

Company: Southern California Gas Company (U 904 G)/ San Diego Gas & Electric  
Company (U 902 M)  
Proceeding: 2028 General Rate Case  
Application: A.26-06-\_\_\_\_\_  
Exhibit: SCG-22/SDGE-27

**PREPARED DIRECT TESTIMONY OF  
JENNY CHHUOR AND MELISSA ALESSI**

**(SHARED SERVICES)**

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



**June 2026**

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## SUMMARY

- Requests adoption of costs in Test Year (TY) 2028 Shared Services and Shared Services Overhead resulting in accurate costs billed out to affiliated entities.
  - o Southern California Gas Company (SoCalGas) \$35,574,000.
  - o San Diego Gas & Electric Company (SDG&E) \$85,217,000.
- Requests adoption of costs in TY 2028 Shared Assets resulting in accurate costs billed out:
  - o SoCalGas \$103,227,000.
  - o SDG&E \$21,481,000.
- Requests adoption of costs in TY 2028 Operations and Maintenance (O&M) Reassignment to Capital of:
  - o SoCalGas
    - \$245,248,000.
  - o SDG&E
    - \$188,049,000 for Electric, excluding Electric Generation.
    - \$8,508,000 for Electric Generation.
    - \$67,591,000 for Gas.
- Requests adoption of costs in TY 2028 Exclusion for Electric Transmission of:
  - o SDG&E
    - \$119,052,000 for Electric Transmission O&M.
    - \$34,600,000 for Electric Transmission Capital.

1 **PREPARED DIRECT TESTIMONY OF JENNY CHHUOR AND MELISSA ALESSI**  
2 **(SHARED SERVICES)**

3 **I. INTRODUCTION**

4 **A. Summary of Proposals**

5 This testimony addresses Test Year (TY) 2028 shared services practice and shared assets  
6 for SoCalGas and SDG&E. Shared services are activities permitted by the Affiliate Transaction  
7 Rules Decision (D.) 97-12-088 that are performed by SoCalGas and SDG&E departments that  
8 are designated as utility shared services departments (i.e., functional areas) for the benefit of (i)  
9 SoCalGas or SDG&E, (ii) Sempra Energy Corporate Center (Corporate Center), and/or (iii) any  
10 Sempra unregulated subsidiaries. Shared Assets are assets that are on the financial records of  
11 one utility but also benefit other Sempra Energy affiliates.

12 Additionally, this testimony addresses the Segmentation Rates and Capital Reassignment  
13 Rates subject area. This testimony describes how SoCalGas and SDG&E propose the  
14 segmentation to business areas and reassignment of certain costs to capital to recognize that  
15 those costs are incurred in support of construction efforts. Certain costs that have not been  
16 directly assigned to capital or O&M activities are reassigned when costs are incurred in certain  
17 Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. The range of  
18 accounts include Administrative and General (A&G) expenses (account numbers 920-935) and  
19 Clearing Accounts (account numbers 163 and 184). Segmentation into business areas occurs at  
20 SDG&E for the purpose of allocating costs to the appropriate rate segments and identifies the  
21 allocation of common costs into Gas, Electric, or Electric Generation, then for Electric into  
22 Electric Distribution or Electric Transmission. Segmentation into business areas is not required  
23 at SoCalGas given that the only rate segment is Gas.

24 **B. Organization of Testimony**

25 Section II of this testimony describes: (1) SoCalGas's and SDG&E's practice for  
26 recovery of shared services costs in this TY 2028 General Rate Case (GRC); (2) the shared  
27 services billing process; and (3) the shared services book expenses for each utility. Section III  
28 of this testimony presents an overview of the Shared Asset billing process between SoCalGas  
29 and/or SDG&E and the other Sempra Energy affiliates. This testimony further includes  
30 examples of the shared asset process and a list of proposed future shared assets. Later sections of  
31 this testimony discuss (1) business segmentation – SDG&E only (Section IV), (2) reassignments

1 to capital for specific accounts (Section V), and (3) identification of Electric Transmission  
2 allocations, for which SDG&E has eliminated costs from this proceeding (Section VI). Finally,  
3 Sections VII through IX provide concluding remarks and witness qualifications.

#### 4 **C. Support To/From Other Chapters**

5 This testimony provides the process for calculating all Shared Services and Shared Asset  
6 billings. The following chapters are referenced

- 7 • Corporate Center Administration (Ex. SCG-14/SDGE- 18)
- 8 • Tax (Ex. SCG- 25/SDGE- 30)
- 9 • Compensation & Benefits (Ex. SCG-16/SDGE-20)
- 10 • Safety and Culture (Ex. SCG-18 and SDGE-22)
- 11 • Insurance (Ex.SCG-15/SDGE-19)
- 12 • Pension and PBOP (Ex. SCG-17/SDGE-21)
- 13 • Rate Base (Ex. SCG-23 and SDGE-28)
- 14 • Summary of Earnings (Ex. SCG-27 and SDGE-32)
- 15 • Depreciation (Ex. SCG-24 and SDGE-29)
- 16 • Miscellaneous Revenues (Ex. SCG-26 and SDGE-31)
- 17 • Operations Support (Ex. SCG-12 and SDGE-16)
- 18 • Information Technology (Ex. SCG-10/SDGE-14)
- 19 • Cybersecurity (Ex. SCG-11/SDGE-15)

## 20 **II. SHARED SERVICE BILLINGS**

### 21 **A. Overview of Shared Services Cost Presentation in This GRC**

#### 22 **1. Policy**

23 SoCalGas and SDG&E have the same practice for shared services billing. Pursuant to  
24 this practice, which complies with D.97-12-088, shared services costs that are incurred by one  
25 utility on behalf of the other utility, and/or on behalf of Sempra Energy or any of its unregulated  
26 subsidiaries, are allocated and billed to those companies receiving services. The purpose of the  
27 practice is to ensure ratepayers of the utility providing a shared service do not subsidize the costs  
28 incurred that support the other utility or any Sempra affiliate.



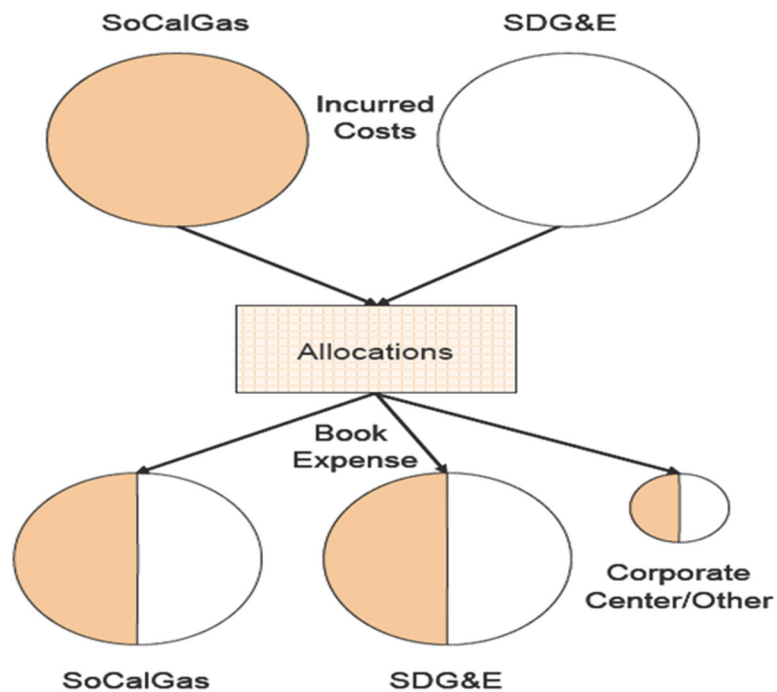
1 support of another entity. To provide a complete picture of shared services allocations and  
2 billing, those costs are presented to demonstrate that SoCalGas and SDG&E are properly  
3 excluding those costs from book expense. The shared services billing process remains the same  
4 as that presented in SoCalGas's and SDG&E's 2024 GRC, where it was found reasonable and  
5 adopted.<sup>6</sup>

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

7 To facilitate proper billing of shared services costs to the entity or entities receiving a  
8 utility-provided shared service, SoCalGas and SDG&E first allocate those costs to the  
9 appropriate entity or entities, then bill those costs out to the appropriate entity or entities.  
10 Consistent with this approach, the cost-related witnesses in this GRC present their forecasts  
11 where the costs are incurred and provide the applicable allocation percentage for the costs  
12 subject to sharing. This testimony explains the process used to then allocate costs to the  
13 receiving entity.

14 The following chart illustrates, at a high level, how shared services costs are allocated:

15 **Figure JC/MA- 1**  
16 **Shared Services Allocation Process**



17  
<sup>6</sup> D.24-12-074 at 800 and Conclusions of Law (COL) 273.

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

### 3                   **3.       Direct Allocation**

4           Direct allocation is used for incurred costs that can be charged directly to an entity or  
5 entities receiving the benefit of a shared service. When direct allocation applies, managers at the  
6 cost center level specifically identify and directly allocate a shared service activity.<sup>7</sup> If certain  
7 shared services are billed on a direct allocation method, the Affiliate Billing and Costing (ABC)  
8 organization will open specific billing orders so that related costs can be captured directly and  
9 billed to the appropriate Affiliates. The ABC organization provides services such as (i) guidance  
10 and support to shared services functional areas on shared services billing requirements, (ii)  
11 maintenance of system allocation percentages for all shared services O&M costs allocated from  
12 the cost centers in the Systems Applications and Products (SAP) accounting system, and (iii)  
13 management of proper system coding for the application of appropriate overheads.

### 14                   **4.       Percentage Allocation**

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

19           If shared services are billed via the percentage allocation method, the shared services  
20 managers submit allocation percentages for each entity that receives charges from a utility for  
21 shared services rendered to the ABC organization. The ABC organization then inputs the  
22 allocation percentages into the SAP accounting system, where they are processed and the  
23 resulting allocations billed as part of the month-end closing procedures. The allocation  
24 percentages are reviewed annually or more frequently when there are material changes to the  
25 shared services organization's business activities. This review is the responsibility of the shared  
26 services functional areas. In addition, updates and retroactive adjustments are processed, as  
27 appropriate, to re-align billing percentages when necessary.

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<sup>7</sup> Cost centers are the lowest level organizational unit for which Shared Services costs are tracked and recorded.



1 Percentage Allocation are allocated based on an entity’s share of the services received. Most of  
2 the shared services costs fall into this category.

3 **Step 2.** The Directly Retained, Directly Allocated, and Amounts Subject to Percent  
4 Allocation are added to calculate the cost center’s 100% Incurred Level<sup>8</sup> or Incurred Costs.<sup>9</sup> The  
5 shared services cost center forecast is presented in base year 2025 dollars and classified into  
6 labor, non-labor, and non-standard escalated costs<sup>10</sup> as applicable.

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

9 **Step 4.** The allocation percentages derived in Step 3 above are applied to Amounts  
10 Subject to Percentage Allocation to arrive at costs allocable to each entity, except the utility  
11 providing the shared services. After all allocations to the benefiting entities are made, the  
12 remaining costs, if any, are allocated to the utility providing the shared services. These  
13 remaining costs are then treated in the same manner as Directly Retained costs.

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

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

19 (ii) Total Retained amounts for each utility, computed as the Directly Retained amounts  
20 plus the remaining dollars retained at the utility once Amounts Subject to Percentage Allocation  
21 are allocated out to the other entities. This total can also be derived by taking the 100% Incurred  
22 Level forecast and subtracting the Total Allocated amount, as computed in (i) above.

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

25 See illustrative Example of the Shared Service Billing Process in Appendix C.

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<sup>8</sup> All direct costs prior to any allocations out.

<sup>9</sup> Operating costs incurred by a utility before Shared Services allocations, overhead loading, and escalation.

<sup>10</sup> Non-standard escalated costs are non-labor O&M expense estimates not subjected to “standard” escalation rates and are presented in nominal dollars. “Standard” escalation rates are addressed in the Escalation & Gas Customer Forecast testimony (Ex. SCG-20/SDGE-24).

1                                   **2.       Loading of Overheads**

2                   Total Allocated amounts (also referred to as allocations-out costs) for shared services  
3 include:

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

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

14                                   **3.       Corporate Center Reallocation**

15                   SoCalGas and SDG&E allocate shared services to Corporate Center based on the Percent  
16 Allocation of direct support from shared services organizations provided to Corporate Center.  
17 However, since Corporate Center supports SoCalGas, SDG&E, and other unregulated affiliates,  
18 these support costs are then reallocated back to those entities. To avoid inefficiencies and  
19 circular references associated with affiliates allocating these costs to Corporate Center and then  
20 Corporate Center allocating them back to the affiliates, SoCalGas and SDG&E implemented a  
21 process to reallocate Corporate Center charges to the receiving affiliate “on behalf” of Corporate  
22 Center based on the same allocation percentages that Corporate Center derived for its allocations.  
23 The Corporate Reallocation, also known as Business Unit Charge Ups (BUCU) percentages are  
24 shown in Table JC/MA-1 and the details can be found in the workpapers supporting the  
25 Corporate Center Administration testimony (Ex. SCG-14/SDGE-18).

**TABLE JC/MA-1  
CORPORATE CENTER BUSINESS UNIT CHARGE UP (BUCU)**

<b>Business Unit</b>	<b>2025 BUCU %</b>	<b>2026 BUCU %</b>	<b>2027 BUCU %</b>	<b>2028 BUCU %</b>
SDG&E	33.44%	41.49%	42.60%	42.30%
SoCalGas	40.09%	49.07%	49.79%	50.14%
Unreg Affiliates	26.47%	9.44%	7.61%	7.56%
CorpCtr (Retained)	0.00%	0.00%	0.00%	0.00%

The BUCU allocation is used for both the Corporate Center Shared Service costs reallocation and for the Shared Asset Billing process (described in Section III.B). In the following example, the mathematics are shown in a simplistic fashion to assist in understanding and are not representative of the direct costs, other cost mechanisms deriving total amounts shared, or offsets described in detail throughout this testimony.

This process effectively results in zero costs retained by Corporate Center, with any costs incurred during sharing activities being reallocated back to SoCalGas, SDG&E, and the unregulated affiliates.

The example below, shown in Table JC/MA-2, uses \$1,000, with a shared percentage from SDG&E to Corporate Center of 10%, SoCalGas of 50%, Unregulated Affiliates 5%, with the remaining amount retained. The example BUCU reallocation rate uses SDG&E 40%, SoCalGas 40%, and the Unregulated Affiliates 20%.

**TABLE JC/MA-2  
EXAMPLE OF CORPORATE CENTER BUCU REALLOCATION**

<b>Business Unit</b>	<b>Value</b>	<b>Sharing %</b>	<b>Initial Impact</b>	<b>BUCU Rate</b>	<b>BUCU Impact</b>	<b>Final Result</b>
SDG&E	\$1,000	35%	\$350	40%	\$40	\$390
SoCalGas		50%	\$500	40%	\$40	\$540
Unreg Affiliates		5%	\$50	20%	\$20	\$70
CorpCtr (Retained)		10%	\$100	(100%)	(\$100)	\$0

1           **D.     Overheads**

2                   **1.     Types of Overheads**

3           Overheads are applied to shared services billings to fully load the shared service cost.

4           The following are the types of overheads applied to billings:

5           **(A)** Standard Labor Overheads include:

- 6           •     Payroll Tax;
- 7           •     Variable Pay;
- 8           •     Workers' Compensation (Workers' Comp);
- 9           •     Public Liability and Property Damage (PLPD); and
- 10          •     Pension and Benefits (P&B).

11          These labor overheads represent additional indirect costs associated with salaries paid to  
12 employees and are loaded on internal labor and labor billed to other parties. The specific  
13 overhead rates that were applied to the shared services allocations-out costs in this GRC were  
14 developed using 2025 recorded data.

15                   **a.     Payroll Tax Overhead**

16          The Payroll Tax overhead represents the SoCalGas and SDG&E portion of required  
17 contributions to the State and Federal governments for State Unemployment Insurance, Federal  
18 Unemployment Insurance, and Federal Retirement and Medicare Insurance. The Payroll Tax  
19 rate applied to the allocations-out labor was provided by the Tax Department for use in this  
20 GRC. Further details on payroll taxes can be found in the Tax testimony (Ex. SCG-25/SDGE-  
21 30).

22                   **b.     Variable Pay Overhead**

23          The Variable Pay (also referred to as Incentive Compensation Program or ICP) overhead  
24 represents the variable pay plan costs paid to employees based on Company and individual  
25 employee performance as compared to pre-established goals. The ICP overhead rate used in this  
26 GRC was applied to the total labor allocated to the Affiliates. The ICP rate in this GRC equals  
27 the 2025 pool funding divided by the total 2025 non-union labor. Further details on ICP can be  
28 found in the Compensation & Benefits testimony (Ex. SCG-16/SDGE-20).

1 **c. Workers' Comp Overhead**

2 The Workers' Comp overhead represents the cost of expected payments to employees for  
3 work-related injuries, plus the cost of workers' compensation insurance premiums to cover  
4 claims over a certain dollar amount. The Workers' Comp overhead rate used in this GRC was  
5 applied to the total labor allocated to the Affiliates. The Workers' Comp rate in this GRC equals  
6 the 2025 pool funding divided by the total 2025 labor. Further details on workers' compensation  
7 can be found in the Safety and Culture testimony (Ex. SCG-18 and SDGE-22, respectively).

8 **d. PLPD Overhead**

9 The PLPD overhead represents the cost of expected payments to third parties for liability  
10 and property damage claims submitted to SoCalGas or SDG&E, plus the cost of insurance  
11 premiums to cover claims over a certain dollar limit. The PLPD overhead rate used in this GRC  
12 was applied to the total labor allocated to the Affiliates. The PLPD rate in this GRC equals the  
13 2025 pool funding divided by the total 2025 labor. Further details on PLPD can be found in the  
14 Insurance testimony (Ex. SCG-15/SDGE-19).

15 **e. P&B Overhead**

16 The P&B overhead represents costs paid by SoCalGas or SDG&E to provide employee  
17 benefits, such as health benefit plans, the Company-match portion of contributions to the  
18 qualified retirement savings plan 401(k), employee pension contributions and expense, and  
19 retiree health benefits. The P&B overhead rate used in this GRC was applied to the total labor  
20 allocated to the Affiliates. The P&B rate in this GRC application equals the 2025 pool funding  
21 divided by the total 2025 labor. Further details on P&B can be found in the Pension and PBOP  
22 testimony (Ex. SCG-17/SDGE-21).

23 **f. Vacation and Sick (V&S)**

24 The V&S overhead represents costs paid by SoCalGas or SDG&E for the employees'  
25 non-productive time, such as vacation and sick days, holidays, and jury duty. For this GRC  
26 filing, V&S was forecasted as a part of total direct labor instead of an indirect overhead loading.  
27 Thus, while a V&S overhead rate/factor was developed, it was only provided to the managers to  
28 gross up the productive labor. The V&S factor used in this GRC filing was based on the 2025  
29 historical rate.

1           **(B)** Non-Labor Overheads include:

2           The standard non-labor overheads consist solely of the Purchasing Pool Overhead rate.  
3           The Purchasing Pool Overhead rate loads the costs related to the procurement activity in  
4           obtaining goods and services for the organizations. The costs for any procurement activities  
5           benefiting the affiliates are billed directly as part of the shared service billings. The Purchasing  
6           Pool Overhead rate used in this GRC was applied to the non-labor charges (which generally  
7           represent purchased materials and services). The Purchasing Pool Overhead rate in this GRC  
8           equals to the 2025 pool funding divided by total 2025 non-labor charges.

9           **(C)** Supplemental Labor Loader

10          In addition to the standard labor loaders, a supplemental labor loader was applied to  
11          shared services billed to Corporate Center and other unregulated affiliates. The applicable  
12          required loader for these billings is 5% of fully-loaded labor. The supplemental labor overhead  
13          rate reflects the required loading rate applied to direct labor prior to any other overhead. For this  
14          GRC, inserting the supplemental labor overhead rate in this manner equates to the required  
15          loading rate of 5% on fully-loaded labor.

16          **(D)** Indirect Support Overhead

17          The indirect support overhead is represented by the Affiliate Billing A&G overhead.  
18          This overhead represents the cost of A&G support provided to all affiliate billings by functional  
19          areas, such as Accounting and Human Resources. The Affiliate Billing A&G overhead used in  
20          this GRC is applied to the total labor and non-labor Allocations-Out costs to the affiliates. The  
21          Affiliate Billing A&G rate in this GRC equals the 2025 pool funding divided by total 2025 labor  
22          and non-labor costs billed to the affiliates.

23                   **2.       SDG&E Overheads**

24          Composite overhead loading factors were developed based on 2025 recorded data and  
25          used to calculate billed costs for applicable overheads for each affiliate. The 2028 SDG&E  
26          loading factors are presented in Table JC/MA-3 below. The use of an overhead rate based on  
27          recorded data in this GRC is a reasonable and fair representation of TY 2028 loadings for shared  
28          services billings. There is no indication of stranded costs or cross-subsidization at SDG&E and  
29          SoCalGas by using an overhead rate based on recorded data. A more detailed discussion is  
30          included in workpapers, (Ex. SCG-22-WP/SDGE-27-WP) WP-1 through WP-15.

**TABLE JC/MA-3  
2028 COMPOSITE OVERHEAD LOADING FACTORS FOR SDG&E**

	SoCalGas	CORP CTR	UNREGS
<b>LABOR</b>			
Standard Rate	58.87%	58.87%	58.87%
Supplemental Rate	0.00%	7.94%	7.94%
Indirect Support Rate	27.75%	27.75%	27.75%
<b>Sub-total LABOR</b>	<b>86.62%</b>	<b>94.56%</b>	<b>94.56%</b>
<b>NON-LABOR</b>			
Standard Rate	0.84%	0.84%	0.84%
Indirect Support Rate	27.75%	27.75%	27.75%
<b>Sub-total NON-LABOR<sup>11</sup></b>	<b>28.59%</b>	<b>28.59%</b>	<b>28.59%</b>

### 3. SoCalGas Overheads

Composite overhead loading factors were developed based on 2025 recorded data and used to calculate billed costs for applicable overheads for each Affiliate. The 2028 SoCalGas loading factors are presented in Table JC/MA-4 below. The use of an overhead rate based on recorded data in this GRC is a reasonable and fair representation of TY 2028 loadings for shared services billings. There is no indication of stranded costs or cross-subsidization at SoCalGas and SDG&E by using an overhead rate based on recorded data. A more detailed discussion is included in workpapers, (Ex. SCG-22-WP/SDGE-27-WP) WP-16 through WP-30.

**TABLE JC/MA-4  
2028 COMPOSITE OVERHEAD LOADING FACTORS FOR SoCalGas**

	SDG&E	CORP CTR	UNREGS
<b>LABOR</b>			
Standard Rate	64.17%	64.17%	64.17%
Supplemental Rate	0.00%	8.21%	8.21%
Indirect Support Rate	27.36%	27.36%	27.36%
<b>Sub-total LABOR</b>	<b>91.53%</b>	<b>99.74%</b>	<b>99.74%</b>
<b>NON-LABOR</b>			
Standard Rate	0.53%	0.53%	0.53%
Indirect Support Rate	27.36%	27.36%	27.36%
<b>Sub-total NON-LABOR</b>	<b>27.89%</b>	<b>27.89%</b>	<b>27.89%</b>

<sup>11</sup> The Sub-total Non-Labor figure presented here incorporates updates that were not made in time to be incorporated into the Results of Operations (RO) model in time for the filing of this TY 2028 GRC application. The appropriate updates will be made to the RO model at the next available opportunity.

1                                   **4.       Overhead Credit**

2                   The Overhead credit is the total of all the overhead loadings that were applied to the Total  
3 Allocations amount (i.e., allocations-out costs). The overhead loadings were credited so as not to  
4 be counted twice in SoCalGas’s or SDG&E’s revenue requirement. For example, SDG&E will  
5 reflect its P&B forecast costs at the 100% Incurred Level.<sup>12</sup> However, a portion of SDG&E’s  
6 P&B costs that are related to SDG&E employees who provide shared services to other entities  
7 (SoCalGas, Corporate Center and other unregulated affiliates) are billed to those entities in the  
8 form of overhead loadings. This is so that SDG&E ratepayers do not subsidize the portion of  
9 P&B costs related to services provided to other entities. As a result, a credit for SDG&E’s P&B  
10 overhead loadings must be applied in the Results of Operation (RO) model in order to reflect the  
11 proper request level for the SDG&E revenue requirement.

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

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

22                                   **1.       SDG&E Forecasts**

23                   A summary of TY 2028 SDG&E shared service costs is shown below (in thousands  
24 (\$000)). A more refined level of detail is included in workpapers (Ex. SCG-22-WP/SDG&E-27-  
25 WP), WP-31 through WP-34.

26                   100% Incurred Level Summary (prior to overhead loadings)

- 27                   •       100% Incurred Level forecast - \$142,703  
28                   •       Allocations-out costs - \$57,239  
29                   •       Retained costs - \$85,464

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<sup>12</sup> 100% Incurred Level is all direct costs prior to any allocations out.

1 • Allocations-in costs - \$22,122

2 • Book Expense - \$107,586

3 Allocations-Out Summary, Fully-Loaded including Overheads

4 • Allocations-out to SoCalGas - \$77,743

5 • Allocations-out to Corporate Center - \$6,363

6 • Allocations-out to Unregulated Affiliates - \$1,110

7 Retained Summary, Allocations In (incl. CorpCtr BUCU Reallocation)

8 • Retained Costs - \$85,464

9 • Allocations-in (fully loaded) costs - \$37,505

10 ○ CorpCtr BUCU back to SDG&E, from SDG&E & SoCalGas - \$3,234

11 • Overhead Credit - (\$26,542)

12 Net Shared Services O&M - \$96,427

13 **2. SoCalGas Forecasts**

14 A summary of TY 2028 SoCalGas Shared Service costs is shown below; costs shown in  
15 thousands (\$000). A more refined level of detail is included in workpapers (Ex. SCG-22-WP  
16 SDG&E-27-WP), WP-35 through WP-38.

17 100% Incurred Level Summary (prior to overhead loadings)

18 • 100% Incurred Level forecast - \$121,753

19 • Allocations-out costs - \$23,088

20 • Retained costs - \$98,665

21 • Allocations-in costs - \$52,278

22 • Book Expense - \$150,943

23 Allocations-Out Summary, Fully-Loaded including Overheads

24 • Allocations-out to SDG&E - \$34,270

25 • Allocations-out to Corporate Center - \$1,283

26 • Allocations-out to Unregulated Affiliates - \$21

27 Retained Summary, Allocations In (incl. CorpCtr BUCU Reallocation)

28 • Retained Costs - \$98,665

29 • Allocations-in (fully loaded) costs - \$81,577

30 ○ CorpCtr BUCU back to SoCalGas, from SoCalGas & SDG&E - \$3,834

- Overhead Credit - (\$11,795)
- Net Shared Services O&M - \$168,447

### **III. SHARED ASSETS**

#### **A. Shared Asset Policy Background**

Shared assets are assets that are on the financial records of one utility but are also used by other Sempra Energy affiliates. For SDG&E, this applies to assets owned and used by SDG&E, which are also used by SoCalGas, Corporate Center, and/or other Sempra Energy affiliates. The same holds true for Shared Assets as financial records at SoCalGas. Assets that can be identified, quantified, valued, and exclusively used by one entity are not considered a shared asset. Assets that will be used by both SDG&E and SoCalGas, (e.g., software applications) will be considered shared assets. However, items such as a particular piece of IT hardware, which will be used exclusively by only SDG&E or SoCalGas will not be considered a shared asset and will be recorded on the financial records for the specific utility.

Shared assets are recorded on the financial records of the utility (owner) that receives the most service or use from the asset. For example, an asset that is used at a rate of 60% by SoCalGas employees and 40% by SDG&E employees is placed on the financial records of SoCalGas. For situations where utilization between SDG&E and SoCalGas is exactly 50%, the established treatment is to place such assets on SoCalGas's records.

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

These allocation percentages are reviewed annually and are adjusted, as needed, if there are material changes to the business activities. This review is conducted by the organization responsible for the asset and is coordinated by the Plant Accounting organization. If necessary, the allocation percentages change, so each Affiliate is charged the appropriate level of costs.

Once the asset is initially capitalized, it remains on the utility's records even though the utilization factor may change in the future. This practice removes the undue administrative burden and associated costs (such as incremental sales tax) caused by transferring the asset from

1 one utility to the other. Therefore, if an asset is originally placed on SDG&E's records but usage  
2 of the asset subsequently declines below 50%, SDG&E nonetheless remains the owner of the  
3 asset. Any additions to a shared asset are recorded on the owner's financial records where the  
4 original asset is recorded.

5 **B. Shared Asset Billing**

6 SoCalGas's and SDG&E's shared assets consist primarily of facilities, computer  
7 hardware and software, and communications assets (i.e. telecommunication infrastructure).  
8 SoCalGas and SDG&E charge other Affiliates for the use of these assets by developing a capital  
9 revenue requirement. This revenue requirement is retained by SoCalGas or SDG&E, and/or  
10 billed to other Affiliates according to the particular allocation methodology chosen for each asset  
11 to distribute the costs.

12 When developing the revenue requirement, the shared assets are put into asset categories.  
13 Assets listed in these categories include those that are currently in service, as well as the  
14 forecasted additions as requested in this GRC proceeding through TY 2028.

15 For SDG&E, the shared assets are classified into the following categories:

- 16 • Land;
- 17 • Structures and Improvements;
- 18 • Computer Hardware;
- 19 • Computer Software – 5-year life;
- 20 • Common Communications; and
- 21 • Electric Communications.

22 For SoCalGas, the shared assets are classified into the following categories:

- 23 • Structures and Improvements;
- 24 • Computer Hardware;
- 25 • Computer Software;
  - 26 ○ 2-4 year life;
  - 27 ○ 5-8 year life;
  - 28 ○ 9-12 year life;
  - 29 ○ 15-year life;

- Communications; and
- Miscellaneous.

For each asset category, an annual weighted-average rate base is calculated. A return on rate base, state and federal income taxes, estimated depreciation expense, and property taxes are derived from that information, resulting in a total revenue requirement. Table JC/MA-5 (SDG&E) and Table JC/MA-6 (SoCalGas) in this testimony provide summary results for these shared asset rate base calculations by their asset category grouping for TY 2028. The various revenue requirement components are determined and sponsored by other GRC witnesses.<sup>13</sup>

Once the billable charges (i.e., revenue requirements) for the asset categories are determined, they are apportioned to the appropriate Affiliates using the allocation percentages. As discussed earlier, the allocation percentages are based on utilization factors developed specifically for each forecasted project by the sponsoring witness. The allocation percentages have been weighted by the net book value or estimated project costs to develop composite allocation percentages for the asset classes in the RO. These percentages are used to determine the amounts to be charged to the appropriate Affiliates.

When utility charges are billed to Corporate Center, the charges are then billed back to SoCalGas, SDG&E, and other Affiliates based on a set of allocation percentages determined by Corporate Center. This process is discussed in the Corporate Center Administration testimony (Ex. SCG-22/SDGE-27). However, when developing the revenue requirement, a net billing process is used for shared asset expense allocations to Corporate Center.<sup>14</sup> With the net billing process, the percentage allocation of shared asset charges billed to Corporate Center (that would then be reallocated and billed out) is already incorporated within the percentage allocations to SoCalGas, SDG&E, and other Affiliates and retained by the utility sharing the asset. This eliminates a second iteration required to develop the revenue requirement. In order to reflect this

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<sup>13</sup> The total Company weighted-average rate base is sponsored in SoCalGas' Rate Base testimony, Ex. SCG-23 and SDG&E's Rate Base testimony, Ex. SDGE-28. The calculation of return on rate base percentage is performed in the Results of Operations model and is sponsored in the Summary of Earnings testimonies, Ex. SCG-27 and SDGE-32. The tax expenses are sponsored in the Tax testimony, Ex. SCG-33/SDGE-37. Depreciation rates are sponsored in the Depreciation testimonies, Ex. SCG-24 and SDGE-29.

<sup>14</sup> This net billing process, also called BUCU process, is explained in Section II(C)(3) above.

activity for the purposes of filing the GRC, the weighted allocation percentages for each of the Affiliates are adjusted to reflect the chargeback of shared asset expenses from Corporate Center.

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

**TABLE JC/MA-5  
2028 SUMMARY OF SHARED ASSET RATE BASE FOR SDG&E**

	Wtd Avg Rate Base	Billable Return	Return Gross Up FIT & SIT <sup>15</sup>	Annual Depr Expense	Annual Property Tax	Total Billable Charges	Retained	Billed Out
Common Land Common Structures & Improvements	1,145	85	118	0	25	143	74	69
Common Computer Hardware	193,493	14,338	19,909	11,969	4,186	36,064	32,266	3,797
Common Computer Software 5 Year Common	2,195	163	226	13,461	47	13,734	10,519	3,215
Common Communications Electric Communications	74,488	5,520	7,664	27,850	0	35,515	23,426	12,089
	19,420	1,439	1,998	1,139	420	3,557	3,295	263
	16,336	1,211	1,681	3,850	353	5,885	3,837	2,048
<b>Total</b>	<b>307,077</b>	<b>22,754</b>	<b>31,596</b>	<b>58,269</b>	<b>5,032</b>	<b>94,896</b>		<b>21,481</b>

**TABLE JC/MA-6  
2028 SUMMARY OF SHARED ASSET RATE BASE FOR SOCALGAS**

	Wtd Avg Rate Base	Billable Return	Return Gross Up FIT & SIT	Annual Depr Expense	Annual Property Tax	Total Billable Charges	Retained	Billed Out
Structures & Improvements	(7,088)	(533)	(740)	2,085	(111)	1,234	1,158	76
Computer Hardware	90,179	6,781	9,417	32,456	1,416	43,288	25,934	17,354
Computer Software:								
2-4 Yrs	12,295	925	1,284	26,088	0	27,372	17,813	9,559
5-8 Yrs	606,910	45,640	63,374	164,205	0	227,579	159,823	67,756
9-12 Yrs	7	1	1	0	0	1	0	0
15 Yrs	64,054	4,817	6,689	4,718	0	11,406	6,787	4,619
Communications	31,868	2,396	3,328	5,361	500	9,189	5,338	3,851
Miscellaneous	755	57	79	34	12	125	114	11
<b>Total</b>	<b>798,981</b>	<b>60,083</b>	<b>83,430</b>	<b>234,948</b>	<b>1,816</b>	<b>320,194</b>		<b>103,227</b>

<sup>15</sup> FIT (Federal Income Taxes); SIT (State Income Taxes).

1 The total amount Billed Out to the Affiliates as noted in Table JC/MA-5 (SDG&E) and  
2 Table JC/MA-6 (SoCalGas), above, is reflected in the Miscellaneous Revenues testimony of (Ex.  
3 SCG-26 and SDGE-31). The shared assets billing process remains the same as that presented in  
4 SoCalGas's and SDG&E's 2024 GRC, where it was found reasonable and adopted.<sup>16</sup>

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

6 **1. Land (SDG&E only)**

7 Shared land consists solely of the property for the Rancho Bernardo Data Center. The  
8 revenue requirement for this asset is allocated based on the amount of data (bandwidth) used by  
9 the various companies. This category represents existing assets and does not include any future  
10 projects. The annual process of reviewing the allocation percentage is performed by the IT  
11 department.

12 **2. Structures and Improvements**

13 Shared structures and improvements consist primarily of improvements to the Century  
14 Park Facility and Rancho Bernardo Data Center, and the Gas Tower and Monterey Park. The  
15 allocations for the improvements are based on space studies developed and performed by the  
16 Facilities Management Department. New shared asset projects in service 2026 - 2028 are  
17 sponsored in SDG&E's Operations Support testimony (*see* Ex. SDGE-16). For the forecasted  
18 shared asset projects related to Structures and Improvements, please refer to our workpapers (Ex.  
19 SCG-22-WP/SDGE-27-WP), WP-39 (SDG&E) and WP-40 (SoCalGas).

20 **3. Computer Hardware and Software**

21 Shared computer hardware and software consists of mainframe, servers, exchange  
22 (email), and SAP software, among others. Utilization factors for these various assets are tracked,  
23 ranging from number of users (employees or customers) to the amount of activity used  
24 (bandwidth) for each company. The utilization factors determine the allocation percentages.  
25 New shared asset projects in service for 2026 – 2029 are sponsored in the Information  
26 Technology testimony (*see* Ex. SCG-10/SDGE-14), and in the Cybersecurity testimony (*see* Ex.  
27 SCG-11/SDGE-15). For the forecasted shared asset projects related to Computer Hardware and  
28 Software, please refer to workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-39 (SDG&E) and  
29 WP-40 (SoCalGas).

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<sup>16</sup> D.24-12-074 at COL 274.



1 Also, the miscellaneous revenue generated from depreciation of common shared assets  
 2 billed to Affiliates will contain a portion of revenue related to Electric Transmission. For TY  
 3 2028 this amounts to a reduction of \$3,243,000 from \$21,481,000. The amount for Electric  
 4 Transmission is removed from this GRC filing. For 2025 Recorded, the Electric Transmission  
 5 portion amounts to a reduction of \$3,049,000 from \$20,919,000. More detailed information is  
 6 reflected in the Miscellaneous Revenues testimony (Ex. SDGE-31).

7 As discussed previously, each utility bills the other utility for the allocation of the  
 8 revenue requirement for each asset category. Table JC/MA-8 (SDG&E) reflects the shared asset  
 9 expense allocation billed to SDG&E from SoCalGas for 2025 Recorded and TY 2028.

10 **TABLE JC/MA-8**  
 11 **SDG&E SHARED ASSET EXPENSES FROM SOCALGAS (\$000s)**

2025 Recorded	Test Year 2028	Net Change
83,289	102,705	19,416

12 The increase for 2025 recorded to TY 2028 is primarily due to planned shared asset  
 13 additions for computer hardware and computer software at SoCalGas.

14 Table JC/MA-9 (SoCalGas) below reflects the total miscellaneous revenue (billed out  
 15 shared asset expenses to the Sempra Energy affiliates) for SoCalGas for 2025 recorded and TY  
 16 2028.

17 **TABLE JC/MA-9**  
 18 **SOCALGAS SHARED ASSET MISCELLANEOUS REVENUE (\$000s)**

2025 Recorded	Test Year 2028	Net Change
87,226	103,227	16,001

19 The increase from 2025 recorded to TY 2028 is primarily attributable to a higher number  
 20 of planned shared asset additions for computer software and computer hardware.

21 As discussed previously, each utility bills the other utility for the allocation of the  
 22 revenue requirement for each asset category. Table JA/MA-10 (SoCalGas) reflects the shared  
 23 asset expense allocation billed to SoCalGas from SDG&E for 2025 recorded and TY 2028.

24 **TABLE JC/MA-10**  
 25 **SOCALGAS SHARED ASSET EXPENSES FROM SDG&E (\$000s)**

2025 Recorded	Test Year 2028	Net Change
19,551	20,932	1,381

1 The increase from 2025 recorded to TY 2028 is primarily due to planned SDG&E assets  
2 having a higher percentage of shared asset support to SoCalGas and only minimal or no shared  
3 asset support to Corporate Center or the unregulated affiliates.

#### 4 **IV. BUSINESS SEGMENTATION ALLOCATION (SDG&E ONLY)**

##### 5 **A. General Discussion**

6 For SDG&E, the FERC account series of Clearing Accounts, Customer Accounts,  
7 Customer Service and Information, and A&G Accounts, as described further below, that are  
8 specifically related to the Electric Department or the Gas Department are directly assigned to the  
9 appropriate department. General expenses that are not directly chargeable to those departments  
10 are common costs that must be allocated between the three operating functions (Electric, Electric  
11 Generation, and Gas) for ratesetting purposes.

12 In addition, Gas Department expenses and only the Electric Department expenses  
13 attributable to Electric Distribution and Electric Generation are recoverable in customer rates  
14 authorized by the CPUC. Therefore, Electric Department costs, excluding Electric Generation,  
15 were further allocated to Distribution and Transmission, as discussed in Section VI of our  
16 testimony. An example of the segmentation process is shown in Appendix D. The summary of  
17 segmentation rates is shown in Appendix E (SDG&E). The business segmentation allocation  
18 process remains the same as that presented in SDG&E's 2024 GRC, where it was found  
19 reasonable and adopted.<sup>17</sup>

##### 20 **B. Allocation to Electric, Electric Generation & Gas Departments**

21 The first step in business segmentation allocations is to separate common expenses  
22 between the Electric, Electric Generation, and Gas Departments. The methods used to calculate  
23 the allocation percentages are described below.

##### 24 **1. Clearing Accounts**

25 The Electric, Electric Generation and Gas segmentation for Clearing Account costs  
26 (FERC account 163 and FERC account 184), were calculated based on the 2025 actual recorded  
27 costs and by determining what percentages were booked to the Electric, Electric Generation, and  
28 Gas segments. For the derivation of the rates pertaining to these accounts, *see* workpapers (Ex.  
29 SCG-22-WP/SDGE-27-WP), WP-41.

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<sup>17</sup> D.24-12-074 at COL 275.

1                                   **2.       Customer Accounts**

2                   Common Customer Accounts costs are booked to FERC accounts 901 - 905. These  
3 charges are allocated between electric and gas based on the number of customers. The costs in  
4 these accounts closely align with activities, such as customer records and billing data. (See  
5 workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-42. To obtain the business segmentation  
6 allocation this process first uses the number of average annual Electric customers and Gas  
7 customers.<sup>18</sup> The number of total Gas customers is then subtracted from the total Electric  
8 customers to determine the number of Electric-only customers.<sup>19</sup> To properly weight the  
9 services a customer receives, combined service customers are given a weight of 2,<sup>20</sup> and Electric-  
10 only customers are given a 1-1/3 weighting.<sup>21</sup> The allocation of costs to Electric is determined  
11 using one combined service customer weighting plus the Electric-only customer service  
12 weighting.<sup>22</sup> The Gas customers in the allocation are based on the one weighting of combined  
13 service customers.<sup>23</sup> The resulting weighted customer counts determine the final allocation  
14 percentages.<sup>24</sup>

15                                   **3.       Customer Services & Information**

16                   Common Customer Services & Information costs are booked to FERC accounts 907 –  
17 910. Most Customer Services & Information costs are directly charged 100% to Electric or Gas  
18 segments. Most common costs have a pre-determined allocation based on a specific underlying  
19 percentage to Electric or Gas segments, depending on the nature of the program/activity these  
20 costs support. The remaining common costs are allocated between Electric and Gas segments  
21 based on the level of directly assigned Electric and Gas costs for the entire series of accounts, as  
22 reported on SDG&E’s 2025 FERC Form 1 and 2. For the derivation of the rates pertaining to  
23 these accounts, see our workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-43.

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18 Ex. SCG-22-WP/SDGE-27-WP, WP-42 at Line 2.

19 *Id.* at Line 4.

20 *Id.* at Line 7-8.

21 *Id.* at Line 9.

22 *Id.* at Line 14-15.

23 *Id.* at Line 14.

24 *Id.* at Line 18.

1                                   **4.     A&G and Common Plant**

2                                   **a.     A&G FERC Accounts 920-923, 925 (in part), 926-935 and**  
3                                   **Common Plant**

4                   SDG&E charges Common A&G to FERC account numbers 920-923, 925 (in part) and  
5 926-935. SDG&E charges Common Plant primarily to FERC account numbers 303, 389, 390,  
6 391, 392, 393, 394, 395, 396, 397, and 398. Common A&G and Common Plant are costs that  
7 are shared between SDG&E’s Electric and Gas segments. Therefore, SDG&E uses labor ratios  
8 to allocate these costs between the Electric and Gas segments. Use of the labor ratio to segment  
9 common costs was previously accepted by the Commission in the 2012 GRC for SDG&E, and  
10 used again without objection in the 2016, 2019, and 2024 GRCs for SDG&E.<sup>25</sup>

11                   The labor ratios are prepared based on total SDG&E payroll. Total payroll is retrieved  
12 from the SDG&E 2025 FERC Form 1, Distribution of Salaries & Wages, which is provided in  
13 our workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-54-FERC. The amount of A&G labor is  
14 then excluded from the Electric, Electric Generation, and Gas segment totals that make up the  
15 denominator of the ratio calculation. For the derivation of the rates pertaining to these accounts,  
16 see our workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-44.

17                   Ultimately, the forecasted costs based on the mapping of cost center to FERC for these  
18 accounts are multiplied by the labor ratios to determine the amounts included in the Electric,  
19 Electric Generation, or Gas services tables of the RO Model.

20                                   **b.     FERC Account 924.0 – Property Insurance**

21                   FERC account 924.0 – “Property Insurance” costs are dependent on plant balances since  
22 the company is insuring its property, plant, and equipment assets. The allocation of property  
23 insurance is based on the plant in- service balances of Electric, Electric Generation and Gas  
24 plant, excluding Miscellaneous Intangible plant assets. Intangible plant assets are excluded. The  
25 methodology to derive plant ratios has been adopted by the FERC and the CPUC for ratesetting  
26 purposes in prior GRCs.<sup>26</sup> The continuation of this method by SDG&E provides consistency  
27 between state and federal regulatory jurisdictions for the allocation of common expenses. For the

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<sup>25</sup> See D.19-09-051 at 604-607. See also D.24-12-074 at 797-799 (while the 2024 GRC decision did not specifically address the proposed methodology, the decision did find the Business Segmentation Allocation to be reasonable).

<sup>26</sup> See *id.* at 607; see also FERC Docket ER13-941-000, ER13-941-001 and ER13-941-002 at 1.3.2 .

1 derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-22-WP/SDGE-  
2 27-WP), WP-52 (Lines 1 – 11).

3 FERC account 924.1 – “Property Insurance, Nuclear” assigns 100% of costs to the  
4 Electric Department, and only to the Electric Distribution Department. There is no capital  
5 reassignment of these costs. This account is described in more detail in the Insurance testimony  
6 (Ex. SCG-15/SDGE-19).

7 **c. FERC Accounts 925 (in part) Injuries & Damages/Account**  
8 **926 Pension & Benefits**

9 FERC account 925 – “Injuries and Damages” and FERC account 926 – “Pension and  
10 Benefits (P&B),” are allocated based on labor ratios. The labor ratios are prepared based on total  
11 SDG&E payroll. Total payroll is retrieved from the 2025 SDG&E FERC Form 1, “Distribution  
12 of Salaries & Wages,” which is provided in workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-  
13 54-FERC. The amount of A&G labor is then excluded from the Electric, Electric Generation  
14 and Gas totals that make up the denominator of the ratio calculation. For the derivation of the  
15 rates pertaining to these accounts, see our workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-44.

16 FERC account 925.4 – “Injuries & Damages Nuclear” assigns no costs for consideration  
17 in this GRC proceeding as SDG&E does not have active nuclear assets.

18 **d. FERC Accounts 925.5 – Wildfire Insurance**

19 Wildfire Insurance is allocated between SoCalGas and SDG&E, as discussed in the  
20 Insurance testimony (Ex. SCG-15/SDGE-19). For SDG&E, Wildfire Insurance is charged 100%  
21 to the Electric Department and 0% to the Gas Department because the increase in the insurance  
22 premiums have been related to electric lines rather than natural gas facilities. Based on this  
23 historical experience, the risk associated with providing natural gas service was not deemed by  
24 SDG&E to be a material factor in the Wildfire Insurance cost. Total Wildfire Insurance  
25 premiums costs are sponsored in the Insurance testimony.

26 Segmentation rates of 94.0% Electric department and 6.0% Electric Generation  
27 department can be found in workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-50 (Injuries &  
28 Damages, Electric Allocation 100% section, right-most columns).

1 **V. REASSIGNMENT TO CAPITAL**

2 **A. General Discussion**

3 SoCalGas and SDG&E charge most of their operating costs directly to either capital or  
4 O&M; however, certain costs, including some of the A&G expenses, labor overheads (e.g.  
5 pension and benefits, injuries and damages), and clearing account costs support construction  
6 efforts and are therefore reassigned to capital. After SDG&E has determined the portion of costs  
7 associated with Electric, Electric Generation, and Gas Services, it begins the capital  
8 reassignment process. Since these costs are not charged directly to capital, reassignment to  
9 capital rates have been developed based on 2025 base year data. The reassignment follows  
10 compliance with the Electric Plant Instructions, Part 101 and Gas Plant Instructions, Part 201 in  
11 the Code of Federal Regulations (CFR).<sup>27</sup> These reassigned costs become part of SoCalGas’s  
12 and SDG&E’s rate base.

13 For TY 2028, the SDG&E O&M reassignment to capital for the Electric Department is a  
14 credit of approximately \$188,049,000, the Electric Generation Department is a credit of  
15 approximately \$8,508,000, and the Gas Department is a credit of approximately \$67,591,000.  
16 O&M reassignment of each business segment represents the amount of expenses being  
17 transferred to construction projects.

18 The SoCalGas O&M reassignment to capital for expenses being transferred to  
19 construction projects is approximately \$245,248,000. The calculation and derivation of the  
20 various reassignment rates for each category are discussed below.

21 The capital reassignment process remains the same as that presented in SoCalGas’s and  
22 SDG&E’s 2024 GRC, where it was found reasonable and adopted.<sup>28</sup>

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<sup>27</sup> 18 CFR Parts 101 and 201 (Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act).

<sup>28</sup> D.24-12-074 at 800 and COL 276.

1           **B.       Categories / Accounts Subject to Reassignment**

2           The following categories of costs are subject to capitalization via a reassignment: A&G  
3 costs, labor overheads or the clearing accounts,<sup>29</sup> as shown in Table JC/MA-11 (SDG&E) and  
4 Table JC/MA-12 (SoCalGas), and further discussed in detail below:

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<sup>29</sup> Clearing Accounts for both SoCalGas and SDG&E include Warehousing, Purchasing, Fleet, Shops, Exempt Materials, and Small Tools. Each of these individual Clearing Accounts are described in Section V.C, below.

1  
2

**TABLE JC/MA-11**  
**SDG&E Summary of Reassignments % to Capital**

<b>Category</b>	<b>Reassignment %</b>
<b>A&amp;G Costs</b>	9.0%
<b>Labor Overheads</b>	
<b>**Variable Pay</b>	51.7%
<b>**Public Liability &amp; Property Damage</b>	6.3%
<b>**Workers' Compensation</b>	8.3%
<b>**Employee Benefits</b>	8.0%
<b>**Employee Pension &amp; PBOP</b>	8.0%
<b>Warehousing</b>	5.9%
<b>Purchasing</b>	68.0%
<b>Fleet</b>	50.3%
<b>Shops</b>	44.5%
<b>Exempt Material</b>	93.2%
<b>Small Tools</b>	44.3%

3  
4

**TABLE JC/MA-12**  
**SoCalGas Summary of Reassignments % to Capital**

<b>Category</b>	<b>Reassignment %</b>
<b>A&amp;G Costs</b>	11.3%
<b>Labor Overheads</b>	
<b>**Variable Pay</b>	41.3%
<b>**Public Liability &amp; Property Damage</b>	27.9%
<b>**Workers' Compensation</b>	30.1%
<b>**Employee Benefits</b>	30.1%
<b>**Employee Pension &amp; PBOP</b>	30.1%
<b>Warehousing</b>	80.6%
<b>Purchasing</b>	48.7%
<b>Fleet</b>	32.5%
<b>Shops</b>	16.91%
<b>Exempt Material</b>	73.6%
<b>Small Tools</b>	16.8%

5 The summary of Capital Reassignment Rates is shown in Appendix E (SDG&E) and  
6 Appendix F (SoCalGas).

7 **C. Discussion of Reassignment Percentage Derivation**

8 **1. A&G Costs**

9 A percentage of A&G direct costs in FERC accounts 920 (in part) – A&G Salaries, and  
10 921 – Office Supplies & Expenses and shared service Sempra affiliate costs in FERC account  
11 923 (in part) – Outside Services Employed are reassigned to construction each year in  
12 accordance with the Electric Plant Instructions and Gas Plant Instructions of the Code of Federal

1 Regulations. SoCalGas and SDG&E derive the A&G reassignment rate by utilizing the 2025  
2 actual A&G costs assigned to capital. To use this method, the applicable A&G costs are mapped  
3 from cost centers to FERC accounts 920, 921, and 923. Utilizing the subset of A&G FERC  
4 accounts, the capital reassignment rate of 9.0% (SDG&E) and 11.3% (SoCalGas) was calculated  
5 by taking the 2025 actual A&G costs assigned to capital projects and dividing it by 2025 total  
6 A&G costs of the same FERC accounts.<sup>30</sup>

7 The use of actual costs reassigned to capital to derive the reassignment rate to capital  
8 provides consistency with other Clearing Account categories (i.e., Warehousing, Purchasing,  
9 etc.) discussed in this testimony because those categories also use actual costs for the derivation  
10 of the reassignment to capital.

## 11 **2. Labor Overheads**

12 Labor Overheads subject to capitalization are variable pay costs<sup>31</sup> (FERC account 920.4),  
13 PLPD costs (FERC account 925.0), workers' compensation costs (FERC account 925.1), and  
14 P&B costs (FERC account 926). These are considered indirect costs related to company labor  
15 and accumulated each month in individual Clearing Accounts. These costs are then dispersed  
16 through overhead loading rates applied on Company labor.

17 In deriving the percentage of labor overheads that should be reassigned to capital, labor  
18 reassignment cost data from 2025 base year final reassignment reports were used. The total  
19 labor overhead reassigned to capital is divided by the total overhead charged. For the derivation  
20 of the rates pertaining labor overheads, see workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-  
21 45 (SDG&E) and WP-55 (SoCalGas).

## 22 **3. Warehousing**

23 Warehousing costs are charged to a Clearing Account that is mapped from the cost center  
24 to FERC account 163.1.<sup>32</sup> These costs are allocated as an overhead loading applied on  
25 warehouse issuances. The capital reassignment rate of 80.6% (SoCalGas) and 95.9% (SDG&E)  
26 was calculated by taking the 2025 actual warehouse overhead charged to capital and dividing it  
27 by the 2025 total warehouse overhead charged from the 2025 base year final reassignment

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<sup>30</sup> See Ex. SCG-22-WP/SDGE-27-WP, WP-47 (SDG&E) and WP-57 (SoCalGas).

<sup>31</sup> Variable pay plan costs are commonly referred to as the Incentive Compensation Plan (ICP).

<sup>32</sup> See Summary of Earnings testimony, Ex. SCG-27 and SDGE-32.

1 report. For the derivation of the rate pertaining to this account, see workpapers (Ex. SCG-22-  
2 WP/SDGE-27-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

#### 3 **4. Purchasing**

4 Purchasing costs are charged to a Clearing Account that is mapped from the cost center to  
5 FERC account 163.2.<sup>33</sup> These costs are allocated as an overhead loading applied on all material  
6 and services costs. The capital reassignment rate of 48.7% (SoCalGas) and 68.0% (SDG&E)  
7 was calculated by taking the 2025 actual purchasing overhead charged to capital and dividing it  
8 by the 2025 total purchasing overhead charged from the 2025 base year final reassignment  
9 report. For the derivation of the rate pertaining to this account, see workpapers (Ex. SCG-22-  
10 WP/SDGE-27-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

#### 11 **5. Fleet**

12 Fleet costs are charged by specific vehicle class, based on vehicle type, to a Clearing  
13 Account that is mapped from the cost center to FERC account 184.2.<sup>34</sup> These costs in the  
14 Clearing Account are subsequently assigned to capital and O&M based on an hourly utilization  
15 rate recorded against each vehicle in the fleet system. Vehicle utilization is recorded based on  
16 hourly usage, up to a 100% assignment of each vehicle. The capital reassignment rate of 32.5%  
17 (SoCalGas) and 50.3% (SDG&E) was calculated by taking the 2025 actual fleet utilization  
18 assigned to capital and dividing it by 2025 total fleet utilization. For the derivation of the rate  
19 pertaining to this account, see workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-46 (SDG&E)  
20 and WP-56 (SoCalGas).

#### 21 **6. Shops**

22 Shops costs are charged to a Clearing Account that is mapped from the cost center to  
23 FERC account 184.3.<sup>35</sup> These costs are allocated as an overhead loading applied on union labor  
24 costs. The capital reassignment rate of 44.5% (SDG&E) and 16.9% (SoCalGas) was calculated  
25 by taking the 2025 actual shops overheads charged to capital and dividing it by the 2025 total  
26 shops overheads. For the derivation of the rate pertaining to this account, see workpapers (Ex.  
27 SCG-22-WP/SDGE-27-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

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<sup>33</sup> See *id.*

<sup>34</sup> See *id.*

<sup>35</sup> See *id.*

1                                   **7. Exempt Material**

2                   Exempt Material costs are charged to a Clearing Account that is mapped from the cost  
3 center to FERC account 184.6.<sup>36</sup> These costs are for bulk type materials, such as nuts and bolts,  
4 that are not individually inventoried or managed by the warehouses and are restocked onto  
5 service trucks as needed. Exempt Material costs are allocated as an overhead loading applied on  
6 warehouse issuances and job direct material. The capital reassignment rate of 73.6% (SoCalGas)  
7 and 93.2% (SDG&E) was calculated by taking the 2025 actual exempt material overhead  
8 charged to capital and dividing it by the 2025 total exempt material costs. For the derivation of  
9 the rate pertaining to this account, see workpapers (Ex. SCG-22WP/SDGE-27-WP), WP-45  
10 (SDG&E) and WP-55 (SoCalGas).

11                                   **8. Small Tools/Premium**

12                   Small Tools costs are charged to a Clearing Account that is mapped from the cost center  
13 to FERC account 184.7.<sup>37</sup> SoCalGas also charges Union premium into the same Clearing  
14 Account. Small tools costs are for purchased tools that do not meet the capitalization rules.  
15 Union premiums are incremental compensation paid to union represented employees. These  
16 costs are allocated as an overhead loading applied to union labor costs. The capital reassignment  
17 rate of 16.8% (SoCalGas) and 44.3% (SDG&E) was calculated by taking the 2025 actual small  
18 tools/premium overheads charged to capital and dividing it by the 2025 total small  
19 tools/premium overheads. For the derivation of the rate pertaining to this account, see  
20 workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

21 **VI. ALLOCATION TO ELECTRIC FUNCTIONS (SDG&E ONLY)**

22                   **A. General Discussion**

23                   This section discusses the process used to allocate costs to the Electric Transmission  
24 Department. Electric Transmission costs are under the jurisdiction of the FERC, and thus the  
25 costs allocated to Electric Transmission are excluded from this GRC. To allocate Electric  
26 Department expenses, excluding Electric Generation, between the Electric Distribution and  
27 Electric Transmission functions, SDG&E used an allocation method based on labor charges for  
28 all O&M accounts other than Account 924.0 – “Property Insurance, and Account” and Account

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<sup>36</sup> See *id.*

<sup>37</sup> See *id.*

1 925.5 – “Wildfire Insurance.” For capital reassignment and Clearing Accounts, SDG&E used  
2 2025 actual data as described below. The summary of segmentation rates is shown in Appendix  
3 E (SDG&E).

4 The labor ratio method has been adopted by FERC and the CPUC for ratesetting purposes  
5 in prior GRCs.<sup>38</sup> The adoption of this method by SDG&E provides consistency between state  
6 and federal regulatory jurisdictions for the allocation of Electric Transmission expenses separate  
7 from Electric Department expenses, excluding Electric Generation.

8 The SDG&E 2025 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages are  
9 used for the labor ratio calculations.<sup>39</sup> The information presented on the Distribution of Salaries  
10 & Wages pages is based on detailed analysis of how labor costs were charged to the various  
11 functional areas for 2025.

## 12 **B. Electric Transmission Allocation**

13 Costs that have been allocated to Electric Transmission have been excluded from this  
14 GRC. For TY 2028, the total O&M amount that is allocated to Electric Transmission  
15 Department and excluded from this GRC is approximately \$119,052,000. For TY 2028, the total  
16 capital amount that is allocated to Electric Transmission and excluded from this GRC is  
17 approximately \$34,600,000. The different categories and processes are described below. The  
18 electric transmission allocation process remains the same as that presented in SDG&E’s 2024  
19 GRC, where it was found reasonable and adopted.<sup>40</sup>

### 20 **1. Clearing Accounts**

21 Direct Electric capital and O&M costs related to Electric Transmission have been  
22 excluded from this GRC. It is also necessary to exclude the proper portion of the costs allocated  
23 to Electric Transmission from the Clearing Accounts, shown in Table JC/MA-13.

24 The O&M exclusion rates for the Clearing Accounts have all been calculated by dividing  
25 actual Electric Transmission O&M by total Electric O&M, excluding Electric Generation. For  
26 the derivation of the rates pertaining to these accounts, see workpapers (Ex. SCG-22-WP/SDGE-  
27 27-WP), WP-48.

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<sup>38</sup> D.19-09-051 at 607.

<sup>39</sup> See Ex. SCG-22-WP/SDGE-27-WP, WP-54-FERC.

<sup>40</sup> D.24-12-074 at COL 277.

**TABLE JC/MA-13**  
**Summary of Electric Transmission O&M Allocation Rates**

<b>Category</b>	<b>Allocation %</b>
<b>Warehousing</b>	6.1%
<b>Purchasing</b>	14.2%
<b>Fleet</b>	26.0%
<b>Shops</b>	22.5%
<b>Exempt Material</b>	14.1%
<b>Small Tools</b>	22.5%

The capital exclusion rates for the Clearing Accounts, shown in Table JC/MA-14, have all been calculated by dividing actual Electric Transmission capital by total Electric capital, excluding Electric Generation. For the derivation of the rates pertaining to these accounts, see workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-49.

**TABLE JC/MA-14**  
**Summary of Electric Transmission Capital Allocation Rates**

<b>Category</b>	<b>Allocation %</b>
<b>Warehousing</b>	<b>12.3%</b>
<b>Purchasing</b>	<b>27.5%</b>
<b>Fleet</b>	<b>14.5%</b>
<b>Shops</b>	<b>15.1%</b>
<b>Exempt Material</b>	<b>41.4%</b>
<b>Small Tools</b>	<b>15.1%</b>

**2. A&G Reassignment to Capital**

Once the reassignment of Electric A&G to capital is determined, a portion is allocated to Electric Transmission. The Electric Transmission capital allocation rate is calculated by taking the 2025 actual direct Electric Transmission labor assigned to capital projects and dividing it by 2025 total direct Electric, excluding Electric Generation, labor for capital projects and removal costs. The resulting rate is 17.0%. This rate has been applied to Electric A&G reassigned to capital, FERC accounts matching within the reassignment to capital step(s), Section V of our testimony, with the result being excluded from this GRC. For the derivation of the rate pertaining to these accounts, see workpapers (Ex. SCG-22-WP/SDGE-27-WP), WP-51.

**3. A&G and Common Plant**

All Electric A&G accounts, including labor overheads (except for Account 924.0 – “Property Insurance,” Account 924.1 – “Property Insurance, Nuclear, Account” 925.5 – “Wildfire Insurance” and Account 925.9 – “Other Injuries & Damages”) and Common Plant are

1 allocated based on the labor ratio method. The labor ratio is calculated by taking the  
2 transmission function direct labor divided by the total direct Electric labor, excluding Electric  
3 Generation labor and A&G labor applicable for 2025. The resulting rate of 22.0% is applied to  
4 all Electric A&G accounts (except as noted) and Common plant, with the result being excluded  
5 from this GRC. For the derivation of the rates pertaining to these accounts, see workpapers (Ex.  
6 SCG-22-WP/SDGE-27-WP), WP-50.

#### 7 **4. FERC Account 924.0 - Property Insurance**

8 For Account 924.0 – “Property Insurance,” the FERC has established a different  
9 allocation methodology for setting Electric Transmission customer rates. This methodology is  
10 based on the ratio of total Electric Transmission plant to Electric plant, excluding Miscellaneous  
11 Intangible plant. Intangible plant assets are excluded. The resulting rate is 46.1%. This rate has  
12 been applied to the Electric Account 924.0 expenses with the result being excluded from this  
13 GRC. For the derivation of the rate pertaining to this account, see workpapers (Ex. SCG-22-  
14 WP/SDGE-27-WP), WP-52.

#### 15 **5. FERC Account 925.5 – Wildfire Insurance**

16 On October 8, 2010, FERC issued an Order<sup>41</sup> in SDG&E’s Transmission Owner 3  
17 (“TO3”) Cycle 4 proceeding requiring the allocation of Wildfire Insurance costs using labor  
18 ratios. Pursuant to this Order, the SDG&E wildfire-related insurance costs allocation factors are  
19 based upon the labor ratio method. The labor ratio is calculated by taking the Electric  
20 Transmission function O&M direct labor divided by the total direct Electric O&M labor,  
21 excluding Electric Generation O&M labor and A&G labor applicable for 2025. The resulting  
22 rate of 22.0% with the result being excluded from this GRC.

23 Further, Wildfire Insurance is associated 100% with fire risk and not with the  
24 construction or development of capital projects. Therefore, in accordance with current  
25 accounting rules (i.e., Generally Accepted Accounting Principles or GAAP), SDG&E has  
26 allocated Wildfire Insurance 100% to O&M expense and 0% to capital.

27 For the derivation of the rate pertaining to this account, see workpapers (Ex. SCG-22-  
28 WP/SDGE-27-WP), WP-53.

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<sup>41</sup> San Diego Gas and Electric Company, 133 FERC ¶ 61,016 (2010).

1 **VII. CONCLUSION**

2 The proposals in our testimony accurately reflect the nature of SoCalGas’s and SDG&E’s  
3 business practices. The identification of shared services and shared asset costs shared to the  
4 other utility, Corporate Center and the unregulated affiliates ensures the ratepayer is not  
5 subsidizing costs when there is no benefit. Additionally, the process, methodology and  
6 derivations of the business segmentation rates and reassignment rates ensure costs to support  
7 capital activity are properly adjusted from O&M. And the Electric Transmission allocation rates  
8 (which excludes Electric Transmission results) are not recovered in this proceeding.

9 The process and methodology of segmentation and reassignments of costs between  
10 Electric, Electric Generation and Gas Services, the reassignment of costs for A&G, labor  
11 overheads and Clearing Accounts, and the division of Electric costs into Electric Distribution and  
12 Electric Transmission have been accepted by the Commission and intervenors in past GRCs, as  
13 demonstrated by D.19-09-051 and D.24-12-074.<sup>42</sup> The concept of segmenting and reassigning  
14 the common costs is also consistent with the FERC guidelines. SoCalGas and SDG&E believe  
15 the methodology used and rates computed continue to be appropriate and reasonable and  
16 therefore should be adopted by the Commission to determine the SoCalGas and SDG&E TY  
17 2028 revenue requirement.

18 This concludes our prepared direct testimony.

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<sup>42</sup> D.19-09-051 at 607 (“...we find the methods and policies applied by SDG&E and SoCalGas with respect to Shared Services and Shared Assets billings and Capital Reassignment are reasonable, supported by the record, and should be adopted. We make the same conclusion with respect to the Business Segmentation and Electric Transmission allocations applied by SDG&E and find that these should be adopted as well.”) and D.24-12-074 at COL 273 – 277.

1 **VIII. WITNESS QUALIFICATIONS – JENNY CHHUOR**

2 My name is Jenny Chhuor. My business address is 555 West Fifth Street, Los Angeles,  
3 California, 90013-1011. I am employed by SoCalGas as the Financial Services Manager for  
4 SoCalGas.

5 I have been employed by SoCalGas since 2006 and have held various accounting  
6 positions in Plant Accounting, Fixed Asset Management, ABC, Regulatory Accounting, and  
7 Utility Financial Accounting. Since 2024, my responsibilities in the Accounting & Finance  
8 department have been to manage the Sundry Billings, New Business Accounting and ABC  
9 organization where I provide oversight of SoCalGas’ monthly financial close processing,  
10 overhead pool management, shared services cost center activities and affiliate bills. I hold a  
11 Bachelor of Science degree in Accounting and minor in Finance from California State University  
12 of Los Angeles.

13 I have not previously testified before the California Public Utilities Commission.

1 **IX. WITNESS QUALIFICATIONS – MELISSA ALESSI**

2 My name is Melissa Alessi. My business address is 8680 Balboa Avenue, San Diego, CA  
3 92123. I am sponsoring the portions of this testimony that relate to SDG&E.

4 I am currently the Affiliate Billing & Costing (ABC) Supervisor for SDG&E. As  
5 supervisor over the ABC group, I am responsible for the oversight of SDG&E's monthly  
6 financial close processing, overhead pool management, shared service cost center activities, and  
7 affiliate bills.

8 I have been employed with SDG&E since September 2008 and held various positions of  
9 increasing responsibilities including Accounts Payable, Plant Accounting, ABC, Regulatory  
10 Reporting, and FERC rate case. In April 2025, I became the ABC supervisor.

11 I received a Bachelor of Science in Business Administration Accounting from San Diego  
12 State University in May 2007 and a Master of Business Administration with an emphasis in  
13 Organizational Leadership from National University in February 2014.

14 I have not previously submitted testimony or testified before the CPUC.

**APPENDIX A**  
**GLOSSARY OF TERMS**

ACRONYM	DEFINITION
A&G	Administrative & General
ABC	Affiliate Billing and Costing
BUCU	Business Unit Charge Ups
CSS	Corporate Shared Service
D.	Decision
FERC	Federal Energy Regulatory Commission
FTEs	Full-time Equivalents
GRC	General Rate Case
ICP	Incentive Compensation Program
IT	Information Technology
LAN ID	Local Area Network Identification
O&M	Operations & Maintenance
P&B	Pension and Benefits
PLPD	Public Liability and Property Damage
RO	Results of Operation
SAP	Systems Applications and Products
SDG&E	San Diego Gas & Electric
SoCalGas	Southern California Gas Company
TY	Test Year
USS	Utility Shared Service
V&S	Vacation and Sick

**APPENDIX B**  
**SHARED SERVICES TERMS AND DEFINITIONS**

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

100% Incurred Level: All direct costs prior to any allocations out.

Adjusted-recorded costs: 2025 actual costs, adjusted as needed to reflect an appropriate base level of expenditures for the GRC.

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

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

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

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

Base-year Expenses: 2025 adjusted-recorded costs.

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

Billed Out: See “Allocations-out” above.

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

Cost centers: The lowest level organizational unit for which shared services costs are tracked and recorded.

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

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

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

Functional areas: Organizational groupings within SDG&E and SoCalGas that provide services of a similar nature.

Incurred costs: Operating costs incurred by a utility before shared services allocations, overhead loading, and escalation.

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

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

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

TY 2028: The year used in this GRC to establish new base rates.

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

**APPENDIX C**

**EXAMPLE OF SHARED SERVICE BILLING PROCESS AND COST DISTRIBUTION**

**APPENDIX C – Example of Shared Service Billing Process and Cost Distribution**

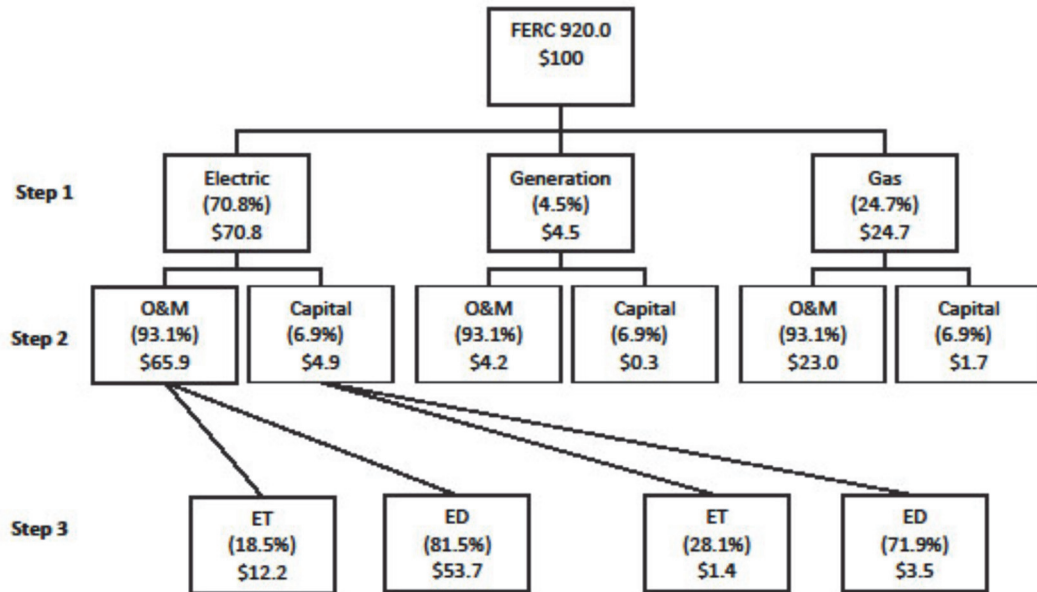
Example of Shared Service Billing Process and Cost Distribution							
Shared Service Cost Center 2200-XXXX							
Line No.	Description	Notes	Company	Labor	NonLabor	NSE	
1	100% Level Forecast	(a)	SCG	\$ 100	\$ 50	\$ -	Line [3+8+10]
2							
3	Directly Retained	(b)	SCG	\$ 5	\$ 5	\$ -	
4							
5	Directly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

**APPENDIX D**

**Example of Segmentation, Reassignment and Elec Trans Carve-Out**

**SDG&E**

**2028 General Rate Case**  
**Process for 1/Segmentation, 2/ Reassignment, and 3/ Electric Transmission Carve Out**  
*For Illustrative Purposes Only*  
**Example of FERC 920**



**Steps:**

1. Segmentation
2. Reassignments (O&M & Capital)
3. Electric Transmission Carve Out (O&M & Capital)

**APPENDIX E**  
**Summary of Rates (SDG&E)**

**SDG&E**  
**2028 General Rate Case**  
**Summary of Segmentation, Reassignment & Electric Transmission Carve-Out Rates**  
**Based on January - December 2025 Data**

Line#	FERC Account	Account Description	Segmentation			Reassignment	ET Carve-Out	
			Electric	Electric Generation	Gas	Capital	O&M	Capital
1		<b>Clearing Accounts:</b>						
2	163.1	Warehousing	88.3%	1.4%	10.3%	95.9%	6.1%	12.3%
3	163.2	Purchasing	76.9%	2.3%	20.9%	68.0%	14.2%	27.5%
4	184.2	Fleet	74.4%	0.6%	25.0%	50.3%	26.0%	14.5%
5	184.3	Shops	70.0%	4.1%	25.9%	44.5%	22.5%	15.1%
6	184.6	Exempt Materials	84.3%	1.2%	14.5%	93.2%	14.1%	41.4%
7	184.7	Small Tools	70.0%	4.1%	25.9%	44.3%	22.5%	15.1%
8		<b>Customer Accounts &amp; Collections:</b>						
9	901.0	Supervision	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
10	902.0	MRDG - General Exp	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
11	902.1	MRDG - Training & Other Exp	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
12	902.2	MRDG - Meas Data Ops Exp	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
13	902.3	MRDG - Electric Telemetry	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
14	902.5	Meter Reading Exp	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
15	903.0	Customer Records & Collection Exp	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
16	903.1	Customer Records & Collection Exp - Customer Contct	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
17	903.3	Customer Records & Collection Exp - Collections	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
18	903.4	Customer Records & Collection Exp - Pyunt Processing	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
19	903.5	Customer Records & Collection Exp - Cust Billing	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
20	903.7	Customer Records & Collection Exp - Postage	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
21	903.8	Customer Records & Collection Exp - Energy Theft	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
22	905.0	Miscellaneous Customer Accounts Expenses	62.5%	0.0%	37.5%	0.0%	0.0%	0.0%
23		<b>Customer Services &amp; Information:</b>						
24	907.0	Supervision	86.1%	0.0%	13.9%	0.0%	0.0%	0.0%
25	908.0	Customer Assistance Exp	86.1%	0.0%	13.9%	0.0%	0.0%	0.0%
26	909.0	Informational & Instructional Exp	86.1%	0.0%	13.9%	0.0%	0.0%	0.0%
27	910.0	Misc Customer Svc & Info Exp	86.1%	0.0%	13.9%	0.0%	0.0%	0.0%
28		<b>Administrative &amp; General:</b>						
29	920.0	Admin & General Salaries - Non-Sr. Management	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
30	920.1	Administrative & General - Sr. Management	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
31	920.2	Administrative & General - HR	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
32	920.4	Administrative & General - ICP	66.0%	4.2%	29.8%	51.7%	20.7%	17.0%
33	920.5	Admin & General Salaries - RPA	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
34	921.0	Office Supplies & Exp - Non-Sr. Management	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
35	921.2	Administrative & General - HR	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
36	921.5	Admin Expenses Transferred - Credit	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
37	923.0	Outside Services Employed - Outside Vendors	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
38	923.1	Outside Services Employed - SECC	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
39	923.2	Outside Services Employed - BUCU's	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
40	923.3	Outside Services Employed - Shared Assets	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
41	923.4	Outside Services Employed - Deprec/ROR	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
42	923.5	Outside Services Employed - Utility Intercompany Billing	66.0%	4.2%	29.8%	9.0%	20.7%	17.0%
43	924.0	Property Insurance	78.6%	4.7%	16.7%	0.0%	46.1%	0.0%
44	924.1	Property Insurance - Nuclear	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
45	925.0	Injuries & Damages - PLPD Claims	66.0%	4.2%	29.8%	46.3%	20.7%	17.0%
46	925.1	Injuries & Damages - Workers Comp	66.0%	4.2%	29.8%	48.3%	20.7%	17.0%
47	925.2	Safety & Emergency Services & EMF	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
48	925.3	Injuries & Damages - Liability Insurance	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
49	925.4	Injuries & Damages - Nuclear	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
50	925.5	Wildfire Insurance	94.0%	6.0%	0.0%	0.0%	22.0%	0.0%
51	925.6	Surety Bonds	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
52	926.0	Employee Pensions & Benefits - Other	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
53	926.1	Employee Pensions & Benefits - Pension	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
54	926.2	Employee Pensions & Benefits - PBOPs	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
55	926.3	Employee Pensions & Benefits - Medical	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
56	926.4	Employee Pensions & Benefits - Retirement Savings	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
57	926.5	Employee Pensions & Benefits - Fees, Educ & Transport	66.0%	4.2%	29.8%	48.0%	20.7%	17.0%
58	928.0	Regulatory Commission Exp	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
59	930.1	General Advertising Expenses	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
60	930.2	Miscellaneous General Expenses	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
61	930.3	Miscellaneous General Expenses - OpEx	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
62	931.0	Rents	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
63	931.6	Rents	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
64	935.0	Maintenance of General Plant	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
65	935.1	Maintenance of General Plant	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%
66	935.6	Maintenance of General Plant	66.0%	4.2%	29.8%	0.0%	20.7%	0.0%

**APPENDIX F**  
**SUMMARY OF RATES (SOCALGAS)**

**SCG**  
**2028 General Rate Case**  
**Summary of Reassignment Rates**  
**Based on January - December 2025 Data**

Line#	FERC Account	Account Description	<u>Reassignment</u> Capital
<b>1</b>	<b>Clearing Accounts:</b>		
2	163.1	Warehousing	80.6%
3	163.2	Purchasing	48.7%
4	184.2	Fleet	32.5%
5	184.3	Shops	16.9%
6	184.6	Exempt Materials	73.6%
7	184.7	Small Tools	16.8%
<b>8</b>	<b>Administrative &amp; General:</b>		
9	920.0	Admin & General Salaries - Non-Sr. Management	11.3%
10	920.1	Administrative & General - Sr. Management	11.3%
11	920.2	Administrative & General - HR	11.3%
12	920.4	Administrative & General - ICP	41.3%
13	920.5	Admin & General Salaries - RPA	11.3%
14	921.0	Office Supplies & Exp - Non-Sr. Management	11.3%
15	921.2	Administrative & General - HR	11.3%
16	921.3	Computer End User Support - NonLbr	0.0%
17	921.5	Admin Expenses Transferred - Credit	11.3%
18	921.6	Admin & General - Facilities	0.0%
19	923.0	Outside Services Employed - Outside Vendors	0.0%
20	923.1	Outside Services Employed - SECC	0.0%
21	923.2	Outside Services Employed - BUCU's	11.3%
22	923.3	Outside Services Employed - Shared Assets	0.0%
23	923.4	Outside Services Employed - Deprec/ROR	0.0%
24	923.5	Affiliate Bill-In	11.3%
25	924.0	Property Insurance	0.0%
26	925.0	Injuries & Damages - PLPD Claims	27.9%
27	925.1	Injuries & Damages - Workers Comp	30.1%
28	925.2	Safety & Emergency Services & EMF	0.0%
29	925.3	Injuries & Damages - Liability Insurance	0.0%
30	926.0	Employee Pensions & Benefits - Other	30.1%
31	926.1	Employee Pensions & Benefits - Pension	30.1%
32	926.2	Employee Pensions & Benefits - PBOPs	30.1%
33	926.3	Employee Pensions & Benefits - Medical	30.1%
34	926.4	Employee Pensions & Benefits - Retirement Savings	30.1%
35	926.5	Employee Pensions & Benefits - Fees, Educ & Transport	30.1%
36	928.0	Regulatory Commission Exp	0.0%
37	930.1	General Advertising Expenses	0.0%
38	930.2	Miscellaneous General Expenses	0.0%
39	930.6	Duplicating Equip Dist & Trans	0.0%
40	931.0	Rents General	0.0%
41	931.6	Rents	0.0%
42	935.0	Maintenance of General Plant	0.0%
43	935.1	Maintenance of General Plant	0.0%
44	935.6	Maintenance of General Plant	0.0%