Company:	Southern California Gas Company (U 904 G)/ San Diego Gas & Electric Company (U 902 M)
Proceeding:	2024 General Rate Case
Application:	A.22-05-015/-A.22-05-016 (cons.)
Exhibit:	SCG-30-R/SDG&E-34-R

REVISED

PREPARED DIRECT TESTIMONY OF

ANGEL N. LE AND PAUL D. MALIN

(SHARED SERVICES BILLING, SHARED ASSETS BILLING, SEGMENTATION, & CAPITAL REASSIGNMENTS)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

August 2022

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SUMMARY

- Requests adoption of costs in Test Year (TY) 2024 Shared Services and Shared Services Overhead resulting in accurate costs billed out to affiliated entities.
  - Southern California Gas Company (SoCalGas) $37,138,000.
  - San Diego Gas & Electric Company (SDG&E) $88,659,000.
- Requests adoption of costs in TY 2024 Shared Assets resulting in accurate costs billed out:
  - SoCalGas $70,109,000
  - SDG&E $18,987,000.
- Requests adoption of costs in TY 2024 Operations and Maintenance (O&M) Reassignment to Capital of:
  - SoCalGas
    - $251,118,000.
  - SDG&E
    - $181,856,000 for Electric, excluding Electric Generation.
    - $6,542,000 for Electric Generation.
    - $53,964,000 for Gas.
- Requests adoption of costs in TY 2024 Exclusion for Electric Transmission of:
  - SDG&E
    - $116,798,000 for Electric Transmission O&M.
    - $39,239,000 for Electric Transmission Capital.

REVISED PREPARED DIRECT TESTIMONY OF ANGEL N. LE AND PAUL D. MALIN (SHARED SERVICES BILLING, SHARED ASSETS BILLING, SEGMENTATION, & CAPITAL REASSIGNMENTS)

I. INTRODUCTION

A. Summary of Proposals

Our testimony addresses Test Year (TY) 2024 shared services practice and shared assets for SoCalGas and SDG&E. Shared services are activities permitted by the Affiliate Transaction Rules Decision (D.) 97-12-088 that are performed by SoCalGas and SDG&E departments that are designated as utility shared services departments (i.e., functional areas) for the benefit of (i) SoCalGas or SDG&E, (ii) Sempra Energy Corporate Center (Corporate Center), and/or (iii) any Sempra unregulated subsidiaries. Shared Assets are assets that are on the financial records of one utility, but also benefit other Sempra Energy affiliates.

Additionally, this testimony addresses the Segmentation Rates and Capital Reassignment Rates subject area. Our testimony describes how SoCalGas and SDG&E propose the segmentation to business areas and reassignment of certain costs to capital to recognize that those costs are incurred in support of construction efforts. Certain costs that have not been directly assigned to capital or O&M activities are reassigned when costs are incurred in certain Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. The range of accounts include Maintenance of Services (account number 892), Administrative and General (A&G) expenses (account numbers 920-935) and Clearing Accounts (account numbers 163 and 184). Segmentation into business areas occurs at SDG&E for the purpose of allocating costs to the appropriate rate segments and identifies the allocation of common costs into Gas, Electric, or Electric Generation, then for Electric into Electric Distribution or Electric Transmission. Segmentation into business areas is not required at SoCalGas given that the only rate segment is Gas.

B. Organization of Testimony

Section II of this testimony describes: (1) SoCalGas's and SDG&E's practice for recovery of shared services costs in this TY 2024 General Rate Case (GRC); (2) the shared services billing process; and (3) the shared services book expenses for each utility. Section III of this testimony presents an overview of the Shared Asset billing process between SoCalGas and/or SDG&E and the other Sempra Energy affiliates. This testimony further includes examples of the shared asset process and a list of proposed future shared assets. Later sections of this testimony discuss (1) business segmentation – SDG&E only (Section IV), (2) reassignments to capital for specific accounts (Section V), and (3) identification of Electric Transmission allocations, for which SDG&E has eliminated costs from this proceeding (Section VI). Finally, Sections VII and VIII provide concluding remarks and our witness qualifications.

C. Support To/From Other Witnesses

We provide the process for calculating all Shared Services and Shared Asset billings. The following witnesses are referenced in our testimony.

- Derick R. Cooper – Corporate Center - General Administration (Ex. SCG-23/SDG&E-27)
- Ragan G. Reeves – Tax (Ex. SCG-33 and SDG&E-37)
- Debbie S. Robinson – Corporate Center Compensation & Benefits (Ex. SCG-25/SDG&E-29)
- Abigail Nishimoto – People and Culture Department (Ex. SCG-28)
- Alexandra Taylor – People and Culture Department (Ex. SDG&E-32)
- Dennis J. Gaughan – Corporate Center - Insurance (Ex.SCG-24/SDG&E-28)
- Peter H. Andersen – Corporate Center Pension & PBOPs (Ex. SCG-26/SDG&E-30)
- Patrick D. Moersen – Rate Base (Ex. SCG-31)
- Steven P. Dais – Rate Base (Ex. SDG&E-35)
- Ryan Hom – Summary of Earnings (Ex. SCG-39 and SDG&E-44)
- Dane A. Watson – Depreciation (Ex. SCG-32 and SDG&E-36)
- Jackie Roberts – Miscellaneous Revenues (Ex. SCG-37)
- Christine Fischer – Miscellaneous Revenues (Ex. SDG&E-42)
- R. Dale Tattersall – Real Estate, Land Services & Facility Operations (Ex. SDG&E-23)
- Brenton Guy – Real Estate & Facility Operations (Ex. SCG-19)
- William J. Exon– Information Technology (Ex. SCG-21, Chapter 2 and SDG&E-25, Chapter 2)
- Lance Mueller – Cybersecurity (Ex. SCG-22 and SDG&E-26)

II. SHARED SERVICE BILLINGS

A. Overview of Shared Services Cost Presentation in This GRC

1. Policy

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

2. Shared Versus Non-Shared Services

For purposes of this GRC, shared services are activities performed by a utility's Shared Services Department (i.e., functional area) for the benefit of (i) SoCalGas or SDG&E, (USS)[1] (ii) Corporate Center,[2] (CSS)[3] and/or (iii) any unregulated subsidiaries (also CSS). The utility providing shared services allocates and bills incurred costs to the entity or entities receiving those services. Non-shared services are activities that are performed by a utility solely for its own benefit. As such, non-shared services costs stay within the utility performing those services. Corporate Center provides certain services to SoCalGas, SDG&E, and to other subsidiaries. For purposes of the GRC, the utility treats costs for services received from Corporate Center as non-shared services costs, consistent with any other outside vendor costs incurred by the utility. This is an important concept to understand when reading the testimonies of all witnesses that have costs that are shared with an affiliate because only shared services are allocated and billed to those companies receiving support.

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1 USS – Utility Shared Service – represents a utility department that only shares costs to the other affiliated utility (i.e. from SDG&E to SoCalGas or SoCalGas to SDG&E).

2 Where Shared Services costs are being shown as allocated out to Corporate Center, those costs will ultimately be allocated to SoCalGas, SDG&E, and the unregulated affiliates, in accordance with the Corporate Center reallocation methodology, which is described in Section II.C.3 of this testimony.

3 CSS – Corporate Shared Service – represents a utility department that shares costs to more affiliates than just the other utility. This can include billings to Sempra Energy Corporate Center and unregulated affliates as well as the other utility.

B. Shared Services Billing Process

1. Overview

Each shared services functional area at SoCalGas and SDG&E is responsible for determining the proper allocation of its shared services costs to the appropriate entity or entities receiving the services. The shared services billing process is in place so that: (1) sharing of services is recognized via a formal billing process, (2) services are billed at fully-loaded cost,[4] and (3) supplemental loaders for applicable unregulated entities are applied to the billings.[5] Due to the shared services billing process, ratepayers do not subsidize costs that are incurred in support of another entity. To provide a complete picture of shared services allocations and billing, those costs are presented to demonstrate that SoCalGas and SDG&E are properly excluding those costs from book expense.

2. Allocation of Shared Services Costs

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

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

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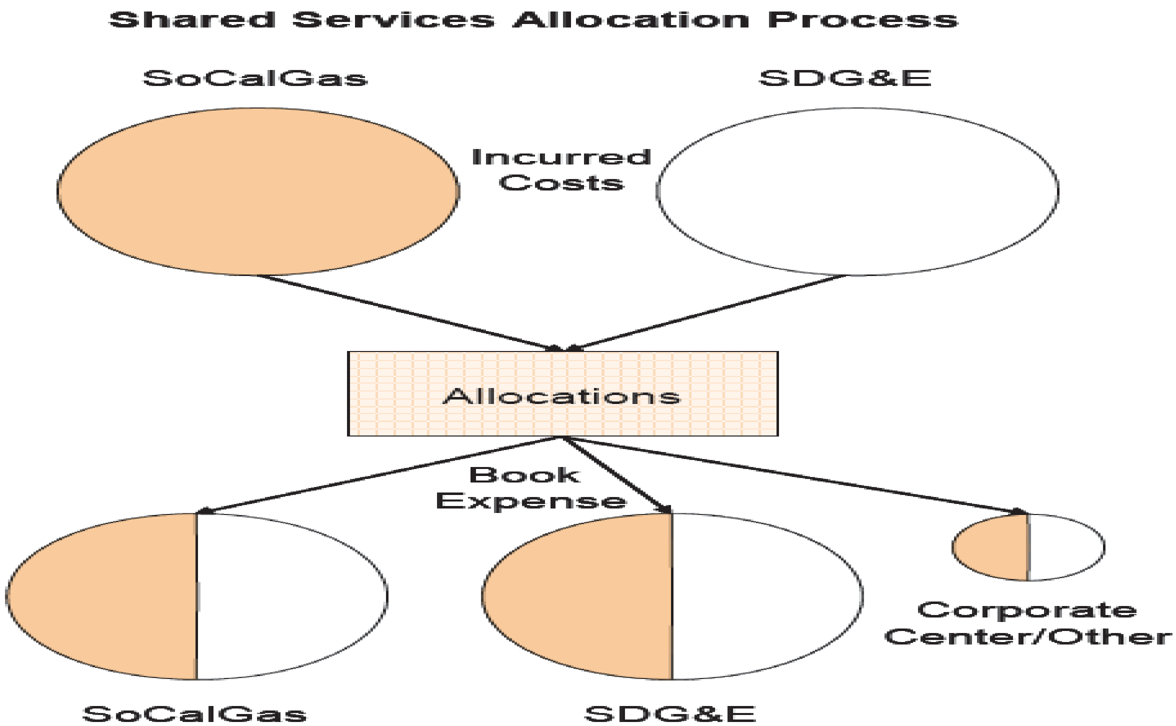
[4] "Fully-loaded cost" means the direct cost of goods or services plus all applicable indirect charges and overheads. D.97-12-088 at Appendix A pg 2.

[5] "Supplemental loaders" are the premiums on direct labor that are added to fully-loaded costs on charges to Corporate Center and/or any of the unregulated affiliates. *See* Affiliate Transaction Rules at Rule V.H.5.



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

3. Direct Allocation

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

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

4. Percentage Allocation

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

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

a. Causal-Beneficial

When costs cannot be directly allocated, the default allocation methodology is a Causal-Beneficial method, which is based on a "cost driver." An example of the Causal-Beneficial method is the use of Local Area Network Identification (LAN ID) count for allocating Information Technology (IT) costs. Thus, the number of LAN IDs is the cost driver and the particular IT cost center costs can be allocated by the percentage of LAN IDs associated with each entity receiving the relevant shared service. Causal-Beneficial methods are the most common basis for allocations by shared services organizations.

b. Multi-factor

For functions that cannot be appropriately defined by a useful causal-beneficial cost driver, a four-factor analysis is performed. The Multi-Factor weights four factors: revenue, gross plant and investments, operating expenses, and full-time employees/equivalents (FTEs), which are used to create an appropriate percentage based allocation.

C. Shared Services Billing Process

1. Compiling a Cost Center's Shared Services Forecast

SoCalGas and SDG&E perform the following steps to forecast shared services costs for each cost center.

Step 1. The managers for the various utility shared services organizations forecast their direct costs by cost center as:

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

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

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

Amounts Subject to Percentage Allocation represent shared services costs incurred for shared services provided by one utility for the benefit of one or more other entities (e.g., SDG&E for the benefit of SoCalGas, Corporate Center and/or unregulated affiliates). Amounts Subject to Percentage Allocation are allocated based on an entity's share of the services received. Most of the shared services costs fall into this category.

Step 2. The Directly Retained, Directly Allocated, and Amounts Subject to Percent Allocation are added to calculate the cost center's 100% Incurred Level[7] or Incurred Costs.[8] The shared services cost center forecast is presented in base year 2021 dollars and classified into labor, non-labor, and non-standard escalated costs[9] as applicable.

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

Step 4. The allocation percentages derived in Step 3 above are applied to Amounts Subject to Percentage Allocation to arrive at costs allocable to each entity, except the utility providing the shared services. After all allocations to the benefiting entities are made, the

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7 All direct costs prior to any allocations out.

8 Operating costs incurred by a utility before Shared Services allocations, overhead loading, and escalation.

9 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 testimony of Scott Wilder (Ex. SCG-36 and Ex. SDG&E-41).

remaining costs, if any, are allocated to the utility providing the shared services. These remaining costs are then treated in the same manner as Directly Retained costs.

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

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

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

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

See Illustration example of the Shared Service Billing Process in Appendix C.

2. Loading of Overheads

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

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

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

3. Corporate Center Reallocation

SoCalGas and SDG&E allocate shared services to Corporate Center based on the Percent Allocation of direct support from shared services organizations provided to Corporate Center. However, since Corporate Center supports SoCalGas, SDG&E, and other unregulated affiliates, these support costs are then reallocated back to those entities. To avoid inefficiencies and circular references associated with affiliates allocating these costs to Corporate Center and then Corporate Center allocating them back to the affiliates, SoCalGas and SDG&E implemented a process to reallocate Corporate Center charges to the receiving affiliate "on behalf" of Corporate Center based on the same allocation percentages that Corporate Center derived for its allocations. The Corporate Reallocation, also known as Business Unit Charge Ups (BUCU) percentages are shown in Table AL/PM-1 and the details can be found in the workpapers supporting the testimony of Corporate Center - General Administration witness Derick R. Cooper (Ex. SCG-23/SDG&E-27).

TABLE AL/PM-1
CORPORATE CENTER BUSINESS UNIT CHARGE UP (BUCU)

Business Unit	2021 BUCU %	2022 BUCU %	2023 BUCU %	2024 BUCU %
SDG&E	33.15%	34.34%	34.49%	34.55%
SoCalGas	39.90%	39.18%	39.41%	39.79%
Unreg Affiliates	26.95%	26.48%	26.10%	25.66%
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 AL/PM-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 AL/PM-2
EXAMPLE OF CORPORATE CENTER BUCU REALLOCATION

Business Unit	Value	Sharing %	Initial Impact	BUCU Rate	BUCU Impact	Final Result
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

D. Overheads

1. Types of Overheads

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

(A) Standard Labor Overheads include:

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

These labor overheads represent additional indirect costs associated with salaries paid to employees and are loaded on internal labor and labor billed to other parties. The specific overhead rates that were applied to the shared services allocations-out costs in this GRC were developed using 2021 recorded data.

a. Payroll Tax Overhead

The Payroll Tax overhead represents the SoCalGas and SDG&E portion of required contributions to the State and Federal governments for State Unemployment Insurance, Federal Unemployment Insurance, and Federal Retirement and Medicare Insurance. The Payroll Tax rate applied to the allocations-out labor was provided by the Tax Department for use in this GRC. Further details on payroll taxes can be found in the testimony of Tax witness Ragan G. Reeves (Ex. SCG-33 and SDG&E-37).

b. Variable Pay Overhead

The Variable Pay (also referred to as Incentive Compensation Program or ICP) overhead represents the variable pay plan costs paid to employees based on Company and individual employee performance as compared to pre-established goals. The ICP overhead rate used in this GRC was applied to the total labor allocated to the Affiliates. The ICP rate in this GRC equals to the 2021 pool funding divided by the total 2021 non-union labor. Further details on ICP can be found in the testimony of Corporate Center Compensation & Benefits witness Debbie S. Robinson (Ex. SCG-25/SDG&E-29).

c. Workers' Comp Overhead

The Workers' Comp overhead represents the cost of expected payments to employees for work-related injuries, plus the cost of workers' compensation insurance premiums to cover claims over a certain dollar amount. The Workers' Comp overhead rate used in this GRC was applied to the total labor allocated out to the Affiliates. The Workers' Comp rate in this GRC equals to the 2021 pool funding divided by the total 2021 labor. Further details on workers' compensation can be found in the testimony of People and Culture Department witnesses Abigail Nishimoto and Alexandra Taylor (Ex. SCG-28 and SDG&E-32, respectively).

d. PLPD Overhead

The PLPD overhead represents the cost of expected payments to third parties for liability and property damage claims submitted to SoCalGas or SDG&E, plus the cost of insurance premiums to cover claims over a certain dollar limit. The PLPD overhead rate used in this GRC was applied to the total labor allocated out to the Affiliates. The PLPD rate in this GRC equals to the 2021 pool funding divided by the total 2021 labor. Further details on PLPD can be found in the testimony of Corporate Center – Insurance witness Dennis J. Gaughan (Ex.SCG-24/SDG&E-28).

e. P&B Overhead

The P&B overhead represents costs paid by SoCalGas or SDG&E to provide employee benefits, such as health benefit plans, the Company-match portion of contributions to the qualified retirement savings plan 401(k), employee pension contributions and expense, and retiree health benefits. The P&B overhead rate used in this GRC was applied to the total labor allocated out to the Affiliates. The P&B rate in this GRC application equals to the 2021 pool funding divided by the total 2021 labor. Further details on P&B can be found in the testimony of Corporate Center Pension & PBOPs witness Peter H. Andersen (Ex. SCG-26/SDG&E-30).

f. Vacation and Sick (V&S)

The V&S overhead represents costs paid by SoCalGas or SDG&E for the employees' non-productive time, such as vacation and sick days, holidays, and jury duty. For this GRC filing, V&S was forecasted as a part of total direct labor instead of an indirect overhead loading. Thus, while a V&S overhead rate/factor was developed, it was only provided to the managers to gross up the productive labor. The V&S factor used in this GRC filing was based on the 2021 historical rate.

(B) Non-Labor Overheads include:

The standard non-labor overheads consist solely of the Purchasing Pool Overhead rate. The Purchasing Pool Overhead rate loads the costs related to the procurement activity in obtaining goods and services for the organizations. The costs for any procurement activities benefiting the affiliates are billed directly as part of the shared service billings. The Purchasing Pool Overhead rate used in this GRC was applied to the non-labor charges (which generally represent purchased materials and services). The Purchasing Pool Overhead rate in this GRC equals to the 2021 pool funding divided by total 2021 non-labor charges.

(C) Supplemental Labor Loader

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

(D) Indirect Support Overhead

The indirect support overhead is represented by the Affiliate Billing A&G overhead. This overhead represents the cost of A&G support provided to all affiliate billings by functional areas, such as Accounting and Human Resources. The Affiliate Billing A&G overhead used in this GRC is applied to the total labor and non-labor Allocations-Out costs to the affiliates. The Affiliate Billing A&G rate in this GRC equals to the 2021 pool funding divided by total 2021 labor and non-labor costs billed to the affiliates.

2. SDG&E Overheads

Composite overhead loading factors were developed based on 2021 recorded data and used to calculate billed costs for applicable overheads for each affiliate. The 2024 SDG&E loading factors are presented in Table AL/PM-3 below. The use of an overhead rate based on recorded data in this GRC is a reasonable and fair representation of TY 2024 loadings for shared services billings. There is no indication of stranded costs or cross-subsidization at SDG&E and SoCalGas by using an overhead rate based on recorded data. A more detailed discussion is included in our workpapers, (Ex. SCG-30-WP/SDG&E-34-WP) WP-1 through WP-15.

TABLE AL/PM-3
2024 COMPOSITE OVERHEAD LOADING FACTORS FOR SDG&E

	SoCalGas	CORP CTR	UNREGS
LABOR			
Standard Rate	57.07%	57.07%	57.07%
Supplemental Rate	0.00%	7.85%	7.85%
Indirect Support Rate	22.04%	22.04%	22.04%
Sub-total LABOR	**79.11%**	**86.96%**	**86.96%**
NON-LABOR			
Standard Rate	0.46%	0.46%	0.46%
Indirect Support Rate	22.04%	22.04%	22.04%
Sub-total NON-LABOR	**22.50%**	**22.50%**	**22.50%**

3. SoCalGas Overheads

Composite overhead loading factors were developed based on 2021 recorded data and used to calculate billed costs for applicable overheads for each Affiliate. The 2024 SoCalGas loading factors are presented in Table AL/PM-4 below. The use of an overhead rate based on recorded data in this GRC is a reasonable and fair representation of TY 2024 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 our workpapers, (Ex. SCG-30-WP/SDG&E-34-WP) WP-16 through WP-30.

TABLE AL/PM-4
2024 COMPOSITE OVERHEAD LOADING FACTORS FOR SoCalGas

	SDG&E	CORP CTR	UNREGS
LABOR			
Standard Rate	70.95%	70.95%	70.95%
Supplemental Rate	0.00%	8.55%	8.55%
Indirect Support Rate	33.38%	33.38%	33.38%
Sub-total LABOR	**104.33%**	**112.88%**	**112.88%**
NON-LABOR			
Standard Rate	0.61%	0.61%	0.61%
Indirect Support Rate	33.38%	33.38%	33.38%
Sub-total NON-LABOR	**33.99%**	**33.99%**	**33.99%**

4. Overhead Credit

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

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

[10] 100% Incurred Level is all direct costs prior to any allocations out.

E. Summary of Shared Services Costs

1. SDG&E Forecasts

A summary of TY 2024 SDG&E shared service costs is shown below (in thousands ($000)). A more refined level of detail is included in our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-31 through WP-34.

<u>100% Incurred Level Summary (prior to overhead loadings)</u>

- 100% Incurred Level forecast - $142,852
- Allocations-out costs - $61,072
- Retained costs - $81,780
- Allocations-in costs - $20,150
- Book Expense - $101,930

<u>Allocations-Out Summary, Fully-Loaded including Overheads</u>

- Allocations-out to SoCalGas - $79,953
- Allocations-out to Corporate Center - $6,294
- Allocations-out to Unregulated Affiliates - $2,413

<u>Retained Summary, Allocations In (incl. CorpCtr BUCU Reallocation)</u>

- Retained Costs - $81,780
- Allocations-in (fully loaded) costs - $38,466
  - CorpCtr BUCU back to SDG&E, from SDG&E & SoCalGas - $2,620
- Overhead Credit - ($25,828)

<u>Net Shared Services O&M - $94,419</u>

2. SoCalGas Forecasts

A summary of TY 2024 SoCalGas Shared Service costs is shown below; costs shown in thousands ($000). A more refined level of detail is included in our workpapers (Ex. SCG-30-WP SDG&E-34-WP), WP-35 through WP-38.

<u>100% Incurred Level Summary (prior to overhead loadings)</u>

- 100% Incurred Level forecast - $117,462
- Allocations-out costs - $20,927
- Retained costs - $96,534
- Allocations-in costs - $55,308

- Book Expense - $151,842

Allocations-Out Summary, Fully-Loaded including Overheads

- Allocations-out to SDG&E - $35,846
- Allocations-out to Corporate Center - $1,289
- Allocations-out to Unregulated Affiliates - $2

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

- Retained Costs - $96,534
- Allocations-in (fully loaded) costs - $82,970
  - CorpCtr BUCU back to SoCalGas, from SoCalGas & SDG&E - $3,017
- Overhead Credit - ($15,252)

Net Shared Services O&M - $164,252

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

B. Shared Asset Billing

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

When developing the revenue requirement, the shared assets are put into asset categories. Assets listed in these categories include those that are currently in service, as well as the forecasted additions as requested in this GRC proceeding through TY 2024.

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

- Land;
- Structures and Improvements;
- Computer Hardware;
- Computer Software – 5-year life;
- Common Communications; and
- Electric Communications.

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

- Structures and Improvements;
- Computer Hardware;
- Computer Software;
  - 2-4 year life;
  - 5-8 year life;
  - 9-12 year life;
  - 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 AL/PM-5 (SDG&E) and Table AL/PM-6 (SoCalGas) in this testimony provide summary results for these shared asset rate base calculations by their asset category grouping for TY 2024. The various revenue requirement components are determined and sponsored by other GRC witnesses.[11]

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 Mr. Cooper's Corporate Center - General

[11] The total Company weighted-average rate base is sponsored by SoCalGas' Rate Base witness Patrick Moersen in Exhibit SCG-31 and SDG&E's Rate Base witness, Steven Dais in Exhibit SDG&E-35. The calculation of return on rate base percentage is performed in the Results of Operations model and is sponsored by the Summary of Earnings witness Ryan Hom in Exhibit SCG-39/SDG&E-44. The tax expenses are sponsored by the Tax witness Ragan Reeves in Exhibit SCG-33/SDG&E-37. Depreciation rates are sponsored by the Depreciation witness Dane Watson in Exhibit SCG-32/SDG&E-36.

Administration testimony (Ex. SCG-23/SDG&E-27). However, when developing the revenue requirement, a net billing process is used for shared asset expense allocations to Corporate Center.[12] 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 in developing the revenue requirement. In order to reflect this 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 AL/PM-5
2024 SUMMARY OF SHARED ASSET RATE BASE FOR SDG&E

	Wtd Avg Rate Base	Billable Return	Return Gross Up FIT & SIT[13]	Annual Depr Expense	Annual Property Tax	Total Billable Charges	Retained	Billed Out
Common Land	1,145	86	120	0	22	142	67	75
Common Structures & Improvements	133,482	10,002	13,889	11,181	2,604	27,764	21,694	5,980
Common Computer Hardware	25,874	1,954	2,713	12,586	509	15,808	9,696	6,112
Common Computer Software 5 Year	46,475	3,509	4,872	18,241	0	23,113	16,413	6,700
Common Communications	406	31	43	181	8	232	172	60
Electric Communications	(429)	(32)	(45)	149	(8)	96	36	60
Total	205,953	15,550	21,592	42,338	3,135	67,065		18,987

[12] This net billing process, also called BUCU process, is explained in Section II(C)(3) above.

[13] FIT (Federal Income Taxes); SIT (State Income Taxes).

TABLE AL/PM-6
2024 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	51,402	3,752	5,210	4,432	761	10,403	9,684	719
Computer Hardware	58,987	4,306	5,979	36,042	873	42,895	24,141	18,754
Computer Software:								
2-4 Yrs	6,160	450	624	5,037	0	5,661	3,397	2,265
5-8 Yrs	409,148	29,868	41,474	98,768	0	140,242	93,639	46,602
9-12 Yrs	1,841	134	187	444	0	631	387	244
15 Yrs	942	69	95	384	0	480	285	194
20 Yrs	0	0	0	0	0	0	0	0
Communications	20,052	1,464	2,033	5,359	297	7,688	6,367	1,322
Miscellaneous	223	16	23	0	3	26	16	10
Total	548,755	40,059	55,625	150,466	1,934	208,025		70,109

The total amount Billed Out to the Affiliates as noted in Table AL/PM-5 (SDG&E) and Table AL/PM-6 (SoCalGas), above, is reflected in the Miscellaneous Revenues testimony of SoCalGas witness Jackie Roberts (Ex. SCG-37) and SDG&E witness Christine Fischer (Ex. SDG&E-42).

C. Description of Shared Asset Categories

1. Land (SDG&E only)

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

2. Structures and Improvements

Shared structures and improvements consist primarily of improvements to the Century Park Facility and Rancho Bernardo Data Center, and the Gas Tower and Monterey Park. The allocations for the improvements are based on space studies developed and performed by the Facilities Management Department. New shared asset projects in service 2022 - 2024 are sponsored by SDG&E's Real Estate, Land Services & Facility Operations witness, R. Dale Tattersall (*see* Ex. SDG&E-23). A new shared asset project in service 2024 is added to this category for SoCalGas, Control Center Modernization Building in Pico Rivera, is sponsored by SoCalGas's Real Estate & Facility Operations witness, Brenton Guy (*see* Ex. SCG-19) For the forecasted shared asset projects related to Structures and Improvements please refer to our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-39 (SDG&E) and WP-40 (SoCalGas).

3. Computer Hardware and Software

Shared computer hardware and software consists of mainframe, servers, exchange (email), and SAP software, among others. Utilization factors for these various assets are tracked, ranging from number of users (employees or customers) to the amount of activity used (bandwidth) for each company. The utilization factors determine the allocation percentages. New shared asset projects in service for 2022 – 2024 are sponsored by Information Technology witness, William J. Exon (*see* Ex. SCG-21, Chapter 2; SDG&E-25, Chapter 2), and by Cybersecurity witness, Lance Mueller (*see* Ex. SCG-22 and SDG&E-26). For the forecasted shared asset projects related to Computer Hardware and Software, please refer to our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-39 (SDG&E) and WP-40 (SoCalGas).

4. Communications

Shared communication assets include telecommunication infrastructure and network operations equipment. The allocation for these assets is based on the amount of usage by the end users, for example bandwidth. For SDG&E this category represents existing assets and does not include any future projects. For SoCalGas, new shared asset projects in service for 2022 – 2024 are in Mr. Exon's testimony (*see* Ex. SCG-21, Chapter 2). Please refer to our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-40 (SoCalGas).

5. Electric Communications (SDG&E only)

Shared electric communication assets include telecommunication infrastructure and network operations equipment that were recorded under an electric work order. The shared asset allocations to SoCalGas are primarily the fiber optic communication line between Rancho Bernardo and Monterey Park, whereas the allocations to the non-utility Affiliates are primarily related to the communication equipment at the Sempra Energy headquarters building in San Diego. This category represents existing assets and does not include any future projects past the base year.

6. Miscellaneous (SoCalGas only)

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

D. Summary

Table AL/PM-7 (SDG&E) below reflects the total miscellaneous revenue (billed out shared asset expenses to the Sempra Energy affiliates) for SDG&E for 2021 Recorded Year and TY 2024.

TABLE AL/PM-7
SDG&E SHARED ASSET MISCELLANEOUS REVENUE ($000s)

2021 Recorded	Test Year 2024	Net Change
9,692	18,987	9,295

The increase from 2021 recorded to TY 2024 is primarily attributable to an increase in planned shared asset additions for the structures and improvements, computer hardware and five-year computer software asset classes.

Also, the miscellaneous revenue generated from depreciation of common shared assets billed to Affiliates will contain a portion of revenue related to Electric Transmission. For TY 2024 this amounts to a reduction of $2,670,000 from $18,987,000. The amount for Electric Transmission is removed from this GRC filing. For 2021 Recorded, the Electric Transmission portion amounts to a reduction of $1,361,000 from $9,692,000. More detailed information is reflected in Ms. Fischer's testimony (Ex. SDG&E-42).

As discussed previously, each utility bills the other utility for the allocation of the revenue requirement for each asset category. Table AL/PM-8 (SDG&E) reflects the shared asset expense allocation billed to SDG&E from SoCalGas for 2021 Recorded and TY 2024.

TABLE AL/PM-8
SHARED ASSET EXPENSES FROM SoCalGas ($000s)

2021 Recorded	Test Year 2024	Net Change
52,049	68,426	16,377

The increase for 2021 recorded to TY 2024 is primarily due to planned shared asset additions for computer hardware and computer software at SoCalGas.

Table AL/PM-9 (SoCalGas) below reflects the total miscellaneous revenue (billed out shared asset expenses to the Sempra Energy affiliates) for SoCalGas for 2021 Recorded Year and TY 2024.

TABLE AL/PM-9
SOCALGAS SHARED ASSET MISCELLANEOUS REVENUE ($000s)

2021 Recorded	Test Year 2024	Net Change
53,267	70,109	16,842

The increase from 2021 recorded to TY 2024 is primarily attributable to a higher number of planned shared asset additions for computer software, computer hardware, communications and structures and improvements.

As discussed previously, each utility bills the other utility for the allocation of the revenue requirement for each asset category. Table AL/PM-10 (SoCalGas) reflects the shared asset expense allocation billed to SoCalGas from SDG&E for 2021 Recorded and TY 2024.

TABLE AL/PM-10
SHARED ASSET EXPENSES FROM SDG&E ($000s)

2021 Recorded	Test Year 2024	Net Change
8,960	18,449	9,489

The increase from 2021 recorded to TY 2024 is primarily due to planned SDG&E assets having a higher percentage of shared asset support to SoCalGas and only minimal or no shared asset support to Corporate Center or the unregulated affiliates.

IV. BUSINESS SEGMENTATION ALLOCATION (SDG&E ONLY)

A. General Discussion

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

In addition, Gas Department expenses and only the Electric Department expenses attributable to Electric Distribution and Electric Generation are recoverable in customer rates authorized by the CPUC. Therefore, Electric Department costs, excluding Electric Generation, were further allocated to Distribution and Transmission, as discussed in Section VI of our testimony. An example of the segmentation process is shown in Appendix D. The summary of segmentation rates is shown in Appendix E (SDG&E).

B. Allocation to Electric, Electric Generation & Gas Departments

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

1. Clearing Accounts

The Electric, Electric Generation and Gas segmentation for Clearing Account costs (FERC account 163 and FERC account 184), were calculated based on the 2021 actual recorded costs and by determining what percentages were booked to the Electric, Electric Generation, and Gas segments. For the derivation of the rates pertaining to these accounts, *see* our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-41.

2. Customer Accounts

Common Customer Accounts costs are booked to FERC accounts 901 - 905. These charges are allocated between electric and gas based on the number of customers. The costs in these accounts closely align with activities, such as customer records and billing data. (See our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-42.) To obtain the business segmentation allocation this process first uses the number of average annual Electric customers and Gas customers.[14] The number of total Gas customers is then subtracted from the total Electric customers to determine the number of Electric-only customers.[15] To properly weight the services a customer receives, combined service customers are given a weight of 2,[16] and Electric-only customers are given a 1-1/3 weighting.[17] The allocation of costs to Electric is determined using one combined service customer weighting plus the Electric-only customer service weighting.[18] The Gas customers in the allocation are based on the one weighting of combined

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[14] Ex. SCG-30-WP/SDG&E-34-WP, WP-42 at Line 2.

[15] *Id.* at Line 4.

[16] *Id.* at Line 7-8.

[17] *Id.* at Line 9.

[18] *Id.* at Line 14-15.

service customers.[19] The resulting weighted customer counts determine the final allocation percentages.[20]

3. Customer Services & Information

Common Customer Services & Information costs are booked to FERC accounts 907 – 910. Most Customer Services & Information costs are directly charged 100% to Electric or Gas segments. Most common costs have a pre-determined allocation based on a specific underlying percentage to Electric or Gas segments, depending on the nature of the program/activity these costs support. The remaining common costs are allocated between Electric and Gas segments based on the level of directly assigned Electric and Gas costs for the entire series of accounts, as reported on SDG&E's 2020 FERC Form 1 and 2. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-43.

4. A&G and Common Plant

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

SDG&E charges Common A&G to FERC account numbers 920-923, 925 (in part) and 926-935. SDG&E charges Common Plant primarily to FERC account numbers 303, 389, 390, 391, 392, 393, 394, 395, 396, 397, and 398. Common A&G and Common Plant are costs that are shared between SDG&E's Electric and Gas segments. Therefore, SDG&E uses labor ratios to allocate these costs between the Electric and Gas segments. Use of the labor ratio to segment common costs was previously accepted by the Commission in the 2012 GRC for SDG&E, and used again without objection in the 2016 and 2019 GRCs for SDG&E.[21]

The labor ratios are prepared based on total SDG&E payroll. Total payroll is retrieved from the SDG&E 2020 FERC Form 1, Distribution of Salaries & Wages, which is provided in our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-54-FERC. The amount of A&G labor is then excluded from the Electric, Electric Generation, and Gas segment totals that make up the denominator of the ratio calculation. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-44.

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[19] *Id.* at Line 14.

[20] *Id.* at Line 18.

[21] *See* D.19-09-051 at 604-607.

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

b. FERC Account 924.0 – Property Insurance

FERC account 924.0 – "Property Insurance" costs are dependent on plant balances since the company is insuring its property, plant, and equipment assets. The allocation of property insurance is based on the plant in- service balances of Electric, Electric Generation and Gas plant-, excluding Miscellaneous Intangible plant assets. Intangible plant assets are excluded. The methodology to derive plant ratios has been adopted by the FERC and the CPUC for ratesetting purposes in prior GRCs.[22] The continuation of this method by SDG&E provides consistency between state and federal regulatory jurisdictions for the allocation of common expenses. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-52 (Lines 1 – 11).

FERC account 924.1 – "Property Insurance, Nuclear" assigns 100% of costs to the Electric Department, and only to the Electric Distribution Department. There is no capital reassignment of these costs. This account is described in more detail in Mr. Gaughan's testimony (Ex.SCG-24/SDG&E-28).

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

FERC account 925 – "Injuries and Damages" and FERC account 926 – "Pension and Benefits (P&B)," are allocated based on labor ratios. The labor ratios are prepared based on total SDG&E payroll. Total payroll is retrieved from the 2020 SDG&E FERC Form 1, "Distribution of Salaries & Wages," which is provided in our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-54-FERC. The amount of A&G labor is then excluded from the Electric, Electric Generation and Gas totals that make up the denominator of the ratio calculation. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-44.

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

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22 *See* FERC Docket, ER13-941-000, ER13-941-001 and ER13-941-002 at 1.3.2; *See also* D.19-09-051 at 607.

d. FERC Account 925.5 – Wildfire Insurance

Wildfire Insurance is charged 100% to the Electric Department and 0% to the Gas Department because the increase in the insurance premiums have been related to electric lines rather than natural gas facilities. Based on this historical experience, the risk associated with providing natural gas service was not deemed by SDG&E to be a material factor in the Wildfire Insurance cost. Total Wildfire Insurance premiums costs are sponsored by Mr. Gaughan (Ex.SCG-24/SDG&E-28).

Segmentation rates of 95.2% Electric department and 4.8% Electric Generation department can be found in our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-50 (Injuries & Damages, Electric Allocation 100% section, right-most columns).

V. REASSIGNMENT TO CAPITAL

A. General Discussion

SoCalGas and SDG&E charge most of their operating costs directly to either capital or O&M; however, certain costs, including some of the A&G expenses, labor overheads (e.g. pension and benefits, injuries and damages), and clearing account costs support construction efforts and are therefore reassigned to capital. After SDG&E has determined the portion of costs associated with Electric, Electric Generation, and Gas Services, it begins the capital reassignment process. Since these costs are not charged directly to capital, reassignment to capital rates have been developed based on 2021 base year data. The reassignment follows compliance with the Electric Plant Instructions, Part 101 and Gas Plant Instructions, Part 201 in the Code of Federal Regulations.[23] These reassigned costs become part of SoCalGas's and SDG&E's rate base.

For TY 2024, the SDG&E O&M reassignment to capital for the Electric Department is a credit of approximately $181,856,000, the Electric Generation Department is a credit of approximately $6,542,000, and the Gas Department is a credit of approximately $53,964,000. O&M reassignment of each business segment represent the amount of expenses being transferred to construction projects.

[23] 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).

The SoCalGas O&M reassignment to capital for expenses being transferred to construction projects is approximately $251,118,000. The calculation and derivation of the various reassignment rates for each category are discussed below.

B. Categories / Accounts Subject to Reassignment

The following categories of costs are subject to capitalization via a reassignment: A&G costs, labor overheads or the clearing accounts,[24] as shown in Table AL/PM-11 (SDG&E) and Table AL/PM-12 (SoCalGas), and further discussed in detail below:

TABLE AL/PM-11
SDG&E Summary of Reassignments % to Capital

Category	Reassignment %
A&G Costs	8.5%
Labor Overheads	
**Variable Pay	46.5%
**Public Liability & Property Damage	43.2%
**Workers' Compensation	45.3%
**Employee Benefits	44.9%
**Employee Pension & PBOP	44.9%
Warehousing	93.6%
Purchasing	70.4%
Fleet	54.5%
Shops	46.7%
Exempt Material	94.1%
Small Tools	46.6%

24 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.

TABLE AL/PM-12
SoCalGas Summary of Reassignments % to Capital

Category	Reassignment %
A&G Costs	13.3%
Labor Overheads	
**Variable Pay	37.2%
**Public Liability & Property Damage	24.3%
**Workers' Compensation	26.3%
**Employee Benefits	26.3%
**Employee Pension & PBOP	26.3%
Warehousing	80.2%
Purchasing	57.5%
Fleet	21.3%
Shops	12.1%
Exempt Material	77.3%
Small Tools	12.0%

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

C. Discussion of Reassignment Percentage Derivation

1. A&G Costs

A percentage of A&G direct costs in FERC accounts 920 (in part) – A&G Salaries, and 921 – Office Supplies & Expenses and shared service Sempra affiliate costs in FERC account 923 (in part) – Outside Services Employed are reassigned to construction each year in accordance with the Electric Plant Instructions and Gas Plant Instructions of the Code of Federal Regulations. SoCalGas and SDG&E derive the A&G reassignment rate by utilizing the 2021 actual A&G costs assigned to capital. To use this method, the applicable A&G costs are mapped from cost centers to FERC accounts 920, 921, and 923. Utilizing the subset of A&G FERC accounts, the capital reassignment rate of 8.5% (SDG&E) and 13.3% (SoCalGas) was calculated by taking the 2021 actual A&G costs assigned to capital projects and dividing it by 2021 total A&G costs of the same FERC accounts.[25]

The use of actual costs reassigned to capital to derive the reassignment rate to capital provides consistency with other Clearing Account categories (i.e., Warehousing, Purchasing,

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[25] *See* Ex. SCG-30-WP/SDG&E-34-WP, WP-47 (SDG&E) and WP-58 (SoCalGas).

etc.) discussed in our testimony because those categories also use actual costs for the derivation of the reassignment to capital.

2. Labor Overheads

Labor Overheads subject to capitalization are variable pay costs[26] (FERC account 920.4), PLPD costs (FERC account 925.0), workers' compensation costs (FERC account 925.1), and P&B costs (FERC account 926). These are considered indirect costs related to company labor and accumulated each month in individual Clearing Accounts. These costs are then dispersed through overhead loading rates applied on Company labor.

In deriving the percentage of labor overheads that should be reassigned to capital, labor reassignment cost data from 2021 base year final reassignment reports were used. The total labor overhead reassigned to capital is divided by the total overhead charged. This was adopted in TY 2019 in comparison to prior GRC filings.[27] In prior GRC filings, the derived percentage of labor overheads reassigned to capital was based on SDG&E's FERC Form 1, Distribution of Salaries & Wages or SoCalGas' FERC Form 2, Distribution of Salaries & Wages, as a singular rate for all labor overheads. The reason for the change in methodology, as adopted in TY 2019, is primarily due to the exclusion of the variable pay costs to Union employees. Changing the variable pay reassignment rate to match the labor activity makes it accurate; but, now also makes a singular rate for all remaining labor overheads mathematically inconsistent. Therefore, the change to unique reassignment rates for each type of labor overhead results in the most accurate result for each separate labor overhead. Additionally, using the 2021 base year final reassignment reports for labor overheads brings this group into alignment with the Clearing Accounts reassignment rate derivation. For the derivation of the rates pertaining labor overheads, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

3. Warehousing

Warehousing costs are charged to a Clearing Account that is mapped from the cost center to FERC account 163.1.[28] These costs are allocated as an overhead loading applied on warehouse

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[26] Variable pay plan costs are commonly referred to as the Incentive Compensatin Plan (ICP).

[27] D.19-09-051 at 606 ("The Capital Reassignment process complies with the Plant Instructions provided in CFR430 and has been applied in Applicants' prior GRCs." (citations omitted)).

[28] *See* Summary of Earnings testimony of Ryan Hom, Ex. SCG-39 and SDG&E-44.

issuances. The capital reassignment rate of 80.2% (SoCalGas) and 93.6% (SDG&E) was calculated by taking the 2021 actual warehouse overhead charged to capital and dividing it by the 2021 total warehouse overhead charged from the 2021 base year final reassignment report. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

4. Purchasing

Purchasing costs are charged to a Clearing Account that is mapped from the cost center to FERC account 163.2.[29] These costs are allocated as an overhead loading applied on all material and services costs. The capital reassignment rate of 57.5% (SoCalGas) and 70.4% (SDG&E) was calculated by taking the 2021 actual purchasing overhead charged to capital and dividing it by the 2021 total purchasing overhead charged from the 2021 base year final reassignment report. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

5. Fleet

Fleet costs are charged by specific vehicle class, based on vehicle type, to a Clearing Account that is mapped from the cost center to FERC account 184.2.[30] These costs in the Clearing Account are subsequently assigned to capital and O&M based on an hourly utilization rate recorded against each vehicle in the fleet system. Vehicle utilization is recorded based on hourly usage, up to a 100% assignment of each vehicle. The capital reassignment rate of 21.3% (SoCalGas) and 54.5% (SDG&E) was calculated by taking the 2021 actual fleet utilization assigned to capital and dividing it by 2021 total fleet utilization. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-46 (SDG&E) and WP-56 (SoCalGas).

6. Shops

Shops costs are charged to a Clearing Account that is mapped from the cost center to FERC account 184.3.[31] These costs are allocated as an overhead loading applied on union labor costs. The capital reassignment rate of 46.7% (SDG&E) and 12.1% (SoCalGas) was calculated

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[29] *See id.*

[30] *See id.*

[31] *See id.*

by taking the 2021 actual shops overheads charged to capital and dividing it by the 2021 total shops overheads. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

7. Exempt Material

Exempt Material costs are charged to a Clearing Account that is mapped from the cost center to FERC account 184.6.[32] These costs are for bulk type materials, such as nuts and bolts, that are not individually inventoried or managed by the warehouses and are restocked onto service trucks as needed. Exempt Material costs are allocated as an overhead loading applied on warehouse issuances and job direct material. The capital reassignment rate of 77.3% (SoCalGas) and 94.1% (SDG&E) was calculated by taking the 2021 actual exempt material overhead charged to capital and dividing it by the 2021 total exempt material costs. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

8. Small Tools/Premium

Small Tools costs are charged to a Clearing Account that is mapped from the cost center to FERC account 184.7.[33] SoCalGas also charges Union premium into the same Clearing Account. Small tools costs are for purchased tools that do not meet the capitalization rules. Union premiums are incremental compensation paid to union represented employees. These costs are allocated as an overhead loading applied on union labor costs. The capital reassignment rate of 12.0% (SoCalGas) and 46.6% (SDG&E) was calculated by taking the 2021 actual small tools/ premium overheads charged to capital and dividing it by the 2021 total small tools/premium overheads. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-45 (SDG&E) and WP-55 (SoCalGas).

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

A. General Discussion

This section discusses the process used to allocate costs to the Electric Transmission Department. Electric Transmission costs are under the jurisdiction of the FERC, and thus the costs allocated to Electric Transmission are excluded from this GRC. To allocate Electric

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32 *See id.*

33 *See id.*

Department expenses, excluding Electric Generation, between the Electric Distribution and Electric Transmission functions, SDG&E used an allocation method based on labor charges for all O&M accounts other than Account 924.0 – "Property Insurance, and Account" and Account 925.5 – "Wildfire Insurance." For capital reassignment and Clearing Accounts, SDG&E used 2021 actual data as described below. The summary of segmentation rates is shown in Appendix E (SDG&E).

The labor ratio method has been adopted by FERC and the CPUC for ratesetting purposes in prior GRCs.[34] The adoption of this method by SDG&E provides consistency between state and federal regulatory jurisdictions for the allocation of Electric Transmission expenses separate from Electric Department expenses, excluding Electric Generation.

The SDG&E 2020 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages are used for the labor ratio calculations.[35] The information presented on the Distribution of Salaries & Wages pages is based on detailed analysis of how labor costs were charged to the various functional areas for 2020.

B. Electric Transmission Allocation

Costs that have been allocated to Electric Transmission have been excluded from this GRC. For TY 2024, the total O&M amount that is allocated to Electric Transmission Department and excluded from this GRC is approximately $116,798,000. For TY 2024, the total capital amount that is allocated to Electric Transmission and excluded from this GRC is approximately $39,239,000. The different categories and processes are described below.

1. Clearing Accounts

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

The O&M exclusion rates for the Clearing Accounts have all been calculated by dividing actual Electric Transmission O&M by total Electric O&M, excluding Electric Generation. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-48.

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[34] D.19-09-051 at 607.

[35] *See* Ex. SCG-30-WP/SDG&E-34-WP, WP-54-FERC.

TABLE AL/PM-13
Summary of Electric Transmission O&M Allocation Rates

Category	Allocation %
Warehousing	22.0%
Purchasing	13.0%
Fleet	31.7%
Shops	26.2%
Exempt Material	23.2%
Small Tools	26.1%

The capital exclusion rates for the Clearing Accounts, shown in Table AL/PM-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 our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-49.

TABLE AL/PM-14
Summary of Electric Transmission Capital Allocation Rates

Category	Allocation %
Warehousing	6.5%
Purchasing	35.5%
Fleet	4.3%
Shops	20.3%
Exempt Material	42.0%
Small Tools	20.2%

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 2021 actual direct Electric Transmission labor assigned to capital projects and dividing it by 2021 total direct Electric, excluding Electric Generation, labor for capital projects and removal costs. The resulting rate is 20.4%. 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 our workpapers (Ex. SCG-30-WP/SDG&E-34-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 allocated based on the labor ratio method. The labor ratio is calculated by taking the transmission function direct labor divided by the total direct Electric labor, excluding Electric Generation labor and A&G labor applicable for 2021. The resulting rate of 20.2% is applied to all Electric A&G accounts (except as noted) and Common plant, with the result being excluded from this GRC. For the derivation of the rates pertaining to these accounts, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-50.

4. FERC Account 924.0 – Property Insurance

For Account 924.0 – "Property Insurance," the FERC has established a different allocation methodology for setting Electric Transmission customer rates. This methodology is based on the ratio of total Electric Transmission plant to Electric plant, excluding Miscellaneous Intangible plant. Intangible plant assets are excluded. The resulting rate is 46.1%. This rate has been applied to the Electric Account 924.0 expenses with the result being excluded from this GRC. For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-52.[36]

5. FERC Account 925.5 - Wildfire Insurance

On October 8, 2010, FERC issued an Order[37] in SDG&E's Transmission Owner 3 ("TO3") Cycle 4 proceeding requiring the allocation of Wildfire Insurance costs using labor ratios. Pursuant to this Order, the SDG&E wildfire-related insurance costs allocation factors are based upon the labor ratio method. The labor ratio is calculated by taking the Electric Transmission function O&M direct labor divided by the total direct Electric O&M labor, excluding Electric Generation O&M labor and A&G labor applicable for 2021. The resulting rate of 19.8% with the result being excluded from this GRC.

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

For the derivation of the rate pertaining to this account, see our workpapers (Ex. SCG-30-WP/SDG&E-34-WP), WP-53.

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[36] Ex. SCG-30-WP/SDG&E-34-WP, WP-52 at Lines 2-3 and 14-16.

[37] San Diego Gas and Electric Company, 133 FERC ¶ 61,016 (2010).

VII. CONCLUSION

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

The process and methodology of segmentation and reassignments of costs between Electric, Electric Generation and Gas Services, the reassignment of costs for A&G, labor overheads and Clearing Accounts, and the division of Electric costs into Electric Distribution and Electric Transmission have been accepted by the Commission and intervenors in past GRCs, as demonstrated by D.19-09-051[38] The concept of segmenting and reassigning the common costs is also consistent with the FERC guidelines. SoCalGas and SDG&E believe the methodology used and rates computed continue to be appropriate and reasonable, and therefore should be adopted by the Commission to determine the SoCalGas and SDG&E TY 2024 revenue requirement.

This concludes our revised prepared direct testimony.

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[38] 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.")

VIII. WITNESS QUALIFICATIONS OF ANGEL N. LE

My name is Angel N. Le, CPA. My business address is 555 W 5th St. Los Angeles, CA 90017. I am sponsoring the portions of this testimony that relate to SoCalGas.

I am currently the Financial Services Manager for SoCalGas.

I have been an employee of SoCalGas since 1991 and have held various positions of increasing responsibility including in SoCalGas's Gas Acquisition and Accounting & Finance departments. Since 2019, my responsibilities in the Accounting & Finance department has been to manage the Sundry Billings, New Business Accounting and Affiliate Billing & Costing (ABC) organization where I provide oversight of SoCalGas's monthly financial close processing, overhead pool management, shared services cost center activities and affiliate bills.

I received a Bachelor of Science degree in Business Administration/Accounting from California State University, Los Angeles in May 1990.

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

IX. WITNESS QUALIFICATIONS OF PAUL D. MALIN

My name is Paul D. Malin, CPA. My business address is 488 Eighth Avenue, HQ10S1, San Diego, CA 92101. I am sponsoring the portions of this testimony that relate to SDG&E.

I am currently the Financial Systems Client Support and Affiliate Billing & Costing (ABC) Manager for SDG&E. As manager over the SDG&E ABC group, I am responsible for the oversight of SDG&E's monthly financial close processing, overhead pool management, shared service cost center activities and affiliate bills.

I was initially employed by SDG&E in January 1997 and held various positions of increasing responsibility in the Utility Financial Accounting and Regulatory Reporting areas through July 2008. In August 2008, I became the Financial Systems Client Support Manager. In January 2020, the SDG&E ABC group was added to my responsibilities to manage. Prior to starting with SDG&E, I worked in public accounting for over six years.

While I was the Regulatory Reporting Manager, I was involved in the implementation of the Special Purpose Ledger function which currently provides the FERC-based accounting information. While there I was also responsible for the submittal of the FERC Forms 1 and 3Q to FERC for SDG&E and the Annual Reports filed with the CPUC that utilize the FERC Forms 1 and 2 for both SDG&E and SoCalGas. I also submitted testimony in the 2008 GRC on Segmentation and Reassignments.

I received a Bachelor of Science degree in Accounting from the University of Southern California in May 1989.

I have previously testified before the CPUC.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A – Glossary of Terms

A&G: Administrative and general

ABC: Affiliate Billing and Costing

BUCU: Business Unit Charge Ups

Corporate Center or CorpCtr: Sempra Energy Corporate Center

CPUC: California Public Utilities Commission

CSS: Corporate Shared Service

D.: Decision

FERC: Federal Energy Regulatory Commission

FIT: Federal Income Tax

FTEs: Full-time employees/equivalents

GAAP: Generally Accepted Accounting Principles

GRC: General rate case

IT: Information Technology

LAN ID: Local Area Network Identification

O&M: Operations and maintenance

P&B: Pension and Benefits

PLPD: Public Liability and Property Damage

RO: Results of Operations

SAP: Systems Applications and Products

SDG&E: San Diego Gas & Electric Company

Sempra: Sempra Energy

SIT: State Income Tax

SoCalGas/SCG: Southern California Gas Company

TY: Test year

USS: Utility Shared Service

V&S: Vacation and sick

Variable Pay: A.k.a. incentive compensation plan (ICP)

Workers' Comp: Workers' Compensation

APPENDIX B

SHARED SERVICES TERMS & DEFINITIONS

APPENDIX B - Shared Services Terms & 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: 2021 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: 2021 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 2024: 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	**AMOUNT ALLOCATED VIA % ALLOCATION CALCULATION:**						
14	**Amount Subject to % Allocation**	(d)	SCG	80	30	-	Line [10]
15							
16	**Allocation Percentages**	(e)	SDG&E	50.0%	50.0%	0.0%	
17			Corp Center	10.0%	10.0%	0.0%	
18			Unregulated	0.0%	0.0%	0.0%	
19							
20							
21	**Amount Allocated via % Allocation**	(f)	SDG&E	$ 40	$ 15	$ -	Line [14x16]
22			Corp Center	8	3	-	Line [14x17]
23			Unregulated	-	-	-	Line [14x18]
24			**Total**	$ 48	$ 18	$ -	Line [21+22+23]
25							
26	**Unallocated Amount Retained**	(g)	SCG	$ 32	$ 12	$ -	Line [14-24]
27							
28							
29	**SUMMARY OF COSTS:**						
30	**Total Allocated**	(h)	SDG&E	$ 55	$ 30	$ -	Line [5+21]
31			Corp Center	8	3	-	Line [6+22]
32			Unregulated	-	-	-	Line [7+23]
33			**Total**	$ 63	$ 33	$ -	Line [30+31+32]
34							
35	**Total Retained**	(i)	SCG - Direct	$ 5	$ 5	$ -	Line [3]
36			SCG - Unallocated	32	12	-	Line [26]
37			**Total**	$ 37	$ 17	$ -	Line [35+36]
38							
39			**Grand Total**	$ 100	$ 50	$ -	Line [33+37] = Line 1
40							
41							
42							

43 Notes:

44 (a) 100% Level Forecast = Sum of the Directly Retained, Directly Allocated and the Amount Subject to % Allocation. The
45 total cost center costs prior to any allocations out.

46 (b) Directly Retained = Costs incurred solely for SCG's own benefit and are not billed out.

47 (c) Directly Allocated = Costs incurred for special projects benefiting a special affiliate and directly charged to the affiliate.

48 (d) Amount Subject to % Allocation = Routine, on-going shared service costs incurred for SCG, SECC, unregulated
49 affiliates and SDG&E itself.

50 (e) Allocation Percentages = Determined by the planners and applied to each benefiting affiliate.

51 (f) Amount allocated via % Allocation = Amount allocated to each affiliate.

52 (g) Unallocated Amount Retained = The amount retained at SCG from the Subject to % Allocation amount.

53 (h) Total Allocated = Directly Allocated amount + the Amount Allocated via % Allocation.

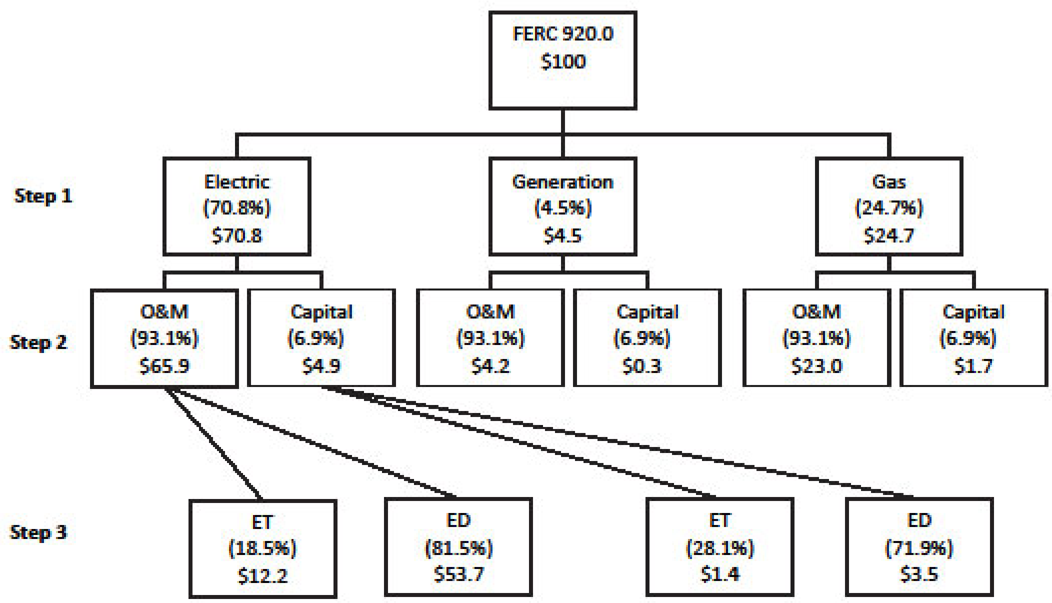
54 (i) Total Retained = Directly Retained amount + the Unallocated Amount Retained.

APPENDIX D

EXAMPLE OF SEGMENTATION, REASSIGNMENT AND ELEC TRANS CARVE-OUT

APPENDIX D - Example of Segmentation, Reassignment and Elec Trans Carve-Out

SDG&E
2024 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)

APPENDIX E - Summary of Rates (SDG&E)

SDG&E
2024 General Rate Case
Summary of Segmentation, Reassignment & Electric Transmission Carve-Out Rates
Based on January - December 2021 Data

Line#	FERC Account	Account Description	Segmentation Electric	Segmentation Electric Generation	Segmentation Gas	Reassignment Capital	ET Carve-Out O&M	ET Carve-Out Capital
1	Clearing Accounts:							
2	163.1	Warehousing	83.3%	1.7%	15.0%	93.6%	22.0%	6.5%
3	163.2	Purchasing	74.5%	3.9%	21.6%	70.4%	13.0%	35.5%
4	184.2	Fleet	77.7%	0.6%	21.7%	54.5%	31.7%	4.3%
5	184.3	Shops	70.7%	0.2%	29.1%	46.7%	26.2%	20.3%
6	184.6	Exempt Materials	85.1%	1.1%	13.8%	94.1%	23.2%	42.0%
7	184.7	Small Tools	70.7%	0.2%	29.1%	46.6%	26.1%	20.2%
8	Customer Accounts & Collections:							
9	901.0	Supervision	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
10	902.0	MRDG - General Exp	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
11	902.1	MRDG - Training & Other Exp	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
12	902.2	MRDG - Meas Data Ops Exp	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
13	902.3	MRDG - Electric Telemetry	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
14	902.5	Meter Reading Exp	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
15	903.0	Customer Records & Collection Exp	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
16	903.1	Customer Records & Collection Exp - Customer Contct	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
17	903.3	Customer Records & Collection Exp - Collections	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
18	903.4	Customer Records & Collection Exp - Pymt Processing	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
19	903.5	Customer Records & Collection Exp - Cust Billing	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
20	903.7	Customer Records & Collection Exp - Postage	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
21	903.8	Customer Records & Collection Exp - Energy Theft	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
22	905.0	Miscellaneous Customer Accounts Expenses	65.0%	0.0%	35.0%	0.0%	0.0%	0.0%
23	Customer Services & Information:							
24	907.0	Supervision	88.9%	0.0%	11.1%	0.0%	0.0%	0.0%
25	908.0	Customer Assistance Exp	88.9%	0.0%	11.1%	0.0%	0.0%	0.0%
26	909.0	Informational & Instructional Exp	88.9%	0.0%	11.1%	0.0%	0.0%	0.0%
27	910.0	Misc Customer Svc & Info Exp	88.9%	0.0%	11.1%	0.0%	0.0%	0.0%
28	Administrative & General:							
29	920.0	Admin & General Salaries - Non-Sr. Management	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
30	920.1	Administrative & General - Sr. Management	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
31	920.2	Administrative & General - HR	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
32	920.4	Administrative & General - ICP	71.1%	3.6%	25.3%	46.5%	20.2%	20.4%
33	920.5	Admin & General Salaries - RPA	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
34	921.0	Office Supplies & Exp - Non-Sr. Management	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
35	921.2	Administrative & General - HR	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
36	921.5	Admin Expenses Transferred - Credit	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
37	923.0	Outside Services Employed - Outside Vendors	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
38	923.1	Outside Services Employed - SECC	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
39	923.2	Outside Services Employed - BUCU's	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
40	923.3	Outside Services Employed - Shared Assets	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
41	923.4	Outside Services Employed - Deprec/ROR	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
42	923.5	Outside Services Employed - Utility Intercompany Billing	71.1%	3.6%	25.3%	8.5%	20.2%	20.4%
43	924.0	Property Insurance	79.7%	5.9%	14.4%	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	71.1%	3.6%	25.3%	43.2%	20.2%	20.4%
46	925.1	Injuries & Damages - Workers Comp	71.1%	3.6%	25.3%	45.3%	20.2%	20.4%
47	925.2	Safety & Emergency Services & EMF	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
48	925.3	Injuries & Damages - Liability Insurance	71.1%	3.6%	25.3%	0.0%	20.2%	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	95.2%	4.8%	0.0%	0.0%	19.8%	0.0%
51	925.6	Surety Bonds	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
52	926.0	Employee Pensions & Benefits - Other	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
53	926.1	Employee Pensions & Benefits - Pension	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
54	926.2	Employee Pensions & Benefits - PBOPs	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
55	926.3	Employee Pensions & Benefits - Medical	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
56	926.4	Employee Pensions & Benefits - Retirement Savings	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
57	926.5	Employee Pensions & Benefits - Fees, Educ & Transport	71.1%	3.6%	25.3%	44.9%	20.2%	20.4%
58	928.0	Regulatory Commission Exp	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
59	930.1	General Advertising Expenses	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
60	930.2	Miscellaneous General Expenses	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
61	930.3	Miscellaneous General Expenses - OpEx	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
62	931.0	Rents	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
63	931.6	Rents	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
64	935.0	Maintenance of General Plant	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
65	935.1	Maintenance of General Plant	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%
66	935.6	Maintenance of General Plant	71.1%	3.6%	25.3%	0.0%	20.2%	0.0%

APPENDIX F

SUMMARY OF RATES (SOCALGAS)

APPENDIX F - Summary of Rates (SoCalGas)

SCG
2024 General Rate Case
Summary of Reassignment Rates
Based on January - December 2021 Data

Line#	FERC Account	Account Description	Reassignment Capital
1	**Clearing Accounts:**		
2	163.1	Warehousing	80.2%
3	163.2	Purchasing	57.5%
4	184.2	Fleet	21.3%
5	184.3	Shops	12.1%
6	184.6	Exempt Materials	77.3%
7	184.7	Small Tools	12.0%
8	**Administrative & General:**		
9	920.0	Admin & General Salaries - Non-Sr. Management	13.3%
10	920.1	Administrative & General - Sr. Management	13.3%
11	920.2	Administrative & General - HR	13.3%
12	920.4	Administrative & General - ICP	37.2%
13	920.5	Admin & General Salaries - RPA	13.3%
14	921.0	Office Supplies & Exp - Non-Sr. Management	13.3%
15	921.2	Administrative & General - HR	13.3%
16	921.3	Computer End User Support - NonLbr	0.0%
17	921.5	Admin Expenses Transferred - Credit	13.3%
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	13.3%
21	923.2	Outside Services Employed - BUCU's	13.3%
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	13.3%
25	924.0	Property Insurance	0.0%
26	925.0	Injuries & Damages - PLPD Claims	24.3%
27	925.1	Injuries & Damages - Workers Comp	26.3%
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	26.3%
31	926.1	Employee Pensions & Benefits - Pension	26.3%
32	926.2	Employee Pensions & Benefits - PBOPs	26.3%
33	926.3	Employee Pensions & Benefits - Medical	26.3%
34	926.4	Employee Pensions & Benefits - Retirement Savings	26.3%
35	926.5	Employee Pensions & Benefits - Fees, Educ & Transport	26.3%
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%

SoCalGas/SDG&E 2024 GRC Testimony Revision Log –August 2022

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-iv	Summary	Revised Test Year (TY) 2024 Shared Services and Shared Services Overhead resulting in accurate costs billed out to affiliated entities for SoCalGas from $37,101,000 to $37,138,000; for SDG&E from $88,660,00 to $88,659,000; Revised TY 2024 Shared Assets resulting in accurate costs billed out for SoCalGas from $70,474,000 to $70,109,000; for SDG&E from $19,025,000 to $18,987,000; Revised TY 2024 Operations and Maintenance (O&M) Reassignment to Capital of SoCalGas from $241,556,000 to $251,118,000; of SDG&E for Electric, excluding Electric Generation from $181,946,000 to $181,856,000; of SDG&E Electric Generation from $6,547,000 to $6,542,000; of SDG&E Gas from $53,996,000 to $53,964,000. Revised TY 2024 Exclusion for Electric Transmission of SDG&E for Electric Transmission O&M from $116,866,000 to $116,798,000; of SDG&E for Electric Transmission Capital from $39,257,000 to $39,239,000.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-15 to ANL/PDM-16	Lines 7-30, 1-11	SDG&E Forecasts Revised 100% Incurred Level forecast (prior to overhead loadings) from $142,854 to $142,852; Revised Retained costs (prior to overhead loadings) from $81,781 to $81,780; Revised Allocations-in costs (prior to overhead loadings) from $20,116 to $20,150; Revised Book Expense (prior to overhead loadings) from $101,897 to $101,930; Revised Allocations-out to SoCalGas from $79,954 to $79,953; Revised Allocations In (incl. CorpCtr BUCU Reallocation) Retained Costs from $87,781 to $87,780; Revised Allocations In (incl. CorpCtr BUCU Reallocation) fully loaded Costs from $38,431 to $38,466;

				Revised CorpCtr BUCU back to SDG&E, from SDG&E & SoCalGas from $2,619 to $2,620; Revised Net Shared Services O&M from $94,384 to $94,419. SoCalGas Forecasts Revised 100% Incurred Level forecast (prior to overhead loadings) from $117,239 to $142,462; Revised Allocations-out costs from $20,892 to $20,927; Revised Retained costs (prior to overhead loadings) from $96,347 to $96,534; Revised Book Expense (prior to overhead loadings) from $151,655 to $151,842; Revised Allocations-out to SDG&E from $35,812 to $35,846; Revised Allocations-out to Corporate Center from $1,287 to $1,289; Revised Allocations In (incl. CorpCtr BUCU Reallocation) Retained Costs from $96,347 to $96,534; Revised CorpCtr BUCU back to SoCalGas, from SoCalGas & SDG&E from $3,016 to $3,017; Revised Overhead Credit from ($15,250) to ($15.252); Revised Net Shared Services O&M from $164,067 to $164,252.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-19	TABLE AL/PM-5	Revised values in table.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-20	TABLE AL/PM-6	Revised values in table.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-22	TABLE AL/PM-7 and TABLE AL/PM-8	Revised values in tables.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-22	Lines 14-17	Revised $2,675,000 to $2,670,00 and revised $19,025,000 to $18,987,000.

SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-23	TABLE AL/PM-9 and TABLE AL/PM-10	Revised values in tables.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-27	Lines 23-25	Revised $181,946,000 to $181,856,000, $6,547,000 to $6,542,000 and $53,996,000 to $53,964,000.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-28	Line 2	Revised $241,556,000 to $251,118,000.
SCG-30 / SDG&E-34	Angel N. Le / Paul D. Malin	ANL/PDM-F-1	Appendix F	Revised values in table.