

Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-____
Exhibit: SCG-25

SOCALGAS

DIRECT TESTIMONY OF MARK A. DIANCIN

**SHARED SERVICES AND SHARED ASSETS
BILLING POLICIES AND PROCESS**

November 2014

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



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1 **SOCALGAS DIRECT TESTIMONY OF MARK A. DIANCIN**

2 **SHARED SERVICES AND SHARED ASSETS BILLING POLICIES AND PROCESS**

3 **I. INTRODUCTION**

4 **A. Summary of Proposals**

5 I sponsor Test Year (“TY”) 2016 Shared Services Policy and Shared Assets Process testimony
6 for Southern California Gas Company (“SoCalGas”). Shared services are activities permitted by the
7 Affiliate Transaction Rules decision, D.97-12-88, that are performed by SoCalGas departments that
8 are designated as utility Shared Services department (i.e., functional area) for the benefit of (i) San
9 Diego Gas & Electric Company (“SDG&E”) or SoCalGas, (ii) Sempra Energy Corporate Center
10 (“Corporate Center”), and/or (iii) any unregulated subsidiaries. Shared Assets are assets that are on
11 the financial records of one utility, but also benefit other Sempra Energy affiliates.

12 The first section of this testimony: 1) describes SoCalGas’ policy concerning the recovery of
13 Shared Services costs in this TY 2016 General Rate Case (“GRC”); 2) explains the Shared Services
14 billing process; and 3) summarizes the Shared Services book expenses for each utility. This testimony
15 serves as a resource to all Shared Services witnesses who are sponsoring Shared Services costs in their
16 testimony. The second section of this testimony presents an overview of the Shared Asset billing
17 process between SoCalGas and the other Sempra Energy affiliates. This testimony includes examples
18 of the shared asset process and a list of proposed new future shared assets.

19 **B. Support To/From Other Witnesses**

20 In addition to sponsoring Shared Services costs, I also provide business or policy justification
21 for the following functional areas.

TABLE MAD-USS-1

<u>Chapter Description Exhibit & Witness List</u>		
Functional Area	SCG/SDG&E Exhibit	SCG/SDG&E Witness
Customer Service Field & Meter Reading	SCG-10/ SDG&E-13	Ms. Sara Franke
Customer Services-Information	SCG-12/ SDG&E-14	Ms. Ann Ayres / Mr. Brad Baugh
Customer Services -Office Operations	SCG-11/ SDG&E-14	Mr. Evan Goldman / Mr. Brad Baugh
Customer Service Technologies, Policies & Solutions	SCG-13/ SDG&E-14	Mr. Jeff Reed / Mr. Brad Baugh
Gas Engineering & Emergency Services	SCG-07/ SDG&E-06	Mr. Ray Stanford
Environmental	SCG-17/ SDG&E-18	Ms. Jill Tracy / Mr. Scott Pearson
Fleet Services & Facilities	SCG-15/ SDG&E-16	Ms. Carmen Herrera
Gas Distribution	SCG-04/ SDG&E-04	Mr. Frank Ayala
Gas Transmission	SCG-05/ SDG&E-05	Mr. John Dagg
Human Resources, Disability & Workers Comp, Safety	SCG-23/ SDG&E-24	Mr. Mark Serrano / Ms. Sarah Edgar
Information Technology	SCG-18/ SDG&E-19	Mr. Chris Olmsted / Mr. Stephen Mikovits
Real Estate	SCG-16/ SDG&E-17	Mr. Jim Seifert
Regulatory Affairs, Controller, Finance, Legal & External Affairs	SCG-24/ SDG&E-25	Mr. Ramon Gonzales / Mr. Ken Deremer
Risk Policy	SCG-02/ SDG&E-02	Ms. Diana Day
Supply Management & Supplier Diversity	SCG-14/ SDG&E-15	Mr. Rick Hobbs / Mr. Sydney Furbush
Electric Generation	SDG&E-11	Mr. Carl LaPeter

II. SHARED SERVICE BILLINGS

A. Overview of Shared Services Cost Presentation in This GRC

1. Policy

SoCalGas and SDG&E (the “utilities”) have the same policy for Shared Services billing. Pursuant to this policy, which complies with D.97-12-88, shared services costs that are incurred by one utility on behalf of the other utility, and/or on behalf of Sempra Energy or any of its unregulated subsidiaries, are allocated and billed to those companies receiving services. The ratepayers of the utility providing a Shared Service are not to subsidize the costs that are incurred in supporting the other utility.

2. Shared Versus Non-Shared Services

For purposes of this GRC, Shared Services are activities performed by a utility’s Shared Services Department (i.e., functional area) for the benefit of (i) SDG&E or SoCalGas, (ii) Corporate Center, and/or (iii) any unregulated subsidiaries.¹ The utility providing Shared Services allocates and bills incurred costs to the entity or entities receiving those services. “Non-Shared Services” are activities that are performed by a utility solely for its own benefit. As such, Non-Shared Services costs stay within the utility. Corporate Center provides certain services to the utilities and to other subsidiaries. For purposes of the GRC, the utility treats costs for services received from Corporate Center as Non-Shared Services costs, consistent with any other outside vendor costs incurred by the

¹ Where Shared Services costs are being shown as allocated out to Corporate Center, those costs will ultimately be allocated to SoCalGas, SDG&E, and the unregulated affiliates, in accordance with the Corporate Center reallocation methodology, which is described in Section C of this testimony.

1 utility. This is an important concept to understand when reading the testimonies of all the Shared
2 Services witnesses because only shared services are allocated and billed to those companies receiving
3 support.

4 **3. Changes from the Prior GRC**

5 For the TY 2016 GRC, the utilities are presenting Shared Services costs differently than in the
6 last TY 2012 GRC. Shared Services will use the ‘100% incurred’ view, rather than the ‘booked
7 expense’ view. This presentation of cost is consistent with the cost witnesses’ testimonies and shows
8 the costs incurred by the company rather than the costs booked by SoCalGas.

9 **B. Shared Services Billing Process**

10 **1. Overview**

11 Each Shared Services functional area at SoCalGas is responsible for determining the proper
12 allocation of its Shared Services costs to the appropriate entity or entities receiving the services. The
13 Shared Services billing process ensures: (1) sharing of services is recognized via a formal billing
14 process, (2) services are billed at fully-loaded cost,² and (3) supplemental loaders³ for applicable non-
15 regulated entities are applied to the billings. Due to the Shared Services billing process, ratepayers do
16 not subsidize costs that are incurred in support of another entity. However, to provide a complete
17 picture of Shared Services allocations and billing, those costs are presented to demonstrate that the
18 utilities are properly excluding those costs from book expense.

19 **2. Allocation of Shared Services Costs**

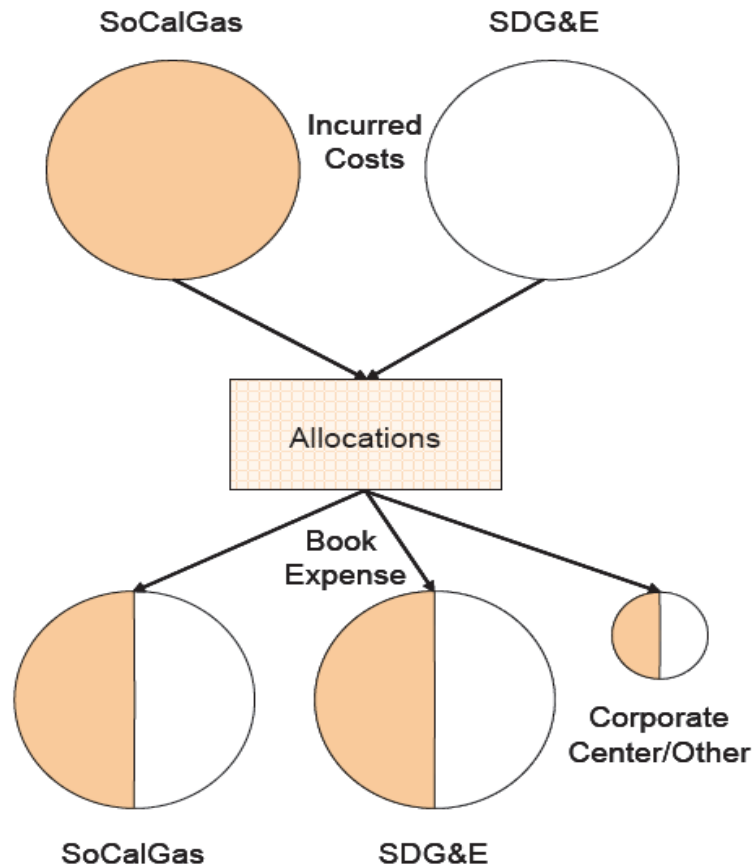
20 To facilitate proper billing of Shared Services costs to the entity or entities receiving a utility-
21 provided Shared Service, SoCalGas first allocates those costs to the appropriate entity or entities, then
22 bills those costs out to the appropriate entity or entities.

23 The following chart illustrates, at a high level, how Shared Services costs are allocated:

² “Fully-loaded cost” means the direct cost of good or service plus all applicable indirect charges and overheads, as directed per D.97-12-88.

³ Pursuant to Rule V.H.5 of the CPUC’s Affiliate Transaction Rules, charges to Corporate Center and/or any of the unregulated affiliates will be calculated at fully-loaded cost, plus a premium on direct labor.

Shared Services Allocation Process



1

2 There are two primary allocation methods for allocating Shared Services costs: (1) direct
3 allocation and (2) percentage allocation. Each is discussed below.

4 3. Direct Allocation

5 Direct allocation is used for incurred costs that can be charged directly to an entity or entities
6 receiving the benefit of a Shared Service. When direct allocation applies, managers at the cost center⁴
7 level specifically identify and directly allocate a Shared Services activity. If certain Shared Services
8 are billed on a direct allocation method, the Affiliate Billing and Costing (“ABC”)⁵ organization will
9 open specific billing orders so that related costs can be captured directly and billed to the appropriate
10 affiliates.

⁴ The term “cost center” refers to the lowest level of organizational grouping within functions at SoCalGas and SDG&E.

⁵ The ABC organization provides services such as (i) guidance and support to the Shared Services functional areas on Shared Services billing requirements, (ii) maintaining the system allocation percentages for all shared O&M costs allocated from the cost centers in the SAP accounting system, and (ii) ensuring proper system coding for the application of appropriate overheads.

4. Percentage Allocation

Percentage Allocation is used for costs associated with activities that cannot be directly allocated. Most Shared Services costs are allocated under a percentage allocation method and are charged to the entity or entities receiving a Shared Service based on percentages derived under two types of analyses: (a) causal/beneficial or (b) multi-factor.

If Shared Services are billed via percentage allocation method, the Shared Services managers submit allocation percentages for each entity that receives charges from a utility for Shared Services rendered to the ABC organization. The ABC organization then inputs the allocation percentages into the Systems Applications and Products (“SAP”) accounting system, where they are processed and the resulting allocations billed as part of the month-end closing procedures. The allocation percentages are reviewed annually or more frequently when there are material changes to the Shared Services organization’s business condition. This review is the responsibility of the Shared Services functional areas. In addition, updates and retroactive adjustments are processed, as appropriate, to re-align the billing percentages when necessary.

(a) Causal-Beneficial

When costs cannot be directly allocated, they are charged using a Causal-Beneficial method, which is based on a “cost driver” such as Local Area Network Identification (“LAN ID”) count for Information Technology (“IT”). Causal-Beneficial methods are the most common basis for allocations by Shared Services organizations.

(b) Multi-factor

A four-factor analysis is performed for functions that cannot be appropriately defined by a single causal-beneficial cost driver. The Multi-Factor weights four factors: revenue, gross plant and investments, operating expenses, and full-time employees/equivalents (“FTEs”).

C. Shared Services Billing Process

1. Compiling a Cost Center’s Shared Services Forecast

SoCalGas performs the following steps to forecast Shared Services costs for each cost center.

Step 1. The managers for the various utility Shared Services organizations forecast their direct costs⁶ by cost center as:

- Directly Retained;
- Directly Allocated; or
- Amounts Subject to Percent Allocation

⁶ Direct costs are defined as the specific labor and/or non-labor costs of each work activity.

1 Directly Retained costs represent costs incurred solely for a utility's own benefit, and therefore
2 these costs would be retained at that utility and not allocated out. Examples of Directly Retained costs
3 are outreach charges incurred by SoCalGas to promote SoCalGas-only products and services.

4 Directly Allocated costs represent costs incurred for special projects specifically for the benefit
5 of another affiliate, and therefore are directly charged to that affiliate.

6 Amounts Subject to Percentage Allocation costs represent Shared Services costs incurred for
7 Shared Services provided by one utility for the benefit of other entities (e.g. SoCalGas for the benefit
8 of SDG&E, Corporate Center and unregulated affiliates) and are allocated to entities based on their
9 share of the services received. Most of the Shared Services costs fall into this category.

10 **Step 2.** The Directly Retained, Directly Allocated and Amounts Subject to Percent Allocation
11 added to calculate the cost center's 100% level or Incurred Costs. The Shared Services cost center
12 forecast is presented in base year 2013 dollars and classified into labor, non-labor and non-standard
13 escalated costs,⁷ as applicable. A more detailed discussion is included in my work papers, Ex. SCG-
14 25_MDiancin_USS Policy_WP.

15 **Step 3.** With respect to Amounts Subject to Percentage Allocation, the managers determine by
16 cost center the allocation percentage to apply to each entity related to those costs.

17 **Step 4.** The allocation percentages derived in Step 3 above are applied to those costs to arrive
18 at costs allocable to each entity, except the utility providing the Shared Services. After all allocations
19 to the benefitting entities are made, the remaining costs, if any, are allocated to the utility providing
20 the Shared Services. These remaining costs are then treated in the same manner as Directly Retained
21 costs.

22 **Step 5.** All three types of costs (Directly Allocated, Directly Retained, Amounts Subject to
23 Percentage Allocation) are included to arrive at the following totals:

24 (i) Total Allocated amounts per entity, computed as the Directly Allocated
25 amounts plus the Amount Allocated via Percentage Allocation. This total is
26 presented at the entity level (e.g., SoCalGas allocations to SDG&E, Corporate
27 Center, and/or unregulated affiliates).

28 (ii) Total Retained amounts for each utility, computed as the Directly Retained
29 amounts plus the remaining dollars retained at the utility once Amounts Subject to
30 Percentage Allocation are allocated out to the other entities. This total can also be

⁷ Non-standard escalated costs are non-labor O&M expense estimates that are not subjected to escalation rates and are presented in nominal dollars.

1 derived by taking the 100% level forecast and subtracting the Total Allocated
2 amount, as computed in (i) above.

3 Table MAD-USS-2 below illustrates the preparation of the forecasting process described
4 above.

5 [Remainder of page intentionally left blank]

TABLE MAD-USS-2

Shared Service Billing Process Illustration							
Shared Service Cost Center 2200-XXXX							
Line No.	Description	Notes	Company	Labor	NonLabor	NSE	
1	100% Level Forecast	(a)	SCG	\$ 100	\$ 50	\$ -	Line [3+8+10]
2							
3	Directly Retained	(b)	SCG	\$ 5	\$ 5	\$ -	
4							
5	Directly Allocated	(c)	SDG&E	\$ 15	\$ 15	\$ -	
6			Corp Center	-	-	-	
7			Unregulated	-	-	-	
8	Subtotal			\$ 15	\$ 15	\$ -	Line [5+6+7]
9							
10	Amount Subject to % Allocation	(d)	SCG	\$ 80	\$ 30	\$ -	
11							
12							
13	AMOUNT ALLOCATED VIA % ALLOCATION CALCULATION:						
14	Amount Subject to % Allocation	(d)	SCG	80	30	-	Line [10]
15							
16	Allocation Percentages	(e)	SDG&E	50.0%	50.0%	0.0%	
17			Corp Center	10.0%	10.0%	0.0%	
18			Unregulated	0.0%	0.0%	0.0%	
19							
20							
21	Amount Allocated via % Allocation	(f)	SDG&E	\$ 40	\$ 15	\$ -	Line [14x16]
22			Corp Center	8	3	-	Line [14x17]
23			Unregulated	-	-	-	Line [14x18]
24	Total			\$ 48	\$ 18	\$ -	Line [21+22+23]
25							
26	Unallocated Amount Retained	(g)	SCG	\$ 32	\$ 12	\$ -	Line [14-24]
27							
28							
29	SUMMARY OF COSTS:						
30	Total Allocated	(h)	SDG&E	\$ 55	\$ 30	\$ -	Line [5+21]
31			Corp Center	8	3	-	Line [6+22]
32			Unregulated	-	-	-	Line [7+23]
33	Total			\$ 63	\$ 33	\$ -	Line [30+31+32]
34							
35	Total Retained	(i)	SCG - Direct	\$ 5	\$ 5	\$ -	Line [3]
36			SCG - Unallocated	32	12	-	Line [26]
37	Total			\$ 37	\$ 17	\$ -	Line [35+36]
38							
39	Grand Total			\$ 100	\$ 50	\$ -	Line [33+37] = Line 1
40							
41							
42							
43	Notes:						
44	(a) 100% Level Forecast = Sum of the Directly Retained, Directly Allocated and the Amount Subject to % Allocation. The						
45	total cost center costs prior to any allocations out.						
46	(b) Directly Retained = Costs incurred solely for SCG's own benefit and are not billed out.						
47	(c) Directly Allocated = Costs incurred for special projects benefiting a special affiliate and directly charged to the affiliate.						
48	(d) Amount Subject to % Allocation = Routine, on-going shared service costs incurred for SCG, SECC, unregulated						
49	affiliates and SDG&E itself.						
50	(e) Allocation Percentages = Determined by the planners and applied to each benefiting affiliate.						
51	(f) Amount allocated via % Allocation = Amount allocated to each affiliate.						
52	(g) Unallocated Amount Retained = The amount retained at SCG from the Subject to % Allocation amount.						
53	(h) Total Allocated = Directly Allocated amount + the Amount Allocated via % Allocation.						
54	(i) Total Retained = Directly Retained amount + the Unallocated Amount Retained.						

1 **Step 6.** To calculate the Book Expense, Total Retained is combined with the Billed-In costs
2 from the other utility.

3 **2. Loading of Overheads**

4 Consistent with the CPUC’s Affiliate Transaction Rules,⁸ Total Allocated amounts (also
5 referred to as allocations-out costs) for Shared Services include:

- 6 • Standard labor and non-labor overhead loadings;
- 7 • Supplemental labor loader, where applicable (the supplemental labor loader is
8 not applied to billings to SoCalGas and SDG&E); and
- 9 • Indirect support overhead loader.

10 These overheads are discussed in detail later in the next section of this testimony. The
11 overhead loading process consists of applying overheads to the Total Allocated amounts to yield fully-
12 loaded Total Allocated amounts. Overheads are not loaded onto Total Retained amounts. Labor
13 overheads are applied to the labor costs, and non-labor overheads are applied to both the non-labor and
14 non-standard escalated costs. Supplemental labor loaders are applied to labor costs, and Indirect
15 support overhead is applied to labor, non-labor and non-standard escalated costs.

16 **3. Corporate Center Reallocation**

17 SoCalGas allocates Shared Services to Corporate Center based on the direct support of the
18 Shared Services organizations to Corporate Center. However, since Corporate Center supports the
19 utilities and other unregulated affiliates, these support costs are then reallocated back to those entities.
20 To avoid inefficiencies associated with affiliates allocating these costs to Corporate Center and then
21 Corporate Center allocating them back to the affiliates, SoCalGas implemented a process to reallocate
22 Corporate Center charges to the receiving affiliate “on behalf” of Corporate Center based on the same
23 allocation percentages that Corporate Center derived for its allocations. The Corporate Reallocation,
24 also known as Business Unit Charge Ups (“BUCU”), allocation percentages are included in the table
25 below and the details can be found in the work papers supporting the testimony of SoCalGas
26 Corporate Center witness Peter Wall (Ex. SCG-19).

⁸ See D.97-12-088 : Affiliate Transaction Rules.

Table MAD-USS-3

Calculation for 2016 Forecast										
Business Unit	2016 Budget (Labor) - \$ '000						Total	BU Allocations		
	Finance	Governance	Legal	Human Resources	External Affairs	Facilities/ Assets				
SDGE	\$ 6,809	\$ 2,734	\$ 2,181	\$ 702	\$ 513	\$ 7,345	\$ 20,283	A	31.4%	A/Z
SoCal Gas	6,086	1,437	3,504	713	821	7,133	19,695	B	30.5%	B/Z
Global Business Units	9,623	4,137	542	844	209	9,191	24,546	C	38.1%	C/Z
Corporate Retained	1,403	1,154	51	813	209	3,021	6,651			
Total	\$ 23,921	\$ 9,462	\$ 6,278	\$ 3,073	\$ 1,752	\$ 26,689	\$ 71,175		100.0%	
							\$ 64,524	Z		

D. Overheads

1. Types of Overheads

Overheads are applied to shared service billings to fully load the shared service cost. The following are the types of overheads applied to billings:

(a) Standard Labor Overheads

The standard labor overheads include:

- Payroll Tax;
- Variable Pay;⁹
- Workers’ Compensation (“Workers’ Comp”);
- Public Liability and Property Damage (“PLPD”); and
- Pension and Benefits (“P&B”).

These labor overheads represent additional indirect costs associated with salaries paid to employees and are loaded on internal labor and labor billed to other parties. The specific overhead rates that were applied to the shared service allocations-out costs in this GRC were developed using 2013 recorded data.

(i) Payroll Tax Overhead

The Payroll Tax overhead represents SoCalGas’ portion of required contributions to the State and Federal governments for State Unemployment Insurance, Federal Unemployment Insurance, and Federal Retirement and Medicare Insurance. The Payroll Tax rate applied to the allocations-out labor was provided by the Tax Department for use in this GRC. Further details on payroll taxes can be found in the testimony of SoCalGas Tax witness Ragan Reeves (Ex. SCG-28).

⁹ Variable pay plans are commonly referred to as the Incentive Compensation Plan (“ICP”).

1 (ii) Variable Pay / ICP Overhead

2 The ICP overhead represents the variable pay plan costs paid to employees based on individual
3 employee and company performance as compared to pre-established goals. The ICP overhead rate
4 used in this GRC was applied to the total labor allocated to the affiliates. The ICP rate in this GRC
5 equals to the 2013 pool funding divided by the total 2013 non-union SoCalGas labor. Further details
6 on ICP can be found in the testimony of SoCalGas Compensation witness Debbie Robinson (Ex. SCG-
7 21).

8 (iii) Workers' Comp Overhead

9 The Workers' Comp overhead represents the cost of expected payments to employees for
10 work-related injuries, plus the cost of workers' compensation insurance premiums to cover claims
11 over a certain dollar amount. The Workers' Comp overhead rate used in this GRC was applied to the
12 total labor allocated out to the affiliates. The Workers' Comp rate in this GRC equals to the 2013 pool
13 funding divided by the total 2013 SoCalGas labor. Further details on workers' compensation can be
14 found in the testimony of SoCalGas Compensation witness Debbie Robinson (Ex. SCG-21).

15 (iv) PLPD Overhead

16 The PLPD overhead represents the cost of expected payments to third parties for liability and
17 property damage claims submitted to SoCalGas, plus the cost of insurance premiums to cover claims
18 over a certain dollar limit. The PLPD overhead rate used in this GRC was applied to the total labor
19 allocated out to the affiliates. The PLPD rate in this GRC equals to the 2013 pool funding divided by
20 the total 2013 SoCalGas labor. Further details on PLPD can be found in the testimony of SoCalGas
21 Corporate Center-Insurance witness Katherine Carbon (Ex. SCG-20).

22 (v) P&B Overhead

23 The P&B overhead represents costs paid by SoCalGas to provide employee benefits, such as
24 flex health benefit plans, employee pension contributions and expense, the company match portion of
25 contributions to the qualified retirement savings plan 401(k), and retiree health benefits. The P&B
26 overhead rate used in this GRC was applied to the total labor allocated out to the affiliates. The P&B
27 rate in this GRC application equals to the 2013 pool funding divided by the total 2013 SoCalGas labor.
28 Further details on P&B can be found in the testimony of SoCalGas Pension & PBOPs witness David
29 Sarkaria (Ex. SCG-22).

30 (vi) Vacation and Sick ("V&S")

31 The V&S overhead represents costs paid by SCG for the employees' non-productive time, such
32 as vacation and sick days, holidays and jury duty. For this GRC filing, V&S was forecasted as a part
33 of total direct labor instead of an indirect overhead loading. As a result, a V&S overhead rate/factor

1 was provided to the managers in order to gross up the productive labor. The V&S factor used in this
2 GRC filing was based on the 2013 historical rate.

3 **(b) Non-Labor Overheads**

4 The standard non-labor overheads consist solely of the Purchasing Overhead Rate. The
5 Purchasing overhead rate loads the costs related to the procurement activity in obtaining goods and
6 services for the organizations. The costs for any procurement activities benefiting the affiliates are
7 billed directly as part of the Shared Service billings. The Purchasing overhead rate used in this GRC
8 was applied to the non-labor charges (which generally represent purchased materials and services).
9 The Purchasing rate in this GRC equals to the 2013 pool funding divided by total 2013 SoCalGas non-
10 labor charges.

11 **(c) Supplemental Labor Loader**

12 In addition to the standard labor loaders, a supplemental labor loader was applied to Shared
13 Services billed to Corporate Center and other unregulated affiliates. The applicable required loader
14 for these billings is 5% of fully-loaded labor. The supplemental labor overhead rate presented in
15 Tables MAD-USS-4 and Table MAD-USS-5 below reflects the required loading rate applied to direct
16 labor prior to any loading. This rate equates to the required loading rate of 5% on fully-loaded labor.

17 **(d) Indirect Support Overhead**

18 This indirect support is represented by the Affiliate Billing Administrative & General (“A&G”)
19 overhead. This overhead represents the cost of A&G support provided to all affiliate billings by
20 functional areas, such as Accounting and Human Resources. The Affiliate Billing A&G overhead
21 used in this GRC is applied to the total labor and non-labor allocations-out costs to the affiliates. The
22 Affiliate Billing A&G rate in this GRC equals to the 2013 pool funding divided by total 2013 labor
23 and non-labor costs billed to the affiliates.

24 **2. SoCalGas Overheads**

25 Composite overhead loading factors were developed based on 2013 recorded data and used to
26 calculate billed costs for applicable overheads for each affiliate. The 2016 loading factors are
27 presented in Table MAD-USS-4 below.

28 The use of an overhead rate based on recorded data in this GRC is a reasonable and fair
29 representation of TY 2016 loadings for shared service billings. There is no indication of stranded
30 costs or cross-subsidization at the utilities by using an overhead rate based on recorded data.

Table MAD-USS-4

2016 Composite Overhead Loading Factors for SCG			
	<u>San Diego Gas & Electric Company</u>	<u>Sempra Energy Corporate Center</u>	<u>Unregulated Affiliates</u>
Labor			
Standard	58.6%	58.6%	58.6%
Supplemental	-	7.9%	7.9%
Indirect Support	20.6%	20.6%	20.6%
Subtotal	79.2%	87.2%	87.2%
Non-Labor			
Standard Procurement	1.0%	1.0%	1.0%
Indirect Support	20.6%	20.6%	20.6%
Subtotal	21.6%	21.6%	21.6%

3. SDG&E Overheads

Composite overhead loading factors were developed based on 2013 recorded data and used to calculate billed costs for applicable overheads for each affiliate. The 2016 loading factors are presented in Table MAD-USS-5 below.

The use of an overhead rate based on recorded data in this GRC is a reasonable and fair representation of TY 2016 loadings for shared service billings. There is no indication of stranded costs or cross-subsidization at the utilities by using an overhead rate based on recorded data.

Table MAD-USS-5

2016 Composite Overhead Loading Factors for SDG&E			
	<u>Southern California Gas Company</u>	<u>Sempra Energy Corporate Center</u>	<u>Unregulated Affiliates</u>
Labor			
Standard	59.7%	59.7%	59.7%
Supplemental	-	8.0%	8.0%
Indirect Support	20.3%	20.3%	20.3%
Subtotal	80.0%	88.0%	88.0%
Non-Labor			
Standard Procurement	0.6%	0.6%	0.6%
Indirect Support	20.3%	20.3%	20.3%
Subtotal	20.9%	20.9%	20.9%

1 **4. Overhead Credit**

2 The Overhead credit is the total of all the overhead loadings that were applied to the Total
3 Allocations amount (i.e., allocations-out costs). The overhead loadings were credited so as not to be
4 counted for twice in SoCalGas’ or SDG&E’s revenue requirement. For example, SoCalGas will
5 reflect its P&B forecast costs at the 100% level. However, a portion of SoCalGas’ P&B costs that are
6 related to SoCalGas employees who provide Shared Services to other entities (SDG&E, Corporate
7 Center and other unregulated affiliates), are billed to those entities in the form of overhead loadings.
8 This is so SoCalGas ratepayers do not subsidize the portion of P&B costs related to services provided
9 to other entities. As a result, a credit for SoCalGas’ P&B overhead loadings must be applied in the
10 Results of Operation (“RO”) model in order to reflect the proper request level for SoCalGas’ revenue
11 requirement.

12 In contrast, the Payroll Tax and Supplemental Labor overhead loading was not considered an
13 overhead credit to the RO model’s O&M Summary. Unlike the other overhead loadings (e.g., P&B),
14 the payroll taxes calculated in the Shared Service revenue requirement for SoCalGas and SDG&E
15 were based on the Total Retained labor amount and not the 100% level labor forecast. Therefore,
16 there is no need to credit the payroll tax overhead portion from the RO model for SoCalGas or
17 SDG&E. The Supplemental Labor Loader was applied to Shared Services billed to Corporate Center
18 and other unregulated affiliates. There was no forecasted cost related to this loader in the RO model.
19 Therefore, it was also excluded from the overhead credit calculation.

20 **E. Summary of Shared Services Costs**

21 **1. SoCalGas Forecasts**

22 In the following section, Table MAD-USS-6, “SoCalGas Shared Services Summary (Direct
23 Costs)” is presented by labor, non-labor and non-standard escalated and shows the details on the
24 following amounts¹⁰, prior to overhead loadings:

- 25 a) 100% level forecast by functional area - \$ 102,792;
- 26 b) Allocations-out costs by functional area – \$ 15,258;
- 27 c) Retained costs by functional area - \$ 87,534;
- 28 d) Allocations-in costs by functional area - \$ 53,182; and
- 29 e) Book Expense by functional area - \$ 140,716.

30 Table MAD-USS-7, “SoCalGas Overheads” shows the details on the following amounts,
31 which are after overhead loadings:

- 32 a) Allocations-out to SDG&E - \$ 23,517;

¹⁰ Presented in base year 2013 dollars and in thousands.

1 b) Allocations-out to Corporate Center - \$ 1,753; and

2 c) Allocations-out to Unregulated Affiliates - \$ 136.

3 Table MAD-USS-8, "SoCalGas Shared Services Summary (Retained and Allocations In)"

4 shows the details on the following amounts:

5 a) Retained costs by functional area - \$ 87,534;

6 b) Allocations-in (fully loaded) costs by functional area - \$ 75,069;

7 c) Overhead Credit - \$ (9,185); and

8 d) Net Shared Services O&M - \$ 153,418.

9 Finally, Table MAD-USS-9, "SoCalGas Corporate Reallocation Costs" shows the details on
10 the following amounts re-allocated from Corporate Center:

11 a) SDG&E - \$ 5,219;

12 b) SoCalGas - \$ 5,069; and

13 c) Unregulated Affiliates - \$ 6,332.

14 [Remainder of page intentionally left blank]

TABLE MAD-USS-6

SCG Shared Services Summary (Direct Costs)				
Test Year 2016				
(\$2013 Thousands)				
Incurred (100% Level Forecast)				
Functional Area	L	NL	NSE	Total
CS - Field & Meter Reading	2,275	131	-	2,407
CS - Information	3,083	315	-	3,398
CS - Office Operations	4,779	1,249	4	6,032
CS - Technologies, Policies & Solutions	4,192	3,950	-	8,143
Engineering, Emergency Services & Land	14,773	4,406	-	19,178
Environmental	2,066	1,402	-	3,468
Fleet & Facilities	1,157	2,322	-	3,479
Gas Distribution	3,434	4,476	-	7,910
Gas Transmission	4,233	1,058	-	5,292
HR, Disability, Workers Comp & Safety	1,786	263	-	2,048
Information Technology	14,068	1,916	-	15,984
Real Estate	-	-	16,423	16,423
Reg Aff/A&F/Legal/Ext Aff	5,856	583	-	6,440
Risk Management	807	1,785	-	2,592
Total	62,509	23,856	16,427	102,792
Allocations Out				
Functional Area	L	NL	NSE	Total
CS - Field & Meter Reading	220	12	-	231
CS - Information	520	24	-	543
CS - Office Operations	948	234	0	1,183
CS - Technologies, Policies & Solutions	389	228	-	617
Engineering, Emergency Services & Land	1,630	457	-	2,086
Environmental	34	23	-	58
Fleet & Facilities	71	357	-	427
Gas Distribution	546	453	-	998
Gas Transmission	533	124	-	657
HR, Disability, Workers Comp & Safety	218	33	-	252
Information Technology	5,013	617	-	5,630
Real Estate	-	-	769	769
Reg Aff/A&F/Legal/Ext Aff	1,463	147	-	1,610
Risk Management	197	-	-	197
Total	11,780	2,709	769	15,258
Retained				
Functional Area	L	NL	NSE	Total
CS - Field & Meter Reading	2,056	120	-	2,175
CS - Information	2,563	291	-	2,854
CS - Office Operations	3,831	1,014	4	4,849
CS - Technologies, Policies & Solutions	3,804	3,722	-	7,526
Engineering, Emergency Services & Land	13,143	3,949	-	17,092
Environmental	2,032	1,379	-	3,410
Fleet & Facilities	1,086	1,966	-	3,052
Gas Distribution	2,888	4,023	-	6,912
Gas Transmission	3,701	934	-	4,635
HR, Disability, Workers Comp & Safety	1,567	229	-	1,796
Information Technology	9,055	1,299	-	10,354
Real Estate	-	-	15,654	15,654
Reg Aff/A&F/Legal/Ext Aff	4,394	436	-	4,830
Risk Management	610	1,785	-	2,395
Total	50,729	21,147	15,658	87,534

TABLE MAD-USS-6 Continued

Allocations In				
Functional Area	L	NL	NSE	Total
CS - Information	61	18	-	78
CS - Operations, Information & Technologies	532	216	-	748
Engineering	78	2	-	79
Environmental	343	57	-	400
HR, Disability, Workers Comp & Safety	186	10	-	196
Information Technology	13,503	33,790	-	47,293
Real Estate, Land & Facilities	95	357	-	452
Reg Affairs, Controller, Finance, Legal & Ext Aff	2,229	432	-	2,662
Risk Management	395	31	-	426
Supply Management & Supplier Diversity	805	42	-	847
Total	18,227	34,955	-	53,182

Total Shared Service O&M				
Functional Area	L	NL	NSE	Total
CS - Field & Meter Reading	2,056	120	-	2,175
CS - Information	2,624	309	-	2,933
CS - Office Operations	4,364	1,230	4	5,598
CS - Technologies, Policies & Solutions	3,804	3,722	-	7,526
Engineering, Emergency Services & Land	13,221	3,951	-	17,171
Environmental	2,375	1,436	-	3,810
Fleet & Facilities	1,086	1,966	-	3,052
Gas Distribution	2,888	4,023	-	6,912
Gas Transmission	3,701	934	-	4,635
HR, Disability, Workers Comp & Safety	1,753	239	-	1,992
Information Technology	22,558	35,089	-	57,647
Real Estate	95	357	15,654	16,107
Reg Aff/A&F/Legal/Ext Aff	6,623	868	-	7,491
Risk Management	1,005	1,816	-	2,821
Supply Management & Supplier Diversity	805	42	-	847
Total	68,956	56,102	15,658	140,716

Note: "Allocations In" section have not been loaded. Loading for these costs will be shown in Table MAD-USS-8 SCG Shared Services Summary (Retained and Allocations In).

TABLE MAD-USS-7

SCG Overheads Test Year 2016 (\$2013 Thousands)												
	(a)				(b) = (a)*Overhead Rates				(c)=(a)+(b)			
	Direct Costs				Overheads				Fully Loaded Costs			
	L	NL	NSE	Total	L	NL	NSE	Total	L	NL	NSE	Total
Retained	50,729	21,147	15,658	87,534	-	-	-	-	50,729	21,147	15,658	87,534
Allocations Out:												
SDG&E												
CS - Field & Meter Reading	220	12	-	231	174	3	-	177	394	14	-	408
CS - Information	328	24	-	351	260	5	-	265	588	29	-	616
CS - Office Operations	948	234	0	1,183	751	51	0	801	1,698	285	1	1,984
CS - Technologies, Policies & Solutions	389	228	-	617	308	49	-	357	697	278	-	975
Engineering, Emergency Services & Land	1,617	452	-	2,069	1,281	98	-	1,379	2,899	550	-	3,448
Environmental	34	23	-	57	27	5	-	32	61	28	-	89
Fleet & Facilities	60	320	-	380	47	69	-	116	107	389	-	496
Gas Distribution	546	453	-	998	432	98	-	530	978	550	-	1,529
Gas Transmission	533	124	-	657	422	27	-	449	955	151	-	1,106
HR, Disability, Workers Comp & Safety	142	10	-	151	112	2	-	114	254	12	-	266
Information Technology	4,587	562	-	5,149	3,634	121	-	3,755	8,221	683	-	8,904
Real Estate	-	-	592	592	-	-	128	128	-	-	720	720
Reg Aff/A&F/Legal/Ext Aff	1,373	135	-	1,507	1,087	29	-	1,117	2,460	164	-	2,624
Risk Management	197	-	-	197	156	-	-	156	353	-	-	353
Total SDG&E	10,971	2,576	593	14,140	8,691	557	128	9,377	19,663	3,133	721	23,517
Corporate Center												
CS - Field & Meter Reading	-	-	-	-	-	-	-	-	-	-	-	-
CS - Information	192	-	-	192	167	-	-	167	359	-	-	359
CS - Office Operations	-	-	-	-	-	-	-	-	-	-	-	-
CS - Technologies, Policies & Solutions	-	-	-	-	-	-	-	-	-	-	-	-
Engineering, Emergency Services & Land	-	0	-	0	-	0	-	0	-	0	-	0
Environmental	-	-	-	-	-	-	-	-	-	-	-	-
Fleet & Facilities	11	37	-	48	10	8	-	18	21	45	-	65
Gas Distribution	-	-	-	-	-	-	-	-	-	-	-	-
Gas Transmission	-	-	-	-	-	-	-	-	-	-	-	-
HR, Disability, Workers Comp & Safety	72	23	-	95	63	5	-	68	135	28	-	163
Information Technology	385	53	-	438	335	12	-	347	720	65	-	785
Real Estate	-	-	176	176	-	-	38	38	-	-	215	215
Reg Aff/A&F/Legal/Ext Aff	81	12	-	92	70	3	-	73	151	14	-	165
Risk Management	-	-	-	-	-	-	-	-	-	-	-	-
Total Corporate Center	741	126	176	1,042	645	27	38	711	1,386	153	215	1,753
Unregulated												
CS - Field & Meter Reading	-	-	-	-	-	-	-	-	-	-	-	-
CS - Information	-	-	-	-	-	-	-	-	-	-	-	-
CS - Office Operations	-	-	-	-	-	-	-	-	-	-	-	-
CS - Technologies, Policies & Solutions	-	-	-	-	-	-	-	-	-	-	-	-
Engineering, Emergency Services & Land	13	4	-	17	11	1	-	12	24	5	-	29
Environmental	0	-	-	0	0	-	-	0	1	-	-	1
Fleet & Facilities	-	-	-	-	-	-	-	-	-	-	-	-
Gas Distribution	-	-	-	-	-	-	-	-	-	-	-	-
Gas Transmission	-	-	-	-	-	-	-	-	-	-	-	-
HR, Disability, Workers Comp & Safety	5	0	-	5	4	0	-	4	9	0	-	9
Information Technology	41	2	-	43	36	0	-	36	77	2	-	79
Real Estate	-	-	-	-	-	-	-	-	-	-	-	-
Reg Aff/A&F/Legal/Ext Aff	9	1	-	10	8	0	-	8	18	1	-	18
Risk Management	-	-	-	-	-	-	-	-	-	-	-	-
Total Unregulated	68	7	-	75	59	2	-	61	128	9	-	136
Total Allocations Out:	11,780	2,709	769	15,258	9,396	586	166	10,148	21,176	3,294	935	25,406
Total SCG Shared Service Forecast	62,509	23,856	16,427	102,792	9,396	586	166	10,148	71,905	24,442	16,593	112,940
Overhead Rates:												
Bill To Company:	Year	Labor OH %	NonLabor OH %	NSE OH %								
SDG&E	2016	79.2%	21.6%	21.6%								
Corporate Center/Unregulated	2016	87.2%	21.6%	21.6%								

TABLE MAD-USS-8

SCG Shared Services Summary (Retained and Allocations In)			
Test Year 2016			
(\$2013 Thousands)			
Total Company Summary	(a)	(b)	(c)=(a)+(b)
	Direct Costs	Overheads	Fully Loaded Costs
Retained	87,534	-	87,534
Allocations In			
SDG&E	53,182	21,887	75,069
Overhead Credit Gross	-	(10,148)	(10,148)
Less Payroll Tax + Supp Ldr	-	963	963
Adjusted Overhead Credit	-	(9,185)	(9,185)
Total Net Shared Service O&M	140,716	12,702	153,418
Functional Area Detail			
Retained	Direct Costs	Overheads	Fully Loaded Costs
CS - Field & Meter Reading	2,175	-	2,175
CS - Information	2,854	-	2,854
CS - Office Operations	4,849	-	4,849
CS - Technologies, Policies & Solutions	7,526	-	7,526
Engineering, Emergency Services & Land	17,092	-	17,092
Environmental	3,410	-	3,410
Fleet & Facilities	3,052	-	3,052
Gas Distribution	6,912	-	6,912
Gas Transmission	4,635	-	4,635
HR, Disability, Workers Comp & Safety	1,796	-	1,796
Information Technology	10,354	-	10,354
Real Estate	15,654	-	15,654
Reg Aff/A&F/Legal/Ext Aff	4,830	-	4,830
Risk Management	2,395	-	2,395
Total Retained	87,534	-	87,534
Allocations In	Direct Costs	Overheads	Fully Loaded Costs
From SDG&E			
CS - Information	78	52	131
CS - Operations, Information & Technologies	748	471	1,219
Engineering	79	63	142
Environmental	400	286	686
HR, Disability, Workers Comp & Safety	196	151	346
Information Technology	47,293	17,865	65,159
Real Estate, Land & Facilities	452	151	603
Reg Affairs, Controller, Finance, Legal & Ext Aff	2,662	1,873	4,535
Risk Management	426	322	748
Supply Management & Supplier Diversity	847	652	1,499
Total Allocations In	53,182	21,887	75,069
Shared Service O&M	Direct Costs	Overheads	Fully Loaded Costs
CS - Field & Meter Reading	2,175	-	2,175
CS - Information	2,933	52	2,985
CS - Office Operations	5,598	471	6,069
CS - Technologies, Policies & Solutions	7,526	-	7,526
Engineering, Emergency Services & Land	17,171	63	17,234
Environmental	3,810	286	4,097
Fleet & Facilities	3,052	-	3,052
Gas Distribution	6,912	-	6,912
Gas Transmission	4,635	-	4,635
HR, Disability, Workers Comp & Safety	1,992	151	2,143
Information Technology	57,647	17,865	75,512
Real Estate	16,107	151	16,257
Reg Aff/A&F/Legal/Ext Aff	7,491	1,873	9,365
Risk Management	2,821	322	3,143
Supply Management & Supplier Diversity	847	652	1,499
Total Shared Service O&M	140,716	21,887	162,603
Overhead Credit	-	(9,185)	(9,185)
Total Net Shared Service O&M	140,716	12,702	153,418

TABLE MAD-USS-9

SCG Corporate Reallocation Costs
Test Year 2016
(\$2013 Thousands)

Corporate Reallocation***Costs to Corporate Center***

From SCG
From SDG&E
Total Costs to Corporate Center

Direct Costs	Overheads	Fully Loaded Costs
1,042	711	1,753
11,207	3,660	14,867
12,249	4,371	16,620

Costs Allocated Back to Affiliates

SDG&E
SCG
Unregulated
Total

Direct Costs	Overheads	Fully Loaded Costs
3,846	1,372	5,219
3,736	1,333	5,069
4,667	1,665	6,332
12,249	4,371	16,620

Reallocation Factors From Corporate Center

<u>BillToCo</u>	<u>TY2016</u>
SDG&E	31.40%
SCG	30.50%
Unregulated	38.10%

Note: Difference due to rounding.

2. SDG&E Forecasts

In the following section, Table MAD-USS-10, “SDG&E Shared Services Summary (Direct Costs)” is presented by labor, non-labor and non-standard escalated and shows the details on the following amounts¹¹, prior to overhead loadings:

- a) 100% level forecast by functional area - \$ 139,493;
- b) Allocations-out costs by functional area – \$ 69,534;
- c) Retained costs by functional area - \$ 69,959;
- d) Allocations-in costs by functional area - \$ 14,140; and
- e) Book Expense by functional area - \$ 84,099.

Table MAD-USS-11, “SDG&E Overheads” shows the details on the following amounts, which are after overhead loadings:

- a) Allocations-out to SoCalGas - \$ 75,069;
- b) Allocations-out to Corporate Center - \$ 14,867; and
- c) Allocations-out to Unregulated Affiliates - \$ 6,357.

Table MAD-USS-12, “SDG&E Shared Services Summary (Retained and Allocations In)” shows the details on the following amounts:

- a) Retained costs by functional area - \$ 69,959;
- b) Allocations-in (fully loaded) costs by functional area - \$ 23,517;
- c) Overhead Credit - \$ (25,181); and
- d) Net Shared Services O&M - \$ 68,295.

Finally, Table MAD-USS-13, “SDG&E Corporate Reallocation Costs” shows the details on the following amounts re-allocated from Corporate Center:

- a) SDG&E - \$ 5,219;
- b) SoCalGas - \$ 5,069; and
- c) Unregulated Affiliates - \$ 6,332.

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¹¹ Presented in base year 2013 dollars and in thousands.

TABLE MAD-USS-10

SDG&E Shared Services Summary (Direct Costs)
Test Year 2016
(\$2013 Thousands)

Incurred (100% Level Forecast)				
Functional Area	L	NL	NSE	Total
CS - Field	-	-	-	-
CS - Operations, Information & Technologies	704	275	-	979
Electric Generation	729	215	-	944
Engineering	90	2	-	92
Environmental	3,111	1,504	-	4,614
Gas Distribution	-	-	-	-
HR, Disability, Workers Comp & Safety	3,060	2,060	-	5,119
Information Technology	28,969	62,077	-	91,046
Real Estate, Land & Facilities	2,027	3,729	10,523	16,279
Reg Affairs, Controller, Finance, Legal & Ext Aff	10,654	2,929	-	13,583
Risk Management	1,224	1,740	-	2,965
Supply Management & Supplier Diversity	2,909	962	-	3,871
Total	53,478	75,492	10,523	139,493

Allocations Out				
Functional Area	L	NL	NSE	Total
CS - Field	-	-	-	-
CS - Operations, Information & Technologies	533	216	-	749
Electric Generation	61	18	-	78
Engineering	78	2	-	79
Environmental	355	59	-	413
Gas Distribution	-	-	-	-
HR, Disability, Workers Comp & Safety	261	61	-	322
Information Technology	14,872	36,554	-	51,426
Real Estate, Land & Facilities	354	1,216	9,700	11,271
Reg Affairs, Controller, Finance, Legal & Ext Aff	2,501	506	-	3,007
Risk Management	395	31	-	426
Supply Management & Supplier Diversity	986	776	-	1,762
Total	20,394	39,439	9,700	69,534

Retained				
Functional Area	L	NL	NSE	Total
CS - Field	-	-	-	-
CS - Operations, Information & Technologies	171	59	-	230
Electric Generation	669	197	-	866
Engineering	12	0	-	13
Environmental	2,756	1,445	-	4,201
Gas Distribution	-	-	-	-
HR, Disability, Workers Comp & Safety	2,799	1,998	-	4,797
Information Technology	14,097	25,523	-	39,620
Real Estate, Land & Facilities	1,673	2,512	823	5,008
Reg Affairs, Controller, Finance, Legal & Ext Aff	8,154	2,422	-	10,576
Risk Management	830	1,709	-	2,539
Supply Management & Supplier Diversity	1,923	186	-	2,109
Total	33,083	36,053	823	69,959

TABLE MAD-USS-10 Continued

Allocations In				
Functional Area	L	NL	NSE	Total
CS - Field & Meter Reading	220	12	-	231
CS - Information	328	24	-	351
CS - Office Operations	948	234	0	1,183
CS - Technologies, Policies & Solutions	389	228	-	617
Engineering, Emergency Services & Land	1,617	452	-	2,069
Environmental	34	23	-	57
Fleet & Facilities	60	320	-	380
Gas Distribution	546	453	-	998
Gas Transmission	533	124	-	657
HR, Disability, Workers Comp & Safety	142	10	-	151
Information Technology	4,587	562	-	5,149
Real Estate	-	-	592	592
Reg Aff/A&F/Legal/Ext Aff	1,373	135	-	1,507
Risk Management	197	-	-	197
Total	10,971	2,576	593	14,140

Book Expense				
Functional Area	L	NL	NSE	Total
CS - Field	220	12	-	231
CS - Information	328	24	-	351
CS - Operations, Information & Technologies	1,118	294	0	1,413
CS - Technologies, Policies & Solutions	389	228	-	617
Electric Generation	669	197	-	866
Engineering	1,630	452	-	2,082
Environmental	2,790	1,468	-	4,258
Fleet & Facilities	60	320	-	380
Gas Distribution	546	453	-	998
Gas Transmission	533	124	-	657
HR, Disability, Workers Comp & Safety	2,941	2,008	-	4,949
Information Technology	18,684	26,085	-	44,769
Real Estate, Land & Facilities	1,673	2,512	1,415	5,600
Reg Affairs, Controller, Finance, Legal & Ext Aff	9,526	2,557	-	12,083
Risk Management	1,026	1,709	-	2,736
Supply Management & Supplier Diversity	1,923	186	-	2,109
Total	44,055	38,629	1,416	84,099

Note: "Allocations In" section has not been loaded. Loading for these costs will be shown in Table MAD-USS-12 SDG&E Shared Services Summary (Retained and Allocations In).

TABLE MAD-USS-11

SDG&E Overheads												
Test Year 2016												
(\$2013 Thousands)												
	(a)				(b) = (a)*Overhead Rates				(c)=(a)+(b)			
	Direct Costs				Overheads				Fully Loaded Costs			
	L	NL	NSE	Total	L	NL	NSE	Total	L	NL	NSE	Total
Retained	33,083	36,160	823	69,959	-	-	-	-	33,083	36,053	823	69,959
Allocations Out:												
SCG												
CS - Field	-	-	-	-	-	-	-	-	-	-	-	-
CS - Operations, Information & Technologies	532	216	-	748	426	45	-	471	958	261	-	1,219
Electric Generation	61	18	-	78	48	4	-	52	109	22	-	131
Engineering	78	2	-	79	62	0	-	63	140	2	-	142
Environmental	343	57	-	400	274	12	-	286	617	69	-	686
Gas Distribution	-	-	-	-	-	-	-	-	-	-	-	-
HR, Disability, Workers Comp & Safety	186	10	-	196	149	2	-	151	335	12	-	346
Information Technology	13,503	33,790	-	47,293	10,800	7,065	-	17,865	24,303	40,856	-	65,159
Real Estate, Land & Facilities	95	357	-	452	76	75	-	151	172	432	-	603
Reg Affairs, Controller, Finance, Legal & Ext Aff	2,229	432	-	2,662	1,783	90	-	1,873	4,012	523	-	4,535
Risk Management	395	31	-	426	316	6	-	322	710	37	-	748
Supply Management & Supplier Diversity	805	42	-	847	644	9	-	652	1,448	51	-	1,499
Total SCG	18,227	34,955	-	53,182	14,578	7,309	-	21,887	32,805	42,264	-	75,069
Corporate Center												
CS - Field	-	-	-	-	-	-	-	-	-	-	-	-
CS - Operations, Information & Technologies	-	-	-	-	-	-	-	-	-	-	-	-
Electric Generation	-	-	-	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-	-	-
Environmental	8	1	-	10	7	0	-	8	16	2	-	17
Gas Distribution	-	-	-	-	-	-	-	-	-	-	-	-
HR, Disability, Workers Comp & Safety	49	32	-	81	43	7	-	50	92	38	-	130
Information Technology	1,309	2,363	-	3,671	1,151	494	-	1,645	2,460	2,857	-	5,317
Real Estate, Land & Facilities	171	614	5,433	6,217	150	128	1,136	1,415	321	742	6,569	7,632
Reg Affairs, Controller, Finance, Legal & Ext Aff	255	69	-	324	225	14	-	239	480	84	-	563
Risk Management	-	-	-	-	-	-	-	-	-	-	-	-
Supply Management & Supplier Diversity	172	732	-	904	151	153	-	304	323	885	-	1,208
Total Corporate Center	1,964	3,810	5,433	11,207	1,727	797	1,136	3,660	3,691	4,607	6,569	14,867
Unregulated												
CS - Field	-	-	-	-	-	-	-	-	-	-	-	-
CS - Operations, Information & Technologies	0	-	-	0	-	-	-	-	0	-	-	0
Electric Generation	-	-	-	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-	-	-
Environmental	3	0	-	4	3	0	-	3	6	0	-	7
Gas Distribution	-	-	-	-	-	-	-	-	-	-	-	-
HR, Disability, Workers Comp & Safety	26	20	-	46	23	4	-	27	49	24	-	73
Information Technology	60	401	-	461	53	84	-	137	113	485	-	598
Real Estate, Land & Facilities	88	246	4,267	4,601	78	51	892	1,021	166	297	5,159	5,622
Reg Affairs, Controller, Finance, Legal & Ext Aff	16	5	-	21	14	1	-	15	30	6	-	36
Risk Management	-	-	-	-	-	-	-	-	-	-	-	-
Supply Management & Supplier Diversity	10	2	-	12	9	0	-	9	19	2	-	21
Total Unregulated	204	674	4,267	5,145	179	141	892	1,212	383	815	5,159	6,357
Total Allocations Out:	20,394	39,439	9,700	69,534	16,484	8,247	2,028	26,759	36,878	47,686	11,728	96,293
Total SDG&E Shared Service Forecast	53,478	75,492	10,523	139,493	16,484	8,247	2,028	26,759	69,962	83,739	12,551	166,252
Overhead Rates:												
Bill To Company:	Year	Labor OH %	NonLabor OH %	NSE OH %								
SCG	2016	80.0%	20.9%	20.9%								
Corporate Center/Unregulated	2016	88.0%	20.9%	20.9%								

TABLE MAD-USS-12

SDG&E Shared Services Summary (Retained and Allocations In)			
Test Year 2016			
(\$2013 Thousands)			
Total Company Summary	(a)	(b)	(c)=(a)+(b)
	Direct Costs	Overheads	Fully Loaded Costs
Retained	69,959	-	69,959
Allocations In			
SCG	14,140	9,377	23,517
Overhead Credit Gross	-	(26,759)	(26,759)
Less Payroll Tax + Supp Ldr	-	1,578	1,578
Adjusted Overhead Credit	-	(25,181)	(25,181)
Total Net Shared Service O&M	84,099	(15,804)	68,295
Functional Area Detail			
Retained			
	Direct Costs	Overheads	Fully Loaded Costs
CS - Field	-	-	-
CS - Operations, Information & Technologies	230	-	230
Electric Generation	866	-	866
Engineering	13	-	13
Environmental	4,201	-	4,201
Gas Distribution	-	-	-
HR, Disability, Workers Comp & Safety	4,797	-	4,797
Information Technology	39,620	-	39,620
Real Estate, Land & Facilities	5,008	-	5,008
Reg Affairs, Controller, Finance, Legal & Ext Aff	10,576	-	10,576
Risk Management	2,539	-	2,539
Supply Management & Supplier Diversity	2,109	-	2,109
Total Retained	69,959	-	69,959
Allocations In			
	Direct Costs	Overheads	Fully Loaded Costs
From SCG			
CS - Field & Meter Reading	231	177	408
CS - Information	351	265	616
CS - Office Operations	1,183	801	1,984
CS - Technologies, Policies & Solutions	617	357	975
Engineering, Emergency Services & Land	2,069	1,379	3,448
Environmental	57	32	89
Fleet & Facilities	380	116	496
Gas Distribution	998	530	1,529
Gas Transmission	657	449	1,106
HR, Disability, Workers Comp & Safety	151	114	266
Information Technology	5,149	3,755	8,904
Real Estate	592	128	720
Reg Aff/A&F/Legal/Ext Aff	1,507	1,117	2,624
Risk Management	197	156	353
Total Allocations In	14,140	9,377	23,517
Shared Service O&M			
	Direct Costs	Overheads	Fully Loaded Costs
CS - Field	231	177	408
CS - Information	351	265	616
CS - Operations, Information & Technologies	1,413	801	2,214
CS - Technologies, Policies & Solutions	617	357	975
Electric Generation	866	-	866
Engineering	2,082	1,379	3,461
Environmental	4,258	32	4,290
Fleet & Facilities	380	116	496
Gas Distribution	998	530	1,529
Gas Transmission	657	449	1,106
HR, Disability, Workers Comp & Safety	4,949	114	5,063
Information Technology	44,769	3,755	48,524
Real Estate, Land & Facilities	5,600	128	5,728
Reg Affairs, Controller, Finance, Legal & Ext Aff	12,083	1,117	13,200
Risk Management	2,736	156	2,891
Supply Management & Supplier Diversity	2,109	-	2,109
Total Shared Service O&M	84,099	9,377	93,476
Overhead Credit	-	(25,181)	(25,181)
Total Net Shared Service O&M	84,099	(15,804)	68,295

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TABLE MAD-USS-13

SDG&E Corporate Reallocation Costs		
Test Year 2016		
(\$2013 Thousands)		
<u>Corporate Reallocation</u>		
Costs to Corporate Center	Direct Costs	Fully Loaded Costs
From SCG	1,042	1,753
From SDG&E	11,207	14,867
Total Costs to Corporate Center	12,249	16,620
<u>Costs Allocated Back to Affiliates</u>		
	Direct Costs	Fully Loaded Costs
SDG&E	3,846	5,219
SCG	3,736	5,069
Unregulated	4,667	6,332
Total	12,249	16,620
<u>Reallocation Factors From Corporate Center</u>		
BillToCo	TY2016	
SDG&E	31.40%	
SCG	30.50%	
Unregulated	38.10%	
<i>Note: Difference due to rounding.</i>		

2

3 **III. SHARED ASSETS**4 **A. Shared Asset Policy Background**

5 Shared assets are assets that are on the financial records of one utility, but are also used
6 by other Sempra Energy affiliates. For SoCalGas, this applies to assets owned and used by
7 SoCalGas, which are also used by SDG&E, Corporate Center and/or other Sempra Energy
8 affiliates. Assets that can be identified, quantified, valued and exclusively used by one entity are
9 not considered a shared asset. Assets that will be used by both utilities, (e.g., software
10 applications) will be considered shared assets. However, items such as a scanner, which will be
11 used exclusively by only one of the utilities will not be considered a shared asset and will be
12 recorded on the financial records for the specific utility.

1 SoCalGas and SDG&E established their Shared Asset Policy in 2002 which dictates how
2 shared assets are reflected in the financial records. Shared assets are recorded on the financial
3 records of the utility (owner) that receives the most service or use from the asset. For example,
4 an asset that is used at a rate of 60% by SoCalGas employees and 40% by SDG&E employees is
5 placed on the financial records of SoCalGas. For situations where utilization between the two
6 utilities is exactly 50%, the established treatment is to place such assets on SoCalGas' records.

7 The utility owning the shared asset bills the other companies using allocation
8 percentages, which are based on factors that reflect the usage level of the asset by the other
9 companies. These utilization factors vary depending upon the asset. For example, a software
10 project for a specific customer process may utilize the number of customers as the measure of
11 utilization, whereas, a software project that is used internally may rely upon a count of the
12 number of employees using the software.

13 These allocation percentages are reviewed annually and are adjusted as needed in
14 accordance with the Shared Asset Policy if there are material changes to the business activities.
15 This review is conducted by the organization responsible for the asset and is coordinated by the
16 ABC organization. If necessary, the allocation percentages change so each utility and affiliate is
17 charged the appropriate level of costs.

18 Once the asset is initially capitalized, it remains on the utility's records even though the
19 utilization factor may change in the future. This practice removes the undue administrative
20 burden and associated costs (such as incremental sales tax) caused by transferring the asset from
21 one utility to the other. Therefore, if an asset is originally placed on SoCalGas' records but
22 usage of the asset subsequently declines below 50%, SoCalGas nonetheless remains the owner of
23 the asset. Any additions to a shared asset are recorded on the owner's financial records where
24 the original asset is recorded.

25 **B. Shared Asset Billing**

26 SoCalGas' shared assets consist primarily of facilities, computer hardware and software,
27 and communications (telecommunication infrastructure). SoCalGas charges the Sempra Energy
28 affiliates for the use of these assets by developing a capital revenue requirement. This revenue
29 requirement is retained by SoCalGas or billed to other entities according to the particular
30 allocation methodology chosen for each asset to distribute the costs.

1 When developing the revenue requirement, the shared assets are put into asset categories.
2 Assets listed in these categories include those that are currently in service, as well as the
3 forecasted additions as requested in this GRC proceeding through TY 2016. For SoCalGas, the
4 shared assets are classified into the following categories:

- 5 • Structures and Improvements;
- 6 • Computer Hardware;
- 7 • Computer Software;
 - 8 ○ 2-4 years life;
 - 9 ○ 5-8 years life;
 - 10 ○ 9-12 years life;
 - 11 ○ 15 years life;
 - 12 ○ 20 years life;
- 13 • Communications; and
- 14 • Miscellaneous.

15 For each asset category, an annual weighted-average rate base is calculated. A return on
16 rate base, state and federal income taxes, estimated depreciation expense, and property taxes are
17 derived from that information, resulting in a total revenue requirement. The Appendix to this
18 testimony provides further details for the shared asset rate base calculations. The various
19 revenue requirement components are determined and sponsored by other GRC witnesses.¹²

20 Once the billable charges (i.e., revenue requirements) for the asset categories are
21 determined, they are apportioned to the appropriate Sempra Energy affiliates using the allocation
22 percentages. As discussed earlier, the allocation percentages are based on utilization factors
23 developed specifically for each forecasted project by the sponsoring witness. The allocation
24 percentages have been weighted by the net book value or estimated project costs to develop
25 composite allocation percentages for the asset classes in the RO. For example, based on the
26 weighted calculations of the various projects, the structures and improvements category may end

¹² The total company weighted-average rate base is sponsored by SoCalGas' Rate Base witness, Garry G. Yee in Exhibit SCG-26. The calculation of return on rate base percentage is performed in the Results of Operations model and is sponsored by SoCalGas' Summary of Earnings witness, Khai Nguyen in Exhibit SCG-34. The tax expenses are sponsored by SoCalGas' Tax witness, Ragan Reeves in Exhibit SCG-28. Depreciation rates are sponsored by SoCalGas' Depreciation witness, Flora Ngai in Exhibit SCG-27.

up with an allocation of 81.12% retained by SoCalGas, 17.6% allocated to SDG&E, and 1.28% allocated to other Sempra Energy affiliates. These percentages are used to determine the amounts to be charged to the appropriate Sempra Energy affiliates.

When utility charges are billed to Corporate Center, the charges are then billed back to the utilities and other Sempra Energy affiliates based on a set of allocation percentages determined by Corporate Center. This process is discussed in the testimony of Corporate Center witness Peter Wall (Ex. SCG-19). However, when developing the revenue requirement, a net billing process is used for shared asset expense allocations to Corporate Center.¹³ With the net billing process, the percentage allocation of shared asset charges billed to Corporate Center (that would then be re-allocated and billed out) is already incorporated within the percentage allocations to SDG&E and Sempra Energy affiliates and retained by SoCalGas. This eliminates a second iteration required in developing the revenue requirement. In order to reflect this activity for the purposes of filing the GRC, the weighted allocation percentages for each Sempra Energy affiliate are adjusted to reflect the chargeback of shared asset expenses from Corporate Center.

For example, prior to the net billing process, the allocation of computer hardware was 4.89% allocated to Corporate Center, 41.51% allocated to SDG&E, 53.6% retained by SoCalGas, and 0.0% allocated to the Sempra Energy non-regulated affiliates. With the net billing process, accounting for the results of the Corporate Center charge back process, the allocations would be adjusted to 0% allocated to Corporate Center, 43.28% allocated to SDG&E, 55.36% retained by SoCalGas and 1.36% allocated to Sempra Energy non-regulated affiliates. Refer to Table SCG-MAD-1 below.

Table SCG-MAD-1
Example of Net Billing Process on Allocation Percentages

	Corporate	SDGE	SCG	Non Reg's	Total
Allocation %	4.89%	41.51%	53.60%	0.00%	100.00%
	-4.89%	1.77%	1.76%	1.36%	0.00%
Net Allocation %	0.00%	43.28%	55.36%	1.36%	100.00%

This process effectively leaves a zero allocation of shared asset costs to Corporate Center, with the Corporate Center allocations spread among SoCalGas (retained), SDG&E, and the Sempra Energy non-regulated affiliates.

¹³ This net billing process, also called BUCU process, is explained in Section C above.

1 Table SCG-MAD-2 reflects the summary of projected revenue requirements from the RO
 2 model related to shared assets by their asset category grouping for TY 2016.

3 **Table SCG-MAD-2**
 4 **Summary of Shared Asset Revenue Requirements**
 5

2016	Weighted Avg Rate Base	Billable Return	2016 Test Year (In Thousands)		Annual Deprec. Expense	Annual Property Tax	Total Billable Charges	Allocation \$	
			Return Grossed Up for FIT & SIT					SCG Retained	Total Billed
Structures & Improvements	8,562	687	1,159		1,930	108	3,197	3,100	97
Computer Hardware	44,383	3,560	6,007		26,590	561	33,158	18,850	14,308
Computer Software:									
2-4 Yrs	868	70	118		763	0	880	551	330
5-8 Yrs	50,331	4,037	6,812		18,646	0	25,458	17,660	7,798
9-12 Yrs	187,205	15,014	25,338		32,987	0	58,325	37,328	20,997
15 Yrs	(1,702)	(137)	(230)		0	0	(230)	(146)	(84)
20 Yrs	0	0	0		0	0	0	0	0
Communications	14,455	1,159	1,956		6,817	183	8,956	5,017	3,939
Miscellaneous	202	16	27		0	3	30	23	7
Total	304,304	24,405	41,187		87,731	855	129,773	82,383	47,391

6
 7 The total amount billed to the Sempra Energy affiliates as noted above is reflected in the
 8 Miscellaneous Revenues testimony of SoCalGas witness Michelle Somerville (Ex. SCG-32).

9 **C. Description of Shared Asset Categories**

10 **1. Structures and Improvements**

11 Shared structures and improvements consist primarily of leasehold improvements to the
 12 Gas Company Tower and improvements to the Monterey Park Facilities. The allocations for the
 13 improvements of these assets are based on space studies developed and performed by the
 14 SoCalGas Facilities Management Department. These projects are sponsored by SoCalGas' Real
 15 Estate witness, Jim Seifert (Ex. SCG-16), and Fleet Services & Facilities witness, Carmen
 16 Herrera (Ex. SCG-15).

17 **2. Computer Hardware and Software**

18 Shared computer hardware and software consists of mainframe, servers, exchange (email)
 19 and SAP Software, among others. Utilization measures for these various assets are tracked,
 20 ranging from number of users (either employees or customers) to the amount of activity used
 21 (bandwidth) for each company. The utilization measures determine the allocation percentages.
 22 These projects are sponsored by SoCalGas witness Christopher R. Olmsted (Ex. SCG-18).
 23 Please refer to Table SCG-MAD-3.

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3. Communications

Shared communication assets include telecommunication infrastructure and network operations equipment. The allocations for these assets are based on the amount of usage by the end users, for example bandwidth. These projects are sponsored by SoCalGas witness Christopher R. Olmsted (Ex. SCG-18). Please refer to Table SCG-MAD-3.

4. Miscellaneous

This category represents all other items that do not fit in the previous categories. This category represents existing assets and does not include any future projects.

D. Summary

Table SCG-MAD-3 below reflects the forecasted shared asset projects for 2014 – 2016 with allocation percentages (prior to the netting of Corporate Center charge-back) and the supporting witness.

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Table SCG-MAD-3
Forecasted Shared Asset Projects and Allocation Percentages

Project Name	Percentage	Percentage	Percentage	Witness
	Retained By	Allocated To	Allocated To	
	SCG	SDGE	Sempra Corp and Affiliates	
PT81420 M&I Compliance Reporting	55%	43%	2%	Chris Olmstead
PT81380 SAP SUPER USER PROVISIONING	55%	42%	3%	Chris Olmstead
PT81434 2016 GRC Results of Op Model	50%	50%	0%	Chris Olmstead
PT14853 ITSM Tool Optimization	55%	45%	0%	Chris Olmstead
PT15868 SE 2015 Mainframe Expansion	55%	42%	3%	Chris Olmstead
PT16934 eGRC Infrastructure Refresh	55%	42%	3%	Chris Olmstead
PT16935 Forensics Lab Infrastructure Refresh	55%	42%	3%	Chris Olmstead
PT81440 Data Center Network Core	55%	42%	3%	Chris Olmstead
PT14872 SCG 2014 Active Directory Refresh	55%	42%	3%	Chris Olmstead
PT81442 SE Network Attached Storage (NAS) Replacement	55%	42%	3%	Chris Olmstead
PT81443 SEu Wireless/Sempra Virtual Office Upgrade and Expansion	55%	42%	3%	Chris Olmstead
PT14869 NAESB EDIX Upgrade	90%	10%	0%	Chris Olmstead
PT14873 SAP Logistics Mobility Refresh	55%	40%	5%	Chris Olmstead
PT14873 SAP Logistics Mobility Refresh	55%	40%	5%	Chris Olmstead
PT14854 SAP ECC and BI Archiving	58%	39%	3%	Chris Olmstead
PT14855 Business Objects Upgrade	58%	39%	3%	Chris Olmstead
PT15804 Microsoft Business Intelligence (BI) Enterprise Platform	55%	40%	5%	Chris Olmstead
PT14834 SEu Web-Audio Conferencing and Instant Messaging Refresh	55%	42%	3%	Chris Olmstead
PT15932 Web Application Database Firewalls	55%	42%	3%	Chris Olmstead
PT15932 Web Application Database Firewalls	55%	42%	3%	Chris Olmstead
PT15932 Web Application Database Firewalls	55%	42%	3%	Chris Olmstead
PT81416 ENTERPRISE MESSAGING INFRASTRUCTURE	55%	42%	3%	Chris Olmstead
PT81417 EDIX Enhancement - Phase 2	55%	42%	3%	Chris Olmstead
PT81426 SERVER REPLACEMENT-AIX RETIREMENT	55%	42%	3%	Chris Olmstead
PT81433 Enterprise Voice System Refresh	55%	42%	3%	Chris Olmstead
ROWS Refresh Out of Warranty Servers.	58%	38%	4%	Chris Olmstead
ROWS Refresh Out of Warranty Servers.	58%	38%	4%	Chris Olmstead
ROWS Refresh Out of Warranty Servers.	58%	38%	4%	Chris Olmstead
PT201410 SEu Call Recording Replacement	60%	35%	5%	Chris Olmstead
PT201433 Backup Services Enhancement	65%	30%	5%	Chris Olmstead
PT14835 Mobile Device Management Infrastructure	55%	42%	3%	Chris Olmstead
PT14838 End Point Security Project	55%	42%	3%	Chris Olmstead
PT14889 SEu Enterprise Call Recording Refresh	55%	42%	3%	Chris Olmstead
PT51809 SEu CCC Avaya System Refresh	55%	42%	3%	Chris Olmstead
PT15844 Web Application Firewall	55%	42%	3%	Chris Olmstead
PT15874 Enterprise Risk and Compliance (eGRC) Archer expansion	55%	42%	3%	Chris Olmstead
PT15879 Enterprise Social Computing	55%	42%	3%	Chris Olmstead
PT15880 ITCS - App-V and UE-V	55%	42%	3%	Chris Olmstead
PT15880 ITCS - App-V and UE-V	55%	42%	3%	Chris Olmstead
PT15881 SCG Video-enabled Collaboration Room Upgrade	55%	42%	3%	Chris Olmstead
PT15882 SEu TelePresence Upgrade	55%	42%	3%	Chris Olmstead
PT15890 SCG Infrastructure Rooms Compton Headquarter	55%	42%	3%	Chris Olmstead
PT15896 SE SAN Storage Expansion	55%	42%	3%	Chris Olmstead
PT15899 SE 2015 VMware View Virtual Desktop Infrastructure	55%	42%	3%	Chris Olmstead
PT16892A SE Infrastructure Enabling Services (DNS, DHCP, NTP)	55%	42%	3%	Chris Olmstead
PT16892B SE SCOM 2012 Upgrade	55%	42%	3%	Chris Olmstead
PT16899B SE 2016 VMware View Virtual Desktop Infrastructure	55%	42%	3%	Chris Olmstead
PT15930 IPS Refresh	55%	42%	3%	Chris Olmstead
PT14850 SE System Management and Automation	55%	45%	0%	Chris Olmstead
PT14851 SE Local Area Network Refresh	55%	45%	0%	Chris Olmstead
PT14852 SE Enterprise Application Messaging and Caching Platform	55%	45%	0%	Chris Olmstead
PT15883 SE Converged Computing Infrastructure	55%	42%	3%	Chris Olmstead
PT15883 SE Converged Computing Infrastructure	55%	42%	3%	Chris Olmstead
PT15884 SE Backup Systems	55%	42%	3%	Chris Olmstead
PT15891B SE EWE Self Service Web provision/deployment	55%	45%	0%	Chris Olmstead
PT16884 SE Backup Systems	55%	42%	3%	Chris Olmstead
PT15893A SE Wide Area Network Refresh	55%	42%	3%	Chris Olmstead

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Table SCG-MAD-3 Continued

Project Name	Percentage Retained By SCG	Percentage Allocated To SDGE	Percentage Allocated To		Witness
			Sempra Corp and Affiliates		
PT16894A SCG Private Network Expansion	55%	42%	3%		Chris Olmstead
PT16895A SE Remote Access Services (VPN) Refresh	55%	42%	3%		Chris Olmstead
PT81414 CORE NETWORK DESIGN	55%	42%	3%		Chris Olmstead
PT81432 PRIVATE NETWORK EXPANSION AND REFRSH	55%	42%	3%		Chris Olmstead
PT81432 PRIVATE NETWORK EXPANSION AND REFRSH	55%	42%	3%		Chris Olmstead
PT81403 TELECOMMUNICATIONS EXPENSE MANAGEMENT	55%	42%	3%		Chris Olmstead
PT14803 - Envoy Next Generation	90%	10%	0%		Chris Olmstead
PT15823 SEU Customer Contact Center Genesys Upgrade	60%	40%	0%		Chris Olmstead
PT15823 SEU Customer Contact Center Genesys Upgrade	60%	40%	0%		Chris Olmstead
PT 15828 In House EDI X12 Services	55%	42%	3%		Chris Olmstead
PT - 14807 Click Upgrade	90%	10%	0%		Chris Olmstead
PT - 14807 Click Upgrade	90%	10%	0%		Chris Olmstead
PT - 14807 Click Upgrade	90%	10%	0%		Chris Olmstead
PT16860 GIS Gas Enhancements 2016	90%	10%	0%		Chris Olmstead
PT14817 - Business Planning Simulation (BPS) Replacement Project	58%	42%	0%		Chris Olmstead
PT14817 - Business Planning Simulation (BPS) Replacement Project	55%	40%	5%		Chris Olmstead
PT14817 - Business Planning Simulation (BPS) Replacement Project	55%	40%	5%		Chris Olmstead
PT14876 Shop Tracking System	61%	39%	0%		Chris Olmstead
PT14876 Shop Tracking System	61%	39%	0%		Chris Olmstead
PT14919 Click and SAP Disaster Recovery Tier Upgrade	58%	42%	0%		Chris Olmstead
PT14919 Click and SAP Disaster Recovery Tier Upgrade	58%	42%	0%		Chris Olmstead
PT14924 Enterprise GIS Uplift	61%	39%	0%		Chris Olmstead
PT15821 Field Force Reporting	60%	40%	0%		Chris Olmstead
PT15856 SAP Business Warehouse 7.3 Upgrade	55%	40%	5%		Chris Olmstead
PT14925 Employee Care Services iVOS Claims System AON eSolutions	74%	25%	1%		Chris Olmstead
PT16802 Click v8 Functional Enhancements	90%	10%	0%		Chris Olmstead
PT16802 Click v8 Functional Enhancements	90%	10%	0%		Chris Olmstead
PT81431 Click M&I M&R Stabilization	90%	10%	0%		Chris Olmstead
PT81412 GAS GIS Enhancements 2013	90%	10%	0%		Chris Olmstead
PT81353 ECM REPLACEMENT	55%	42%	3%		Chris Olmstead
PT15859 GIS Gas Enhancements 2015	90%	10%	0%		Chris Olmstead
PT14832 SharePoint 2013	50%	34%	16%		Chris Olmstead
PT14832 SharePoint 2013	55%	42%	3%		Chris Olmstead
PT14833 Data Loss Prevention	58%	38%	4%		Chris Olmstead
PT14833 Data Loss Prevention	58%	38%	4%		Chris Olmstead
PT14833 Data Loss Prevention	58%	38%	4%		Chris Olmstead
PT14897 Travel and Expense Mobility	58%	42%	0%		Chris Olmstead
PT15926 SAP Enterprise Mobility	55%	40%	5%		Chris Olmstead
PT81407 E-PROCUREMENT IMPLEMENTATION	55%	42%	3%		Chris Olmstead
PT81407 E-PROCUREMENT IMPLEMENTATION	55%	42%	3%		Chris Olmstead
PT81407 E-PROCUREMENT IMPLEMENTATION	55%	42%	3%		Chris Olmstead
PT14861 Identity & Access Management, Phase 3	55%	45%	0%		Chris Olmstead
PT14861 Identity & Access Management, Phase 3	55%	42%	3%		Chris Olmstead
PT14861 Identity & Access Management, Phase 3	55%	43%	2%		Chris Olmstead
PT16888 Identity & Access Management Infrastructure Refresh	55%	42%	3%		Chris Olmstead
PT15898 SE Application Platform Technology Refresh	55%	42%	3%		Chris Olmstead
PT14810 - Gas Distribution Analytics Phase 2	90%	10%	0%		Chris Olmstead
PT14810 - Gas Distribution Analytics Phase 2	90%	10%	0%		Chris Olmstead
PT14862 Greenhouse Gas and Environmental Sustainability Management Tool	55%	45%	0%		Chris Olmstead
PT14805 - Enterprise BI Analytics and Dashboards - 2014	45%	35%	20%		Chris Olmstead
PT15806 Enterprise BI Analytics and Dashboards - 2015	55%	42%	3%		Chris Olmstead
PT15811 Enterprise Analytics System (EAS) Phase II	45%	35%	20%		Chris Olmstead
PT16816 Enterprise Analytics System (EAS) Phase III	55%	42%	3%		Chris Olmstead
PT16927 Enterprise BI Analytics and Dashboards	55%	40%	5%		Chris Olmstead
General Plant - Computer Hardware	55%	42%	3%		Chris Olmstead

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Table SCG-MAD-4 below reflects the total miscellaneous revenue (allocated shared asset expenses to the Sempra Energy affiliates) for SoCalGas for 2013 Recorded Year and TY 2016.

1 **Table SCG-MAD-4**

Shared Asset Miscellaneous Revenue (\$000's)		
2013 Recorded	2016 TY	Net Change
2 49,319	47,391	(1,928)

3 The decrease from 2013 recorded to TY 2016 is primarily attributable to fewer shared
4 asset additions and quicker asset depreciation for assets with short life-span.

5 As discussed previously, each utility bills the other utility for the allocation of the
6 revenue requirement for each asset category. Table SCG-MAD-5 reflects the Shared Asset
7 expense allocation billed to SoCalGas from SDG&E for 2013 Recorded and TY 2016.

8 **Table SCG-MAD-5**

Shared Asset Expense Allocation from SDG&E (\$000's)		
2013 Recorded	2016 TY	Net Change
9 9,435	7,666	(1,769)

10 The main reason for the decrease is due to quicker Shared Asset Depreciation and Asset
11 Retirements and fewer new additions of Shared Assets. The list of projects is identified in my
12 SDG&E Shared Services and Shared Assets Billings Policy and Processes Testimony (see Ex.
13 SDG&E-26, Table SDG&E-MAD-3). The calculation for the shared asset expense can be found
14 in Appendix MAD-A-1 to this testimony.

15 **IV. CONCLUSION**

16 This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Mark A. Diancin. My business address is 555 West Fifth Street, Los
3 Angeles, California 90013. My current position is the Senior Business Analyst in the Pipeline
4 Safety Enhancement Program group for SoCalGas. I was formerly the Affiliate Billing and
5 Costing Principal Accountant for SoCalGas.

6 I received a Bachelor of Science from the University of California, Riverside in June
7 1999. I was initially employed by SoCalGas in July 2000 and have held various positions of
8 increasing responsibility in the Accounting and Finance areas of the company, including
9 Financial Planning and Financial Systems. My responsibilities have included participation
10 and/or supervision of SAP CO month-end closing, affiliate billing, overhead rate studies, and
11 SAP/Business Warehouse client support.

APPENDIX - Shared Asset Rate Base Calculations

SoCalGas Shared Asset Allocation

Bilable Costs															
	Weighted Avg	Annual	Billable	Return	Annual	Total	Allocation %				Allocation \$				
	Rate Base	Return	Return	for FIT & SIT	Expense	Property Tax	Charges	Retained	Billed	Retained	Billed	SoCal	SDGE	Affiliate	Total
2014															
Structures & Improvements	24,092	8.02%	1,932	3,261	9,939	301	13,501	94.0%	6.0%	12,694	807		747	61	807
Computer Hardware	41,725	8.02%	3,346	5,647	21,741	522	27,910	57.2%	42.8%	15,965	11,946		11,672	274	11,946
Computer Software:															
2-4 Yrs	8,271	8.02%	663	1,119	7,031	0	8,151	58.5%	41.5%	4,772	3,379		3,354	25	3,379
5-8 Yrs	32,740	8.02%	2,626	4,431	11,168	0	15,600	64.0%	36.0%	9,990	5,610		5,477	133	5,610
9-12 Yrs	252,404	8.02%	20,243	34,163	32,987	0	67,149	64.0%	36.0%	42,955	24,194		24,180	13	24,194
15 Yrs	1,134	8.02%	91	154	5,181	0	5,334	62.3%	37.7%	3,321	2,013		1,992	21	2,013
20 Yrs	0	8.02%	0	0	0	0	0	0.0%	0.0%	0	0		0	0	0
Communications	15,934	8.02%	1,278	2,157	7,494	199	9,850	61.5%	38.6%	6,053	3,797		3,710	87	3,797
Miscellaneous	248	8.02%	20	34	0	3	37	76.7%	23.3%	28	9		9	0	9
Total	376,547	8.02%	30,199	50,965	95,541	1,026	147,532			51,755	95,777	0	51,142	613	51,755
2015															
Structures & Improvements	14,249	8.02%	1,143	1,929	9,786	179	11,894	95.1%	4.9%	11,313	580		523	57	580
Computer Hardware	52,850	8.02%	4,239	7,153	24,983	665	32,801	57.3%	42.7%	18,785	14,016		13,668	348	14,016
Computer Software:															
2-4 Yrs	3,901	8.02%	313	528	5,161	0	5,689	60.4%	39.6%	3,434	2,255		2,227	28	2,255
5-8 Yrs	38,177	8.02%	3,062	5,167	14,214	0	19,381	63.6%	36.4%	12,334	7,047		6,818	229	7,047
9-12 Yrs	219,858	8.02%	17,633	29,758	32,987	0	62,744	64.0%	36.0%	40,144	22,600		22,588	13	22,600
15 Yrs	(1,514)	8.02%	(121)	(205)	777	0	572	63.3%	36.7%	362	210		209	1	210
20 Yrs	0	8.02%	0	0	0	0	0	0.0%	0.0%	0	0		0	0	0
Communications	10,355	8.02%	830	1,402	5,932	130	7,464	58.5%	41.5%	4,363	3,101		3,024	76	3,101
Miscellaneous	225	8.02%	18	30	0	3	33	76.7%	23.3%	25	8		8	0	8
Total	338,102	8.02%	27,116	45,762	93,839	977	140,578			49,817	90,761	0	49,066	751	49,817
2016															
Structures & Improvements	8,562	8.02%	687	1,159	1,930	108	3,197	97.0%	3.0%	3,100	97		80	17	97
Computer Hardware	44,383	8.02%	3,560	6,007	26,590	561	33,158	56.9%	43.2%	18,850	14,308		13,963	345	14,308
Computer Software:															
2-4 Yrs	868	8.02%	70	118	763	0	880	62.5%	37.5%	551	330		323	7	330
5-8 Yrs	50,331	8.02%	4,037	6,812	18,646	0	25,458	69.4%	30.6%	17,660	7,798		7,536	262	7,798
9-12 Yrs	187,205	8.02%	15,014	25,338	32,987	0	58,325	64.0%	36.0%	37,328	20,997		20,991	6	20,997
15 Yrs	(1,702)	8.02%	(137)	(230)	0	0	(230)	63.4%	36.6%	(146)	(84)		(84)	(0)	(84)
20 Yrs	0	8.02%	0	0	0	0	0	0.0%	0.0%	0	0		0	0	0
Communications	14,455	8.02%	1,159	1,956	6,817	183	8,956	56.0%	44.0%	5,017	3,939		3,863	76	3,939
Miscellaneous	202	8.02%	16	27	0	3	30	76.7%	23.3%	23	7		7	0	7
Total	304,304	8.02%	24,405	41,187	87,731	855	129,773			47,391	82,382	0	46,677	713	47,391

List of Commonly Used Acronyms

A&G: administrative and general
ABC: Affiliate Billing and Costing
BUCU: Business Unit Charge Ups
CC: Sempra Energy Corporate Center
CPUC: California Public Utilities Commission
FERC: Federal Energy Regulatory Commission
FTEs : full-time employees/equivalents
GRC: general rate case
IT: Information Technology
O&M: operations and maintenance
P&B: Pension and Benefits
PLPD: Public Liability and Property Damage
SAP: Systems Applications and Products
SCG or SoCalGas: Southern California Gas Company
SDG&E: San Diego Gas & Electric Company
Sempra: Sempra Energy
TY: Test year
Variable Pay: also known as incentive compensation plan
Workers' Comp: Workers' Compensation

DEFINITIONS

Shared Services Terms Defined

The following definitions are provided for terms used in this testimony as well as in the testimonies of the Shared Services witnesses for SoCalGas and SDG&E.

100% incurred view: all direct costs prior to any allocations out.

Adjusted-recorded costs: 2013 actual costs, adjusted as needed to reflect an appropriate base level of expenditures for the GRC.

Affiliates: business units within Sempra Energy, including SoCalGas and SDG&E, as well as Corporate Center, and all other non-utility wholly-owned Sempra Energy subsidiaries.

Allocations-in: see “Billed-in” below.

Allocations-out: costs billed from one utility to another or to Corporate Center/Other for Shared Services provided. Shared Services allocations are performed at the cost center level. Individual cost centers have specific, unique allocation methods described in detail within the testimony work papers.

Allocation methods: direct charges or percentage-driven allocations based on Causal/Beneficial drivers or Multi-Factors, which are applied to incurred costs to determine the amount billed from the utility providing a Shared Service to the receiving utility or other Sempra Energy affiliate benefiting from the activity.

Base year expenses: 2013 adjusted-recorded costs.

Billed-in: also referred to as Allocations-in, these are costs received by one utility, due to another utility’s allocations. Billed-in costs become a component of book expense.

Book expense: retained plus billed-in costs. Book expense is the final cost to each utility.

Cost centers: the lowest level organizational unit for which Shared Services costs are tracked and recorded.

Cost Driver: basis for which costs are allocated. Employee headcount is an example of a cost driver.

Direct costs: specific costs, labor and non-labor, for each work activity.

Fully-loaded costs: direct costs plus all applicable indirect charges and overheads. For example, in the process of billing the direct cost of non-union labor to an affiliate for Shared Services performed, overhead costs are added for payroll taxes, workers' compensation, pension and benefits, incentive compensation plan, and public liability and property damage insurance, resulting in fully-loaded costs.

Functional areas: organizational groupings within the utilities that provide services of a similar nature. Shared Services functional areas presented in this GRC are listed in subsection B below.

Incurred costs: operating costs incurred by a utility before Shared Services allocations, overhead loading, and escalation.

Non-Shared Services: activities provided by functional areas at one utility which benefit only the utility performing the activity, the costs of which do not need to be allocated and billed out to other entities. Non-Shared Services costs are costs incurred by a utility for its sole benefit, and may include labor costs and non-labor costs. Costs for services provided to the utility by Corporate Center are treated as Non-Shared Services costs by the utility, consistent with how outside vendor costs are treated.

Retained costs: incurred costs remaining at the utility where the costs were incurred, net of allocations.

Shared Services: activities performed by functional areas at one utility for the benefit of (i) the other utility, (ii) Corporate Center, and/or (iii) an unregulated affiliate. A utility providing Shared Services will allocate and bill its costs for providing those services to the entity or entities receiving the service. A utility receiving Shared Services from the other utility will include in its own book expense any costs allocated and billed to for the services received.

TY 2016: the year used in this GRC to establish base rates.

Work group: grouping of one or more cost centers with similar activities within a functional area.