

Company: Southern California Gas Company (U 904 G)/San Diego Gas & Electric
Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-_____
Exhibit: SCG-30/SDG&E-28

SOCALGAS AND SDG&E
DIRECT TESTIMONY OF DEBBIE S. ROBINSON
(COMPENSATION AND BENEFITS)

October 6, 2017

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



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SUMMARY
TY 2019 Summary of Total Compensation and Benefits Costs
(Thousands of 2016 Dollars)

Southern California Gas Company				
	Adjusted Recorded 2016	Estimated 2017	Estimated 2018	Estimated 2019
Compensation	74,804	78,176	82,300	90,743
Health Benefits	84,627	83,696	92,885	105,050
Welfare Benefits	1,725	1,698	1,786	1,922
Retirement Benefits	23,913	24,704	25,592	27,629
Other Benefit Program and Fees	4,213	4,534	4,250	4,475
Total	189,282	192,808	206,813	229,819

San Diego Gas and Electric				
	Adjusted Recorded 2016	Estimated 2017	Estimated 2018	Estimated 2019
Compensation	75,857	74,674	76,607	80,617
Health Benefits	49,165	52,579	57,296	63,861
Welfare Benefits	701	737	776	833
Retirement Benefits	17,892	24,637	19,665	19,984
Other Benefit Program and Fees	1,648	1,798	1,535	1,595
Total	145,263	154,425	155,879	166,890

Summary of Requests

Overview of the total compensation and benefits program at Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) (collectively, the Utilities).

SoCalGas' and SDG&E's compensation and benefits programs include the following components:

- Base Pay;
- Variable Pay (short-term incentives);
- Long-term incentives;
- Special recognition awards;
- Health and welfare benefits;

- 1 • Retirement benefits; and
- 2 • Other benefit programs.

3 It also includes the results of the total compensation study conducted by Willis Towers
4 Watson (WTW), a nationally recognized compensation and benefits consulting firm, showing
5 our total compensation to be within 0.7% of market based on actual total compensation (using
6 actual ICP) and target total compensation (using target ICP) is within 1.2% of market at
7 SoCalGas and within 0.4% of market and target total compensation is within 1.5% of market at
8 SDG&E.

1 **SOCALGAS AND SDG&E DIRECT TESTIMONY**
2 **OF DEBBIE S. ROBINSON**
3 **(COMPENSATION AND BENEFITS)**
4

5 **I. INTRODUCTION AND SCOPE OF TESTIMONY**

6 My testimony provides an overview of the total compensation and benefits program at
7 Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E)
8 (collectively, the Utilities).

9 SoCalGas' and SDG&E's compensation and benefits programs include the following
10 components:

- 11 • Base Pay;
- 12 • Variable Pay (short-term incentives);
- 13 • Long-term incentives;
- 14 • Special recognition awards;
- 15 • Health and welfare benefits;
- 16 • Retirement benefits; and
- 17 • Other benefit programs.

18 It also includes the results of the total compensation study conducted by Willis Towers
19 Watson, a nationally recognized compensation and benefits consulting firm (the WTW Study).¹

20 Certain benefits are covered by other witnesses or in other exhibits:

- 21 • Long-term disability and workers' compensation are covered by Mary Gevorkian
22 (Exhibit SCG-32) and Tashonda Taylor (Exhibit SDG&E-30)
- 23 • Broad-based pension benefits and post-retirement benefits are presented in my
24 testimony on Pension and PBOPs (Exhibit SCG-31/SDG&E-29).

25 As noted in the Compliance testimony of Jamie York (Exhibit SCG-45/SDG&E-44), the
26 Commission has directed SoCalGas and SDG&E (in the final GRC Decision for Test Year (TY)
27 2016) to provide testimony in their TY 2019 General Rate Case (GRC) "regarding the actions
28 taken during the 2016-2018 GRC cycle, supported by relevant workpapers, data, company
29 documents, and reports ..." ² regarding 8 categories of information primarily related to

¹ The WTW Study is included as Appendix A (SoCalGas) and Appendix B (SDG&E).

² D.16-06-054 at 155.

1 compensation and risk management. Ms. York provides a description of these 8 requirements
2 and supports the information requested in items numbered 1 through 4 in D.16-06-54. The
3 information requested in items numbered 7 and 8 is provided in the Risk Management and Policy
4 testimony of Diana Day (Exhibit SCG-02/SDG&E-02, Chapter 1). I provide the information
5 requested in items numbered 5 and 6 in Section III.B, which describes the Utilities' ICP plans.

6 As summarized in Table DSR-1 and Table DSR-2 below, projected TY 2019
7 compensation and benefit program costs (excluding base pay and benefits covered in other
8 witness areas) are \$167 million for SDG&E and \$230 million for SoCalGas.
9

TABLE DSR-1

SDG&E - Compensation and Benefits Programs	Thousands of 2016 \$			
	2016	2017	2018	2019
Compensation:				
Non-Executive Variable Pay	\$62,488	\$61,210	\$63,053	\$66,718
Executive Variable Pay	\$4,128	\$4,020	\$4,020	\$4,020
Long-Term Incentive Plan (LTIP)	\$8,743	\$8,158	\$8,240	\$8,570
Spot Cash program	\$412	\$970	\$970	\$970
Employee Recognition program	\$86	\$316	\$324	\$339
<i>Subtotal</i>	<i>\$75,857</i>	<i>\$74,674</i>	<i>\$76,607</i>	<i>\$80,617</i>
Health Benefits:				
Medical	\$43,933	\$45,648	\$50,338	\$56,204
Dental	\$2,441	\$3,460	\$3,590	\$3,993
Vision	\$318	\$306	\$325	\$353
Wellness	\$791	\$1,359	\$1,066	\$1,117
EAP	\$278	\$262	\$273	\$291
Mental Health	\$1,404	\$1,544	\$1,704	\$1,903
<i>Subtotal</i>	<i>\$49,165</i>	<i>\$52,579</i>	<i>\$57,296</i>	<i>\$63,861</i>
Welfare Benefits:				
AD&D Insurance	\$74	\$85	\$90	\$96
Business Travel Insurance	\$25	\$26	\$26	\$27
Life Insurance	\$602	\$626	\$660	\$710
<i>Subtotal</i>	<i>\$701</i>	<i>\$737</i>	<i>\$776</i>	<i>\$833</i>
Retirement Benefits:				
Retirement Savings Plan	\$14,478	\$15,287	\$16,118	\$17,369
Nonqualified Retirement Savings Plan	\$225	\$230	\$237	\$245
Supplemental Pension	\$3,189	\$9,120	\$3,310	\$2,370
<i>Subtotal</i>	<i>\$17,892</i>	<i>\$24,637</i>	<i>\$19,665</i>	<i>\$19,984</i>
Other Benefit Programs and Fees:				
Benefits Administration Fees	\$669	\$807	\$655	\$667
Educational Assistance	\$441	\$456	\$476	\$508
Emergency Childcare	\$132	\$144	\$151	\$159
Mass Transit Incentive	\$71	\$80	\$82	\$86
Retirement Activities	\$209	\$209	\$76	\$67
Service Recognition	\$126	\$102	\$95	\$108
<i>Subtotal</i>	<i>\$1,648</i>	<i>\$1,798</i>	<i>\$1,535</i>	<i>\$1,595</i>
Total	\$145,263	\$154,425	\$155,879	\$166,890

TABLE DSR-2

SCG - Compensation and Benefits Programs	Thousands of 2016 \$			
	2016	2017	2018	2019
Compensation:				
Non-Executive Variable Pay	\$63,638	\$63,649	\$67,659	\$75,680
Executive Variable Pay	\$3,049	\$3,410	\$3,410	\$3,410
Long-Term Incentive Plan (LTIP)	\$7,587	\$9,548	\$9,643	\$10,029
Spot Cash program	\$431	\$978	\$978	\$978
Employee Recognition program	\$99	\$591	\$610	\$646
<i>Subtotal</i>	<i>\$74,804</i>	<i>\$78,176</i>	<i>\$82,300</i>	<i>\$90,743</i>
Health Benefits:				
Medical	\$78,922	\$76,043	\$84,678	\$96,023
Dental	\$2,587	\$4,180	\$4,517	\$5,052
Vision	\$575	\$534	\$572	\$629
Wellness	\$426	\$728	\$724	\$707
EAP	\$728	\$735	\$755	\$788
Mental Health	\$1,389	\$1,476	\$1,639	\$1,851
<i>Subtotal</i>	<i>\$84,627</i>	<i>\$83,696</i>	<i>\$92,885</i>	<i>\$105,050</i>
Welfare Benefits:				
AD&D Insurance	\$59	\$57	\$63	\$73
Business Travel Insurance	\$48	\$49	\$50	\$51
Life Insurance	\$1,618	\$1,592	\$1,673	\$1,798
<i>Subtotal</i>	<i>\$1,725</i>	<i>\$1,698</i>	<i>\$1,786</i>	<i>\$1,922</i>
Retirement Benefits:				
Retirement Savings Plan	\$21,351	\$21,822	\$23,191	\$25,409
Nonqualified Retirement Savings Plan	\$275	\$282	\$291	\$300
Supplemental Pension	\$2,287	\$2,600	\$2,110	\$1,920
<i>Subtotal</i>	<i>\$23,913</i>	<i>\$24,704</i>	<i>\$25,592</i>	<i>\$27,629</i>
Other Benefit Programs and Fees:				
Benefits Administration Fees	\$1,115	\$1,233	\$1,087	\$1,107
Educational Assistance	\$958	\$960	\$1,005	\$1,087
Emergency Childcare	\$188	\$197	\$206	\$217
Mass Transit Incentive	\$986	\$1,025	\$1,049	\$1,098
Retirement Activities	\$241	\$465	\$142	\$180
Service Recognition	\$254	\$181	\$267	\$254
Special Events	\$471	\$473	\$494	\$532
<i>Subtotal</i>	<i>\$4,213</i>	<i>\$4,534</i>	<i>\$4,250</i>	<i>\$4,475</i>
Total	\$189,282	\$192,808	\$206,813	\$229,819

1 **III. OVERVIEW OF TOTAL COMPENSATION PHILOSOPHY**

2 SoCalGas’ and SDG&E’s employees are critical to providing safe, efficient and reliable
3 service to their customers. SoCalGas’ and SDG&E’s total rewards programs are structured to
4 attract, motivate and retain a high-performing workforce. SoCalGas and SDG&E offer
5 competitive, market-driven total rewards programs that include base pay, variable pay (also
6 referred to as Incentive Compensation Plans or “ICP”), long-term incentives, recognition awards,
7 benefits, and retirement plans.

8 The compensation and benefits programs provided to SoCalGas and SDG&E employees,
9 retirees and their dependents reflect the impacts of the marketplace, collective bargaining and
10 government regulation. Compensation programs are designed to focus employees on the
11 companies’ key priorities, the most important of which is safety. As noted in the Risk
12 Management and Policy testimony of Diana Day (SCG-02/SDG&E-02, Chapter 1), safety is a
13 core value of SoCalGas and SDG&E, and a strong safety culture directly influences the safety
14 performance of an organization. SoCalGas’ and SDG&E’s strong safety culture is demonstrated
15 in my testimony, through the companies’ use of compensation metrics and key performance
16 indicators to drive improved safety performance. Both SoCalGas and SDG&E have increased
17 the weighting of their safety measures in variable pay plans over the past two years, such that
18 safety measures now comprise 70% of the company performance component. Benefit programs
19 that promote employee health and welfare also contribute to SoCalGas and SDG&E’s safety
20 performance and culture.

21 This holistic and competitive approach to total rewards has allowed SoCalGas and
22 SDG&E to maintain an experienced, productive workforce while maintaining a labor cost
23 structure that is in line with the market. The same approach to total rewards extends to the
24 Sempra Energy Corporate Center (SECC), ensuring that total compensation costs for the services
25 provided to SoCalGas and SDG&E by the SECC are reasonable and competitive.

26 **IV. SUMMARY OF WILLIS TOWERS WATSON TOTAL COMPENSATION**
27 **STUDY**

28 A total compensation study was conducted as part of SoCalGas’ and SDG&E’s TY 2019
29 General Rate Case submission in compliance with Commission Decisions D.87-12-066, D.89-
30 12-057, and D.96-01-011. For over 20 years, a Total Compensation Study has been prepared in
31 connection with each SoCalGas and SDG&E General Rate Case and the Office of Ratepayer

1 Advocates (ORA) has jointly sponsored and participated in the studies. SoCalGas and SDG&E
2 requested ORA's participation in the Total Compensation Study for the TY 2019 General Rate
3 Case as well, but ORA declined to participate.

4 The study was conducted to evaluate SoCalGas' and SDG&E's total compensation
5 relative to the external labor market. It includes a detailed analysis of "total compensation,"
6 which is defined as the aggregate value of annualized base pay, incentive compensation (short-
7 term and long-term) and benefits programs. For short-term incentive compensation, both actual
8 and target data were analyzed.

9 In selecting the vendor to conduct the Total Compensation Study, SoCalGas and SDG&E
10 sent Requests for Proposal (RFP) to three firms. Only two firms, WTW and Mercer, submitted
11 proposals for conducting the study. After evaluating each firm's experience conducting similar
12 studies, their proposed timelines and their fees, the SoCalGas and SDG&E team selected WTW
13 to conduct the study.

14 Even though ORA did not participate in the TY 2019 WTW Study, SoCalGas and
15 SDG&E applied a consistent methodology for the TY 2019 WTW Study as the one that was
16 applied in SoCalGas' and SDG&E's 2016 Total Compensation Study, in which ORA
17 participated. The TY 2019 WTW Study, which includes a detailed description of the study
18 methodology, is included as Appendix A (SoCalGas) and Appendix B (SDG&E).

19 **A. WTW Study Results:**

20 SDG&E's total compensation (defined as base salaries, short-term incentives, long-term
21 incentives and benefits) is within 0.4% of market based on actual total compensation (using
22 actual ICP) and target total compensation (using target ICP) is within 1.5% of market.
23 SoCalGas' actual total compensation is within 0.7% of market and target total compensation is
24 within 1.2% of market. The WTW Study results are summarized in Table DSR-2 below.

25 Compensation professionals, including WTW, typically consider a range of plus or minus
26 10 percent of the average of the external market data to be competitive and broader ranges are
27 common and expected for long-term incentive plans and benefits.

28 Towers Watson considers +/- 10 percent of the average or mean of the
29 competitive market to be the range of competitiveness. A range such as this is
30 generally considered by compensation professionals to be a standard of
31 competitiveness due to variances in employee performance levels, years of
32 experience, and tenure within and across organizations. For certain components of
33 compensation, such as long-term incentives and benefits, larger variances are

1 common. Because of the variables involved – matching benchmark jobs to
 2 survey information, matching career levels, sample size, and data quality issues –
 3 in a study such as this, a range should be considered in evaluating the
 4 competitiveness of compensation.³

5 Per the *World at Work Handbook of Compensation, Benefits and Total Rewards*, as a rule
 6 of thumb, salary information is expected to be reflective of the marketplace within plus or minus
 7 10 percent.⁴ As discussed above, using this competitive range takes into account differences in
 8 employee tenure, experience and performance, as well as potential job matching, sample size and
 9 data quality issues.

10 In D.95-12-055, the Commission affirmatively stated that compensation levels that fall
 11 between plus or minus five percent of the relevant market are considered to be “at market” and
 12 reasonable.

13 As shown in Table DSR-3 below, for both SoCalGas and SDG&E, Actual Total
 14 Compensation and Target Total Compensation fall within both the competitive range of plus or
 15 minus ten percent that is widely used by compensation professionals and the range of plus or
 16 minus five percent cited by the Commission in D.95-12-055.

17 **TABLE DSR-3**

Total Compensation vs. Market							
Company	Base Pay	Target Total Cash Compensation	Actual Total Cash Compensation	Benefits	Long-Term Incentives	Target Total Compensation	Actual Total Compensation
SDG&E*	-5.9%	-4.3%	-1.9%	13.6%	12.2%	-1.5%	0.4%
SCG*	-4.1%	-3.4%	-2.9%	10.9%	8.2%	-1.2%	-0.7%

18 *Includes Corporate Center. WTW Study results including and excluding Corporate Center are presented in Appendix A.

19 Tables DSR-4 and DSR-5 below present SDG&E’s and SoCalGas’ competitive status for
 20 each of the major elements of compensation by job category. The job categories and related
 21 compensation data also include a representation of Sempra Energy Corporate Center jobs that
 22 support SoCalGas and SDG&E. Corporate Center jobs were included in the WTW Study
 23 because, if the Corporate Center did not exist, SoCalGas and SDG&E would have to hire
 24 employees to perform the tasks.

³ WTW Study, p. 6.

⁴ *The World at Work Handbook of Compensation, Benefits & Total Rewards* (John Wiley & Sons, Inc. 2007), (*World at Work*), p. 148.

1 **TABLE DSR-4**

Job Category	SDG&E (Including Corporate Center Allocations) vs. Market									
	Total Employees in Benchmark Jobs	Total SDG&E Employee Population	Percentage of Total Represented by Benchmark Jobs	Base Salary	Target Total Cash Compensation	Actual Total Cash Compensation	Benefits	Long-Term Incentives	Target Total Compensation	Actual Total Compensation
Executive	7	16	41%	-9.8%	-14.0%	-2.6%	-1.4%	-12.6%	-12.7%	-6.7%
Manager/Supervisor	248	618	40%	-4.0%	-1.6%	4.3%	17.6%	22.5%	1.4%	6.4%
Professional/Technical	1,240	1,858	67%	-10.9%	-7.7%	-4.6%	14.1%	16.4%	-4.5%	-1.9%
Physical/Technical	925	1,166	79%	3.9%	1.8%	-0.8%	10.4%	N/A	3.2%	1.1%
Clerical	322	479	67%	-11.4%	-8.5%	-7.6%	13.3%	N/A	-4.6%	-3.8%
Total	2,743	4,137	66%	-5.9%	-4.3%	-1.9%	13.6%	12.2%	-1.5%	0.4%

2
3 **TABLE DSR-5**

Job Category	SCG (Including Corporate Center Allocations) vs. Market									
	Employees in Benchmark Jobs	Total SCG Employee Population	Total Represented by Benchmark Jobs	Base Salary	Target Total Cash Compensation	Actual Total Cash Compensation	Benefits	Long-Term Incentives	Target Total Compensation	Actual Total Compensation
Executive	7	18	39%	-5.8%	-8.2%	3.3%	4.6%	-2.8%	-5.1%	0.9%
Manager/Supervisor	282	982	29%	-7.3%	-4.4%	-0.9%	14.4%	20.3%	-1.5%	1.5%
Professional/Technical	1,251	2,124	59%	-10.6%	-6.6%	-3.7%	14.4%	13.9%	-3.6%	-1.1%
Physical/Technical	2,721	3,449	79%	0.7%	-1.4%	-4.2%	7.1%	N/A	0.1%	-2.2%
Clerical	635	845	75%	5.8%	2.1%	1.2%	8.9%	N/A	3.3%	2.6%
Total	4,896	7,417	66%	-4.1%	-3.4%	-2.9%	10.9%	8.2%	-1.2%	-0.7%

4
5
6 **V. COMPENSATION**

7 SoCalGas' and SDG&E's compensation packages include base pay, short-term incentive
8 compensation, long-term incentive compensation (for key management employees only) and
9 special recognition awards. It is essential that SoCalGas and SDG&E maintain their market
10 competitiveness in order to attract, retain and motivate their employees; and compensation is the
11 easiest element of the total rewards package for employees to evaluate in terms of the value of
12 the job or a job offer.

13 At SoCalGas and SDG&E, employee groups are described as Executive, Director,
14 Management, Associate and Union employees. Depending on the particular employee group, the
15 compensation and benefit plans may vary based on the overall compensation strategy, market
16 pay, and collective bargaining agreements.

17 **A. Base Pay**

18 Base pay is the foundation of SoCalGas' and SDG&E's compensation programs. It is the
19 most visible element of pay to employees. SoCalGas' and SDG&E's base pay programs are
20 structured to be competitive, internally equitable and cost effective. Pay structures for non-
21 represented jobs allow for individual differentiation based on an employee's performance, skills

1 and experience. Base pay and pay grades for represented jobs are subject to collective
2 bargaining agreements and are adjusted consistent with contract negotiations.

3 To ensure market pay ranges reflect the markets in which SoCalGas and SDG&E
4 compete for labor, the company participates in several survey databases sponsored by major
5 human resources consulting firms. Additional information on the compensation and benefits
6 review process is provided in Section VII.

7 **B. Incentive Compensation Plan (ICP)**

8 Variable pay, or short-term incentive compensation, is an essential component of a
9 competitive total compensation package for a number of reasons. Short-term incentive
10 compensation creates focus on and accountability for desired results, improves performance, and
11 facilitates ideas and operational improvements. Variable pay plans are a prevalent market
12 practice and are a key component of a competitive compensation package. According to Aon
13 Hewitt's 2013 U.S. Salary Increase Survey,⁵ short-term incentive compensation plans have
14 become the primary mechanism to pay for performance, with 90 percent of companies offering a
15 broad-based variable pay plan.

16 SoCalGas' and SDG&E's short-term ICP have been a longstanding part of the utilities'
17 total compensation strategies, for all of their non-represented workforce. ICP places a portion of
18 employee compensation at-risk, subject to achievement of the plan's performance measures,
19 motivating employees to meet or exceed important safety, customer service, supplier diversity,
20 reliability and financial goals.

21 **1. Non-Executive ICP**

22 All non-represented employees are eligible to participate in the ICP. Performance
23 measures are reviewed and updated annually. In early 2017, the leadership teams of SoCalGas
24 and SDG&E submitted the proposed 2017 ICP goals for approval by their respective boards of
25 directors. In early 2018, the 2017 ICP performance results will be approved by the boards. ICP
26 performance results are reviewed by the Sempra Energy Audit Services department prior to
27 board approval.

⁵ "Aon Hewitt Survey Shows 2014 Salary Increases to Reach Highest Levels Since 2008," Aon Hewitt Press Release, August 29, 2013, Lincolnshire, IL.

1 **a. Performance measures**

2 The SoCalGas and SDG&E ICP plans include a company performance component,
3 which trains employee focus on the achievement of company goals related to safety, reliability,
4 customer satisfaction and financial health. In addition, the plans include an individual
5 performance component, which is based on the employee’s contributions toward these company
6 goals and their achievement of their individual performance objectives. The company
7 performance component and individual performance component each are weighted at 50% of
8 employees’ target ICP award.

9 **b. Increased emphasis on safety measures**

10 Over the past two years, both SoCalGas and SDG&E have increased the emphasis on
11 employee and operational safety measures in their ICP plans. Safety is the top priority for
12 SoCalGas and SDG&E and this is reflected in the weighting of the safety measures in the 2017
13 ICP. As noted in the Risk Management and Policy testimony of Diana Day (SCG-02/SDG&E-
14 02, Chapter 1), a strong safety culture promotes strong safety performance:

15 Safety is a core value of the Utilities, as we “Treat safety as way of life.” We put
16 safety first and make zero the target for safety incidents every task, every job,
17 every day. Core values are those behaviors that define a company culture, and the
18 Commission has stated that “An effective safety culture is a prerequisite to a
19 utility’s positive safety performance record.”⁶

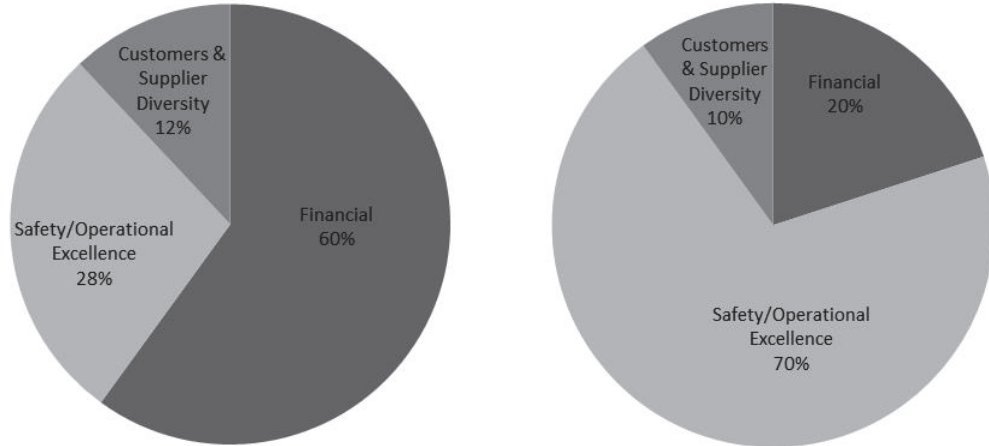
20 By placing increased emphasis on employee and operational safety measures in their ICP
21 plans, SoCalGas and SDG&E in turn bolster their already strong safety culture and safety
22 performance.
23

⁶ Exhibit SDG&E-02/SoCalGas-02, Chapter 1 (Day)(citing I.15-08-019, p. 4).

1 Safety measures make up 70% of the ICP's company performance component:

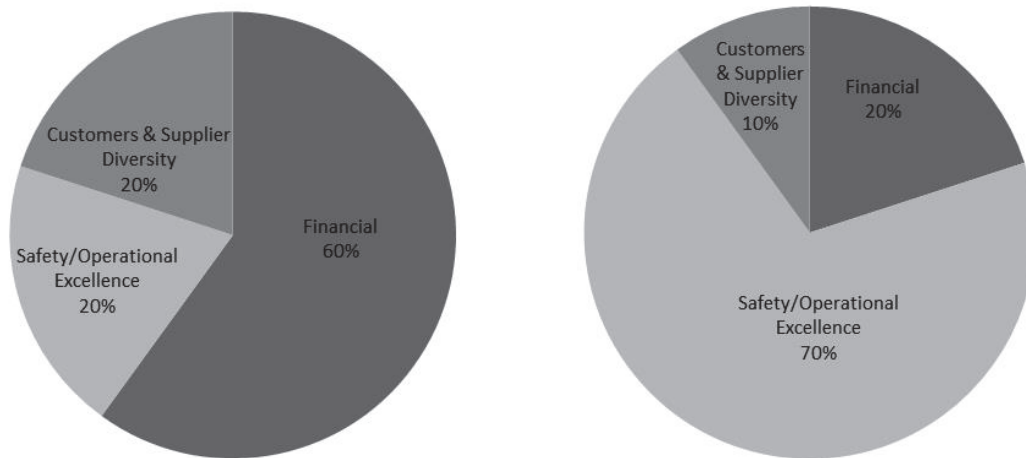
2 **FIGURE DSR-1**

2015 SDG&E Non-Executive ICP Company Performance Component **2017 SDG&E Non-Executive ICP Company Performance Component**



3 **FIGURE DSR-2**

4 **2015 SCG Non-Executive ICP Company Performance Component** **2017 SCG Non-Executive ICP Company Performance Component**



5
6 As shown in Figures DSR-1 and DSR-2 above, the ICP weighting for performance
7 measures related to safety has more than tripled since 2015. Providing even stronger alignment
8 between SoCalGas' and SDG&E's safety programs and the ICP helps to strengthen the
9 companies' safety culture and signal to employees that safety is the number-one priority. As the
10 Commission stated in D.16-06-054:

One of the leading indicators of a safety culture is whether the governance of a company utilizes any compensation, benefits or incentive to promote safety and hold employees accountable for the company's safety record.⁷

c. 2017 ICP Performance Measures

The performance measures for the 2017 SDG&E ICP are shown in Table DSR-6:

TABLE DSR-6

Performance Measure	Weighting as a % of Target
Safety and Public Safety Related Operational Measures	35%
<i>Gas Safety:</i>	
Pipeline Safety Enhancement Program (PSEP) <ul style="list-style-type: none"> • Miles of Pipe Remediated • Number of Valves Retrofitted 	8%
Distribution System Integrity: Miles of non-state-of-the-art pipe replaced	5%
Damage Prevention	5%
<i>Electric Safety:</i>	
System Average Duration Interruption Index (SAIFI)	2%
Worst Circuit: SAIDI	2%
Worst Circuit: SAIFI	2%
<i>Employee Safety:</i>	
Zero employee electric contacts	3%
Lost Time Incident (LTI) Rate	4%
Controllable Motor Vehicle Incidents (CMVI)	4%
Customer Service & Stakeholders	5%
Customer Connection Survey	2%
Overall Self-Service	2%
Supplier Diversity	1%
Financial Health	10%
SDG&E Earnings	6%
Sempra Energy Earnings	4%
Total Company Performance Component	50%
Total Individual Performance Component	50%

⁷ D.16-06-054, p. 153.

The performance measures for the 2017 SoCalGas ICP are shown in Table DSR-7:

TABLE DSR-7

Performance Measure	Weighting as a % of Target
Safety and Public Safety Related Operational Measures	35%
<i>Operational Safety:</i>	
Pipeline Safety Enhancement Program (PSEP)	
• Miles of Pipe Remediated	3%
• Number of Base Valves Retrofitted	3%
• Miles of Pipeline Projects Completed Close Out	2%
Damage Prevention – Damages per USA ticket rate	3%
Distribution System Integrity: Main and Service Replacement	3%
Incomplete Orders Reduction (Customer Service Field Efficiency)	2%
AMI – Advanced Meter Module Installations	
• Installations	3%
• Cost-cap Variance	2%
• Meters Advanced and Automated for Billing	2%
Storage Integrity Management Program (SIMP)	4%
<i>Employee Safety:</i>	
Lost Time Incident (LTI) Rate	4%
Controllable Motor Vehicle Incidents (CMVI)	4%
Customer Service & Stakeholders	5%
Customer Insight Study (CIS)	2%
Paperless Billing Increase	2%
Supplier Diversity	1%
Financial Health	10%
SoCalGas Earnings	6%
Sempra Energy Earnings	4%
Total Company Performance Component	50%
Total Individual Performance Component	50%

2. Executive ICP

SoCalGas’ and SDG&E’s executive ICP plans include operating and financial performance measures. The executive plans do not include an individual performance measure, although the SoCalGas and SDG&E boards of directors may adjust individual executive ICP awards in consideration of individual performance.

Consistent with the non-executive ICP, the emphasis on employee and operational safety measures has increased over the past two years.

1

TABLE DSR-8

SDG&E	Executive Plan		
	2015	2016	2017
Safety and Operational Excellence	19%	35%	50%
Customers and Supplier Diversity	11%	15%	10%
Financial Measures	60%	50%	35%
Strategic Priorities	10%		5%
Individual Performance			
	100%	100%	100%

SoCalGas	Executive Plan		
	2015	2016	2017
Safety and Operational Excellence	20%	35%	50%
Customers and Supplier Diversity	18%	15%	10%
Financial Measures	60%	50%	35%
Strategic Priorities	2%		5%
Individual Performance			
	100%	100%	100%

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The 2017 executive ICP performance measures related to safety, customer service and supplier diversity and financial health are the same measures shown in Tables DSR-6 and DSR-7 using the weighting shown in DSR-8. The executive ICP plans also include strategic goals, which are weighted at 5%. For SDG&E, these goals relate to SDG&E’s credit rating, cost of capital, clean transportation and energy storage. For SoCalGas, strategic goals also are weighted at 5% and include measures related to SoCalGas’ credit rating, cost of capital, completion of Fueling Our Future ideas, and optimization of capital investments and growth.

10

3. ICP Performance Goals Benefit Customers and the Community

11

a. Safety Performance Measures:

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The safety of our customers, employees and the communities served by SoCalGas and SDG&E has been and will always be our highest priority. The ICP safety goals support our safety culture by focusing on both operational and employee safety. Safety goals include:

15

Operational safety:

16

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18

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- Pipeline Safety Enhancement Program: PSEP-related ICP performance measures focus on meeting goals for pipeline testing and, when necessary, replacement or abandonment.

- 1 • Distribution System Integrity: The ICP performance measure related to
2 distribution system integrity focuses on meeting goals related to the
3 replacement or abandonment of non-state-of-the-art pipe.
- 4 • Damage Prevention: The Damage Prevention ICP measure focuses on
5 reducing the number of damages to SDG&E or SoCalGas below ground
6 facilities which result in a release of gas.
- 7 • System Average Interruption Duration Index (SAIDI) and Worst Circuit
8 (SAIDI and SAIFI) (SDG&E Only): ICP performance measures focus on
9 reducing the cumulative outage time or frequency experienced by SDG&E
10 customers in a year.
- 11 • Incomplete Orders Reduction (Customer Service Field Efficiency)
12 (SoCalGas Only): The Incomplete Orders Reduction ICP performance
13 measure focuses on reducing the number of repeat visits by Customer
14 Service Field by reducing incomplete orders.
- 15 • AMI – Advanced Meter Module Installation (SoCalGas Only): The AMI-
16 related ICP performance measures focus on meeting goals related to the
17 installation of advanced meters and migration of customers to automated
18 meter reading and billing while staying within the AMI project’s budget.
- 19 • Storage Integrity Management Program (SIMP) (SoCalGas Only): The
20 SIMP-related ICP performance measure focuses on meeting goals related
21 to the number of wells inspected under the SIMP program.

22 Employee Safety:

- 23 • Lost Time Incident Rate (LTI): The LTI-related ICP performance
24 measures focus on reducing the number of OSHA Recordable Injuries or
25 Illnesses resulting in lost time (time away from work).
- 26 • Controllable Motor Vehicle Incidents (CMVI): The CMVI-related ICP
27 performance measures focus on reducing the rate of controllable motor
28 vehicle incidents.
- 29 • Zero Employee Electric Contacts (SDG&E-only): This ICP performance
30 measure is achieved only if no employee makes a direct electrical contact
31 with any part of their body that results in a disfigurement, dismemberment
32 or extended hospitalization requiring substantial medical treatment.

33 **b. Customer and Supplier Diversity ICP Performance Measures:**

34 Customer and supplier diversity goals focus on providing high-quality efficient service to
35 our customers and working with a wide variety of diverse suppliers in procuring goods and
36 services.

- 1 • Customer Connection Survey (SDG&E Only): Measures quality of service for
2 customers who have transacted with SDG&E in 2017.
- 3 • Overall self-service (SDG&E Only): Measures the percentage of customers who
4 are able to complete their service request using the web or Interactive Voice
5 Response system.
- 6 • Customer Insight Study (SoCalGas Only): Measures customers' perception of
7 SoCalGas. ICP goal relates to the percentage of favorable ratings from residential
8 customers.
- 9 • Paperless Billing Increase (SoCalGas Only): Focuses on increasing the
10 percentage of customer accounts billed electronically (not receiving a paper bill).
- 11 • Supplier Diversity: Measures the Diverse Business Enterprise spend as a
12 percentage of overall spend.

13 **c. Financial Performance Measures:**

14 While SoCalGas and SDG&E have reduced the weighting of the financial performance
15 measures in the ICP, these performance measures remain an important tool to focus employees
16 on maintaining the financial health SoCalGas and SDG&E. These goals also benefit customers
17 through:

- 18 • Access to capital markets: Strong financial performance on a consistent basis
19 results in SoCalGas and SDG&E maintaining strong credit ratings. These credit
20 ratings enable the utilities to access capital markets (debt markets) at favorable
21 market rates to fund on-going operations and projects, thereby preserving their
22 high standards of service and safety and reliability while also providing the ability
23 to finance new customer-driven investments and initiatives authorized by the
24 Commission.
- 25 • Operating efficiencies carry forward to future GRCs: a large portion of
26 information considered in GRCs includes historical operating expenses. To the
27 extent that SoCalGas and SDG&E achieve optimal financial results due to
28 operating efficiencies (actual expenses being lower than expected), these
29 efficiencies would be reflected in the historical expenses being assessed in future
30 general rate cases and thus benefit ratepayers in the future.

1 **4. Non-Executive and Executive ICP Costs**

2 ICP costs were forecast using a five-year historical average. For each year, the recorded
 3 non-executive ICP cost was divided by the eligible headcount to calculate an average ICP award
 4 per employee. The five-year historical average ICP award per employee was then multiplied by
 5 the projected headcount to forecast the 2017, 2018 and 2019 ICP costs. The same approach was
 6 used to calculate the executive ICP cost.

7 In D.05-11-021, the Commission affirmed the use of a historical average as the basis for
 8 Southern California Edison’s (SCE) short-term incentive plan costs:

9 We find SCE’s argument that an historical average of this ratio⁸ is inappropriate
 10 to be unpersuasive – we disagree that 2008-2013 shows a clear trend. However,
 11 we do place weight on the results of the TCS [Total Compensation Study] and
 12 decline to adopt the deep cuts proposed by TURN and ORA. To calculate STIP
 13 forecast, we apply the 12.11% ratio of STIP to total labor, as calculated based on
 14 ORA’s proposed six-year average, to SCE’s total labor forecast, then reduce that
 15 amount by 10% to account for STIP payout criteria that are not appropriate to
 16 charge to ratepayers.⁹

17 SDG&E’s cost forecast for non-executive ICP is provided in Table DSR-9, and
 18 SoCalGas’ is provided in Table DSR-10, below:

19 **TABLE DSR-9**

SDG&E Non-Executive Variable Pay (ICP)	Thousands of 2016 \$				
	2016 Actual	Average 2012-2016	2017	2018	2019
Non-Executive Variable Pay	\$62,488	\$62,758	\$61,210	\$63,053	\$66,718

20 **TABLE DSR-10**

SCG Non-Executive Variable Pay (ICP)	Thousands of 2016 \$				
	2016 Actual	Average 2012-2016	2017	2018	2019
Non-Executive Variable Pay	\$63,638	\$58,263	\$63,649	\$67,659	\$75,680

21 SDG&E’s cost forecast for executive ICP is provided in Table DSR-11, and SoCalGas’ is
 22 provided in Table DSR-12, below:
 23
 24

⁸ SCE uses a ratio of recoded STIP (short-term incentive plan) costs to non-capital labor costs, applied to the test year labor forecast.

⁹ D.15-11.021, p. 265.

1 **TABLE DSR-11**

SDG&E Executive Variable Pay (ICP)	Thousands of 2016 \$				
	2016 Actual	Average 2012-2016	2017	2018	2019
Executive Variable Pay	\$4,128	\$3,913	\$4,020	\$4,020	\$4,020

3 **TABLE DSR-12**

SCG Executive Variable Pay (ICP)	Thousands of 2016 \$				
	2016 Actual	Average 2012-2016	2017	2018	2019
Executive Variable Pay	\$3,049	\$2,921	\$3,410	\$3,410	\$3,410

4
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6 **5. ICP Should be Fully Recoverable: Costs are Reasonable and**
7 **Performance Is Tied to Goals That Benefit Ratepayers**

8 The WTW Study found that total compensation for both SoCalGas and SDG&E is “at
9 market.” SDG&E’s total compensation is within 0.4% of market and SoCalGas’ total
10 compensation is within 0.7 percent of market, which is well within the guideline of the plus or
11 minus five percent previously established by the Commission as reasonable, as well as the plus
12 or minus ten percent typically used by compensation professionals as reasonable. Because
13 compensation costs are reasonable, full recovery of SoCalGas’ and SDG&E’s forecasted revenue
14 requirement for ICP is justified. Variable pay is an important part of a competitive compensation
15 package. As such, it should be treated no differently than base pay for recovery purposes. The
16 Commission held in D.03-02-035 that “the utility is entitled to all of its reasonable costs and
17 expenses, as well as an opportunity to earn a rate of return on the utilities rate base.”

18 In past decisions (e.g., D.92-12-057, D.04-07-022 and D.93-12-043), the Commission
19 concluded that “... incentive pay is part and parcel of the overall compensation scheme,” and
20 that “... the allocation of total cash compensation between salaries and incentives should be left
21 to each utility’s discretion.”¹⁰

22 D.04-07-022 supported this result, quoting D.92-12-057 for the conclusion that it is
23 “clear how the issue of incentive compensation programs should be handled.”¹¹ This point is
24 further illustrated in D.04-07-022 for Southern California Edison:

¹⁰ D.92-12-057, Cal. PUC LEXIS 971 at *126 (quoting consensus report of workshops conducted by Commission staff).

¹¹ D.04-07-022, p. 206 (quoting D.92-12-057, 1992 Cal. PUC LEXIS 971 at *126).

1 We also note that it would be within SCE’s managerial discretion to offer all cash
2 compensation to employees in the form of base pay instead of a mix of base pay
3 and incentive pay. In the event SCE were to do so, we would not take issue with
4 ratepayer funding of the resulting compensation as long as total compensation is
5 reasonable. If total compensation does not exceed market levels, a disallowance
6 of reasonable expenses for the Results Sharing program would in effect be a
7 substitution of our judgment for that of SCE managers regarding the appropriate
8 mix of base and incentive pay. That is the sort of micromanagement that the
9 Commission rejected in D.92-12-057, and that we reject here.¹²

10 In its decision on SoCalGas’ 2008 General Rate Case (D.08-07-046), the Commission
11 stated in dicta that incentive compensation should be funded by ratepayers if it is part of a
12 reasonable total compensation package:

13 Because total compensation is reasonable, (defined as prevailing market rates for
14 comparable skills) the ratepayers should reasonably fund a revenue requirement
15 that includes the full market-based employee compensation for the adopted levels
16 of staff. Thus, there is no basis to exclude the incentive component and force
17 shareholders to assume a portion of the reasonable cost of employee
18 compensation. *We find no merit in DRA’s argument that shareholders should*
19 *fund any portion of the incentive portion of market-based employee*
20 *compensation.* We do not agree that incentives solely benefit the company: if
21 employees work harder or smarter to earn incentives (even just to achieve the
22 target incentives) then ratepayers should benefit too.¹³

23 Further:

24 Finding of Fact 23: The incentive compensation of certain employees is an
25 integral part of employee total compensation. Total compensation studies show
26 both SoCalGas and SDG&E are at-market. Incentive compensation is reasonably
27 included in the test year forecast.¹⁴

28 Although the compensation section of D.08-07-046 was later deleted,¹⁵ on grounds that
29 the final decision in that case was the result of a settlement,¹⁶ the premise in the above quotes
30 remains the same. The Commission sets rates based on the well-established principle that a
31 “utility is entitled to *all* of its reasonable costs and expenses, as well as an opportunity to earn a

¹² D.04-07-022, p. 217.

¹³ D.08-07-046, p. 22 (*emphasis added*).

¹⁴ D.08-07-046, p. 92, Finding of Fact 23.

¹⁵ D.09-06-052, OP 2.m.

¹⁶ D.09-06-052, p. 13, fn 22; *see also* D.09-06-052, p. 14.

1 rate of return on the utilities' rate base."¹⁷ This principle should apply no differently to
2 compensation than to any other reasonable business cost that the Utilities must incur. Variable
3 pay, or ICP, is part of a reasonable, market-based total compensation package, and SoCalGas
4 should receive full cost recovery for this program. The variable, performance-based nature of
5 ICP, as compared to a static base salary, provides additional benefits to customers, by
6 incentivizing employees to focus on achieving beneficial goals related to safety, reliability,
7 customer service, supplier diversity and company financial goals.

8 **C. Long-Term Incentive Compensation**

9 Long-term incentives are an integral component of a competitive compensation program
10 for key management and executive employees. According to the 2016 Aon Hewitt U.S. Total
11 Compensation Measurement Executive Compensation Policies and Programs survey, 89 percent
12 of the 476 companies participating in the survey provide long-term incentives to their leadership
13 teams. Consistent with the external labor market, SoCalGas' and SDG&E's compensation
14 philosophy ties a greater portion of pay to company performance at higher levels of
15 responsibility. Long-term incentives make up 11 percent to 51 percent of total target
16 compensation (which includes base, short-term incentive and long-term incentive pay) for key
17 management employees and officers.

18 The WTW Study found that SoCalGas' and SDG&E's total compensation is reasonable
19 and at market. Without long-term incentives, compensation for executive and other senior
20 management employees would be significantly below market.

21 **1. Long-Term Incentive Program Benefits SoCalGas and SDG&E** 22 **Customers**

23 A strong, stable leadership team is essential to delivering safe, reliable service to our
24 customers while maintaining efficient, financial sound operations. Long-term incentives are
25 critical to the attraction, motivation and retention of a skilled, experienced leadership team. The
26 three-year performance period for long-term incentives makes them a particularly powerful
27 retention tool.

¹⁷ D.03-02-035 (emphasis added); *see also* D.14-08-011, at 31 (“[T]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of the property devoted to public use[.]”).

2. Long-Term Incentive Program Design

Long-term incentive awards promote strong, sustainable long-term performance. The actual compensation realized by participants is dependent on Sempra Energy's performance. Long-term incentives awards are granted under the Sempra Energy Long Term Incentive Plan, in the form of performance-based restricted stock units and service-based restricted stock units.

Awards consist of three components:

- performance-based restricted stock units based on Sempra Energy's total shareholder return relative to the utilities in the S&P 500 Utilities index and the S&P 500 Index;
- performance-based restricted stock units based on Sempra Energy's Earnings Per Share growth over a three-year period; and
- service-based restricted stock units (does not apply to certain executive officers).

Award levels are set based on a review of total compensation for eligible employees compared to the external market. The Compensation Committee of the Sempra Energy Board of Directors approves participation and award levels. Long-term incentives are a powerful retention tool. Awards are forfeited upon termination of employment prior to vesting, unless such termination is by reason of death, disability or retirement.

3. Long-Term Incentive Costs:

Long-term incentive plan costs are based on the accounting expense incurred for awards issued to SoCalGas and SDG&E employees. Long-term incentive plan costs are summarized in Table DSR-13 for SDG&E and Table DSR-14 for SoCalGas:

TABLE DSR-13

SDG&E - Long-Term Incentive Plan (LTIP)	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Long-Term Incentive Plan	\$8,743	\$8,158	\$8,240	\$8,570

TABLE DSR-14

SCG - Long-Term Incentive Plan (LTIP)	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Long-Term Incentive Plan	\$7,587	\$9,548	\$9,643	\$10,029

1 **D. Special Recognition Awards**

2 **1. Spot Cash and Employee Recognition Programs**

3 SoCalGas and SDG&E use special recognition awards to reward individual employees
4 and teams for outstanding achievements, exceptional customer service, and process
5 improvements and innovations. Recognition awards, which may be financial or non-financial,
6 are a key means of recognizing and rewarding high-performing employees and teams.

7 Special recognition awards provide managers with a means to immediately acknowledge
8 and reinforce outstanding achievements. Typical awards include spot cash or small non-cash
9 recognitions such as restaurant gift cards, movie passes or similar awards.

10 Recognition awards are an important component of a competitive compensation package.
11 According to a 2015 *World at Work* survey “Trends in Employee Recognition,”¹⁸ approximately
12 89 percent of companies offer recognition programs. Companies use these programs to motivate
13 high performance and create a positive work environment.

14 SoCalGas and SDG&E maintain two special recognition programs, the Spot Cash Award
15 program and the Employee Recognition program:

- 16 • The Spot Cash Awards program is used to provide cash awards. From 2012
17 through June 2017, the average of spot cash awards for both companies was
18 approximately \$1,900. Awards typically range from \$250 to \$10,000.
- 19 • The Employee Recognition program is used to provide nominal non-cash awards,
20 generally valued at \$100 or less. Typical awards include gift cards, movie tickets
21 and tickets to sporting events.

22 SoCalGas and SDG&E have formal policies that govern both the Spot Cash Award
23 program and the Employee Recognition program to monitor the administration and budgeting of
24 the awards.

25 **2. Special Recognition Award Cost Forecasts**

26 Spot Cash awards were forecast based on a five-year historical average and are expected
27 to remain flat. Amounts shown for 2016 Actual exclude \$3.34 million in overtime costs related
28 to the Aliso Canyon Storage Facility gas leak incident. Employee Recognition programs were

¹⁸ Trends in Employee Recognition, A Report by World at Work and Underwritten by the ITA Group, May 2015, p. 3.

1 forecast at \$75 per non-executive employee. Costs are summarized in Table DSR-15 for
 2 SDG&E and Table DSR-16 for SoCalGas:

3 **TABLE DSR-15**

SDG&E Special Recognition Programs	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Spot Cash program	\$412	\$970	\$970	\$970
Employee Recognition program	\$86	\$316	\$324	\$339
Total	\$498	\$1,286	\$1,294	\$1,309

5 **TABLE DSR-16**

SCG Special Recognition Programs	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Spot Cash program	\$431	\$978	\$978	\$978
Employee Recognition program	\$99	\$591	\$610	\$646
Total	\$530	\$1,569	\$1,588	\$1,624

6 **E. Summary – Compensation Programs**

7 SoCalGas' and SDG&E's compensation programs have been very effective in controlling
 8 labor costs through a combination of conservative base pay practices and effective performance-
 9 based incentive rewards. SoCalGas' and SDG&E's performance-based Variable Pay plans focus
 10 employees on safety (both employee safety and operational safety), reliability, customer service
 11 and efficient, financially sound operations. Costs for these programs are at-market and
 12 reasonable, as evidenced by the results of the WTW Study.

13 Projected costs for SoCalGas' and SDG&E's incentive and recognition pay programs are
 14 summarized in Table DSR-17 and DSR-18 below:

16 **TABLE DSR-17**

SDG&E - Summary of Pay Programs	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Non-Executive Variable Pay	\$62,488	\$61,210	\$63,053	\$66,718
Executive Variable Pay	\$4,128	\$4,020	\$4,020	\$4,020
Long-Term Incentive Plan	\$8,743	\$8,158	\$8,240	\$8,570
Spot Cash program	\$412	\$970	\$970	\$970
Employee Recognition program	\$86	\$316	\$324	\$339
Total	\$75,857	\$74,674	\$76,607	\$80,617

1 **TABLE DSR-18**

SCG - Summary of Pay Programs	Thousands of 2016 \$			
	2016 Actual	2017	2018	2019
Non-Executive Variable Pay	\$63,638	\$63,649	\$67,659	\$75,680
Executive Variable Pay	\$3,049	\$3,410	\$3,410	\$3,410
Long-Term Incentive Plan	\$7,587	\$9,548	\$9,643	\$10,029
Spot Cash program	\$431	\$978	\$978	\$978
Employee Recognition program	\$99	\$591	\$610	\$646
Total	\$74,804	\$78,176	\$82,300	\$90,743

2
3
4 **VI. EMPLOYEE BENEFITS**

5 **A. Overview**

6 Benefit programs are a critical component of a competitive total rewards program.
7 SoCalGas and SDG&E offer comprehensive and balanced employee benefits programs that
8 include:

- 9 • Health benefits: medical, dental, vision, wellness, employee assistance program
10 (EAP), and mental health and substance abuse benefits;
- 11 • Welfare benefits: long-term disability, workers' compensation, life insurance,
12 accidental death and dismemberment (AD&D) insurance, and business travel
13 accident insurance;
- 14 • Retirement benefits: pension and retirement savings plans; and
- 15 • Other Benefit Programs.

16 Certain benefits are covered in other volumes. I cover broad-based pension benefits and
17 post-retirement benefits in Exhibit SCG-31/SDG&E-29 and, and Tashonda Taylor and Mary
18 Gevorkian cover long-term disability and workers compensation benefits in Exhibits SDG&E-30
19 and SCG-32, respectively.

20 The company monitors its benefit programs on an ongoing basis to ensure the appropriate
21 balance between benefit cost and maintaining a competitive position in the market. Cost
22 projections for the various benefit components reflect increases or decreases attributable to
23 benefit cost inflation, legislative and regulatory requirements, changes in the size of the
24 workforce and plan design changes. My workpapers (Exhibits SDG&E-28-WP and SCG-30-
25 WP), contain supporting documentation for each benefit category in my testimony.

1 SoCalGas and its employees share the cost of medical, dental, and vision insurance. The
 2 level of cost sharing between the company and employee varies depending on the type of benefit
 3 and the level of coverage selected. The company provides certain basic benefits at no cost to the
 4 employee including basic life, basic accidental death and dismemberment, long-term disability,
 5 employee assistance, and business travel accident insurance. Employees may also participate in
 6 several other benefit plans by paying the full cost through payroll deductions. These additional
 7 benefit choices include group variable universal life insurance, long-term care insurance, health
 8 care flexible spending, dependent care flexible spending and transportation flexible spending.

9 Health and welfare benefits are provided to employees under an Internal Revenue Code
 10 (IRC) Section 125 cafeteria plan. The cafeteria plan provides employees with a tax-advantaged
 11 means of selecting the benefits that best suit their needs.

12 Retirement benefits are earned during the employee’s working career and distributed
 13 following termination or retirement. Retirement benefits are tax-deferred while they are working
 14 and therefore allow employees to accumulate resources to support them during their retirement
 15 years.

16 **B. Health Benefits**

17 SoCalGas and SDG&E provide employees with group health benefits including medical,
 18 dental, vision, employee assistance, mental health and substance abuse and wellness plans.

19 **1. Medical**

20 As shown in Table DSR-19 and Table DSR-20 below, SDG&E’s forecasted TY 2019
 21 medical expense is \$56.204 million and SoCalGas’ is \$96.023 million. The increase between
 22 2016 and 2019 costs reflects forecasted medical rate escalation, as well as anticipated changes in
 23 headcount.

24 **TABLE DSR-19**

SDG&E - Medical	Thousands of 2016 \$			
	2016	2017	2018	2019
Medical Expense	\$43,933	\$45,648	\$50,338	\$56,204

26 **TABLE DSR-20**

SCG - Medical	Thousands of 2016 \$			
	2016	2017	2018	2019
Medical Expense	\$78,922	\$76,043	\$84,678	\$96,023

1 **a. Medical Plan Overview:**

2 SoCalGas and SDG&E offer several medical plan designs to meet the varying needs of
3 employees and their dependents and consistent with its collective bargaining agreements. These
4 include:

- 5 • Health Maintenance Organizations (HMOs): Anthem and Kaiser Permanente
6 HMOs;
- 7 • Health Care Plus⁺: Anthem high-deductible health plan with health savings
8 account; and
- 9 • Anthem Out-of-Area.

10 SoCalGas and SDG&E monitor medical plan performance and costs, as well as new plan
11 offerings from our medical insurance carriers. For example, over the past five years, SoCalGas
12 and SDG&E introduced Anthem Health Care Plus⁺ with a health savings account and
13 discontinued the Anthem Point of Service and Anthem SafetyNet plans. While all of these plans
14 offer access to both in-network and out-of-network providers, the Anthem HealthCare Plus⁺
15 plan's high deductible and co-insurance features encourage employees to actively manage their
16 healthcare choices and costs. In 2018, a new Anthem HMO will be introduced and the Anthem
17 HMO with Scripps will be discontinued. The new HMO will focus on delivery of high-quality
18 health care while controlling costs through its selection of network providers and its plan design.

19 In addition to adding or discontinuing medical plans, SoCalGas and SDG&E have made
20 changes to plan designs and plan funding to mitigate healthcare cost increases. For example,
21 HMO co-pays for office visits, emergency room and urgent care visits were increased in 2016.¹⁹
22 In 2017, the Anthem HealthCare Plus⁺ and Out of Area plans were migrated from a fully-insured
23 funding structure to a self-insured design, and pharmacy benefits were carved out and contracted
24 through Express Scripts²⁰.

¹⁹ Excludes SCG represented employees due to existing collective bargaining agreements.

²⁰ The transition of the Anthem HealthCare Plus⁺ and Out of Area to a self-insured design and the pharmacy carve out, along with similar transitions of dental and vision plans to self-insured designs, were included in the Fueling Our Future initiative. Exhibits SDG&E-28WP and SCG-30WP provide information on the cost avoidance associated with these changes.

1 **b. Health Maintenance Organizations:**

2 SoCalGas and SDG&E offer three HMO plans, two Anthem HMOs and one HMO
3 through Kaiser Permanente. HMOs promote preventative care and early identification and
4 treatment of health conditions. Annual physical examinations, screening tests and wellness
5 programs are emphasized in support of this objective.

6 Upon enrollment in an HMO, employees select a primary care physician. All care is
7 coordinated through the primary care physician. Managing access to specialized care promotes
8 more efficient utilization of the medical system. This helps control costs and often generates
9 better medical outcomes. Services are accessed through a closed provider network, or in the case
10 of Kaiser Permanente, an integrated staff model network. Generally, HMOs manage costs by
11 compensating providers based on a fixed annual rate rather than the actual cost of medical
12 services provided to participants.

13 **c. Health Care Plus+ High-Deductible Health Plan with Health**
14 **Savings Account**

15 The Anthem Health Care Plus+ plan is a high-deductible health plan. The insured
16 employee or dependent is responsible for all healthcare costs until the annual deductible has been
17 met. Preventative care, such as annual physical exams and well-baby care is fully covered by the
18 plan and is not subject to the deductible. After the deductible has been met, the plan and the
19 participant share the cost of covered services. If total cost for covered services exceeds the
20 plan's annual out of pocket maximums, the plan pays 100 percent. In order to encourage the use
21 of Anthem network providers, deductibles, coinsurance (participant cost sharing for claims), and
22 out of pocket maximums are lower for network providers and higher for non-network providers.

23 Participants in the Health Care Plus+ plan are eligible to participate in a health savings
24 account. A health savings account is a tax-advantaged combined checking and investment
25 account that may be used to reimburse participants for qualified medical expenses.

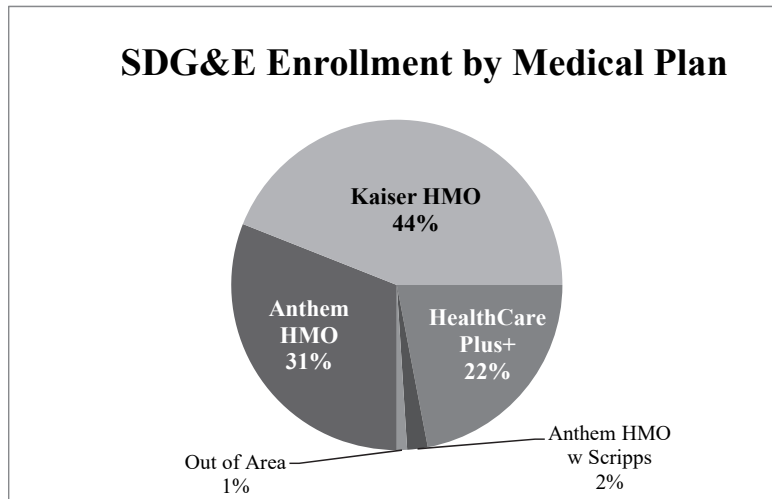
26 **d. Anthem Out of Area Plan:**

27 The Out of area plan provides coverage within the Anthem network or through non-
28 network health care facilities. Out-of-pocket costs are lower if a network provider is used. The
29 Out of Area plan is only offered to employees who do not reside in an area covered by a HMO.

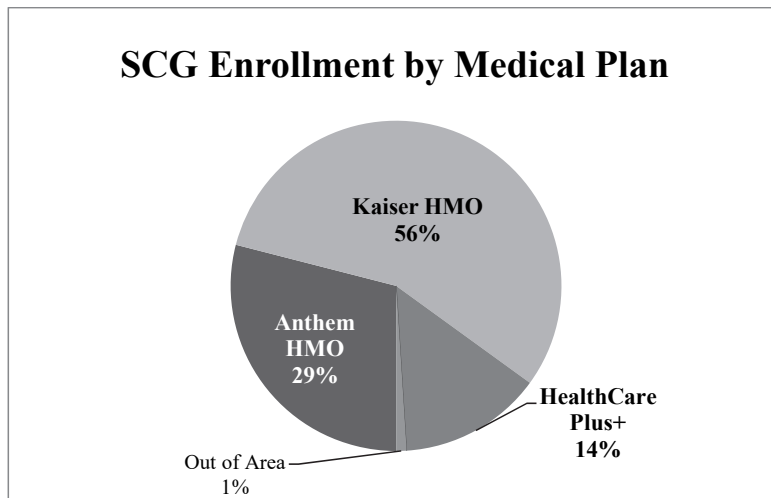
1 **e. Medical Plan Enrollment:**

2 Ninety percent of SDG&E's employees and 87 percent of SoCalGas' employees are
3 covered under the company's medical plans. Enrollment for each medical plan is shown in
4 Figure DSR-3 and DSR-4 below. Seventy-seven percent of covered SDG&E employees and 86
5 percent of covered SoCalGas employees are enrolled in HMO plans. The high HMO enrollment
6 level is indicative of the cost-effectiveness of the plan design and the long-established network of
7 managed care facilities in California.
8

8 **Figure DSR-3**



10 **Figure DSR-4**



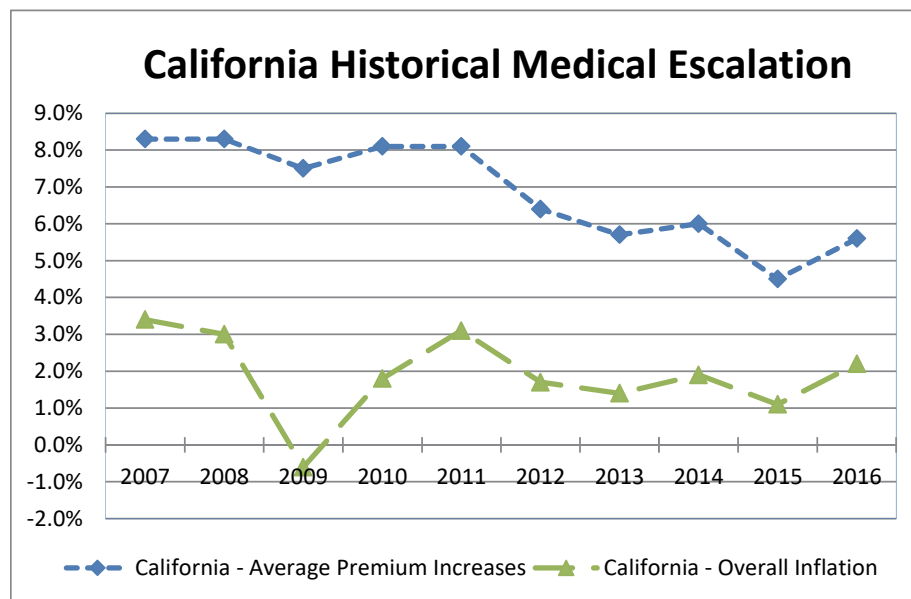
12 SDG&E's and SoCalGas' HMO enrollment level of 77 and 86 percent, respectively, far
13 exceeds the nationwide average. According to the 2016 Kaiser Family Foundation Employee

1 Health Benefits survey,²¹ 15 percent of covered workers are enrolled in HMOs, while 48 percent
2 are enrolled in preferred provider organizations, 29 percent in high deductible health plans, 9
3 percent in point-of-service plans, and less than 1 percent in indemnity plans. Regional data for
4 the Western U.S. reflects HMO enrollment of 30 percent, but still falls far below SoCalGas' and
5 SDG&E's HMO enrollment.

6 **f. Medical Cost Trends**

7 Healthcare costs continue to increase at rates much higher than general inflation.
8 According to the 2017 California Employer Health Benefits Survey, health insurance premiums
9 increased by 234 percent between 2002 and 2016 – nearly six times the state's overall
10 cumulative inflation of 40 percent. Annual premium increases in California have averaged 6.9
11 percent per year from 2007 through 2016.

12 **Figure DSR-5**



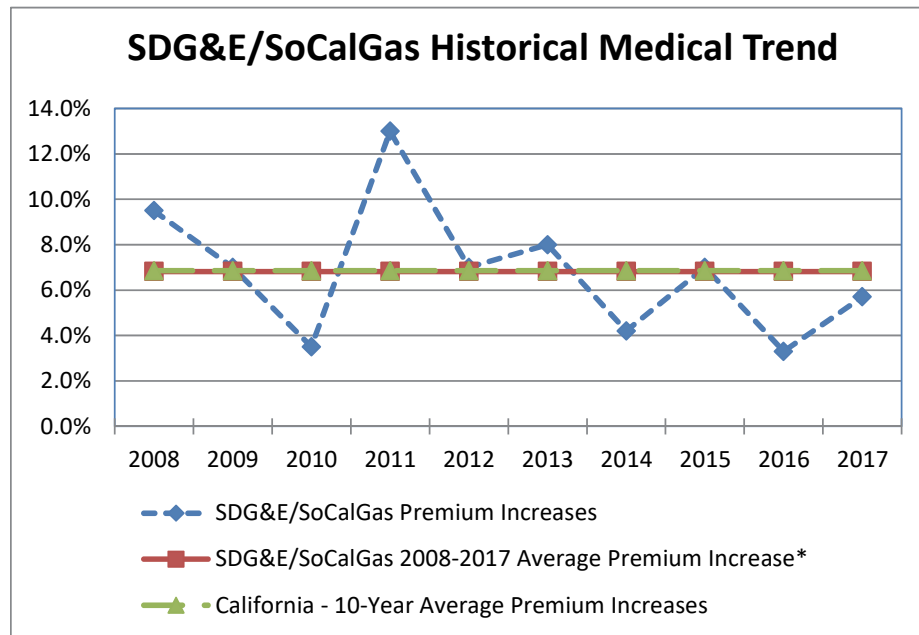
13 Source: California Employer Health Benefits Survey, March 2017

14 SoCalGas' and SDG&E's historical medical trend has followed a cyclical pattern.
15 However, SoCalGas' and SDG&E's ten-year average medical escalation of 6.8 percent
16 approximates California's ten-year historical average of 6.9 percent.
17
18

²¹ Employer Health Benefits Survey, The Kaiser Family Foundation and Health Research Educational Trust, 2016 Annual Survey, p. 78.

1

Figure DSR-6



*Based on final renewal contracts and enrollment at time of renewal.

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A number of factors contribute to healthcare premium increases, including workforce demographics (e.g., age, gender, family size and health care costs in specific geographic areas), utilization experience, pharmaceutical costs, medical technology enhancements, new treatment protocols, overall program efficiency, and legislative and regulatory changes.

9

Healthcare reform legislation, the Patient Protection and Affordable Care Act, includes several provisions that place upward pressure on group health insurance premiums, including:

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- Dependent coverage through age 26;
- Prohibition of annual and lifetime coverage limits; and
- Preventative services and immunizations must be provided with no cost sharing (i.e., co-payments and deductibles).

15

The medical trend forecast was prepared by WTW, SDG&E's and SoCalGas' actuary and benefits broker. WTW considered California and national data and prepared a forecast specifically for SDG&E and SoCalGas, taking into account workforce demographics, historical utilization data, and medical plan design. Projected rate increases for 2018 and 2019 are 8.0 percent and 7.0 percent, respectively.

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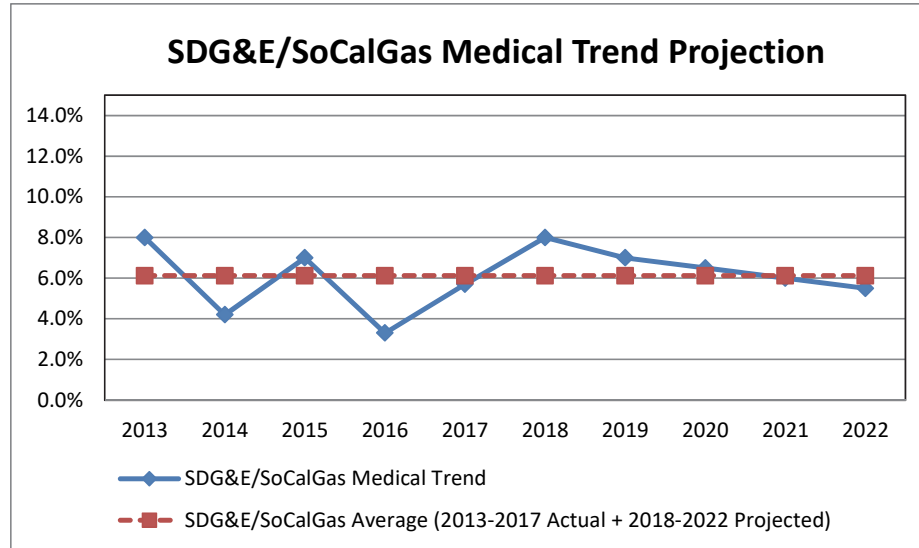
18

19

1 **g. Post-Test Year Medical Cost Escalation:**

2 Projected post-test year increases decline from 6.5 percent in 2020 to 6.0 percent in 2021
3 and 5.5 percent in 2022. The same factors that contribute to cost increases in 2016 through 2019
4 will continue to drive post-test year rate increases.

5 **Figure DSR-7**

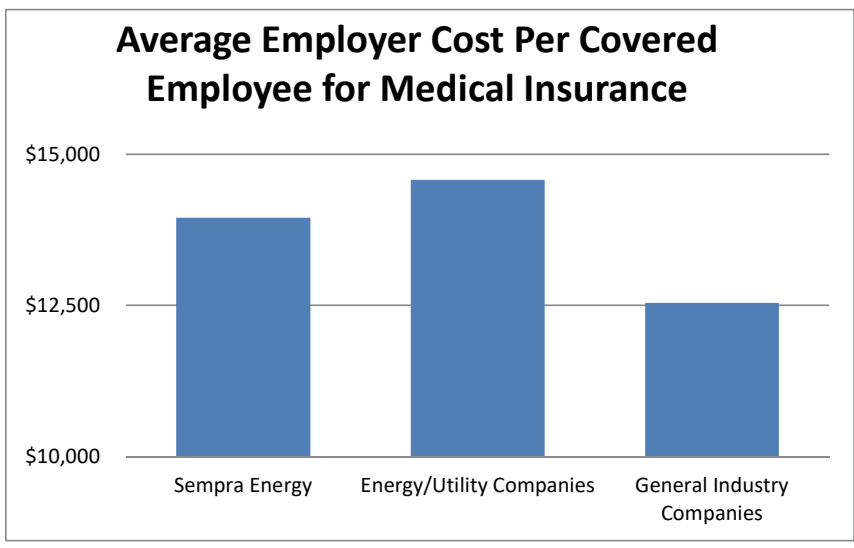


6
7
8 **h. Medical Cost Per Employee**

9 Medical benefits represent one of the largest and most important non-cash components of
10 a competitive compensation and benefits package. Despite significant increases in annual
11 premium costs, the company's strategies have been successful in maintaining a competitive
12 position compared to the marketplace. The company's average medical cost per covered
13 employee was \$13,948, compared to \$14,576 for energy/utility companies and \$12,542 for
14 general industry companies, according to WTW's 2017 High Performance Insights in Health
15 Care Study. Compared to the average general industry employer in WTW's database,
16 SoCalGas' and SDG&E's workforces are slightly older, family size is slightly larger and there is
17 a lower ratio of female employees versus male employees. All of these factors tend to increase
18 medical premium costs.

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Figure DSR-8



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i. Employee Contributions

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The pricing of different medical plan options to employees is an important factor in determining overall cost results and influencing the behavior of employees as they consider various health care alternatives. SoCalGas’ and SDG&E’s employees share in the cost of the medical plan.

6

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9

Employees pay a portion of the medical premiums²², co-payments for office visits and prescriptions, and in some plans, deductibles and coinsurance. Sharing the plan expense with employees reduces the company’s cost, but more importantly, it promotes a better understanding of health care choices. The cost-sharing mechanisms encourage employees to take greater responsibility for their decisions at the point of care, including the selection of physicians, hospitals, outpatient clinics and pharmaceuticals.

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2. Dental

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As shown in Table DSR-21 and Table DSR-22 below, SDG&E’s and SoCalGas’ forecasted Test Year 2019 dental plan costs are \$3.993 million and \$5.052 million, respectively.

16

17

18

²² Refers to the premiums for insured plans and the premium equivalents for self-insured or minimum premium plans.

TABLE DSR-21

SDG&E - Dental	Thousands of 2016 \$			
	2016	2017	2018	2019
Dental Expense	\$2,441	\$3,460	\$3,590	\$3,993

TABLE DSR-22

SCG - Dental	Thousands of 2016 \$			
	2016	2017	2018	2019
Dental Expense	\$2,587	\$4,180	\$4,517	\$5,052

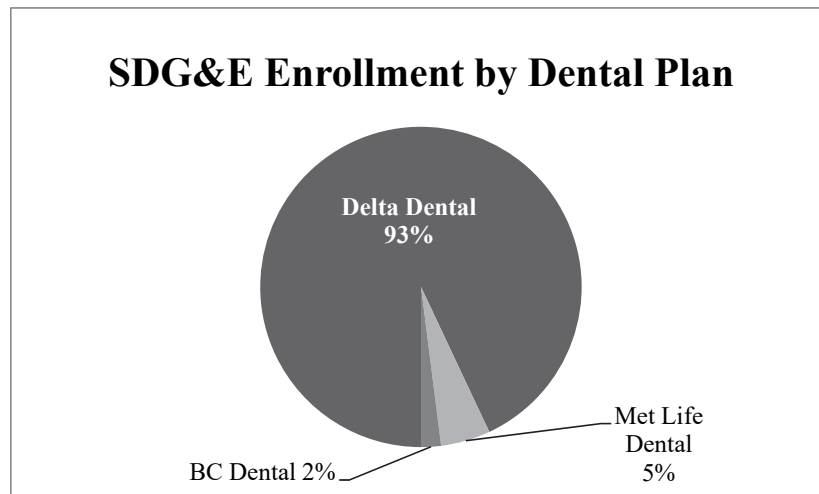
a. Dental Plan Overview:

SoCalGas and SDG&E offer the following dental plans to its employees and their eligible dependents:

- Delta Dental Plan;
- Met Life Safeguard Dental Plan; and
- Blue Cross Dental Net (SDG&E Represented Only).

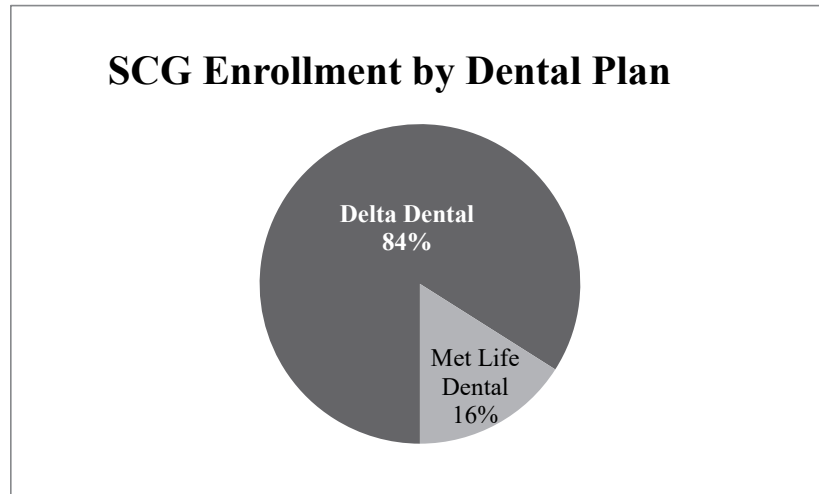
Ninety-three percent of SDG&E employees and 90 percent of SoCalGas are enrolled in a dental insurance plan. As shown in Figures DSR-9 and DSR-10, most employees elect to participate in the Delta Dental plan.

Figure DSR-9



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Figure DSR-10



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4 Employees enrolled in Delta Dental may select any dentist, but out-of-pocket costs are
5 lower if the employee selects a dentist within Delta Dental’s PPO network. The Met Life
6 (formerly Safeguard) dental plan and Blue Cross Dental Net are plans are Dental Maintenance
7 Organizations. Like a medical HMO, all care is coordinated through the employee’s primary
8 care dentist.

9 **b. Dental Cost Trends**

10 Costs for dental coverage are summarized above in Table DSR-21 and Table DSR-22.
11 2016 and 2017 costs reflect actual rates. 2018 and 2019 costs are based on 2017 rates adjusted
12 for projected inflation and changes in projected headcount.

13 **c. Dental Cost per Employee**

14 The company’s average dental cost of \$891 per covered employee approximates the 2017
15 benchmark average cost of \$867, as reported by Willis Towers Watson.

16 **d. Employee Contributions**

17 SoCalGas and SDG&E pays 80 percent of the premium²³ for the Delta Dental plan, while
18 employees pay the remaining 20 percent. SoCalGas and SDG&E pay the full premium²³ of the
19 Met Life and Blue Cross Dental Net DMO plans.

²³ Refers to the premiums for insured plans and the premium equivalents for self-insured plans.

1 **3. Vision**

2 As shown in Table DSR-23 and Table DSR-24 below, SDG&E’s and SoCalGas’
3 forecasted TY 2019 vision plan costs are \$353 thousand and \$629 thousand, respectively.

4
5 **TABLE DSR-23**

SDG&E - Vision	Thousands of 2016 \$			
	2016	2017	2018	2019
Vision Expense	\$318	\$306	\$325	\$353

6
7 **TABLE DSR-24**

SCG - Vision	Thousands of 2016 \$			
	2016	2017	2018	2019
Vision Expense	\$575	\$534	\$572	\$629

8
9
10 **a. Vision Plan Overview:**

11 SoCalGas and SDG&E offer employees vision coverage under the Vision Service Plan
12 (VSP). Employees enrolled in VSP may select any provider, but out-of-pocket costs are lower if
13 the employee selects a provider within VSP’s network. The plan provides a higher benefit if a
14 network provider is used, resulting in little or no expense above the co-payment.

15 **b. Vision Plan Costs:**

16 Costs for 2016 and 2017 reflect actual rates. 2018 and 2019 costs per covered employee
17 are forecasted based on 2017 costs, adjusted for projected inflation and changes in projected
18 headcount.

19 **c. Employee Contributions:**

20 SoCalGas and SDG&E pay the full premium²⁴ for employee-only coverage. Employees
21 are responsible for the full cost of dependent coverage.

22 **4. Wellness**

23 As shown in Table DSR-25 and Table DSR-26 below, SDG&E’s and SoCalGas’
24 forecasted TY 2019 wellness costs are \$1.117 million and \$707 thousand, respectively.

²⁴ Refers to the premium equivalent for this self-insured plan.

1 **TABLE DSR-25**

SDG&E - Wellness	Thousands of 2016 \$			
	2016	2017	2018	2019
Wellness	\$791	\$1,359	\$1,066	\$1,117

3 **TABLE DSR-26**

SCG - Wellness	Thousands of 2016 \$			
	2016	2017	2018	2019
Wellness	\$426	\$728	\$724	\$707

4
5
6 **a. Wellness Programs Overview:**

7 The objective of the SoCalGas and SDG&E wellness programs is to improve employee
8 health and productivity. Wellness programs promote healthy lifestyle changes and illness
9 prevention, facilitate early detection and management of illness and disease and help ensure that
10 employees diagnosed with health conditions receive optimal and effective treatment. Employers
11 are uniquely positioned to reach employees with these programs. Onsite programs, in particular,
12 provide convenient, easy access and encourage participation through peer and leadership
13 examples.

- 14 • Healthy Lifestyle and Illness Prevention: SoCalGas and SDG&E partner with
15 health care providers and non-profit agencies to offer classes and educational
16 materials to promote healthy behaviors to prevent illness. Current programs
17 include safety stand down events and health fairs, worksite fitness programs,
18 weight management, stress management, and smoking cessation. Annual onsite
19 influenza vaccinations greatly increase the number of employees protected from
20 influenza, resulting in reduced time off due to illness.
 - 21 ○ Linking wellness programs to employee safety programs through
22 participation in safety stand down events further reinforces our safety
23 culture and promotes a focus on healthy behaviors and prevention of
24 illnesses and injuries.
 - 25 ○ Based on data provided by the SoCalGas' and SDG&E's medical benefit
26 providers, a significant number of employees and dependents exceed the
27 national healthy weight guideline. Individuals with a body mass index
28 (BMI) score greater than 25.0% are considered overweight or obese. In

1 order to encourage sustainable weight management, which directly
2 impacts the severity and duration of chronic medical conditions, SoCalGas
3 and SDG&E offer weight management programs and various onsite and
4 offsite fitness programs to encourage employees to achieve and maintain a
5 healthy weight.

- 6 • Early Detection and Disease Management: Educational worksite presentations
7 promote healthy lifestyle choices, such as good nutrition, and address
8 management of chronic conditions, such as asthma, diabetes, and cardiovascular
9 disease. These educational programs, combined with health risk assessments and
10 onsite screenings, facilitate early detection and intervention and help employees
11 manage their health, reducing the need for emergency treatment and preventing
12 disease progression.
- 13 • Financial Wellness: Financial wellness programs help employees to manage debt
14 and plan for retirement and other financial goals, such as paying for their
15 children’s education or caring for elderly parents.

16 Wellness programs are a common benefit in the external marketplace. According to the
17 2016 Kaiser Family Foundation Employer Health Benefits survey, 83 percent of large employers
18 that provide health benefits also offer wellness programs and over half offer the opportunity to
19 complete a health risk assessment or participate in biometric screening.²⁵

20 **b. Wellness Program Costs:**

21 Wellness program costs are projected to increase from 2016 through 2019 due to
22 headcount additions, additional onsite health screenings, and additional programs promoting
23 health and wellness.

24 **5. Employee Assistance Plan (EAP) and Mental Health and Substance**
25 **Abuse**

26 As shown in Table DSR-27 and Table DSR-28 below, SDG&E’s and SoCalGas’
27 forecasted TY 2019 EAP and mental health/substance abuse costs are \$2.194 million and \$2.639
28 million, respectively.

²⁵ Employer Health Benefits Survey, The Kaiser Family Foundation and Health Research Educational Trust, 2016 Annual Survey, p. 212.

1 **TABLE DSR-27**

SDG&E - EAP and Mental Health	Thousands of 2016 \$			
	2016	2017	2018	2019
Employee Assistance Plan	\$278	\$262	\$273	\$291
Mental Health	\$1,404	\$1,544	\$1,704	\$1,903
Total	\$1,682	\$1,806	\$1,977	\$2,194

2
3 **TABLE DSR-28**

SCG - EAP and Mental Health	Thousands of 2016 \$			
	2016	2017	2018	2019
Employee Assistance Plan	\$728	\$735	\$755	\$788
Mental Health	\$1,389	\$1,476	\$1,639	\$1,851
Total	\$2,117	\$2,211	\$2,394	\$2,639

4
5
6 **a. EAP and Mental Health and Substance Abuse Programs**
7 **Overview:**

8 EAP and mental health and substance abuse programs reflect SoCalGas' and SDG&E's
9 commitment to employee health and a safe workplace environment. SoCalGas and SDG&E are
10 required by the Drug Free Workplace Act of 1988 and the Department of Transportation (DOT)
11 to have an EAP program available to employees.

12 EAP provides employees and their eligible dependents with cost-effective, confidential
13 counseling and treatment services for various personal problems that may have a negative impact
14 on job performance. The programs have been effective in reducing absenteeism, improving
15 productivity, reducing the number of accidents, and improving employee job performance.

16 In addition, EAP vendors support managers and supervisors in handling sensitive
17 employee issues such as workplace violence, substance abuse, crisis management and employee
18 morale. Situations in which the EAP vendors have provided assistance include violence in the
19 workplace, realignment and downsizing, co-worker deaths, and mitigating workplace impacts of
20 events such as riots, earthquakes, fires and terrorism.

21 Employees are eligible to receive five private counseling sessions per year, either over
22 the phone or in person, of up to one hour per session. EAP services also include unlimited
23 access to the 24-hour crisis hotline, seven days per week. In addition, employees can call or
24 access the website for referrals to legal and financial counseling services and receive discounted
25 rates.

1 Ongoing treatment beyond what is covered under the EAP or treatment for more serious
2 mental health conditions is covered under the mental health and substance abuse benefit. Mental
3 health and substance abuse services include individual counseling sessions for issues such as
4 psychological and emotional conditions, life management, all addictions, job-related problems,
5 and relationship issues. Benefits include coverage for both inpatient and outpatient services.

6 Under the Mental Health Parity and Addiction Equity Act, mental health and substance
7 abuse services are available on an unlimited basis and charged at the same costs, similar to any
8 other illness or condition that is covered through our medical plans.

9 **b. EAP and Mental Health and Substance Abuse Program Costs:**

10 EAP administrative fees for counseling sessions by a third-party provider are included in
11 monthly per capita rates. Also included are ten hours of training and four hours of Critical
12 Incident Stress Debriefing services. Fees are charged for any additional training programs
13 developed and presented by the EAP vendor, on an hourly basis, as needed.

14 Mental health and substance abuse administrative fees are also provided for in monthly
15 per capita rates. Additional fees are charged to the company, on a monthly basis, for individual
16 employee claims for inpatient, outpatient and substance abuse services.

17 The cost forecasts, as shown in Table DSR-27 and Table DSR-28 above, are based on
18 actual 2016 claims paid indexed for projected headcount changes and assuming that their
19 escalation trend will be the same as the escalation trend for medical costs.

20 **C. Welfare Benefits**

21 Welfare benefits provide financial resources to employees in the event of injury or
22 disability and to survivors in the event of the employee's death. This testimony focuses on
23 survivor benefits, which include life insurance, accidental death and dismemberment insurance
24 (AD&D), and business travel insurance. Disability and workers compensation benefits are
25 covered in the testimony of Tashonda Taylor (Exhibit SDG&E-30) and Mary Gevorkian (Exhibit
26 SCG-32). A summary of projected TY 2019 welfare benefit expenses is shown below in Table
27 DSR-29 and Table DSR-30:
28

1 **TABLE DSR-29**

SDG&E - Welfare Benefits	Thousands of 2016 \$			
	2016	2017	2018	2019
AD&D Insurance	\$74	\$85	\$90	\$96
Business Travel Insurance	\$25	\$26	\$26	\$27
Life Insurance	\$602	\$626	\$660	\$710
Total	\$701	\$737	\$776	\$833

2
3 **TABLE DSR-30**

SCG - Welfare Benefits	Thousands of 2016 \$			
	2016	2017	2018	2019
AD&D Insurance	\$59	\$57	\$63	\$73
Business Travel Insurance	\$48	\$49	\$50	\$51
Life Insurance	\$1,618	\$1,592	\$1,673	\$1,798
Total	\$1,725	\$1,698	\$1,786	\$1,922

4
5 **1. Accidental Death and Dismemberment**

6 SoCalGas and SDG&E provide employees with basic Accidental Death and
7 Dismemberment insurance coverage equal to one times annual pay (base salary plus ICP, if
8 applicable).²⁶ Coverage is adjusted each year to reflect increases or decreases in employee pay.
9 AD&D insurance provides a level of protection and additional security to employees and their
10 families in the event of a tragic accident.

11 Premiums for AD&D coverage are projected to remain flat at \$0.156 per \$1,000 of
12 coverage. Changes in total costs reflect projected headcount.

13 **2. Business Travel Insurance**

14 SoCalGas and SDG&E provide an additional life insurance benefit that covers employees
15 while traveling for business purposes. The coverage amount is \$400,000. Projected premiums
16 are adjusted for inflation and changes in headcount.

17 **3. Life Insurance**

18 SoCalGas and SDG&E provide employees with basic life insurance coverage equal to
19 one times annual pay (base salary plus ICP, if applicable). Coverage is adjusted each year to
20 reflect increases or decreases in employee pay. Basic life insurance is a cost-effective benefit

²⁶ Two times for SDG&E represented.

1 that provides employees with peace of mind in knowing that a financial safety net will be
2 provided to their beneficiaries in the event of a premature death.

3 The premium per \$1,000 of coverage is based on the actual 2017 rate. Projected 2018
4 and 2019 costs are adjusted for wage and headcount escalation.

5 **D. Retirement Plans**

6 SoCalGas and SDG&E retirement benefits provided to all regular employees include a
7 defined benefit pension plan, a defined contribution (401k) retirement savings plan and
8 postretirement health and welfare benefits. Employees whose benefits or pay exceed Internal
9 Revenue Service (IRS) limitations specified under the IRC also participate in the Cash Balance
10 Restoration Plan, which maintains participation at the same percentage level as all other
11 employees. Certain management employees participate in a nonqualified retirement savings
12 plan, or deferred compensation plan.

13 This testimony focuses on the 401(k) retirement savings plan, the nonqualified deferred
14 compensation plan and the supplemental pension plans. The defined benefit pension plan and
15 postretirement health and welfare benefits are covered in Exhibit SCG-31/SDG&E-29.

16 **1. Retirement Savings**

17 As shown in Table DSR-31 and Table DSR-32 below, SDG&E's and SoCalGas'
18 forecasted TY 2019 Retirement Savings Plan costs are \$17.369 million and \$25.409 million,
19 respectively.

20 **TABLE DSR-31**

SDG&E - Retirement Savings Plan	Thousands of 2016 \$			
	2016	2017	2018	2019
Retirement Savings Plan	\$14,478	\$15,287	\$16,118	\$17,369

22 **TABLE DSR-32**

SCG - Retirement Savings Plan	Thousands of 2016 \$			
	2016	2017	2018	2019
Retirement Savings Plan	\$21,351	\$21,822	\$23,191	\$25,409

23 **a. Retirement Savings Plan Overview**

24 The SoCalGas and SDG&E Retirement Savings Plans (RSP) provide employees with a
25 tax-advantaged means of saving for retirement. Approximately 93 percent of employees
26 participate in the plan, and the average contribution rate is 10 percent of eligible pay. Employees
27

1 are eligible to participate in the plan upon hire. SoCalGas and SDG&E encourage participation
 2 in the plan by providing a company matching contribution. The basic company matching
 3 contribution is equal to one-half of the first six percent of the employee’s contributions of
 4 eligible pay. In addition, employees receive a “stretch match” equal to one-fifth of the next five
 5 percent of the employee’s contributions. Company matching contributions vest after one year of
 6 service.

7 Participation is further encouraged through auto-enrollment of new hires at a six percent
 8 employee contribution rate with auto-escalation of employee contributions by one percent per
 9 year until employee contributions reach 11 percent.

10 Company matching contributions apply to pre-tax and after-tax contributions, so
 11 employees may continue to save even after reaching the IRS pre-tax contribution limit (\$18,000
 12 in 2017 with an additional “catch-up” contribution limit of \$6,000 for employees age 50 and
 13 older).

14 **b. Retirement Savings Plan Costs**

15 Projected costs for the company match on base pay contributions are based on actual
 16 2016 costs, and the projected company match on ICP is based on a five-year historical average of
 17 ICP. Projected costs are adjusted for wage and headcount escalation.

18 **2. Nonqualified Savings Plan**

19 As shown in Table DSR-33 and Table DSR-34 below, SDG&E’s and SoCalGas’
 20 forecasted TY 2019 costs for company matching contributions under the nonqualified retirement
 21 savings plan are \$245 thousand and \$300 thousand, respectively.

22 **TABLE DSR-33**

SDG&E - Nonqualified Retirement Savings Plan	Thousands of 2016 \$			
	2016	2017	2018	2019
Nonqualified RSP	\$225	\$230	\$237	\$245

24 **TABLE DSR-34**

SCG - Nonqualified Retirement Savings Plan	Thousands of 2016 \$			
	2016	2017	2018	2019
Nonqualified RSP	\$275	\$282	\$291	\$300

26 The nonqualified retirement savings plan, or deferred compensation plan, allows pre-tax
 27 contributions for employees, subject to IRS compensation and contribution limits. Company
 28

1 matching contributions mirror the company matching contributions provided under the RSP, but
2 do not include the “stretch match.” Participants are eligible for company matching contributions
3 after one year of service.

4 Projected costs are based on actual 2016 costs adjusted for labor inflation.

5 3. Supplemental Pension

6 As shown in Table DSR-35 and Table DSR-36 below, SDG&E’s and SoCalGas’
7 forecasted Test Year 2019 expense for supplemental pension plans is \$2.370 million and \$1.920
8 million, respectively.

9 **TABLE DSR-35**

SDG&E - Supplemental Pension	Thousands of 2016 \$			
	2016	2017	2018	2019
Supplemental Pension	\$3,189	\$9,120	\$3,310	\$2,370

11 **TABLE DSR-36**

SCG - Supplemental Pension	Thousands of 2016 \$			
	2016	2017	2018	2019
Supplemental Pension	\$2,287	\$2,600	\$2,110	\$1,920

12
13
14 SoCalGas and SDG&E offer two supplemental pension plans, the Supplemental
15 Executive Retirement Plan, which covers a small number of senior executives, and the Cash
16 Balance Restoration Plan.

17 The Cash Balance Restoration Plan restores benefits for employees whose earnings or
18 benefits exceed the limitations established by the Employee Retirement and Income Security
19 Act. Employees who earn in excess of \$270,000 per year (2017 earnings limit) continue to
20 accrue retirement benefits once they exceed the limits imposed by Employee Retirement Income
21 Security Act and Internal Revenue Service regulations. Benefits are accrued under the same
22 formula and are subject to the same vesting conditions as the broad-based retirement plan. The
23 plan merely restores benefits that would otherwise be lost due to statutory limits under broad-
24 based retirement plans.

25 Supplemental retirement benefits form an important component of the total reward
26 package for key managers, directors, attorneys and executives. These plans are a key component
27 of a competitive compensation and benefits package to attract and retain the leadership talent
28 required to operate the company.

1 Cost forecasts represent the projected benefit payments. These include future benefit
 2 payments to current retirees receiving monthly annuity benefits or annual installments, vested
 3 terminated employees entitled to future benefits, and active employees entitled to, or expected to
 4 be entitled to, plan benefits. As with other contingent cash flows, the amount and timing of
 5 future benefit payments are based on actuarial assumptions such as the lump sum rate, future
 6 salary increases, and mortality and retirement rates.

7 While retirees and vested terminated participants have somewhat predictable benefit
 8 payments, future benefit payments to current active employees can vary significantly from
 9 forecasted amounts in any given year, since the plan population is relatively small and benefits
 10 are generally paid as lump sums. However, over a longer period of time, aggregate expected
 11 benefit payments will converge to actual payments.

12 **E. Other Benefit Program Expenses**

13 The company offers a number of benefit programs that are designed to provide
 14 opportunities to enhance financial and technical knowledge through external education
 15 programs, reduce lost time, and promote a collaborative team-oriented environment. In addition,
 16 certain recognition programs are designed to engender a work environment that recognizes the
 17 value of our most critical asset – employees. A summary of projected costs to support SDG&E’s
 18 and SoCalGas’ other benefit programs is included in Table DSR-37 and Table DSR-38:

19 **TABLE DSR-37**

SDG&E - Other Benefit Programs	Thousands of 2016 \$			
	2016	2017	2018	2019
Benefits Administration Fees	\$669	\$807	\$655	\$667
Educational Assistance	\$441	\$456	\$476	\$508
Emergency Childcare	\$132	\$144	\$151	\$159
Mass Transit Incentive	\$71	\$80	\$82	\$86
Retirement Activities	\$209	\$209	\$76	\$67
Service Recognition	\$126	\$102	\$95	\$108
Total	\$1,648	\$1,798	\$1,535	\$1,595

1 **TABLE DSR-38**

SCG - Other Benefit Programs	Thousands of 2016 \$			
	2016	2017	2018	2019
Benefits Administration Fees	\$1,115	\$1,233	\$1,087	\$1,107
Educational Assistance	\$958	\$960	\$1,005	\$1,087
Emergency Childcare	\$188	\$197	\$206	\$217
Mass Transit Incentive	\$986	\$1,025	\$1,049	\$1,098
Retirement Activities	\$241	\$465	\$142	\$180
Service Recognition	\$254	\$181	\$267	\$254
Special Events	\$471	\$473	\$494	\$532
Total	\$4,213	\$4,534	\$4,250	\$4,475

2
3
4 **1. Benefit Administration Fees and Services**

5 As shown in Table DSR-39 and Table DSR-40 below, SDG&E's and SoCalGas'
6 forecasted TY 2019 costs for benefit administration and services fees are \$667 thousand and
7 \$1.107 million, respectively.

8 **TABLE DSR-39**

SDG&E - Benefits Administration Fees	Thousands of 2016 \$			
	2016	2017	2018	2019
Benefits Administration Fees	\$669	\$807	\$655	\$667

9
10 **TABLE DSR-40**

SCG - Benefits Administration Fees	Thousands of 2016 \$			
	2016	2017	2018	2019
Benefits Administration Fees	\$1,115	\$1,233	\$1,087	\$1,107

11
12 Benefit administration and service fees include fees for legally required audits, third-
13 party administrator and record-keeper fees, actuarial and other professional services and the cost
14 of benefit communication materials. These fees include:

- 15 • Legally required audits: audits of the Retirement Savings Plan and post-retirement
16 medical and life insurance plans;
- 17 • Third-party administrator and record-keeper fees: administrative fees to record-
18 keepers, claims administrators, and other third-party providers that administer
19 programs such as the health, dependent care and transportation flexible spending
20 account reimbursements; and COBRA enrollments;

- Actuarial and other professional services: professional fees associated with actuarial valuations of the benefit plans, the cost of the related to various benefit plan issues;
- Benefit communication materials: annual open enrollment communications, summary plan descriptions, summary annual reports, and benefits education.

The primary driver of the cost increase in 2017 was the cost of the GRC TY 2019 WTW Study.

2. Educational Assistance

As shown in Table DSR-41 and Table DSR-42 below, SDG&E’s and SoCalGas’ forecasted TY 2019 costs for the Professional Development Assistance Program are \$508 thousand and \$1.087 million, respectively.

TABLE DSR-41

SDG&E - Educational Assistance	Thousands of 2016 \$			
	2016	2017	2018	2019
Educational Assistance	\$441	\$456	\$476	\$508

TABLE DSR-42

SCG - Educational Assistance	Thousands of 2016 \$			
	2016	2017	2018	2019
Educational Assistance	\$958	\$960	\$1,005	\$1,087

The Professional Development Assistance Program (PDAP) provides reimbursement of tuition for degree and certificate programs that maintain or enhance the skills necessary to perform current or prospective jobs within the company. The program is open to all regular full-time employees and it is a key part of SoCalGas’ and SDG&E’s efforts to develop employees and promote from within the company to supervisory and management positions. Program participation reflects SoCalGas’ and SDG&E’s strong commitment to diversity. Sixty-three percent of participants are people of color and 47% are women.

Objectives of the program are as follows:

- Encourage life-long learning and developing new skills that are consistent with the Company’s business objectives;

- Promote employee retention by facilitating career paths that lead to positions of greater responsibility or enhancement of knowledge and understanding regarding current position responsibilities;
- Provide a competitive advantage when recruiting new employees; and
- Allow the company to effectively implement succession planning using internal resources and thereby reducing the expense associated with recruiting qualified external hires to fill key positions within the organization.

The PDAP policy limits the annual benefit to \$5,250 of qualified reimbursements, the maximum annual amount of monetary assistance that an employee may exclude from personal income tax liability under a qualified program. Although other Fortune 500 companies may offer slightly higher educational reimbursement, the \$5,250 cap allows the company to control costs while continuing to offer a competitive benefit.

The 2016 through 2019 forecast assumes that the number of participants increases from 142 in 2016 to 156 in 2019 for SDG&E and from 288 in 2016 to 310 in 2019 for SoCalGas. Projected costs are also indexed for inflation.

3. Emergency Day Care

As shown in Table DSR-43 and Table DSR-44 below, SDG&E’s and SoCalGas’ forecasted TY 2019 expense for the backup childcare program is \$159 thousand and \$217 thousand, respectively.

TABLE DSR-43

SDG&E - Emergency Childcare	Thousands of 2016 \$			
	2016	2017	2018	2019
Emergency Childcare	\$132	\$144	\$151	\$159

TABLE DSR-44

SCG - Emergency Childcare	Thousands of 2016 \$			
	2016	2017	2018	2019
Emergency Childcare	\$188	\$197	\$206	\$217

The backup childcare program provides emergency childcare services when an employee’s primary childcare resource is unavailable. This program reduces unplanned absences and work time lost due to breakdowns in childcare arrangements. This program is critical to employees who must report to work during emergencies such as wildfires and earthquakes when schools and day care centers are closed.

1 Employees with children from three months to 13 years old may access services through
 2 ChildrenFirst/Bright Horizons in both emergency situations and non-emergency situations
 3 including the business travel, relocation, school closings, and return from maternity or parental
 4 leave. This benefit is also available for emergency elder care.

5 Program costs are projected to increase by five percent per year from in 2018 and 2019.

6 **4. Mass Transit Incentive**

7 As shown in Table DSR-45 and Table DSR-46 below, SDG&E’s and SoCalGas’
 8 forecasted TY 2019 costs for the mass transit incentive program are \$86 thousand and \$1.098
 9 million, respectively.

10 **TABLE DSR-45**

SDG&E - Mass Transit Incentive	Thousands of 2016 \$			
	2016	2017	2018	2019
Mass Transit Incentive	\$71	\$80	\$82	\$86

12 **TABLE DSR-46**

SCG - Mass Transit Incentive	Thousands of 2016 \$			
	2016	2017	2018	2019
Mass Transit Incentive	\$986	\$1,025	\$1,049	\$1,098

13 The transportation program provides transit subsidies for employees who use public
 14 transportation, vanpools and carpools. The program supports the company’s compliance with
 15 South Coast Air Quality Management District Rule 2202 – Rideshare for sites with 250 or more
 16 employees. The objective of Rule 2202 is to offer a menu of flexible and cost-effective emission
 17 reduction strategies designed to meet emission reduction targets for targeted sites. SoCalGas and
 18 SDG&E have maintained traditional rideshare plans at four mandated sites and also purchases
 19 Mobile Source Emission Reduction Credits to satisfy any shortfall in Rule 2202 requirements.
 20

21 The cost forecast assumes that the participation ratio (number of participants as a
 22 percentage of the total workforce) remains constant while the number of participants increases
 23 from 89 employees to 97 employees at SDG&E and from 1,212 to 1,300 employees at SoCalGas
 24 due to increases in total headcount.

25 **5. Retirement Activities**

26 As shown in Table DSR-47 and Table DSR-48 below, SDG&E’s and SoCalGas’
 27 forecasted TY 2019 costs for retirement activities is \$67 thousand for SDG&E and \$180
 28 thousand for SoCalGas.

1 **TABLE DSR-47**

SDG&E - Retirement Activities	Thousands of 2016 \$			
	2016	2017	2018	2019
Retirement Activities	\$209	\$209	\$76	\$67

3 **TABLE DSR-48**

SCG - Retirement Activities	Thousands of 2016 \$			
	2016	2017	2018	2019
Retirement Activities	\$241	\$465	\$142	\$180

4
5 Upon retirement, the company gives the employee a retirement gift and hosts a retirement
6 breakfast in recognition of past service and contribution to the company's success.

7 The cost of retirement activities is forecasted to decrease due to fewer expected
8 retirements.

9 **6. Service Recognition**

10 As shown in Table DSR-49 and DSR-50 below, SDG&E's and SoCalGas' forecasted TY
11 2019 costs for service recognition are \$108 thousand and \$254 thousand, respectively.

12 **TABLE DSR-49**

SDG&E - Service Recognition	Thousands of 2016 \$			
	2016	2017	2018	2019
Service Recognition	\$126	\$102	\$95	\$108

14 **TABLE DSR-50**

SCG - Service Recognition	Thousands of 2016 \$			
	2016	2017	2018	2019
Service Recognition	\$254	\$181	\$267	\$254

15
16 Service recognition awards are given to employees on their fifth anniversary and every
17 five years thereafter. Employees select a specific item from a group of awards that vary
18 depending on years of service.

19 Most employers have a service recognition program, with five years being the standard
20 milestone for length of service designs. Recognizing service supports our goals of demonstrating
21 appreciation for and retaining a high quality, tenured and knowledgeable work force.

22 Costs are projected based on the estimated number of employees with service
23 anniversaries in each year.

1 **7. Special Events**

2 As shown in Table DSR-51 below, SoCalGas' forecasted TY 2019 cost for special events
3 is \$532 thousand.

4 **TABLE DSR-51**

SCG - Special Events	Thousands of 2016 \$			
	2016	2017	2018	2019
Special Events	\$471	\$473	\$494	\$532

5
6 Special Events night is a long-standing benefit highly valued by employees at all levels.
7 It is the one time a year when employees from union and management ranks from all around the
8 company gather in one place. The event site varies each year and has included Knott's Berry
9 Farm, Disneyland or Sea World.

10 **VII. COMPENSATION CONTROLS**

11 SoCalGas and SDG&E continuously evaluates the external labor market to ensure that its
12 compensation and benefits package is competitive and cost-effective. The company's pay
13 structure and guidelines used by human resources and managers to administer pay support this
14 objective. This section describes how the company uses external market data and internal
15 controls to maintain a competitive compensation and benefits package necessary to attract,
16 motivate and retain its workforce.

17 **A. External Compensation Surveys**

18 **1. Non-Executive Jobs:**

19 To ensure that total compensation is reflective of the external labor markets, Sempra
20 Energy's compensation and benefits departments participate in a number of professional surveys.
21 Survey databases purchased from major consulting firms include: WTW, Aon Hewitt, Mercer
22 SIRS, and EAPDIS. On occasion, third-party consultants are utilized to supplement standard
23 databases for additional survey information or to obtain information not readily available from
24 standard databases.

25 **2. Executive Jobs:**

26 SoCalGas and SDG&E also use external survey data to monitor pay for executive jobs.
27 The primary survey sources for executive compensation are the Aon Hewitt Total Compensation
28 Database and the WTW executive compensation database. The company also reviews executive

1 compensation and benefits data for S&P 500 Utilities Index companies as reported in each
2 company's annual proxy statement.

3 **B. External Benefits Surveys:**

4 **1. Methodology for BENVAL Study**

5 SoCalGas and SDG&E participate in the WTW BENVAL database. This database was
6 the source of the benefits data used in the WTW Study. BENVAL determines values for the
7 benefits provided by participating companies by applying a standard set of actuarial methods.

8 For purposes of the WTW Study, each benefit was valued individually and then
9 combined to create an overall benefits value. This overall benefits value was added to cash
10 compensation to determine a total compensation and benefits value for each job in the study. A
11 more detailed description of the benefits valuation methodology is found the WTW Study.

12 **C. Internal Review**

13 In addition to conducting and reviewing salary surveys, adequate internal controls are in
14 place to maintain competitive and equitable pay. SoCalGas and SDG&E provides salary and
15 incentive compensation planning budget guidelines, and pay administration guidelines for
16 managers to use to administer employee pay. The compensation staff conducts job studies to
17 review new and existing jobs for placement in pay ranges, reviews jobs for compliance with Fair
18 Labor Standards Act and California State Wage and Hour laws and conducts annual pay equity
19 reviews of total compensation for Office of Federal Contract Compliance Programs compliance.
20 Policies and procedures are established to conform to the Sarbanes-Oxley Act.

21 Pay for SDG&E and SoCalGas executives is reviewed and approved by the SDG&E
22 Board of Directors and SoCalGas Board of Directors, respectively. The Compensation
23 Committee of the Sempra Energy Board of Directors reviews and approves pay and incentive
24 plan performance measures for top SECC executive jobs with assistance from its independent
25 external consultant, Exequity.

26 **VIII. SEMPR ENERGY CORPORATE CENTER - COMPENSATION & BENEFITS**

27 The compensation and benefit programs provided to employees at SECC are comparable
28 with those provided to SoCalGas and SDG&E employees. As previously discussed,
29 compensation and benefits were evaluated in conjunction with the WTW Study (*see* Appendix A
30 and Appendix B) and found to be at market. Consequently, the discussion presented in Sections
31 I thru VI is applicable to SECC. As noted in the WTW Study, an allocation of SECC jobs was

1 included in the SoCalGas and SDG&E evaluation of total compensation. Allocated SECC
2 positions were consolidated in the various job categories (*i.e.*, Professional/Technical, Clerical,
3 Professional/Technical, Managerial/Supervisory and Executive).

4 SECC compensation and benefits expenses and the allocations of these expenses to
5 SoCalGas and SDG&E using labor overhead rates are discussed in Mia DeMontigny's Corporate
6 Center testimony (Exhibit SCG-28/ SDG&E-26).

7 This concludes my prepared direct testimony.

8

1 **IX. QUALIFICATIONS**

2 My name is Debbie S. Robinson. My business address is 488 8th Avenue, San Diego,
3 California. My current position is Director - Compensation & Payroll Services for Sempra
4 Energy. My present responsibilities include managing Sempra Energy's overall broad-based
5 compensation programs, executive compensation and benefit programs, and interfacing with
6 Sempra's outsourced payroll vendor. Prior to my current position, I was responsible for
7 management of the company's health and welfare benefit programs.

8 Sempra Energy's Compensation and Benefits department supports the Sempra Energy
9 Corporate Center and Sempra Energy's business units including SoCalGas and SDG&E.

10 I have Bachelor of Arts degrees in International Business, Spanish and French from
11 Baker University in Baldwin City, Kansas. I also have an International Masters in Business
12 Administration degree with a concentration in finance from the University of South Carolina in
13 Columbia, South Carolina.

14 I hold the Certified Employee Benefits Specialist (CEBS), Certified Compensation
15 Professional (CCP), Certified Benefits Professional (CBP), Global Remuneration Professional
16 (GRP), and Senior Human Resources Professional (SPHR) designations.

17 I joined Sempra Energy in 2000 and have held various positions within the Compensation
18 and Benefits and Corporate Financial Planning areas. Prior to being employed by Sempra
19 Energy, I held various finance and compensation positions with Sprint in Kansas City, Missouri.
20 I have previously testified before the Commission.

Appendix A
Total Compensation Study – SoCalGas

Appendix B
Total Compensation Study – SDG&E

APPENDIX C
GLOSSARY OF TERMS

AD&D	Accidental Death and Dismemberment
CMVI	Controllable Motor Vehicle Incidents
EAP	Employee Assistance Program
HMO	Health Maintenance Organizations
ICP	Incentive Compensation Plans
IRC	Internal Revenue Code
IRS	Internal Revenue Service
GRC	General Rate Case
LTI	Lost Time Incident Rate
PDAP	Professional Development Assistance Program
RSP	Retirement Savings Plans
SAIDI	Systems Average Interruption Duration Index
SCE	Southern California Edison
SDG&E	San Diego Gas & Electric Company
SECC	Sempra Energy Corporate Center
SIMP	Storage Integrity Management Program
SoCalGas	Southern California Gas Company
Test Year	TY
Utilities	Southern California Gas Company and San Diego Gas & Electric Company
WTW	Willis Towers Watson (WTW)