u>	<u>\$ 1,565</u>	<u>\$ 225</u>	<u>\$ 1,789</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 748	\$ 158	\$ 906			\$ 954
So Cal Gas		817	66	883			932
Total Utility		1,565	225	1,789			<u>\$ 1,886</u>
Global / Retained		369	128	497			
Total		<u>\$ 1,934</u>	<u>\$ 353</u>	<u>\$ 2,287</u>			

#### Allocation of Costs

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

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		100.0%	100.0%

#### 6. Corporate Planning (A-6)

Corporate Planning facilitates the planning and performance measurement process for Sempra Energy and for Corporate Center, and develops shared service allocations to all business units. This group tracks and reports on Sempra Energy and business unit performance versus budgets, and facilitates the five-year financial plans for all business units

and for Sempra Energy on a consolidated basis. In addition, this group supports SDG&E's and SoCalGas' GRCs and other regulatory filings by developing Corporate Center testimony and workpapers, and by responding to data requests. Moreover, this group provides financial systems support for Sempra Energy's financial consolidation system Hyperion ("HFM") and its SAP reporting database Business Warehouse ("BW"), and conducts training for these systems for all business units. While SDG&E and SoCalGas both have operational budgeting functions, the Corporate Center sets policy and provides long-range planning services that are essential to Sempra Energy, SDG&E, SoCalGas, and all other business units in attracting capital.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-6.1	1100-0298-VP - CORPORATE PLANNING	276	33	310	86	69	155
A-6.2	1100-0299-FIVE-YEAR BUSINESS PLANNING	784	(55)	729	398	(34)	364
A-6.3	1100-0053-ONE-YEAR BUSINESS PLANNING	308	(74)	233	155	(38)	117
A-6.4	1100-0326-CORP BUDGETS & REPORTING	543	(257)	286	271	(128)	143
A-6.5	1100-0342-FINL SYSTEMS	622	36	658	365	(5)	360
	Total	<u>\$ 2,533</u>	<u>\$ (317)</u>	<u>\$ 2,216</u>	<u>\$ 1,276</u>	<u>\$ (137)</u>	<u>\$ 1,139</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 599	\$ (30)	\$ 570			\$ 609
	So Cal Gas	676	(107)	569			609
	Total Utility	1,276	(137)	1,139			<u>\$ 1,218</u>
	Global / Retained	1,257	(180)	1,077			
	Total	<u>\$ 2,533</u>	<u>\$ (317)</u>	<u>\$ 2,216</u>			

### Allocation of Costs

Corporate Planning provides centralized planning and performance measurement services, benefiting the Utilities and Global equally. Any costs not directly assigned are thus allocated by "Multi-Split."

		Allocation Rates	
		2009	2012
<b>Multi-Factor Split</b>	SDG&E	23.4%	25.0%
	SoCalGas	26.6%	25.0%
	Global / Retained	50.0%	50.0%
		100.0%	100.0%

As the VP of Corporate Planning oversees only the Corporate Planning department, her cost center allocation uses the Multi-Factor Split for the GRC forecast years. Prior to the 2010 Reorganization, the VP used an average allocation that included procurement functions now embedded in business units.

**7. Risk Management (A-7)**

The VP of Risk Analysis & Management oversees Risk Management practices across Sempra Energy’s operations through three departments: Risk Management, Energy Risk Management, and Risk Analysis & Management.

The Risk Management department directs the corporate insurance program, including the property/casualty self-insurance program, and risk control activities for property/casualty for all Sempra Energy companies. Activities in purchasing and managing the corporate-wide insurance program involve bond procurement, contract review, and risk assessments for Sempra Energy companies. This group identifies exposures to loss, and proposes and facilitates the implementation of loss control activities primarily for SDG&E and SoCalGas.

See the separate testimony of Maury De Bont (Exhs. SDGE-24 and SCG-18) for a description and forecast of direct costs of Property and Liability insurance.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-7.1	1100-0010-VP RISK ANALYSIS & MGMT	-	761	761	-	380	380
A-7.2	1100-0114-INSURANCE MANAGEMENT	605	(10)	595	495	(1)	494
A-7.3	1100-0121-ENERGY RISK MGMT	-	-	-	-	-	-
	Total	<u>\$ 605</u>	<u>\$ 751</u>	<u>\$ 1,356</u>	<u>\$ 495</u>	<u>\$ 379</u>	<u>\$ 875</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 232	\$ 205	\$ 437			\$ 467
	So Cal Gas	263	174	437			467
	Total Utility	495	379	875			<u>\$ 935</u>
	Global / Retained	110	372	481			
	Total	<u>\$ 605</u>	<u>\$ 751</u>	<u>\$ 1,356</u>			

1 Allocation of Costs

2 The VP of Risk Analysis group identifies, manages, and monitors financial,  
3 economic, operational, litigation, and other areas of risk for the Utilities and Global  
4 business units. Thus, the allocation methodology for this cost center is “Multi-Factor  
5 Split.”

		<b>Allocation Rates</b>	
		2009	2012
<b>Multi-Factor Split</b>	SDG&E	23.4%	25.0%
	SoCalGas	26.6%	25.0%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

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7 The Risk Management department costs are allocated by “Multi-Factor Basic” as  
8 all business units are provided insurance coverage as needed, and most policies are shared  
9 and allocated.

		<b>Allocation Rates</b>	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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

14 The Financial Leadership Program (“FLP”) is a significant way in  
15 which Sempra Energy attracts and develops talented young accounting  
16 staff. Using a multi-year rotation plan, new recruits are given exposure to  
17 many areas of audit, accounting and finance before applying for available  
18 positions at the end of their three-year rotations.  
19

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
A-8.1	1100-0340-ACCTG & FINANCE ROTATION	1,159	233	1,392	946	210	1,156
A-8.2	1100-0344-ACCTG & FIN INTERNSHIP	89	(89)	-	73	(73)	-
	Total	<u>\$ 1,248</u>	<u>\$ 145</u>	<u>\$ 1,392</u>	<u>\$ 1,019</u>	<u>\$ 138</u>	<u>\$ 1,156</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 478	\$ 101	\$ 578			\$ 618
	So Cal Gas	541	37	578			618
	Total Utility	<u>1,019</u>	<u>138</u>	<u>1,156</u>			<u>\$ 1,236</u>
	Global / Retained	229	7	236			
	Total	<u>\$ 1,248</u>	<u>\$ 145</u>	<u>\$ 1,392</u>			

1

2 Allocation of Costs

3 Most FLP staff are assigned to Finance departments using the Multi-Factor Basic  
4 method, so the costs for this program are allocated using the same method.

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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7 **B. Governance**

8 For purposes of this testimony, certain functions are grouped together as  
9 “governance” because they represent the highest level of leadership of Sempra  
10 Energy. The Internal Audit department is also included as it reports to the Audit  
11 Committee of the Board of Directors and senior Sempra Energy management on a  
12 broad range of risk and business controls and compliance issues relating to  
13 policies, plans, procedures, laws and regulations.

14

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<b>Services Provided</b>						
B-1 Internal Audit	4,185	408	4,594	3,364	463	3,828
B-2 Corporate Secretary	749	49	798	540	123	663
B-3 Board of Directors	1,264	186	1,450	1,035	128	1,163
B-4 Executive	3,348	(79)	3,269	-	-	-
<b>Total</b>	<b>\$ 9,547</b>	<b>\$ 564</b>	<b>\$ 10,111</b>	<b>\$ 4,939</b>	<b>\$ 714</b>	<b>\$ 5,654</b>
<b>Allocations</b>						Escalated 2012
SDG&E	\$ 2,417	\$ 497	\$ 2,914			\$ 3,118
So Cal Gas	2,523	217	2,740			2,931
Total Utility	4,939	714	5,654			<b>\$ 6,049</b>
Global / Retained	4,608	(150)	4,458			
<b>Total</b>	<b>\$ 9,547</b>	<b>\$ 564</b>	<b>\$ 10,111</b>			

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3 The costs for Governance assigned to SDG&E and SoCalGas increase by  
4 \$ .7 million from 2009 to 2012. The primary factors for the increase are:

\$ - millions

0.3 Increased staffing of Internal Audit due to capital growth

0.2 Shift of allocation rates in Audit and Multi-Factor

0.2 Other adjustment for Corporate Secretary and Board

\$ 0.7

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See applicable workpapers for detail of changes by each department in  
7 Governance and the individual impact for SDG&E and SoCalGas.

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### 1. Internal Audit (B-1)

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The Internal Audit Services department is centralized at Corporate Center for all business units. The types of engagements conducted include general controls reviews in operational, financial, and information systems areas, as well as conducting testing on behalf of management for SOX 404 compliance. The group is charged with independent evaluation of risk and business controls as well as identifying solutions to business control issues. They issue reports on the effectiveness and efficiency of operations, economical and efficient use of resources, security of assets, reliability and integrity of financial information, and compliance with

1 applicable policies, plans, procedures, laws and regulations. The Audit  
 2 Services department also performs environmental, health and safety  
 3 (“EHS”) audits to evaluate controls and compliance around internal  
 4 policies and procedures and regulatory requirements.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
B-1.1	1100-0349-VP AUDIT SERVICES	424	12	436	342	21	363
B-1.2	1100-0041-AUDIT - FIN & OPS	1,063	391	1,454	857	354	1,211
B-1.3	1100-0453-AUDIT - FIN & OPS II	1,128	(54)	1,074	903	(9)	895
B-1.4	1100-0454-AUDIT - INFO TECH	924	61	985	744	76	820
B-1.5	1100-0380-ENVIRONMENTAL COMPLIANCE	480	(12)	469	384	6	391
B-1.6	1100-0050-AUDIT QUALITY ASSUR	167	11	177	134	14	148
Total		<u>\$ 4,185</u>	<u>\$ 408</u>	<u>\$ 4,594</u>	<u>\$ 3,364</u>	<u>\$ 463</u>	<u>\$ 3,828</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 1,679	\$ 322	\$ 2,001			\$ 2,139
So Cal Gas		1,686	141	1,827			1,953
Total Utility		<u>3,364</u>	<u>463</u>	<u>3,828</u>			<u>\$ 4,092</u>
Global / Retained		821	(55)	766			
Total		<u>\$ 4,185</u>	<u>\$ 408</u>	<u>\$ 4,594</u>			

5  
6 Allocation of Costs

7 Allocation of costs for both the VP and the Audit Services group is based on the  
 8 annual Audit Plan, which outlines the anticipated audits and planned audit hours for each  
 9 business unit. This allocation method is referred to as “Audit.”

Audit		Allocation Rates	
		2009	2012
	SDG&E	39.9%	43.6%
	SoCalGas	37.9%	39.8%
	Global / Retained	22.3%	16.7%
		<u>100.0%</u>	<u>100.0%</u>

10  
11  
12 **2. Corporate Secretary (B-2)**

13 The Office of the Corporate Secretary oversees the corporate  
 14 governance of Sempra Energy and each major business unit within Sempra  
 15 Energy, including SDG&E, SoCalGas and the three Global businesses.  
 16 Among other things, it supports the board of directors of each company by  
 17 coordinating all board meetings, providing guidance on board action items  
 18 and overseeing the general organizational structure of the parent company

1 and its several hundred subsidiaries. The Office of the Corporate Secretary  
 2 also has primary responsibility for coordinating and overseeing Sempra  
 3 Energy's annual meeting of shareholders.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
B-2.1	1100-0143-CORPORATE SECRETARY	749	49	798	540	123	663
	Total	<u>\$ 749</u>	<u>\$ 49</u>	<u>\$ 798</u>	<u>\$ 540</u>	<u>\$ 123</u>	<u>\$ 663</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 253	\$ 78	\$ 332			\$ 355
	So Cal Gas	287	45	332			355
	Total Utility	540	123	663			<u>\$ 710</u>
	Global / Retained	209	(74)	135			
	Total	<u>\$ 749</u>	<u>\$ 49</u>	<u>\$ 798</u>			

4  
 5 Allocation of Costs

6 The Corporate Secretary's office supports the Board of Directors' activities, thus  
 7 allocates costs using the same method, which is "Multi-Factor Basic."

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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 10 **3. Sempra Board of Directors (B-3)**

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

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
B-3.1	1100-0004-BOARD OF DIRECTORS	1,264	186	1,450	1,035	128	1,163
	Total	<u>\$ 1,264</u>	<u>\$ 186</u>	<u>\$ 1,450</u>	<u>\$ 1,035</u>	<u>\$ 128</u>	<u>\$ 1,163</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 485	\$ 97	\$ 582			\$ 624
	So Cal Gas	550	31	581			623
	Total Utility	1,035	128	1,163			<u>\$ 1,247</u>
	Global / Retained	229	58	287			
	Total	<u>\$ 1,264</u>	<u>\$ 186</u>	<u>\$ 1,450</u>			

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### Allocation of Costs

3

The Board of Directors addresses broad issues that affect the entire corporation, and costs are allocated using “Multi-Factor Basic.”

4

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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#### **4. Executive (B-4)**

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The Executive division consists of the Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”) of Sempra Energy and the new Executive Vice President. These executives provide high-level leadership and governance to the operations and finances of all Sempra Energy companies.

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(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
B-4.1	1100-0003-CHAIRMAN & CEO	1,591	(97)	1,494	-	-	-
B-4.2	1100-0002-PRESIDENT & COO	1,147	(64)	1,083	-	-	-
B-4.3	1100-0011-EXECUTIVE VICE PRESIDENT	-	499	499	-	-	-
B-4.4	1100-0040-RETAINED EXECUTIVE COSTS	285	(91)	194	-	-	-
B-4.5	1100-0001-RETIRED CHAIRMAN	60	(60)	-	-	-	-
B-4.6	1100-0185-GROUP PRESIDENT FOR REGULAT	265	(265)	-	-	-	-
B-4.7	1100-0186-GROUP PRESIDENT FOR UNREG	-	-	-	-	-	-
	Total	<u>\$ 3,348</u>	<u>\$ (79)</u>	<u>\$ 3,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ -	\$ -	\$ -			\$ -
	So Cal Gas	-	-	-			-
	Total Utility	-	-	-			<u>\$ -</u>
	Global / Retained	3,348	(79)	3,269			
	Total	<u>\$ 3,348</u>	<u>\$ (79)</u>	<u>\$ 3,269</u>			

1  
2 Allocation of Costs

3 None of the functions within the Executive group are currently allocated to the  
4 Utilities. They are all “retained” at Corporate Center.

5  
6 **C. Legal**

7 The Legal division provides legal services to all Sempra Energy  
8 companies. This includes Sempra’s General Counsel, the Corporate Center Law  
9 Department (“CCLD”), and the coordination of retention and oversight of outside  
10 firms, including legal fee arrangements. In connection with the recent 2010  
11 Reorganization discussed at the beginning of my testimony, employees (including  
12 attorneys and legal staff) were transferred to SDG&E and SoCalGas to form their  
13 own respective law departments (details are provided in the testimony of witness  
14 Cheryl Shepherd, Exhs. SCG-23 and SDG&E-29). As described in more detail  
15 below, CCLD lawyers offer services in the areas of litigation and labor, regulatory  
16 and environmental, and commercial and corporate, including real estate, mergers  
17 and acquisitions, and Securities and Exchange Commission matters. Led by  
18 Sempra Energy’s General Counsel, CCLD is able to offer legal expertise in areas  
19 of the law not covered by lawyers operating within the individual business unit  
20 law departments, avoiding the need to pay for outside counsel to handle such  
21 matters or hire more lawyers for each business unit. Additionally, CCLD  
22 attorneys are available to provide peak legal capacity when the business unit

1 attorneys are unable to take on new matters. This obviates the need to hire  
 2 additional business unit lawyers or outside counsel when the volume of legal work  
 3 peaks, which it often does during various times throughout any given year.  
 4 Finally, CCLD also coordinates retention and oversight of outside firms for all the  
 5 business units. From this coordinating position, CCLD is best able to leverage  
 6 cost-effective legal fee arrangements that the business units by themselves would  
 7 not be able to arrange.

8 The following table shows the base year 2009 costs for CCLD (comprised  
 9 of General Counsel, Law Department and Outside Legal costs) and the TY 2012  
 10 forecast for such costs. The table also shows how such costs are allocated to  
 11 SDG&E and SCG.

<i>(2009 \$ - 000's)</i>	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>						
C-1 General Counsel	747	53	801	578	36	614
C-2 Law Department	21,820	(13,053)	8,767	16,618	(9,636)	6,982
C-3 Outside Legal	51,000	(23,404)	27,596	31,960	(14,274)	17,686
Total	<u>\$ 73,567</u>	<u>\$ (36,403)</u>	<u>\$ 37,163</u>	<u>\$ 49,156</u>	<u>\$ (23,874)</u>	<u>\$ 25,282</u>
<u>Allocations</u>						Escalated 2012
SDG&E	\$ 37,197	\$ (21,814)	\$ 15,383			\$ 15,693
So Cal Gas	11,959	(2,060)	9,899			10,119
Total Utility	49,156	(23,874)	25,282			<u>\$ 25,812</u>
Global / Retained	24,411	(12,530)	11,881			
Total	<u>\$ 73,567</u>	<u>\$ (36,403)</u>	<u>\$ 37,163</u>			

12  
 13  
 14 CCLD costs assigned to SDG&E and SoCalGas decrease by \$23.9 million  
 15 from 2009 to 2012. This decrease is due in part to the above referenced transfer  
 16 of employees (including attorneys and legal staff) to SDG&E and SoCalGas. The  
 17 rest of the decrease is attributed to declining outside legal fees related to  
 18 significant cases. The base year includes fees for wildfire-related litigation,  
 19 although no wildfire-related legal fees are included in the 2012 request.

\$ - millions

- (10.3) Transferred to SDG&E and SoCal Gas
  - (14.3) Declining outside legal fees for significant cases
  - 0.3 Additional staffing for growth
  - 0.4 Shift in allocation rates
- \$ (23.9)

See applicable workpapers for detail of changes by each department and the individual impact for SDG&E and SoCalGas.

**1. General Counsel (C-1)**

The General Counsel has overall responsibility for all Sempra Energy legal matters and the provision of legal services for all the Sempra Energy companies. 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 the CCLD attorneys, coordinates the retention and hiring of outside counsel, and provides legal advice to Sempra management.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
C-1.1	1100-0141-EXECUTIVE VP & GENERAL CO	747	53	801	578	36	614
	Total	<u>\$ 747</u>	<u>\$ 53</u>	<u>\$ 801</u>	<u>\$ 578</u>	<u>\$ 36</u>	<u>\$ 614</u>
	Allocations						Escalated 2012
	SDG&E	\$ 329	\$ 27	\$ 356			\$ 381
	So Cal Gas	249	9	258			276
	Total Utility	578	36	614			<u>\$ 657</u>
	Global / Retained	169	17	186			
	Total	<u>\$ 747</u>	<u>\$ 53</u>	<u>\$ 801</u>			

Allocation of Costs

Since the General Counsel oversees CCLD attorneys, his cost center allocation uses the same "Legal" method as CCLD, which takes into account the 2010 Reorganization's restructuring of the legal function.

		<b>Allocation Rates</b>	
		2009	2012
<b>Legal</b>	SDG&E	44.1%	44.5%
	SoCalGas	33.3%	32.2%
	Global / Retained	22.6%	23.3%
		<u>100.0%</u>	<u>100.0%</u>

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3                   **2. Corporate Center Law Department (C-2)**

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

12                   a.       *Litigation/Employment/Labor*

13                  CCLD litigation and employment attorneys provide legal advice and counsel on  
14                  certain litigation matters, including corporate compliance. They represent SDG&E, SCG,  
15                  and other Sempra Energy business units in litigation, including such matters as significant  
16                  personal injury, wrongful termination, discrimination, sexual harassment, property  
17                  damage, commercial disputes, and antitrust litigation.

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

1                                   b.       *Regulatory/Environmental*

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

6           CCLD’s environmental lawyers are available to provide services to SDG&E and  
7 SCG in the areas of air quality, water quality, waste management, site assessment and  
8 mitigation, endangered species protection, and project review under the National  
9 Environmental Policy Act and the California Environmental Quality Act.

10                                   c.       *Commercial/Corporate*

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

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

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(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
C-2.1	1100-0144-LEGAL	21,820	(13,053)	8,767	16,618	(9,636)	6,982
C-2.2	1100-0278-LEGAL RETAINED - CORP CTR	-	-	-	-	-	-
	Total	<u>\$ 21,820</u>	<u>\$ (13,053)</u>	<u>\$ 8,767</u>	<u>\$ 16,618</u>	<u>\$ (9,636)</u>	<u>\$ 6,982</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 10,224	\$ (6,146)	\$ 4,078			\$ 4,363
	So Cal Gas	6,394	(3,490)	2,904			3,106
	Total Utility	16,618	(9,636)	6,982			<u>\$ 7,470</u>
	Global / Retained	5,202	(3,417)	1,785			
	Total	<u>\$ 21,820</u>	<u>\$ (13,053)</u>	<u>\$ 8,767</u>			

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4 Allocation of Costs

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Labor and all other costs, such as support staff, supplies, law library, etc. are allocated based upon a ratio of time spent on matters for each business unit, as computed by a timekeeping system used by CCLD's attorneys. The allocation rates are updated monthly to ensure that all departmental costs flow to business units based on the most recent activity by matter. Forecast rates rely on historical activity from the 2009 base year. The non-labor costs relate to legal resources that are common yet essential in the work performed by attorneys and staff. Legal research tools and supplies, for example, are used on a daily basis by the Utility Law Departments. CCLD is not requesting an increase in these non-labor costs for TY2012.

		Allocation Rates	
		2009	2012
<b>Legal</b>	SDG&E	44.1%	44.5%
	SoCalGas	33.3%	32.2%
	Global / Retained	22.6%	23.3%
		<u>100.0%</u>	<u>100.0%</u>

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**3. Outside Legal Fees (C-3)**

As discussed above, when neither the business unit law department nor CCLD is able to provide the necessary legal services, outside counsel is hired. Typically, this involves matters that require a level of resources or a special expertise not available within the business unit law

1 departments or CCLD. In selecting outside counsel, CCLD seeks to  
 2 achieve quality and cost-effectiveness and to increase its use of women-  
 3 and minority-owned law firms. The retention and hiring of outside legal  
 4 services are coordinated by CCLD for the business unit law departments,  
 5 including SDG&E and SCG, and the costs for such outside legal services  
 6 are directly-assigned based on the matter. Matters and services needed can  
 7 vary from year to year. The TY 2012 forecast, shown in the following  
 8 table, is based on a statistical trend method that uses recorded expense  
 9 levels going back five years prior to the 2009 base year, adjusted for any  
 10 non-recoverable matters (e.g., energy crisis litigation) or those considered  
 11 significant and non-recurring.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
C-3.1	1100-0145-OUTSIDE LEGAL	51,000	(23,404)	27,596	31,960	(14,274)	17,686
	Total	<u>\$ 51,000</u>	<u>\$ (23,404)</u>	<u>\$ 27,596</u>	<u>\$ 31,960</u>	<u>\$ (14,274)</u>	<u>\$ 17,686</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 26,644	\$ (15,695)	\$ 10,949			\$ 10,949
	So Cal Gas	5,316	1,421	6,737			6,737
	Total Utility	31,960	(14,274)	17,686			<u>\$ 17,686</u>
	Global / Retained	19,040	(9,130)	9,910			
	Total	<u>\$ 51,000</u>	<u>\$ (23,404)</u>	<u>\$ 27,596</u>			

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 13 Allocation of Costs

14 Outside legal fees are directly-assigned by matter to the business unit(s) involved,  
 15 including SDG&E and SCG. Also directly-assigned are invoiced costs such as travel,  
 16 expert witnesses, Commission, FERC and state or federal court fees, courier services, etc.  
 17 Costs associated with certain corporate matters, not otherwise directly-assigned to  
 18 SDG&E, SCG or other Sempra Energy business unit, are allocated using the Multi-Factor  
 19 Basic methodology.

20  
 21 **D. Human Resources**

22 The Human Resources (“HR”) division at Corporate Center is responsible  
 23 for specific services not found in Sempra Energy’s subsidiary organizations,  
 24 including SDG&E and SoCalGas, related to the support and maintenance of the

1 Company's employees, which Sempra Energy considers its most important asset.

2 Among its services, Human Resources:

- 3 • develops corporate-wide policies, procedures and programs that
- 4 apply to the entire Sempra Energy companies' workforce;
- 5 • provides policy oversight to SDG&E and SoCalGas regarding
- 6 those areas that are specific to their employees, including the
- 7 various bargaining units;
- 8 • designs, implements and administers competitive compensation
- 9 and benefit programs for all active and retired employees of
- 10 SDG&E, SoCalGas, and other Sempra Energy companies;
- 11 • supports payroll, benefits and human resources information system
- 12 services for most Sempra Energy companies;
- 13 • plans, promotes and manages corporate-wide employee volunteer
- 14 opportunities and initiatives; and
- 15 • handles day-to-day human resource administration, employee
- 16 relations, training and development for all Corporate Center
- 17 employees working in the HR, Legal, Finance, Governance and
- 18 External Affairs divisions.

19 The major departments and cost forecasts for HR are listed below, and in  
 20 more detail in this section.

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<b>Services Provided</b>						
D-1 Human Resources SVP	856	61	917	655	186	840
D-2 Compensation & Benefits	3,628	(31)	3,597	3,095	75	3,170
D-3 Payroll/HRIS (MyInfo)	7,808	418	8,226	7,333	419	7,752
D-4 Employee Development	3,270	(2,273)	997	2,633	(1,805)	828
D-5 Employee Programs	4,734	(1,414)	3,321	1,328	(933)	395
<b>Total</b>	<u>\$ 20,297</u>	<u>\$ (3,240)</u>	<u>\$ 17,058</u>	<u>\$ 15,044</u>	<u>\$ (2,059)</u>	<u>\$ 12,985</u>
<b>Allocations</b>						Escalated 2012
SDG&E	\$ 6,313	\$ (657)	\$ 5,656			\$ 6,057
So Cal Gas	8,730	(1,402)	7,329			7,848
<b>Total Utility</b>	<u>15,044</u>	<u>(2,059)</u>	<u>12,985</u>			<u>\$ 13,905</u>
Global / Retained	5,254	(1,181)	4,073			
<b>Total</b>	<u>\$ 20,297</u>	<u>\$ (3,240)</u>	<u>\$ 17,058</u>			

1                   The costs for HR assigned to SDG&E and SoCalGas decreased by \$2.1  
2 million from 2009 to 2012. The primary reason for the decrease is attributable to  
3 the transfer in 2010 of certain functions to business units.

*\$ - millions*

(2.7) Reduced or transferred to SDG&E and SoCal Gas  
0.4 Escalation of payroll services and system costs  
0.2 Shift of allocation rates

\$ (2.1)

4  
5                   See applicable workpapers for detail of changes by each department and  
6 the individual impact for SDG&E and SoCalGas.

7

8                   **1. HR Senior VP (D-1)**

9                   The Senior VP of HR oversees the entire HR division that provides  
10 human resource services to the Corporate Center and all business units.  
11 Strategic direction and overall corporate policy guidance is provided in the  
12 areas of compensation, benefits, HR information systems, diversity  
13 programs, workforce planning, corporate security, leadership development,  
14 and compliance training. This division is also responsible for the  
15 administration of all employee benefit plans, payroll, HR information  
16 systems, executive compensation plans, security functions, human  
17 resource budgeting and accounting/financial compliance related to  
18 employee retirement and benefit plans, including health and welfare,  
19 pension and savings plans. In addition, the division directly supports the  
20 human resource needs of the Corporate Center including compensation  
21 administration, staffing, and employee relations. The Senior VP of HR  
22 also serves as the Chief Ethics Officer, and maintains e-mail and  
23 telephonic systems through which employees can communicate any  
24 potential ethical concerns.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
D-1.1	1100-0122-HR SVP & STAFF	856	61	917	655	186	840
	Total	<u>\$ 856</u>	<u>\$ 61</u>	<u>\$ 917</u>	<u>\$ 655</u>	<u>\$ 186</u>	<u>\$ 840</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 276	\$ 92	\$ 369			\$ 394
	So Cal Gas	379	93	472			505
	Total Utility	655	186	840			<u>\$ 899</u>
	Global / Retained	201	(125)	76			
	Total	<u>\$ 856</u>	<u>\$ 61</u>	<u>\$ 917</u>			

## Allocation of Costs

Costs associated with the Senior VP of HR are allocated using a weighted average of the diverse allocation methodologies used by each department reporting to this officer. This allocation average is referred to as "HR-SVP." Prior to the 2010 Reorganization, the SVP average included Global functions that are now embedded in business units.

		Allocation Rates	
		2009	2012
<b>HR-SVP</b>	SDG&E	32.3%	40.1%
	SoCalGas	44.2%	51.4%
	Global / Retained	23.5%	8.5%
		<u>100.0%</u>	<u>100.0%</u>

## **2. Compensation & Benefits (D-2)**

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

### a. *Compensation Services*

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

1 (“OFCCP”), and auditing job classifications to ensure compliance with Fair Labor  
2 Standards Act (“FLSA”) and other applicable California State laws.

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

11 b. *Benefits Services*

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

14 The BSG is responsible for designing, contracting, communicating, and insuring  
15 compliance with all legal, regulatory, and union requirements affecting health and  
16 insurance plans for twelve medical plans, three dental plans, two vision plans, and four  
17 life insurance plans for approximately 13,000 employees and 11,000 retirees.

18 Health and welfare plans are designed so that they are both competitive and cost  
19 effective. To negotiate the best rates available, the BSG uses the leverage created by  
20 Sempra Energy companies’ 13,000 total employees. Higher coverage levels at lower  
21 costs are achieved by negotiating on behalf of the total population of employees working  
22 for Sempra Energy rather than negotiating for each company, or business unit, on a  
23 separate basis.

24 In addition to designing, negotiating and contracting for health and insurance  
25 benefits, the BSG is responsible for developing and producing enrollment information  
26 (both new hire and annual open enrollment) and the Summary Plan Descriptions required  
27 under the Employee Retirement Insurance Security Act (“ERISA”). This law, while  
28 primarily regulating pension plans, also mandates disclosure of health and welfare plan  
29 provisions. The BSG is also responsible for ensuring compliance with all federal and  
30 state regulations governing health and insurance plans. This includes making sure that  
31 plans are administered according to plan documents, that all beneficiaries are treated

1 fairly, advising HR in the business units of changes in requirements, and training HR  
2 generalists so they can educate supervisors.

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

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

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

22 Moreover, the BSG acts as vendor manager for the plans' trustees, record keepers,  
23 consultants and the MyRetirement Service Center. They evaluate all service providers to  
24 the plans and recommend changes when appropriate, utilizing cost analysis and  
25 benchmarking.

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

29 c. *HR Accounting & Budgets*

30 The HR Accounting & Budgets group is responsible for all accounting, financial  
31 and regulatory compliance activities related to Sempra Energy companies' compensation

1 and benefit plans. The group reviews, analyzes and processes all benefit plan payments  
 2 including premiums, professional service fees, administrative charges and other related  
 3 expenses. The group also administers the distribution of employee pension, savings and  
 4 deferred compensation payments.

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

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
D-2.1	1100-0134-COMP & BENEFITS DIR	1,426	(1)	1,425	1,336	2	1,338
D-2.2	1100-0135-COMPENSATION	642	13	655	603	12	615
D-2.3	1100-0136-EXECUTIVE COMPENSATION	939	(43)	896	573	61	633
D-2.4	1100-0137-HR ACCTG & BUDGETS	621	(0)	621	583	(0)	583
D-2.5	1100-0276-EMPLOYEE BENEFITS SERVICE	-	-	-	-	-	-
D-2.6	1100-0348-CORPORATE COMPLIANCE VP	-	-	-	-	-	-
Total		<u>\$ 3,628</u>	<u>\$ (31)</u>	<u>\$ 3,597</u>	<u>\$ 3,095</u>	<u>\$ 75</u>	<u>\$ 3,170</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 1,318	\$ 150	\$ 1,468			\$ 1,570
	So Cal Gas	1,777	(76)	1,702			1,820
	Total Utility	3,095	75	3,170			<u>\$ 3,391</u>
	Global / Retained	533	(106)	428			
Total		<u>\$ 3,628</u>	<u>\$ (31)</u>	<u>\$ 3,597</u>			

17  
 18 Allocation of Costs

19 Compensation & Benefits Administration and HR Accounting & Budgets costs  
 20 are allocated by the "FTE" method, which appropriately reflects the level of service

1 provided to each business unit based on active employees.

<b>FTE</b>		<b>Allocation Rates</b>	
		<u>2009</u>	<u>2012</u>
	SDG&E	38.4%	40.7%
	SoCalGas	55.6%	53.2%
	Global / Retained	6.1%	6.1%
		<u>100.0%</u>	<u>100.0%</u>

2  
3 For the Executive Comp & Benefits group, costs are allocated using a weighted  
4 combination of executive FTEs (75%) and director-level FTEs (25%) at all business  
5 units. This allocates costs to business units in proportion to the number of employees  
6 who benefit from the programs. This method is referred to as “Executive FTE’s.”

<b>Executive FTE's</b>		<b>Allocation Rates</b>	
		<u>2009</u>	<u>2012</u>
	SDG&E	30.6%	41.0%
	SoCalGas	30.4%	29.7%
	Global / Retained	39.0%	29.3%
		<u>100.0%</u>	<u>100.0%</u>

7  
8 **3. MyInfo - Payroll & HR Information Systems (D-3)**

9 The MyInfo group provides HR and payroll system support,  
10 maintains employee databases, and develops management information  
11 systems and reports for SDG&E, SoCalGas, and all other Sempra Energy  
12 companies. The MyInfo reporting function is critical to financial, legal,  
13 and regulatory processes that involve employee data; compiling and  
14 analyzing employee trends and forecasts; monitoring employee data  
15 integrity to ensure the accuracy in the administration of compensation and  
16 benefit programs; and providing Sempra Energy emergency operations  
17 centers with profiles of employee data by location, ensuring relevant  
18 contact information is included. This group is also responsible for the  
19 evaluation, design and implementation of new systems and enhancements  
20 to existing applications, including utilization of internet/intranet  
21 functionality; overseeing the service center that responds to employee

inquiries regarding payroll and benefits; monitoring ancillary payroll services, including garnishments, tuition reimbursements, and charitable contributions; managing vendor relationships for payroll processing and human resource systems; and limiting access to confidential employee data through the design and monitoring of key data security system controls.

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

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
D-3.1	1100-0383-MYINFO SERVICES	7,808	418	8,226	7,333	419	7,752
	Total	<u>\$ 7,808</u>	<u>\$ 418</u>	<u>\$ 8,226</u>	<u>\$ 7,333</u>	<u>\$ 419</u>	<u>\$ 7,752</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 2,971	\$ 263	\$ 3,234			\$ 3,465
	So Cal Gas	<u>4,362</u>	<u>156</u>	<u>4,518</u>			<u>4,841</u>
	Total Utility	<u>7,333</u>	<u>419</u>	<u>7,752</u>			<u>\$ 8,306</u>
	Global / Retained	476	(2)	474			
	Total	<u>\$ 7,808</u>	<u>\$ 418</u>	<u>\$ 8,226</u>			

### Allocation of Costs

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

<b>MyInfo</b>		<b>Allocation Rates</b>	
		2009	2012
	SDG&E	38.0%	39.2%
	SoCalGas	56.0%	55.0%
	Global / Retained	5.9%	5.8%
		<u>100.0%</u>	<u>100.0%</u>

1  
2 **4. Corporate Staffing & Development (D-4)**

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

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

16 CHR also manages compliance risk assessment; Employee  
17 Business Conduct Guidelines and Corporate Code of Conduct programs;  
18 corporate policy maintenance; and compliance and ethics education and  
19 communication, including web-based training. Some of the topics  
20 addressed by compliance training are: information protection,  
21 environmental and safety, business conduct guidelines, sexual harassment  
22 prevention, and affiliate compliance.

23 CHR provides additional development courses in communication  
24 skills, management skills, personal work effectiveness, energy industry  
25 knowledge, and financial skills. Skill training is provided with respect to  
26 topics considered key to corporate success. Classroom and on-line

training is provided to employees to educate them about some of the most important aspects of our industry in order to meet legal or regulatory requirements.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
D-4.1	1100-0130-HR BUSINESS PARTNER	560	437	997	458	370	828
D-4.2	1100-1271-EMPLOYEE DEVELOPMENT	369	(369)	-	347	(347)	-
D-4.3	1100-0269-EXECUTIVE DEVELOPMENT	935	(935)	-	571	(571)	-
D-4.4	1100-0055-BUSINESS CONDUCT DIRECTOR	525	(525)	-	429	(429)	-
D-4.5	1100-0131-CORP DIVERSITY AFFAIRS	881	(881)	-	828	(828)	-
Total		<u>\$ 3,270</u>	<u>\$ (2,273)</u>	<u>\$ 997</u>	<u>\$ 2,633</u>	<u>\$ (1,805)</u>	<u>\$ 828</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 1,182	\$ (768)	\$ 414			\$ 443
So Cal Gas		1,451	(1,037)	414			443
Total Utility		2,633	(1,805)	828			<u>\$ 886</u>
Global / Retained		637	(468)	169			
Total		<u>\$ 3,270</u>	<u>\$ (2,273)</u>	<u>\$ 997</u>			

### Allocation of Costs

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

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

### **5. Employee Programs (D-5)**

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

1 company memberships and contributions processes with SDG&E,  
 2 SoCalGas, and Global.

3 This group also plans, promotes and manages the Sempra Energy  
 4 Foundation, which funds community initiatives and programs in the areas  
 5 of environment, education, and disaster relief, preparedness and safety.  
 6 The Sempra Energy Foundation also funds a corporate-wide employee  
 7 volunteerism program (the Volunteer Incentive Program) as well as the  
 8 Matching Gifts program for employees contributing financially to their  
 9 communities in the areas of education, arts and culture. Additionally,  
 10 corporate-wide programs include the Scholarship Program for Children of  
 11 Employees and the Sempra Employee Giving Network.  
 12

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
D-5.1	1100-0155-CORP COMM PARTNERSHIPS	765	(489)	276	423	(164)	259
D-5.2	1100-0156-CONTRIBUTIONS & MEMBERSHIPS	3,005	(105)	2,900	-	-	-
D-5.3	1100-0170-INTERNAL COMMUNICATIONS	964	(819)	145	905	(770)	136
Total		<u>\$ 4,734</u>	<u>\$ (1,414)</u>	<u>\$ 3,321</u>	<u>\$ 1,328</u>	<u>\$ (933)</u>	<u>\$ 395</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 567	\$ (395)	\$ 171			\$ 183
	So Cal Gas	<u>762</u>	<u>(538)</u>	<u>224</u>			<u>239</u>
	Total Utility	1,328	(933)	395			<u>\$ 423</u>
	Global / Retained	3,406	(481)	2,926			
Total		<u>\$ 4,734</u>	<u>\$ (1,414)</u>	<u>\$ 3,321</u>			

13 Allocation of Costs

14 As this function primarily supports employee-based community involvement, the  
 15 costs are allocated based on employees at each business unit, or the "FTE" method.  
 16

FTE		Allocation Rates	
		2009	2012
	SDG&E	38.4%	40.7%
	SoCalGas	55.6%	53.2%
	Global / Retained	6.1%	6.1%
		<u>100.0%</u>	<u>100.0%</u>

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

8           None of the corporate contributions or memberships are allocated to the Utilities.  
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**E. External Affairs**

This division, known internally as “Corporate Relations”, provides overall policy guidance for the Sempra Energy companies’ interactions with external constituents. Sempra Energy companies conduct business in multiple communities, states, and countries throughout the world. While relationships between the Sempra Energy companies and their external constituents may be tailored to meet their individual business objectives, Corporate Relations provides policy guidance to ensure compliance with enterprise-wide objectives. The major departments and cost forecasts are listed in the following chart, and in more detail in this section.

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<b>Services Provided</b>						
E-1 Communications	11,819	(9,335)	2,484	2,212	(1,242)	970
E-2 Government Affairs	3,260	430	3,690	762	307	1,069
E-3 External Affairs	8,612	(8,612)	-	2,881	(2,881)	-
<b>Total</b>	<u>\$ 23,691</u>	<u>\$ (17,516)</u>	<u>\$ 6,175</u>	<u>\$ 5,855</u>	<u>\$ (3,815)</u>	<u>\$ 2,040</u>
<b>Allocations</b>						Escalated 2012
SDG&E	\$ 2,728	\$ (1,736)	\$ 992			\$ 1,061
So Cal Gas	3,127	(2,079)	1,047			1,120
<b>Total Utility</b>	<u>5,855</u>	<u>(3,815)</u>	<u>2,040</u>			<u>\$ 2,181</u>
Global / Retained	17,836	(13,701)	4,135			
<b>Total</b>	<u>\$ 23,691</u>	<u>\$ (17,516)</u>	<u>\$ 6,175</u>			

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The costs for Corporate Relations assigned to SDG&E and SoCalGas decreased by \$3.8 million from 2009 to 2012. The primary reason for the decrease is attributable to the transfer in 2010 of certain functions to business units.

\$ - millions

(3.9) Reduced or transferred to SDG&E and SoCal Gas

0.1 Shift of allocation rates

\$ (3.8)

18

1 See applicable workpapers for detail of changes by each department and  
2 the individual impact for SDG&E and SoCalGas.

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

5 The Corporate Communications department oversees most  
6 shareholder communications, including media related activities (broadcast  
7 and print) and earnings announcements, which communicate critical  
8 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  
11 Sempra Energy companies and communications for utility and business  
12 unit customers and the communities in which they do business. Such  
13 communications include raising awareness of philanthropic activities and  
14 support of the local communities in which the business units operate.  
15 Additionally, Corporate Communications develops, implements,  
16 coordinates, and manages overarching corporate best practices and  
17 guidelines for the internet/intranet and brand images. These activities  
18 include providing guidance to the utilities and other business units on web  
19 design and architecture (consistent with the corporate website), as well as  
20 management of the corporate identity to prevent copyright infringement,  
21 brand confusion and unauthorized leveraging of the Sempra Energy or  
22 subsidiary brands for commercial purposes. Additionally, this department  
23 publishes Sempra Energy's Annual Report and Corporate Responsibility  
24 Report.  
25

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
E-1.1	1100-0169-CORPORATE COMMUNICATIONS	1,451	(1,147)	304	726	(574)	152
E-1.2	1100-0456-CORP RESPONSIBILITY REPORT	309	(193)	115	253	(157)	96
E-1.3	1100-0168-DIGITAL/PRINT COMMUNICATIONS	1,024	(631)	393	819	(512)	307
E-1.4	1100-0208-INTERNET COMMUNICATIONS	8,282	(7,335)	947	-	-	-
E-1.5	1100-0294-CORPORATE HOSPITALITY	240	(15)	225	(2)	2	-
E-1.6	1100-0378-ANNUAL REPORT	513	(13)	500	417	(1)	415
Total		<u>\$ 11,819</u>	<u>\$ (9,335)</u>	<u>\$ 2,484</u>	<u>\$ 2,212</u>	<u>\$ (1,242)</u>	<u>\$ 970</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 1,038	\$ (553)	\$ 485			\$ 519
So Cal Gas		1,174	(689)	485			519
Total Utility		<u>2,212</u>	<u>(1,242)</u>	<u>970</u>			<u>\$ 1,038</u>
Global / Retained		9,607	(8,093)	1,514			
Total		<u>\$ 11,819</u>	<u>\$ (9,335)</u>	<u>\$ 2,484</u>			

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### Allocation of Costs

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Services provided by Corporate Communications may be on behalf of executives and issues for either the Utilities or Global business units and, therefore, it's appropriate to use a "Multi-Factor Split" method that divides costs equally between them.

		Allocation Rates	
		2009	2012
<b>Multi-Factor Split</b>	SDG&E	23.4%	25.0%
	SoCalGas	26.6%	25.0%
	Global / Retained	50.0%	50.0%
		<u>100.0%</u>	<u>100.0%</u>

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

		Allocation Rates	
		2009	2012
<b>Multi-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

10

1 Any costs considered brand advertising are 100% retained at the Corporate  
2 Center, thus Internet Communications (Sempra’s website) is not allocated to the Utilities.  
3 Neither are any expenses associated with corporate hospitality events.  
4

5 **2. Governmental Affairs (E-2)**

6 The Federal Government Affairs department is responsible for  
7 management of federal legislation and advocacy. The department  
8 represents Sempra Energy and its affiliates on all federal legislative issues  
9 that have the potential to directly impact the Sempra Energy companies.  
10 The Federal Government Affairs departments’ activity predominately  
11 involves lobbying activities and as such allocations are 100% retained at  
12 the Corporate Center.

13 The Government Programs department has responsibility for the  
14 management of the corporate political contributions budget and the  
15 operation of the Sempra Energy Employees Political Action Committee  
16 (“PAC”). These program costs are retained. This department also  
17 supports the goal setting, tracking, and monitoring of corporate  
18 responsibility objectives, collects all data for corporate responsibility  
19 reporting, and handles all surveys and data requests for such information.  
20 Lastly, it is responsible for the communications and distribution of the  
21 Corporate Responsibility report throughout the business units, including  
22 SDG&E and SoCal Gas.

23 The Corporate Compliance, Reporting & Analysis group provides  
24 budget support for the division and is also responsible for the management  
25 and oversight of political contributions, lobbying and gift reporting, and  
26 PAC reporting with external agencies, including but not limited to, the  
27 Federal Election Commission.

28 The FERC Relations department has responsibility for the  
29 management of federal regulations and governmental advocacy. FERC  
30 Relations represent Sempra Energy and its affiliates, including SDG&E  
31 and SoCalGas, on all federal regulatory issues that have the potential to

1 directly impact the Sempra Energy companies. This group works with  
 2 governmental staff and officials to resolve issues, protecting the interests  
 3 of ratepayers as well as Sempra Energy shareholders. The department  
 4 tracks federal regulatory proceedings, and addresses and seeks changes to  
 5 regulations applicable to business units.  
 6

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year	2009 - 2012	Forecast	Base Year	2009 - 2012	Forecast
Services Provided		2009	Incr/(Decr)	2012	2009	Incr/(Decr)	2012
E-2.1	1100-0150-VP - CORP RELATIONS	474	176	651	129	189	318
E-2.2	1100-0152-FEDERAL GOVERNMENT AFFAIRS	930	115	1,044	-	-	-
E-2.3	1100-0157-GOVT PROGRAMS & CORP RESPOI	392	180	572	351	155	506
E-2.4	1100-0151-CORPORATE POLITICAL CONTR	853	60	914	-	-	-
E-2.5	1100-0395-COMPLIANCE / REPORTING & ANAL	224	(105)	119	91	(41)	50
E-2.6	1100-0163-FERC RELATIONS	387	3	390	191	4	195
Total		<u>\$ 3,260</u>	<u>\$ 430</u>	<u>\$ 3,690</u>	<u>\$ 762</u>	<u>\$ 307</u>	<u>\$ 1,069</u>
Allocations					Escalated		
					2012		
SDG&E		\$ 346	\$ 161	\$ 507	\$ 542		
So Cal Gas		416	147	563	602		
Total Utility		<u>762</u>	<u>307</u>	<u>1,069</u>	<u>\$ 1,144</u>		
Global / Retained		2,498	123	2,621			
Total		<u>\$ 3,260</u>	<u>\$ 430</u>	<u>\$ 3,690</u>			

7  
 8 **Allocation of Costs**

9 Because of the diverse allocation methods used throughout this division, costs for  
 10 the VP of Corporate Relations are allocated by a weighted average of the methods used  
 11 by each department reporting to him, including his Corporate Secretary functions. This  
 12 allocation average is referred to as "VP Corporate Relations." Prior to 2010 this cost  
 13 center was used for the VP of Government Affairs, which had more Global and retained  
 14 functions included in the average. Discontinued or transferred External Affairs functions  
 15 are itemized in the following section (E-3).

		Allocation Rates	
		2009	2012
<b>VP Corporate Relations</b>	SDG&E	12.4%	23.8%
	SoCalGas	14.8%	25.2%
	Global / Retained	72.8%	51.1%
		<u>100.0%</u>	<u>100.0%</u>

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

3 Government Programs & Corporate Responsibility uses an allocation method that  
4 accounts for the staffing of a San Diego and a Los Angeles program manager to benefit  
5 the Utilities, with the Director costs distributed by Multi-Factor, but offset by a portion  
6 retained for non-recoverable activities. This blended method is known as “Local  
7 Government.”

		Allocation Rates	
		2009	2012
<b>Local Government</b>	SDG&E	39.7%	40.2%
	SoCalGas	49.9%	48.3%
	Global / Retained	10.4%	11.6%
		<u>100.0%</u>	<u>100.0%</u>

8  
9 Compliance Reporting & Analysis uses an allocation method referred to as “VP  
10 Political.” This is a modified version of the Multi-Factor Split allocation that retains a  
11 percentage of time and expenses related to managing Sempra PAC reporting and political  
12 contributions, since none of those costs are allocated to business units.

		Allocation Rates	
		2009	2012
<b>VP Political</b>	SDG&E	18.9%	20.9%
	SoCalGas	21.5%	20.9%
	Global / Retained	59.6%	58.1%
		<u>100.0%</u>	<u>100.0%</u>

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14  
15 FERC Relations is allocated by Multi-Factor Split in order to evenly divide the  
16 benefits between regulated and un-regulated business units.

		Allocation Rates	
		2009	2012
<b>Multi-Factor Split</b>	SDG&E	23.4%	25.0%
	SoCalGas	26.6%	25.0%
	Global / Retained	50.0%	50.0%
		100.0%	100.0%

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### 3. External Affairs (E-3)

*This group of cost centers represents External Affairs functions that were centralized at Corporate Center, but were eliminated in the 2010 Reorganization or related to the groups transferred to business units. These cost centers are presented to show the Base Year activity, but there is no forecast prepared for them, and no recovery is sought for 2012.*

(2009 \$ - 000's)		Corporate Center			Utility Allocations			
Services Provided		Base Year	2009 - 2012	Forecast	Base Year	2009 - 2012	Forecast	
		2009	Incr/(Decr)	2012	2009	Incr/(Decr)	2012	
E-3.1	1100-0147-EVP - EXTERNAL RELATIONS	648	(648)	-	267	(267)	-	
E-3.2	1100-0379-VP - REGULATORY AFFAIRS	567	(567)	-	139	(139)	-	
E-3.3	1100-0400-CORPORATE LEGISLATIVE POL	668	(668)	-	547	(547)	-	
E-3.4	1100-0148-ENVIRONMENTAL & REG AFFAIRS	295	(295)	-	16	(16)	-	
E-3.5	1100-0006-COMPLIANCE	377	(377)	-	308	(308)	-	
E-3.6	1100-0164-SVP COMMS & COMMUNITY PAR	486	(486)	-	339	(339)	-	
E-3.7	1100-1398-COMMUNITY REL - SAN DIEGO	472	(472)	-	255	(255)	-	
E-3.8	1100-2451-COMMUNITY RELATIONS - LOS	547	(547)	-	314	(314)	-	
E-3.9	1100-2149-CORPORATE EVENTS	322	(322)	-	226	(226)	-	
E-3.10	1100-1153-STATE GOVERNMENT AFFAIRS	1,232	(1,232)	-	-	-	-	
E-3.11	1100-1160-STATE REGULATORY AFFAIRS	63	(63)	-	31	(31)	-	
E-3.12	1100-1159-CORP REGULATORY POLICY	813	(813)	-	406	(406)	-	
E-3.13	1100-6381-DIRECTOR - GOVT AFFAIRS	1,355	(1,355)	-	-	-	-	
E-3.14	1100-6452-GAS RESEARCH & ANALYSIS	620	(620)	-	32	(32)	-	
E-3.15	1100-4397-PUBLIC RELATIONS - MEXICO	130	(130)	-	-	-	-	
E-3.16	1100-4394-VP INTERNATIONAL AFFAIRS	20	(20)	-	1	(1)	-	
E-3.17	1100-0207-STAPLES CENTER	-	-	-	-	-	-	
E-3.18	1100-0166-NEW MARKET COMMUNICATIONS	-	-	-	-	-	-	
E-3.19	1100-0154-POLICY COORDINATION & ADV	-	-	-	-	-	-	
E-3.20	1100-0171-EMPLOYEE COMMUNICATIONS	0	(0)	-	-	-	-	
Total		\$ 8,612	\$ (8,612)	\$ -	\$ 2,881	\$ (2,881)	\$ -	
Allocations								Escalated
								2012
SDG&E		\$ 1,344	\$ (1,344)	\$ -				\$ -
So Cal Gas		1,537	(1,537)	-				-
Total Utility		2,881	(2,881)	-				\$ -
Global / Retained		5,731	(5,731)	-				
Total		\$ 8,612	\$ (8,612)	\$ -				

10

**F. Facilities/Assets**

For purposes of this testimony, certain cost centers are grouped together as they relate to the physical environment and tools used in the conduct of corporate shared services. This includes the depreciation expense of corporate capital assets (primarily office leasehold improvements and certain enterprise-wide systems), and annual property taxes paid on them. Also included are the security services provided to protect corporate assets and employees.

These functions are listed in the following chart and in more detail in this section.

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>						
F-1 Depreciation/Rate of Return	13,221	(1,434)	11,788	8,656	(1,021)	7,635
F-2 Property Taxes	496	37	533	376	33	408
F-3 Other Facilities	761	(561)	199	(99)	99	-
F-4 Security Services	4,973	(2,051)	2,922	2,829	(777)	2,051
<b>Total</b>	<u>\$ 19,451</u>	<u>\$ (4,009)</u>	<u>\$ 15,442</u>	<u>\$ 11,761</u>	<u>\$ (1,667)</u>	<u>\$ 10,094</u>
<u>Allocations</u>						Escalated 2012
SDG&E	\$ 5,533	\$ (684)	\$ 4,849			\$ 4,929
So Cal Gas	6,228	(982)	5,246			5,338
<b>Total Utility</b>	<u>11,761</u>	<u>(1,667)</u>	<u>10,094</u>			<u>\$ 10,267</u>
Global / Retained	7,690	(2,342)	5,348			
<b>Total</b>	<u>\$ 19,451</u>	<u>\$ (4,009)</u>	<u>\$ 15,442</u>			

The costs for Facilities/Assets assigned to SDG&E and SoCalGas decreased by \$1.6 million from 2009 to 2012. The primary factors for the decrease are:

\$ - millions

(1.0) Assets fully depreciating exceeding estimated additions

(0.8) Reduction in available executive security services

0.2 Other net adjustments and allocation shifts

\$ (1.6)

See applicable workpapers for detail of changes by each department and the individual impact for SDG&E and SoCalGas.

1 **1. Depreciation/ROR (F-1)**

2 Corporate Center assets are composed primarily of office leasehold  
 3 improvements, furniture, desktop equipment, application software and  
 4 enterprise-wide information systems software and hardware (e.g., MyInfo),  
 5 managed by Corporate Center employees. These assets are depreciated  
 6 according to their asset class and/or expected life, resulting in expense to  
 7 the Corporate Center. Also included is an asset carrying charge, or rate of  
 8 return (“ROR”), on the assets’ net book value (“NBV”). The Corporate  
 9 Center assesses ROR on its assets in order to earn a return on them, in the  
 10 same way SDG&E and SoCalGas earn a return on their rate base.  
 11 Depreciation and ROR are both allocated to SDG&E, SoCal Gas, and  
 12 Global according to Causal/Beneficial allocation methods on each asset  
 13 type.  
 14

		(2009 \$ - 000's)					
		Corporate Center			Utility Allocations		
Services Provided		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
F-1.1	1100-0248-DEPRECIATION & AMORTIZATION	13,221	(1,434)	11,788	8,656	(1,021)	7,635
	Total	<u>\$ 13,221</u>	<u>\$ (1,434)</u>	<u>\$ 11,788</u>	<u>\$ 8,656</u>	<u>\$ (1,021)</u>	<u>\$ 7,635</u>
Allocations							Escalated 2012
	SDG&E	\$ 4,009	\$ (303)	\$ 3,707			\$ 3,707
	So Cal Gas	4,647	(719)	3,928			3,928
	Total Utility	8,656	(1,021)	7,635			<u>\$ 7,635</u>
	Global / Retained	4,565	(412)	4,153			
	Total	<u>\$ 13,221</u>	<u>\$ (1,434)</u>	<u>\$ 11,788</u>			

15 No significant capital expenditures are planned through 2012.  
 16 Approximately \$1.5 million per year is assumed for capital maintenance  
 17 of leasehold equipment and systems and vehicles. In addition, a  
 18 replacement of the outmoded WITS timekeeping system is planned to be  
 19 in service by end of 2011 at a cost of \$1.8 million, and an update of the  
 20 Tax Compliance system, at a cost of \$1.25 million, is also expected in  
 21 2012. Despite these additions, total Depreciation and ROR expense is  
 22  
 23  
 24

1 forecast to decrease by \$1 million from 2009 to 2012 as more assets  
2 become fully depreciated.

3  
4 Depreciation & Asset Carrying Charge Policies

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

8 Sempra Energy’s assets have various lives depending on expected life. For  
9 example, standard computer hardware is depreciated over five years, while the MyInfo  
10 system is depreciated over seven years, based on the length of the ADP contract.

11 Depreciation lives for building improvements range based on the remaining term and  
12 expected occupancy of the current headquarters building, assumed to be through 2015.

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

18 ROR is calculated by applying the asset carrying charge rate to the average  
19 monthly asset balance (average of monthly beginning and ending asset balances), minus  
20 deferred taxes. The asset carrying charge rates charged to SDG&E and SoCalGas are  
21 based on their authorized rates of return (SoCalGas – 8.68%, SDG&E/Global – 8.40%).

22  
23 *a. Corporate Center Assets - Headquarters*

24 This category includes building improvements, furniture and equipment used by  
25 Corporate Center employees and other occupants of the HQ facilities. Headquarters are  
26 located in downtown San Diego, at 101 Ash Street and 110 Plaza. Specific assets in this  
27 category are primarily fixed building improvements, including electrical, mechanical and  
28 safety retrofits, carpeting, security systems, cafeteria and restroom facilities. Also  
29 included are office furniture, movable cubicle dividers, conference and storage  
30 equipment, lighting and other fixtures. Total NBV at January 1, 2010 is \$29.7 million.

1 Allocation of Costs

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

		<b>Allocation Rates</b>	
		2009	2012
<b>HQ Depreciation</b>	SDG&E	27.9%	30.1%
	SoCalGas	29.3%	27.9%
	Global / Retained	42.8%	42.0%
		<u>100.0%</u>	<u>100.0%</u>

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7  
8 *b. Corporate Center Assets – Hardware & Software*

9 Hardware in this category consists primarily of desktop workstations, servers and  
10 peripheral computer equipment. Software consists of desktop and server applications,  
11 including various information systems that have been constructed that support Corporate  
12 Center functions. This includes the enterprise-wide MyInfo payroll and benefits system.  
13 Other major shared systems in the Corporate Center asset base include Hyperion  
14 Financial Management (“HFM”) and the Corporate Tax system (“CITTS”). Total NBV  
15 at January 1, 2010 is \$9.0 million.

16 Allocation of Costs

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

		<b>Allocation Rates</b>	
		2009	2012
<b>MyInfo</b>	SDG&E	38.0%	39.2%
	SoCalGas	56.0%	55.0%
	Global / Retained	5.9%	5.8%
		<u>100.0%</u>	<u>100.0%</u>

1

		<b>Allocation Rates</b>	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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4 *c. Corporate Center Assets – Other Equipment*

5 This category includes all other equipment, vehicles and miscellaneous assets  
6 used by Corporate Center employees and other occupants of the Headquarters facilities.  
7 Also in this category is artwork used for interior and common area décor. However, no  
8 depreciation or asset carrying charge is generated on artwork. Total NBV on January 1,  
9 2010 is \$1.9 million.

10 Allocation of Costs

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

		<b>Allocation Rates</b>	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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1                   d.       *Corporate Center Assets – Retained*

2           This category includes other assets for which depreciation and ROR expense is  
3 not allocated to business units. The major asset within this category is a fractional share  
4 ownership of a corporate aircraft. All expenses, including the depreciation, of the aircraft  
5 are retained and not allocated to business units. Also in this category is a Charitable Gift  
6 Tracking system, to assist with coordinating the numerous requests received and grants  
7 made to outside agencies. As described earlier in this testimony, charitable contributions  
8 are excluded from this request; thus, the tool for administering those grants is also  
9 excluded from depreciation and ROR expense. Other assets in this category are leasehold  
10 improvements for the Sacramento and Washington, D.C. offices used by Governmental  
11 Affairs employees. Those offices conduct lobbying activities; thus, their facilities  
12 expenses are not allocated. This category was created to ensure depreciation and ROR  
13 for these assets are tracked, but not included in ratemaking. Total NBV on January 1,  
14 2010 is \$2.2 million.

15   Allocation of Costs

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

18  
19                   **2.       Property Taxes (F-2)**

20           Property tax expense is paid at Corporate Center only for property  
21 owned by the Sempra Energy parent, not for any business unit assets. This  
22 property generally includes office equipment and leasehold improvements,  
23 and the forecast is estimated by Tax Services based on the expected  
24 changes in NBV and escalation.  
25

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
F-2.1	1100-0311-PROPERTY TAXES	496	37	533	376	33	408
	Total	<u>\$ 496</u>	<u>\$ 37</u>	<u>\$ 533</u>	<u>\$ 376</u>	<u>\$ 33</u>	<u>\$ 408</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 177	\$ 28	\$ 205			\$ 220
	So Cal Gas	198	5	203			218
	Total Utility	<u>376</u>	<u>33</u>	<u>408</u>			<u>\$ 438</u>
	Global / Retained	121	4	125			
	Total	<u>\$ 496</u>	<u>\$ 37</u>	<u>\$ 533</u>			

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3 Allocation of Costs

4 Property taxes on assets that support Corporate Center functions or have  
5 enterprise-wide use are allocated by “Multi-Factor Basic.”

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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8 **3. Other Assets (F-3)**

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

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
F-3.1	1100-0341-AIRCRAFT FRACTIONAL SHARE	227	(27)	199	-	-	-
F-3.2	1100-0391-HQ RENEW BUILDING PROJECT	69	(69)	-	1	(1)	-
F-3.3	1100-0455-CASA AZUL	609	(609)	-	-	-	-
F-3.4	1100-0058-ACCOUNTS PAYABLE	(4)	4	-	(4)	4	-
F-3.5	1100-0314-MISCELLANEOUS REVENUE	(140)	140	-	(97)	97	-
F-3.6	1100-0203-CORPORATE CENTER RETAINED	-	-	-	-	-	-
Total		<u>\$ 761</u>	<u>\$ (561)</u>	<u>\$ 199</u>	<u>\$ (99)</u>	<u>\$ 99</u>	<u>\$ -</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ (46)	\$ 46	\$ -			\$ -
So Cal Gas		(53)	53	-			-
Total Utility		<u>(99)</u>	<u>99</u>	<u>-</u>			<u>\$ -</u>
Global / Retained		860	(661)	199			
Total		<u>\$ 761</u>	<u>\$ (561)</u>	<u>\$ 199</u>			

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### Allocation of Costs

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Generally, Other Assets costs are retained at Corporate Center, but in some cases credits have been allocated to business units using the Multi-Factor Basic. None of this activity is recurring or forecast for 2012 allocations to the Utilities.

		Allocation Rates	
		2009	2012
<b>Muti-Factor Basic</b>	SDG&E	38.4%	41.5%
	SoCalGas	43.5%	41.5%
	Global / Retained	18.1%	16.9%
		<u>100.0%</u>	<u>100.0%</u>

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#### **4. Corporate Security Services (F-4)**

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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

1 crimes, and reports findings to management. Security maintains ongoing  
2 relationships with local, state, and federal law enforcement agencies on  
3 issues of importance to SDG&E, SoCalGas, and other business units.  
4 Security distributes daily intelligence briefings to key management;  
5 communicates assessments of crime, terrorism, and political instability;  
6 develops company-wide, cost-effective policies and programs dedicated to  
7 business loss prevention and reduction of exposure to security risk; and  
8 provides security systems and security risk assessment services.

9           Sempra Energy companies are continuously involved in  
10 maintaining, evaluating and updating employee and physical security  
11 systems. These include upgrading access control systems; centralizing the  
12 administration of the access control system; hiring better-trained guards;  
13 installing new x-ray machines for evaluating packages; redesigning  
14 employee identification/access badges; background checks and installing  
15 new security systems at key operating facilities such as compressor  
16 stations, Mission Control, the Corporate Security Operations Center  
17 (“CSOC”), the Information Systems Data Center and branch offices  
18 throughout SDG&E and SoCalGas service territories. Many of these  
19 security enhancements have been implemented to comply with mandatory  
20 North American Electric Reliability Corporation (“NERC”) Critical  
21 Infrastructure Protection standards. The NERC CIP standards include  
22 some twenty requirements that address the control, logging, and  
23 monitoring of physical access to critical cyber assets. These requirements  
24 have mandated the installation and maintenance of additional security  
25 equipment and the implementation of processes and procedures to ensure  
26 compliance. The cost of these security enhancements have been managed  
27 with reductions in other areas, such as executive security services.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
F-4.1	1100-0133-CORPORATE SECURITY DIR	2,182	(233)	1,949	1,762	(25)	1,737
F-4.2	1100-0275-EXECUTIVE SECURITY	818	(215)	603	272	(85)	187
F-4.3	1100-0043-AFFILIATE SECURITY SERVICES	-	370	370	-	127	127
F-4.4	1100-0369-CORPORATE BENEFITS	525	(525)	-	127	(127)	-
F-4.5	1100-0310-AFFILIATE BENEFITS - HR	1,449	(1,449)	-	667	(667)	-
Total		<u>\$ 4,973</u>	<u>\$ (2,051)</u>	<u>\$ 2,922</u>	<u>\$ 2,829</u>	<u>\$ (777)</u>	<u>\$ 2,051</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 1,392	\$ (455)	\$ 937			\$ 1,002
So Cal Gas		1,436	(322)	1,114			1,192
Total Utility		2,829	(777)	2,051			<u>\$ 2,194</u>
Global / Retained		2,144	(1,274)	871			
Total		<u>\$ 4,973</u>	<u>\$ (2,051)</u>	<u>\$ 2,922</u>			

## Allocation of Costs

Corporate Security uses an allocation referred to as "HQ Security" that is primarily "FTE," but which separately allocates the Guard Service costs by FTEs occupying the headquarters locations only.

		Allocation Rates	
		2009	2012
<b>HQ Security</b>	SDG&E	33.0%	39.3%
	SoCalGas	47.2%	49.9%
	Global / Retained	19.8%	10.9%
		<u>100.0%</u>	<u>100.0%</u>

Security services for top executives and the Board of Directors are essential in the current volatile and competitive environment to protect the interests of all business units. The Executive Security and Affiliate Security Services costs are allocated based on an estimate of usage (1/3 to the Utilities, 1/3 to Global, and 1/3 retained at Corporate Center). This method is referred to as "Executive Security."

		Allocation Rates	
		2009	2012
<b>Executive Security</b>	SDG&E	16.7%	16.7%
	SoCalGas	16.7%	16.7%
	Global / Retained	66.7%	66.7%
		<u>100.0%</u>	<u>100.0%</u>

**G. Pension & Benefits (P&B)**

In order to allocate benefits, incentive plan accruals, and payroll taxes, Sempra Energy uses average rates as a percentage of direct labor dollars. The resulting costs are referred to as “labor overheads,” which then can be allocated in the same manner as the direct labor in each cost center. For purposes of this testimony, the labor overheads were then removed from the operational cost centers presented in sections II.A through II.F, and consolidated in the following table. Also included in this group of costs are the Supplemental Executive Retirement Plan (“SERP”) and Long-Term Incentive Plan (“LTIP”).

(2009 \$ - 000's)	Corporate Center			Utility Allocations		
	Base Year	2009 - 2012	Forecast	Base Year	2009 - 2012	Forecast
	2009	Incr/(Decr)	2012	2009	Incr/(Decr)	2012
<b>Services Provided</b>						
G-1 Employee Benefits	17,351	(5,307)	12,044	8,548	(672)	7,877
G-2 Payroll Taxes	6,189	(2,616)	3,572	3,845	(1,549)	2,296
G-3 Incentive Compensation	17,137	(6,008)	11,129	9,305	(3,325)	5,980
G-4 Long-Term Incentives	42,146	(6,948)	35,198	18,229	(11,346)	6,883
G-5 Supplemental Retirement	39,867	(9,037)	30,830	5,800	295	6,096
<b>Total</b>	<b>\$ 122,689</b>	<b>\$ (29,917)</b>	<b>\$ 92,773</b>	<b>\$ 45,727</b>	<b>\$ (16,595)</b>	<b>\$ 29,132</b>
<b>Allocations</b>						Escalated
SDG&E	\$ 23,303	\$ (8,327)	\$ 14,976			2012
So Cal Gas	22,425	(8,268)	14,157			\$ 15,529
<b>Total Utility</b>	<b>45,727</b>	<b>(16,595)</b>	<b>29,132</b>			<b>\$ 30,233</b>
Global / Retained	76,962	(13,321)	63,641			
<b>Total</b>	<b>\$ 122,689</b>	<b>\$ (29,917)</b>	<b>\$ 92,773</b>			

The costs for P&B assigned to SDG&E and SoCalGas decreased by \$16.6 million from 2009 to 2012. The primary reason for the decrease is attributable to the transfer in 2010 of certain functions to business units.

\$ - millions

- (8.8) P&B associated with transferred FTE's
- (9.5) P&B and Exec Benefits associated with reduced FTE's
- (0.6) Incentive Comp expense in 2009 higher than target level
- 2.0 Expense pressure, primarily pension and medical benefits
- 0.3 Other net adjustments and allocation shifts

\$ (16.6)

1 See applicable workpapers for detail of changes by each department and the individual  
 2 impact for SDG&E and SoCalGas.

3  
 4 **1. Employee Benefits (G-1)**

5 This category contains all health and welfare plans available to  
 6 Corporate Center employees. The major benefits included are pension,  
 7 medical, dental, disability, life insurance, and retirement savings plan, as  
 8 well as other post-retirement benefit costs. The choice of plans, coverage  
 9 levels, and company contributions are consistent with benefits offered to  
 10 the Utility employees. The forecast is applied as an overhead rate to all  
 11 direct labor. Most of the decrease is due to employee transfers in 2010,  
 12 partially offset by cost pressures for medical benefits and pension. This  
 13 forecast also includes a Pension expense for Sempra's Board of Directors.

14 See a description of employee benefit assumptions in the testimony  
 15 of Debbie S. Robinson (Exhibits SCG-19 and SDG&E-25), and discussion  
 16 of pension costs in the testimony of David Sarkaria (Exhibits SCG-20 and  
 17 SDG&E-26).

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
G-1.1	1100-0802-P&B OVERHEAD	12,470	(1,151)	11,319	7,911	(637)	7,274
G-1.2	1100-0814-BOD Pension (FAS87)	697	28	725	571	31	602
G-1.3	1100-0306-PENSION (FAS87)	3,363	(3,363)	-	-	-	-
G-1.4	1100-0370-LIFE INSURANCE	821	(821)	-	66	(66)	-
Total		<u>\$ 17,351</u>	<u>\$ (5,307)</u>	<u>\$ 12,044</u>	<u>\$ 8,548</u>	<u>\$ (672)</u>	<u>\$ 7,877</u>
<u>Allocations</u>							Escalated 2012
SDG&E		\$ 4,356	\$ (402)	\$ 3,954			\$ 4,224
So Cal Gas		4,193	(270)	3,923			4,191
Total Utility		8,548	(672)	7,877			<u>\$ 8,415</u>
Global / Retained		8,803	(4,636)	4,167			
Total		<u>\$ 17,351</u>	<u>\$ (5,307)</u>	<u>\$ 12,044</u>			

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 19  
 20 **2. Payroll Taxes (G-2)**

21 At Sempra Energy, payroll tax expense is applied as an overhead  
 22 rate to all direct labor. The composite overhead rate for payroll taxes used  
 23 in 2009 was 3.2%. In 2012, the rate is forecasted at 3.3%. No change to

1 the Social Security (i.e., Federal Insurance Contributions Act [“FICA”]) or  
 2 unemployment rates is assumed through 2012. The decrease is primarily  
 3 due to employee transfers in 2010, partially offset by the increasing wage  
 4 limit on the FICA tax. In 2009, the wage limit for the Old-Age,  
 5 Survivor’s, and Disability Insurance (“OASDI”) portion<sup>1</sup> of the FICA tax  
 6 was \$106,800; in 2012 the limit is projected to be \$114,900.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
G-2.1	1100-0803-PAYROLL TAX	6,189	(2,616)	3,572	3,845	(1,549)	2,296
	Total	<u>\$ 6,189</u>	<u>\$ (2,616)</u>	<u>\$ 3,572</u>	<u>\$ 3,845</u>	<u>\$ (1,549)</u>	<u>\$ 2,296</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 1,969	\$ (816)	\$ 1,153			\$ 1,231
	So Cal Gas	1,876	(733)	1,143			1,221
	Total Utility	3,845	(1,549)	2,296			<u>\$ 2,452</u>
	Global / Retained	2,344	(1,068)	1,276			
	Total	<u>\$ 6,189</u>	<u>\$ (2,616)</u>	<u>\$ 3,572</u>			

7  
 8 **3. Incentive Compensation (G-3)**

9 Corporate Center’s Incentive Compensation Plan (“ICP”) costs are  
 10 included for all eligible employees, based on expected overall performance  
 11 results. While the ICP calls for a range of possible payment levels, this  
 12 forecast assumes only a “target” level. This Plan is consistent with the  
 13 Total Compensation structure used at SDG&E and SoCalGas, as described  
 14 in the testimony of Debbie S. Robinson (Exhibits SCG-19 and SDG&E-  
 15 25). Year 2009 actual expense reflects an above target payout, which is  
 16 partly why a decrease is shown for the forecast year. Most of the decrease  
 17 is due to transfers associated with the 2010 Reorganization.

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

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
G-3.1	1100-0800-EXECUTIVE ICP	6,042	(1,800)	4,242	1,899	(684)	1,215
G-3.2	1100-0801-ICP OVERHEAD	11,095	(4,208)	6,887	7,406	(2,641)	4,765
	<b>Total</b>	<u>\$ 17,137</u>	<u>\$ (6,008)</u>	<u>\$ 11,129</u>	<u>\$ 9,305</u>	<u>\$ (3,325)</u>	<u>\$ 5,980</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 4,760	\$ (1,751)	\$ 3,009			\$ 3,213
	So Cal Gas	4,545	(1,574)	2,971			3,174
	<b>Total Utility</b>	<u>9,305</u>	<u>(3,325)</u>	<u>5,980</u>			<u>\$ 6,387</u>
	Global / Retained	7,832	(2,683)	5,149			
	<b>Total</b>	<u>\$ 17,137</u>	<u>\$ (6,008)</u>	<u>\$ 11,129</u>			

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

To recognize significant leadership contributions, senior-level employees and executives are eligible for LTIP and company matching on excess deferred compensation plans. Payments for the LTIP are based on corporate performance results. The LTIP is consistent with the Total Compensation structure used at SDG&E and SoCalGas, as described in the testimony of Debbie S. Robinson (Exhibits SCG-19 and SDG&E-25). 2009 actual costs reflect large one-time adjustments for retirement-eligible employees.

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
G-4.1	1100-0805-RESTRICTED STOCK	31,973	(7,405)	24,568	14,753	(9,376)	5,377
G-4.2	1100-0811-STOCK OPTIONS	6,408	(749)	5,659	3,379	(2,163)	1,215
G-4.3	1100-0806-LIFE INSURANCE	3,759	1,211	4,971	93	198	291
G-4.4	1100-0129-EXECUTIVE BENEFITS	5	(5)	-	4	(4)	-
G-4.5	1100-0808-DEFERRED COMP INSURANCE	-	-	-	-	-	-
G-4.6	1100-0385-SCG EXECUTIVE BENEFITS	-	-	-	-	-	-
G-4.7	1100-0384-SDG&E EXECUTIVE BENEFITS	0	(0)	-	0	(0)	-
	<b>Total</b>	<u>\$ 42,146</u>	<u>\$ (6,948)</u>	<u>\$ 35,198</u>	<u>\$ 18,229</u>	<u>\$ (11,346)</u>	<u>\$ 6,883</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 9,325	\$ (5,796)	\$ 3,529			\$ 3,529
	So Cal Gas	8,904	(5,549)	3,355			3,355
	<b>Total Utility</b>	<u>18,229</u>	<u>(11,346)</u>	<u>6,883</u>			<u>\$ 6,883</u>
	Global / Retained	23,917	4,397	28,314			
	<b>Total</b>	<u>\$ 42,146</u>	<u>\$ (6,948)</u>	<u>\$ 35,198</u>			

**5. Supplemental Retirement (G-5)**

This forecast includes payment amounts to executives eligible for SERP by 2012. Cost accruals for active executives have been excluded from this forecast. This Plan is consistent with the SERP used at SDG&E and SoCalGas, as described in the testimony of Debbie S. Robinson (Exhibits SCG-19 and SDG&E-25).

(2009 \$ - 000's)		Corporate Center			Utility Allocations		
		Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012	Base Year 2009	2009 - 2012 Incr/(Decr)	Forecast 2012
<u>Services Provided</u>							
G-5.1	1100-0804-SERP	39,867	(9,037)	30,830	5,800	295	6,096
	Total	<u>\$ 39,867</u>	<u>\$ (9,037)</u>	<u>\$ 30,830</u>	<u>\$ 5,800</u>	<u>\$ 295</u>	<u>\$ 6,096</u>
<u>Allocations</u>							Escalated 2012
	SDG&E	\$ 2,893	\$ 438	\$ 3,331			\$ 3,331
	So Cal Gas	2,907	(143)	2,764			2,764
	Total Utility	5,800	295	6,096			<u>\$ 6,096</u>
	Global / Retained	34,066	(9,332)	24,734			
	Total	<u>\$ 39,867</u>	<u>\$ (9,037)</u>	<u>\$ 30,830</u>			

Allocation of Costs

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

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1 **III. SUMMARY OF UTILITY ALLOCATIONS - ESCALATED**

2 Following is a summary of all forecast allocations to SDG&E and SoCalGas, on  
 3 an escalated basis. The Non-Shared Services A&G testimonies for SDG&E and  
 4 SoCalGas respectively show these allocations as non-standard charges under appropriate  
 5 FERC accounts.  
 6

<i>(Escalated \$ - 000's)</i>		<b>Test Year 2012 Utility Allocations</b>		
<u>Services Provided</u>	<u>SDG&amp;E</u>	<u>So Cal Gas</u>	<u>Total Utilities</u>	
<b>A</b> Finance	\$ 13,232	\$ 14,419	\$ 27,652	
<b>B</b> Governance	3,118	2,931	6,049	
<b>C</b> Legal	15,693	10,119	25,812	
<b>D</b> Human Resources	6,057	7,848	13,905	
<b>E</b> External Affairs	1,061	1,120	2,181	
<b>F</b> Facilities/Assets	4,929	5,338	10,267	
<b>G</b> Pension & Benefits	15,529	14,704	30,233	
<b>Total</b>	<b><u>\$ 59,618</u></b>	<b><u>\$ 56,481</u></b>	<b><u>\$ 116,099</u></b>	
 <b>Services by FERC Account</b>				
<b>F923.1</b> Outside Services Employed	\$ 55,911	\$ 52,553	\$ 108,464	
<b>F923.4</b> Depreciation & ROR	<u>3,707</u>	<u>3,928</u>	<u>7,635</u>	
<b>Corporate Center Total</b>	<b><u>\$ 59,618</u></b>	<b><u>\$ 56,481</u></b>	<b><u>\$ 116,099</u></b>	

7  
 8 This concludes my revised prepared direct testimony.  
 9

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Bruce A. Folkmann. My business address is 101 Ash Street, San  
3 Diego, California 92101. My current position is Assistant Controller for Sempra Energy.  
4 My present responsibilities include managing corporate accounting, accounting research  
5 and policy, and external financial reporting (Securities and Exchange Commission  
6 reporting). I am a Certified Public Accountant. My professional career began in 1992,  
7 when I received a Bachelor of Business Administration degree in accounting and finance  
8 with membership in the Honors College from the University of Houston.

9 From 1993 to 2000, I was employed in public accounting and internal audit and  
10 accounting management of a multinational corporation. My experience in the power and  
11 utility industry began in 2001, and I joined Sempra Energy in 2005. I have not  
12 previously testified before the Commission.

