

ORA ORAL DATA REQUEST
ORA-SDGE/SCG-ORAL-DR-001-LL
2019 GRC – A.17-10-007/008
SDG&E/SCG RESPONSE
DATE RECEIVED: DECEMBER 19, 2017
DATE RESPONDED: JANUARY 11, 2018

On December 19, 2017, a call was held between the ORA and SDG&E/SCG to discuss certain questions about the Direct Testimony of Mia L. DeMontigny for Corporate Center – General Administration. During that call, the following questions were asked by the ORA of SDG&E/SCG:

1. For all tables in testimony that show costs, please provide:
 - a. FTE counts
 - b. A reference to workpapers where the costs can be found
 - c. Identify any vacancies in those areas. If there are new FTE’s, justify the reason for those new FTE’s.
 - d. Provide 2017 recorded data

SDG&E and SoCalGas Response 01:

Please refer to the following table to answer questions 1a. and 1b.:

Table	Table Description	Testimony Page	2016 FTEs	2019 FTEs	Variance	Workpaper Page
MLD-1A	Test Year 2019	MLD-01	384	422	38	421 of 453
MLD-4A	Finance	MLD-17	217	228	11	13 of 453
A-1	Chief Financial Officer	MLD-18	2	2	0	17 of 453
A-2	Accounting Services	MLD-19	50	52	2	20 of 453
A-3	Tax Services	MLD-22	49	53	4	57 of 453
A-4	Treasury	MLD-23	43	44	1	74 of 453
A-5	Investor Relations	MLD-26	6	7	1	124 of 453
A-6	Internal Audit Services and Risk Management	MLD-27	50	53	3	133 of 453
A-7	Financial Leadership Program	MLD-30	17	17	0	156 of 453
MLD-4B	Legal, Compliance, and Governance	MLD-31	56	56	0	159 of 453
B-1	Legal Services	MLD-32	41	40	-1	163 of 453
B-2	Compliance and Governance	MLD-36	10	10	0	178 of 453
B-3	Executive	MLD-38	5	6	1	194 of 453
MLD-4C	Human Resources and Administration	MLD-39	81	102	21	224 of 453
C-1	Senior VP Chief Human Resources and Administration	MLD-40	2	2	0	228 of 453
C-2	Compensation & Benefits	MLD-41	28	28	0	232 of 453
C-3	Corporate Human Resources Staffing and Development	MLD-44	9	9	0	250 of 453
C-4	CIO, Corporate Systems, and Security	MLD-46	42	63	21	253 of 453
MLD-4D	Corporate Strategy and External Affairs	MLD-50	30	36	6	287 of 453
D-1	Executive VP of Corporate Strategy and External Affairs	MLD-50	2	2	0	291 of 453
D-2	Corporate Strategy	MLD-51	1	2	1	295 of 453
D-3	Communications	MLD-52	6	7	1	298 of 453
D-4	Issues Management	MLD-53	5	5	0	311 of 453
D-5	Corporate Responsibility	MLD-54	8	8	0	320 of 453
D-6	Governmental Affairs	MLD-55	5	9	4	323 of 453
D-7	Employee Programs	MLD-56	3	3	0	341 of 453

1c. Accounting Services added two FTE’s to fill vacancies at the end of 2016. One was an Administrative Associate for the SVP and Controller and the other was an Accounting Research and Policy Manager. These FTE’s were hired in 2017 to replace positions that were vacant at the end of 2016.

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Response to Question 1c. (continued)

Tax Services added four FTE's to fill vacancies at the end of 2016. Three positions were to be hired at lower levels to replace more senior level employees who left in 2016. The other position was an Administrative Associate added that will split duties with another department.

Treasury added one net FTE, though overall labor costs decreased because vacancies were filled at lower levels. The one new FTE added was in Corporate Development/M&A and none of these costs are allocated to the Utilities.

Investor Relations added one FTE in 2017 to fill a vacancy at the end of 2016. This position was hired at a lower level to replace a more senior level employee who left in 2016.

Internal Audit Services and Risk Management added three FTE's to fill vacancies at the end of 2016. These positions were hired at lower levels to replace more senior employees that retired in 2016.

Executive added one new Group President in 2017. None of the costs associated with the Executive Department is allocated to the Utilities.

CIO, Corporate Systems & Security added 21 FTE's. Out of this total, 16 are employee transfers from SDG&E, three are new Corporate Security hires, one is the new CIO hire, and one is a new hire under MyInfo Services. The 16 employee transfers are to new cost centers within Corporate Center for the Office of the CIO. The new hires within Corporate Security are two Corporate Security Special Agents and one Risk Analyst. These new hires are primarily in response to the Risk Assessment Mitigation Proceeding (RAMP) report as described in Section B on page MLD-3 of the testimony. The new CIO hire is critical as this position is responsible for developing and maintaining the enterprise technology strategy which set the technology direction for Sempra Energy. The one new hire within MyInfo Services is necessary to assist in the replacement of Sempra Energy's MyInfo Human Resources system.

Corporate Strategy added one FTE to replace a vacancy at the end of 2016.

Communications added one FTE to replace a vacancy at the same level at the end of 2016.

Governmental Affairs added four new FTE's in 2017. These new hires are primarily involved in lobbying activities. None of the costs associated with these four new FTE's are allocated to the Utilities.

1d. 2017 financial data is not available until approximately March 2018..

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2. Describe the difference between Direct Assignments, Allocations, and Billed Costs as shown in the workpaper tables.

SDG&E and SoCalGas Response 02:

Direct Assignments are all costs related to a specific business units. Allocations are costs allocated from Corporate Center utilizing a Causal/Beneficial Method or Multi-Factor Method referenced in the testimony of Mia DeMontigny on page MLD-13. The Billed Costs is the total of Direct Assignments plus Allocations.

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3. Forecasting Approach, Page MLD-15, line 14, testimony reads “In most cases, the forecast allocation method is the same method as used in historical actuals (and accepted in prior GRCs), although rate may vary by year.” When is it not used?

SDG&E and SoCalGas Response 03:

There is only one instance where it is not used. In 2016, the Executive VP & General Counsel (cost center 1100-0141) used the same allocation methodology as Legal (cost center 1100-0144). The prior method allocated costs based upon a ratio of time spent on matters for each business unit by the Corporate Center Law Department lawyers and para-professional staff, referred to in the testimony as the CB-Law Method. The Executive VP & General Counsel supports each department within the Legal, Compliance, and Governance division. Therefore, the Executive VP & General Counsel costs were changed to be allocated using a weighted average of the diverse allocation methodologies used by each cost center in each department within the Legal, Compliance, and Governance division. This new allocation method is referred to as EVP-Legal (please refer to pages MLD-32 and MLD-33 of the testimony for more detail).

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4. Page MLD-19, for EVP-CFO allocation, why are you using a weighted average allocation methodology instead of another approach, such as a historical average?

SDG&E and SoCalGas Response 04:

Because of the diversity of the allocation methods used by the various functions working under the CFO and the CFO's oversight over all of these functions, a weighted average of the allocation methodologies used by each department reporting to the CFO is used. We have historically used this same weighted average allocation methodology for the CFO.

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5. Page MLD-25, using the CB-Pension as an example, how do you derive a causal-beneficial allocation methodology?

SDG&E and SoCalGas Response 05:

When costs cannot be directly assigned, they are allocated using s Causal/Beneficial (CB) method, which is based on drivers that would be comparable for all business units and that would indicate the level of benefit received by each. The methodology is derived by considering the nature of the costs being incurred and the manner or unit in which the business units benefit from those costs. For CB-Pension, the Pension and Investments group uses a causal-beneficial allocation method based on the present value of each utility's pension funds.

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6. Page MLD-27, please explain the increase of \$536 thousand found on line A.6-2 of the table.

SDG&E and SoCalGas Response 06:

This increase is primarily due to higher consulting fees of \$550 thousand.

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7. Page MLD-31, please explain the increase of \$2.294 million found on the SoCalGas allocation line. Is this Aliso related?

SDG&E and SoCalGas Response 07:

This increase is primarily due to outside legal costs for general legal matters of \$1.861 million and higher Board of Directors fees and expenses of \$339 thousand. As stated on page MLD-4, Section 1D, Aliso costs are not included in this GRC request.

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8. Page MLD-32, please explain the increase of \$1.494 million found on the SoCalGas allocation line. Is this Aliso related?

SDG&E and SoCalGas Response 08:

This increase is primarily due to outside legal costs for general legal matters of \$1.861 million, offset by lower non-recurring fees and services of \$251 thousand. As stated on page MLD-4, Section 1D, Aliso costs are not included in this GRC request.

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9. Page MLD-36, please explain the increase of \$568 thousand and \$569 thousand found under the B-2.1 Compliance and B-2.4 Board of Directors lines, respectively.

SDG&E and SoCalGas Response 09:

The \$568 thousand increase on line B-2.1 is primarily due to higher consulting costs and the \$569 thousand increase on line B-2.4 is primarily due to higher Board of Directors fees and expenses for management oversight and the addition of new Board members.

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10. Explain why there is no utility allocation for costs in table B-3 on page MLD-38.

SDG&E and SoCalGas Response 10:

The goal in Corporate Center allocation practices is to reasonably and equitably bill its costs to business units, associating the costs as closely as possible to the level of service being provided to each business unit. The costs in table B-3 are related to the Sempra Energy Executive department. These executives provide high-level leadership and governance to the operations and finances of all Sempra Energy business units. While the costs in table B-3 are deemed to benefit all Sempra Energy business units, these costs are not allocated to the utilities.

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11. Page MLD-39, please explain the increase of \$140 thousand found on the C-1 line.

SDG&E and SoCalGas Response 11:

The \$140 thousand increase on line C-1 is primarily due to higher dues and subscriptions costs of \$141 thousand and higher consulting fees of \$91 thousand, offset by lower travel expenses of \$46 thousand and lower systems costs of \$35 thousand.

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12. Page MLD-39, please explain the increase of \$5.406 million found on the CIO, Corporate Systems & Security line (C-4).

SDG&E and SoCalGas Response 12:

The \$5.406 million increase on line C-4 is primarily due to \$1.926 million in staffing labor costs related to the effort to increase our corporate-wide information technology, cybersecurity, infrastructure, governance, and architecture support, \$1.120 million in higher consulting costs, \$705 thousand in higher computer systems costs, \$510 thousand in higher ADP payroll processing fees, \$494 thousand in higher training and travel expenses, and \$398 thousand in security and disaster recovery expenses.

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13. Using workpaper 272 of 453 C-4.6 Recon, explain how you arrived at your 2019 forecast for the CIO, Corporate Systems & Security group costs?

SDG&E and SoCalGas Response 13:

Workpaper 272 of 453 is for a specific cost center (Information Security Operations Center) within the CIO, Corporate Systems & Security department. On page MLD-46, table C-4 of the testimony, there are ten cost centers that comprise the CIO, Corporate Systems & Security department. Six of these cost centers are new in Corporate Center in 2017, including the Information Security Operations Center. Most of these new cost centers already existed at SDG&E. When they were moved over to Corporate Center in 2017, their projected labor and associated non-labor costs were used to arrive at the 2019 forecast.

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14. Page MLD-58, please explain the increase of \$2.679 million on Table E-1, line E.1-1 Depreciation & Amortization.

SDG&E and SoCalGas Response 14:

The \$2.679 million increase is primarily the result of new corporate Human Resources, Corporate Tax, Corporate Security, Treasury Management, and Utility Project Analysis and Reporting systems going online in 2017 and 2018. Please refer to page MLD-59, lines 7 to 14 for more details.

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15. Page MLD-63, please explain the increase of \$917 thousand found on the E-3.1 line.

SDG&E and SoCalGas Response 15:

The increase on line C-1 is primarily due to higher building maintenance expenses of \$1.085 million, offset by lower non-recurring expenses of \$116 thousand and lower forecasted parking expenses of \$51 thousand.

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16. Explain the change in Pension & Benefits on table MLD-4F Page MLD-65.

SDG&E and SoCalGas Response 16:

This increase is mostly in three areas. (1) An increase of \$2.286 million primarily due to the forecasted expense of long-term incentive awards for key management and executive employees in the form of performance-based restricted stock units and service-based restricted stock units. These awards are granted under the Sempra Energy Long-Term Incentive Plan (LTIP), which is consistent with the Total Compensation Structure used at SDG&E and SoCalGas, as described in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30); (2) an increase of \$1.607 million primarily due to changes in medical plan costs and higher projected post-retirement benefit expense, consistent with those for the utilities; and (3) an increase of \$590 thousand in payroll taxes primarily due to a higher number of FTE's.

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17. Page MLD-65, please explain the increase of \$1.607 million found on the F-1.1 line.

SDG&E and SoCalGas Response 17:

This increase is primarily due to changes in medical plan costs and higher projected post-retirement benefit expense, consistent with those for the utilities.

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18. Page MLD-67, please explain the increase of \$2.286 million found on the F-4.1 line. Please define what Restricted Stock is and how it works.

SDG&E and SoCalGas Response 18:

This increase is primarily due to the forecasted expense of long-term incentive awards for key management and executive employees in the form of performance-based restricted stock units and service-based restricted stock units. These awards are granted under the Sempra Energy Long-Term Incentive Plan (LTIP), which is consistent with the Total Compensation Structure used at SDG&E and SoCalGas, as described in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30).

The definition and the determination of the cost for the restricted stock long-term incentive awards is in the testimony of Ms. Robinson (Ex. SDG&E-28 and SCG-30), beginning on line 8 of page DSR-20 and ending on line 20 of page DSR-21 in Section C, Long-Term Incentive Compensation.

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19. Provide the table on page MLD-69 for years 2012-2019.

SDG&E and SoCalGas Response 19:

Escalated(\$ - thousands)

Services Provided	2012 Utility Allocations		
	SDG&E	SoCalGas	Utilities
A Finance	16,483	14,164	30,647
B Legal, Compliance and Governance	16,709	7,943	24,652
C Human Resources & Administration	6,651	9,111	15,762
D Corporate Strategy & External Affairs	1,433	1,492	2,924
E Facilities and Assets	3,523	3,057	6,579
F Pension & Benefits	14,559	12,279	26,838
Total	59,357	48,045	107,403

Escalated(\$ - thousands)

Services Provided	2013 Utility Allocations		
	SDG&E	SoCalGas	Total Utilities
A Finance	15,870	13,072	28,942
B Legal, Compliance and Governance	14,071	8,121	22,192
C Human Resources & Administration	6,565	9,018	15,583
D Corporate Strategy & External Affairs	1,610	1,546	3,156
E Facilities and Assets	2,551	1,786	4,337
F Pension & Benefits	13,728	11,852	25,580
Total	54,395	45,396	99,791

Escalated(\$ - thousands)

Services Provided	2014 Utility Allocations		
	SDG&E	SoCalGas	Utilities
A Finance	15,119	14,935	30,055
B Legal, Compliance and Governance	14,418	8,761	23,179
C Human Resources & Administration	5,873	9,305	15,178
D Corporate Strategy & External Affairs	1,634	1,715	3,350
E Facilities and Assets	2,594	1,736	4,330
F Pension & Benefits	15,009	14,247	29,256
Total	54,647	50,699	105,346

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SDG&E and SoCalGas Response 19 Continued:

<i>Escalated(\$ - thousands)</i>	2015 Utility Allocations		
<u>Services Provided</u>	<u>SDG&E</u>	<u>SoCalGas</u>	<u>Utilities</u>
A Finance	16,304	16,760	33,064
B Legal, Compliance and Governance	17,855	8,580	26,435
C Human Resources & Administration	6,151	10,385	16,536
D Corporate Strategy & External Affairs	1,696	1,825	3,522
E Facilities and Assets	3,429	3,187	6,616
F Pension & Benefits	15,201	15,461	30,662
Total	60,635	56,199	116,834

<i>Escalated(\$ - thousands)</i>	2016 Utility Allocations		
<u>Services Provided</u>	<u>SDG&E</u>	<u>SoCalGas</u>	<u>Utilities</u>
A Finance	16,171	15,989	32,161
B Legal, Compliance and Governance	14,842	10,321	25,162
C Human Resources & Administration	5,742	9,671	15,413
D Corporate Strategy & External Affairs	1,674	1,867	3,542
E Facilities and Assets	5,796	6,736	12,533
F Pension & Benefits	14,976	15,685	30,662
Total	59,202	60,270	119,472

<i>Escalated(\$ - thousands)</i>	2017 Utility Allocations		
<u>Services Provided</u>	<u>SDG&E</u>	<u>SoCalGas</u>	<u>Utilities</u>
A Finance	16,203	15,841	32,044
B Legal, Compliance and Governance	15,810	12,524	28,334
C Human Resources & Administration	8,052	13,709	21,761
D Corporate Strategy & External Affairs	1,844	2,121	3,964
E Facilities and Assets	6,943	7,513	14,456
F Pension & Benefits	17,513	20,855	38,368
Total	66,365	72,563	138,928

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<i>Escalated(\$ - thousands)</i>	2018 Utility Allocations		
<u>Services Provided</u>	<u>SDG&E</u>	<u>SoCalGas</u>	<u>Utilities</u>
A Finance	14,682	15,526	30,208
B Legal, Compliance and Governance	13,615	12,557	26,171
C Human Resources & Administration	8,479	14,494	22,972
D Corporate Strategy & External Affairs	1,885	2,218	4,103
E Facilities and Assets	7,459	8,369	15,828
F Pension & Benefits	16,764	20,129	36,893
Total	62,884	73,292	136,176

<i>Escalated(\$ - thousands)</i>	2019 Utility Allocations Forecast		
<u>Services Provided</u>	<u>SDG&E</u>	<u>SoCalGas</u>	<u>Utilities</u>
A Finance	14,840	15,478	30,317
B Legal, Compliance and Governance	11,282	13,072	24,354
C Human Resources & Administration	8,537	14,603	23,140
D Corporate Strategy & External Affairs	1,921	2,303	4,224
E Facilities and Assets	7,494	8,615	16,109
F Pension & Benefits	16,912	20,456	37,368
Total	60,986	74,526	135,512