| | | |
|---|---|---|
| Docket | : | A.17-10-007/008 |
| Exhibit Number | : | ORA-21 |
| Commissioner | : | L. Randolph |
| ALJ | : | R. Lirag |
| Witness | : | L. Laserson |


**OFFICE OF RATEPAYER ADVOCATES**
**CALIFORNIA PUBLIC UTILITIES COMMISSION**


# Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2019 General Rate Case

Corporate Center


San Francisco, California
April 13, 2018

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# CORPORATE CENTER

## I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding the Corporate Center proposals of San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SCG or SoCalGas), collectively the Sempra Utilities (Sempra or Utilities), for Test Year (TY) 2019.

The Sempra Utilities state that Corporate Center is primarily structured to provide "…corporate governance, policy direction and critical control functions, as well as services that are still performed most effectively as a centralized operation. They are services that would otherwise require additional staffing and Operations and Maintenance (O&M) at SDG&E and SoCalGas, if not performed and allocated by the Corporate Center."[1]

## II. SUMMARY OF RECOMMENDATIONS

### A. General Administration Costs

The following summarizes ORA's recommendations regarding Corporate Center General Administration costs:

- For total General Administration costs, ORA forecasts total Corporate Costs of $216.8 million (in 2016 Dollars) for Test Year 2019, with $84.4 million allocated to SDG&E and SoCalGas. This compare to Sempra's request of $285.2 million for total Corporate Costs, with $129.1 million allocated to SDG&E and SoCalGas. The following describe ORA's specific differences with Sempra:
    - ✓ ORA proposes an adjustment for Utility Allocation to recognize and incorporate the acquisition of Oncor. ORA forecasts total Utility Costs of $84.4 million (in 2016 Dollars) for Test Year 2019, with $38.0 million allocated to SDG&E and $46.4 million allocated to SoCalGas. Absent this adjustment, the allocation

[1] Exhibit (Ex.) SCG-28-R/SDG&E-26-R, p. MLD-1, lines 15-18.

would be $109.3 million with $49.2 million to SDG&E and $60.1 million to SoCalGas.

- ✓ For Pensions and Benefits, ORA forecasts Corporate Costs of $26.2 million (in 2016 Dollars) that should be ratepayer funded for Test Year 2019, compared to Sempra's forecast of $04.0 million. ORA's recommended adjustments in this area are based on recommendations contained in Ex. ORA-22.
- ✓ ORA proposes small adjustments within the Finance function, specifically for Internal Audit Services and Risk Management, and within the Human Resources & Administration function, for CIO, Corporate Systems, and Security.

## B. Insurance Costs

The following summarizes ORA's recommendations regarding the Corporate Center Insurance costs:

- ORA does not oppose Sempra's forecast of Corporate Center Insurance costs.
- ORA does not oppose Sempra's proposal to establish the Liability Insurance Premium Balancing Account (LIPBA), but recommends that it only be applicable to the amount of coverage requested in this GRC, and not for any additional amounts of coverage Sempra may decide to purchase.

Table 21-1 below compares ORA's 2019 forecasts of the Corporate Center expenses with Sempra's forecasts:

**Table 21-1**
**Sempra Corporate Center Expenses**
**Test Year 2019**
**(in Thousands of 2016 Dollars)**

| **Description** | | **ORA Recommended** | | | **Sempra Proposed**[2] | | |
|---|---|---|---|---|---|---|---|
| | Corp | Utility Alloc w/o Oncor | Utility Alloc w/ Oncor | Total | Corp | Utility Alloc | Total |
| **General Admin** | | | | | | | |
| Finance | $59,114 | $28,127 | $21,714 | | $59,556 | $28,571 | |
| Legal, Compl & Governance | $62,344 | $23,528 | $18,164 | | $62,344 | $23,528 | |
| HR & Admin | $24,611 | $21,612 | $16,681 | | $24,698 | $21,700 | |
| Corp Strategy & External Affairs | $14,420 | $3,890 | $3,004 | | $14,420 | $3,890 | |
| Facilities/Assets | $30,155 | $16,031 | $12,376 | | $30,155 | $16,031 | |
| Pensions & Benefits | $26,202 | $16,080 | $12,413 | | $94,048 | $35,409 | |
| Total | $216,839 | $109,265 | $84,351 | | $285,222 | $129,129 | |
| | | | | | | | |
| SDG&E Alloc w/o Oncor | | | | $49,209 | | | $58,146 |
| SCG Allocation w/o Oncor | | | | $60,054 | | | $70,983 |
| Total w/o Oncor | | | | $109,263 | | | $129,129 |
| | | | | | | | |
| SDG&E Alloc with Oncor | | | | $37,990 | | | |
| SCG Allocation with Oncor | | | | $46,362 | | | |
| Total with Oncor | | | | $84,351 | | | |
| | | | | | | | |
| **Insurance** | | | | | | | |
| Property | $20,304 | $16,076 | | | $20,304 | $16,076 | |
| Liability | $166,965 | $148,562 | | | $166,965 | $148,562 | |
| Surety Bonds | $319 | $192 | | | $319 | $192 | |
| Total | $187,588 | $164,830 | | | $187,588 | $164,830 | |
| | | | | | | | |
| SDG&E Alloc | | | | $126,270 | | | $126,270 |
| SCG Allocation | | | | $38,560 | | | $38,560 |
| Total | | | | $164,830 | | | $164,830 |

[2] Ex. SCG-28-R/SDG&E-26-R, p. MLD-1, Table MLD-1-A (General Administration); Ex. SCG-29-/SDG&E-27, p. NKC-1, Table NKC-1 (Insurance).

## III. CORPORATE CENTER POLICIES

### A. Overview of Sempra's Request

The Sempra Utilities state that the costs incurred by the Corporate Center are fully charged out using direct assignment and allocation to SDG&E, SoCalGas, Global, or are retained at the Corporate Center.[3] The costs charged from the Corporate Center to SDG&E and SoCalGas are recorded in the appropriate accounts as defined by the Federal Energy Regulatory Commission (FERC).[4]

For the 2019 Test Year forecast, the Utilities say that all Corporate Center expenses billed to SDG&E and SoCalGas are reflected in Administrative & General (A&G) accounts, and that each utility also capitalizes on a portion of their total A&G costs.[5]

Each utility may not charge shared A&G costs (Utility Shared Services) between each other, they may also charge costs to the Corporate Center for shared services that are located at each utility.[6] These services are referred to as Corporate Shared Services (CSS), which primarily consist of Rent and Facilities Maintenance, Real Estate Services, Information Technology (IT), Document and Supply Management Services, and some Accounting Services (e.g., Accounts Payable) Services.[7] The Utilities say that rather than duplicate these business functions, the Corporate Center benefits from the structure that already exists at SDG&E and SoCalGas, which results in more cost-effective Corporate Center overhead.[8] The Utilities state that the CSS charges to Corporate Center are determined at the

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[3] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[4] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[5] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[6] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[7] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[8] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

Utilities based on appropriate direct assignment or cost allocation methods, which the Corporate Center annually reviews for reasonableness and applicability.[9] Since SDG&E and SoCalGas calculate and retain their share of CSS charges using the Corporate Center's overall allocation rate, known as the "Corporate Re-Allocation" method, any remaining charges to the Corporate Center are retained and not re-allocated to business units.[10] The utilities state that Corporate Center's goal is to reasonably and equitably bill its costs to business units, associating the costs as closely as possible to the level of service being provided to each business unit.[11] The Utilities say that, to achieve this, the Corporate Center uses a hierarchy to allocate its costs to SDG&E, SoCalGas, and Global:

First, where an expense, such as labor, can be directly attributed to a business unit it is directly assigned to that business unit.[12] Second, Corporate Center functions supporting multiple business units are charged to the business units using a Causal/Beneficial factor.[13] Third, areas such as corporate oversight or governance functions that support the Sempra Energy companies as a whole are allocated using a Multi-Factor method.[14]

Corporate Center expenses which are not recoverable in rate-making (e.g., lobbying, contributions, corporate branding) are not billed to business units and are referred to as "retained" at Corporate Center.[15]

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[9] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[10] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[11] Ex. SCG-28-R/SDG&E-26-R, p. MLD-11.

[12] Ex. SCG-28-R/SDG&E-26-R, p. MLD-12.

[13] Ex. SCG-28-R/SDG&E-26-R, p. MLD-12.

[14] Ex. SCG-28-R/SDG&E-26-R, p. MLD-12.

[15] Ex. SCG-28-R/SDG&E-26-R, p. MLD-12.

Sempra then provides a more detailed description of Corporate Center's cost allocation method.[16] The Utilities state that the Test Year 2019 forecasts for each Corporate Center division were developed through an examination of cost elements and drivers for each cost center.[17] A zero based forecasting approach was used for costs such as salaries, contract fees, and actuarial calculations.[18] A five-year trend was utilized for Outside Legal services forecasting and all other supporting cost estimates are based on the most recent year's activity.[19]

### B. ORA's Analysis

In the following section, which addresses General Administration costs, ORA presents its forecast of Corporate costs and discusses the allocation of those costs to SDG&E and SoCalGas. The initial allocations, presented and discussed in Section IV of this exhibit, do not reflect ORA's additional adjustments which take into account Sempra's acquisition of its ownership interest in Oncor Electric Delivery Company (Oncor). Given Sempra's recent completion of this acquisition, ORA made the additional adjustments after the initial allocation to the Sempra Utilities, which are reflected on Table 21-1.

## IV. GENERAL ADMINISTRATION COSTS

### A. Finance

The Finance division is responsible for maintaining the financial integrity of the Sempra Energy companies, including raising and managing capital.[20] The Finance division comprises the CFO, Accounting Services, Tax Services, Treasury,

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[16] Ex. SCG-28-R/SDG&E-26-R, p. MLD-12.

[17] Ex. SCG-28-R/SDG&E-26-R, p. MLD-15.

[18] Ex. SCG-28-R/SDG&E-26-R, p. MLD-15.

[19] Ex. SCG-28-R/SDG&E-26-R, p. MLD-15.

[20] Ex. SCG-28-R/SDG&E-26-R, p. MLD-17.

Investor Relations, Internal Audit and Risk Management, and Financial Leadership Program.[21]

**Table 21-2**
**Corporate Center**
**Finance Division Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[22] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| CFO | $970 | $607 | | $970 | $607 | |
| Accounting Services | $9,180 | $5,530 | | $9,180 | $5,530 | |
| Tax Services | $11,603 | $6,750 | | $11,603 | $6,750 | |
| Treasury | $24,554 | $7,737 | | $24,554 | $7,737 | |
| Investor Relations | $2,214 | $1,691 | | $2,214 | $1,691 | |
| Internal Audit & Risk | $9,178 | $5,013 | | $9,622 | $5,457 | |
| Financial Leadership | $1,414 | $799 | | $1,414 | $799 | |
| Total | $59,114 | $28,127 | | $59,556 | $28,571 | |
| SDG&E Allocation | | | $13,918 | | | $13,965 |
| SCG Allocation | | | $14,209 | | | $14,605 |
| Total | | | $28,127 | | | $28,571 |

### 1. Overview of Sempra Utilities' Request

For the Finance Division, Sempra forecasts total Corporate Costs of $59.6 million (in 2016 Dollars) for Test Year 2019, with $14.0 million allocated to SDG&E, $14.6 million allocated to SoCalGas, and $31.0 million allocated to Global Retained.[23] ORA forecasts Corporate costs of $59.1 million.

[21] Ex. SCG-28-R/SDG&E-26-R, p. MLD-17.

[22] Ex. SCG-28-R/SDG&E-26-R, p. MLD-17 Table MLD-4A.

[23] Ex. SCG-28-R/SDG&E-26-R, p. MLD-17 Table MLD-4A.

### 2. ORA's Analysis

#### a. Chief Financial Officer (CFO)

The CFO is responsible for development of Sempra's Energy's short-and long-term financial goals as well as operating and capital budgets.[24] Because of the diversity of allocation methods used by the various functions working under CFO, SEMPRA utilizes a weighted average of the allocation methodologies used by each department reporting to the CFO, which is referred to as "EVP-CFO."[25] Sempra's 2019 allocation forecasts for EVP-CFO are broken down into 31% for SDG&E, 32% for SoCalGas and 37% for Global/Retained.[26]

For the CFO, the Utilities forecast total Corporate Costs of $970,000 (in 2016 Dollars) for Test Year 2019, with $301,000 allocated to SDG&E, $306,000 allocated to SoCalGas, and $363,000 allocated to Global Retained.[27] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### b. Accounting Services

Accounting Services includes the Sempra Energy Controller, Assistant Controller, Accounting Research and Policies, Strategic Planning, Corporate and Global Accounting, and Financial Reporting.[28] Accounting Services are primarily enterprise-wide functions that benefit SDG&E, SoCalGas, and all other business units, and all non-direct costs for these functions are allocated using the "Multi Factor Basic" method.[29] Sempra's 2019 allocation forecasts for Multi-Factor Basic

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[24] Ex. SCG-28-R/SDG&E-26-R, p. MLD-18.

[25] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

[26] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

[27] Ex. SCG-28-R/SDG&E-26-R, p. MLD-18.

[28] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

[29] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[30]

Exceptions are Strategic Planning and Corporate & Global Accounting, and because of the additional reliance by Global affiliates on these groups, the Utility uses the "Multi-Factor Split" method, a variation which equally divides the overall allocation between Global and the Utilities.[31] Sempra's 2019 allocation forecasts for Multi-Factor Split are broken down into 23% for SDG&E, 27% for SoCalGas and 50% for Global/Retained.[32]

Because of the diversity of allocation methods used by the various functions reporting to the Controller, Sempra utilizes a weighted average of the allocation methodologies used by each department for purposes of allocating the Controllers costs, which is referred to as "SVP-Controller."[33] Sempra's 2019 allocation forecasts for SVP-Controller are broken down into 29% for SDG&E, 33% for SoCalGas and 38% for Global/Retained.[34]

For Accounting Services, the Utilities forecast total Corporate Costs of $9.2 million (in 2016 Dollars) for Test Year 2019, with $2.5 million allocated to SDG&E, $3.0 million allocated to SoCalGas, and $3.7 million allocated to Global Retained.[35] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[30] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

[31] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

[32] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

[33] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

[34] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

[35] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

### c. Tax Services

The Tax Department is responsible for federal, state, local, and international tax compliance and planning, tax accounting, regulatory tax research and compliance, and establishing tax policy governance for Sempra Energy and its business units.[36] The Tax Department's costs, including the VP of Tax, are allocated using an average based on an annual time estimate from every staff member and this causal-beneficial allocation method is referred to as "CB-Tax."[37] Sempra's 2019 allocation forecasts for CB-Tax are broken down into 29% for SDG&E, 29% for SoCalGas and 42% for Global/Retained.[38]

For Tax Services, the Utilities forecast total Corporate Costs of $11.6 million (in 2016 Dollars) for Test Year 2019, with $3.3 million allocated to SDG&E, $3.4 million allocated to SoCalGas, and $4.9 million allocated to Global Retained.[39] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### d. Treasury

Corporate Treasury is responsible for Corporate Finance, Cash Management, Pensions & Investments, Project Finance, the Business Planning and Project Controls function, and Corporate Development/Mergers and Acquisitions.[40] Fees for short-and long-term financing, bank line of credit, and trustee and rating agencies are all assigned directly to the business units for which they are contracted and the Corporate Finance cost center estimates percentages of effort for the business units based on overall activity level and projects requiring financing or advisory work

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[36] Ex. SCG-28-R/SDG&E-26-R, p. MLD-22.

[37] Ex. SCG-28-R/SDG&E-26-R, p. MLD-23.

[38] Ex. SCG-28-R/SDG&E-26-R, p. MLD-21.

[39] Ex. SCG-28-R/SDG&E-26-R, p. MLD-19.

[40] Ex. SCG-28-R/SDG&E-26-R, p. MLD-23.

resulting in allocating costs using a method called "CB-Treasury."[41] Sempra's 2019 allocation forecasts for CB-Treasury are broken down into 25% for SDG&E, 25% for SoCalGas and 50% for Global/Retained.[42]

Cash Management services are allocated using the "Multi-Factor Basic" method, as the cost center supports operational functions at all business units and daily cash management services support various functions including payroll, accounts payable, gas purchases, and wire transfers.[43] Sempra's 2019 allocation forecasts for "Multi-Factor Basic" are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[44]

The Pension and Investment group uses a causal-beneficial allocation method based on the present value of each utility's pension funds, referred to as "CB-Pension."[45] Sempra's 2019 allocation forecasts for "CB-Pension" are broken down into 42% for SDG&E, 54% for SoCalGas and 4% for Global/Retained.[46]

Business Planning and Controls and Business Planning and Project Controls use a causal-beneficial allocation method based on the estimated percentage of direct labor hours spent working on projects to be financed for each business unit, referred to as "CB-Projects."[47] Sempra's 2019 allocation forecasts for "CB-Projects" are broken down into 60% for SDG&E, 29% for SoCalGas and 11% for Global/Retained.[48]

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[41] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[42] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[43] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[44] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[45] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[46] Ex. SCG-28-R/SDG&E-26-R, p. MLD-25.

[47] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

[48] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

As with other officer positions that oversee a variety of functions, a weighted average of the allocation methodologies used by each cost center reporting to the Treasurer was developed and this allocation is referred to as "VP-Treasurer."[49] Sempra's 2019 allocation forecasts for "VP-Treasurer" are broken down into 32% for SDG&E, 24% for SoCalGas and 44% for Global/Retained.[50]

For Corporate Treasury, the Utilities forecast total Corporate Costs of $24.6 million (in 2016 Dollars) for Test Year 2019, with $3.8 million allocated to SDG&E, $3.9 million allocated to SoCalGas, and $16.8 million allocated to Global Retained.[51] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### e. Investor Relations

The Investor Relations department's primary objective is to facilitate the flow of information and dialogue with investors to ensure they have the tools to evaluate fundamental value.[52] Costs are allocated using "Multi Factor Basic" as the activities of Investor Relations benefits all business units.[53] Sempra's 2019 allocation forecasts for "Multi-Factor Basic" are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[54]

For the Investor Relations department, the Utilities forecast total Corporate Costs of $2.2 million (in 2016 Dollars) for Test Year 2019, with $778,000 allocated to SDG&E, $913,000 allocated to SoCalGas, and $523,000 allocated to Global

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[49] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

[50] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

[51] Ex. SCG-28-R/SDG&E-26-R, p. MLD-23.

[52] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

[53] Ex. SCG-28-R/SDG&E-26-R, p. MLD-27.

[54] Ex. SCG-28-R/SDG&E-26-R, p. MLD-27.

Retained.[55] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### f. Internal Audit Services & Risk Management

The Internal Audit Services and Risk Management department is centralized at Corporate Center for all business units.[56] This department is responsible for internal audits, Sarbanes-Oxley Act (SOX) compliance, risk management, and insurance and risk advisory.[57] Allocation of costs for VP of Audit Services and Risk Management is based on the weighted average of the annual labor budget for departments that report to the VP and the hours attributed to Corporate Center audits are re-allocated using the Multi-Factor Basic Method to result in a blended percentage for each business unit.[58] This allocation method is referred to as "VP-Risk."[59] 2019 allocation forecasts for "VP-Risk" are broken down into 31% for SDG&E, 29% for SoCalGas and 40% for Global/Retained.[60]

Allocation of costs for the Audit Services group is based on the annual Audit Plan, but excludes hours for Mexico and South America entities (Latin America) and this allocation method is referred to as "Audit Plan US."[61] Sempra's 2019 allocation forecasts for "Audit Plan US" are broken down into 40% for SDG&E, 42% for SoCalGas and 18% for Global/Retained.[62]

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[55] Ex. SCG-28-R/SDG&E-26-R, p. MLD-26.

[56] Ex. SCG-28-R/SDG&E-26-R, p. MLD-27.

[57] Ex. SCG-28-R/SDG&E-26-R, p. MLD-27.

[58] Ex. SCG-28-R/SDG&E-26-R, p. MLD-28.

[59] Ex. SCG-28-R/SDG&E-26-R, p. MLD-28.

[60] Ex. SCG-28-R/SDG&E-26-R, p. MLD-27.

[61] Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

[62] Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

The allocation of costs for SOX Compliance is based on an annual time study of the weighted average of the workload of each employee within the group and Corporate Center hours are reallocated using Multi-Factor Basic, resulting in a blended percentage.[63] This causal beneficial allocation method is referred to as "CB-SOX."[64] Sempra's 2019 allocation forecasts for "CB-SOX" are broken down into 16% for SDG&E, 16% for SoCalGas and 68% for Global/Retained.[65]

For the Internal Audit Services and Risk Management department, the Utilities forecast total Corporate Costs of $9.6 million (in 2016 Dollars) for Test Year 2019, with $2.7 million allocated to SDG&E, $2.8 million allocated to SoCalGas, and $4.1 million allocated to Global Retained.[66]

ORA's financial examination, presented in Ex. ORA-33, recommended adjustments to the following recorded costs in 2014, 2015, and 2016 associated with attorney-client privilege internal audits, which appear on Ex. SCG-28-R/SDG&E-26-R-WP, page 133, Workpaper A-6, Internal Audit and Risk Management:

| Year | SDG&E | SCG |
|---|---|---|
| 2014 | $510,637 | $55,304 |
| 2015 | $337,604 | $462,268 |
| 2016 | $119,310 | $152,969 |

In developing its 2019 forecast, ORA used a three-year (2014-2016) average of historical costs, net of those costs to perform attorney-client privilege internal audits. This is in contrast to Sempra's forecast methodology which relied on a weighted average.[67]

63 Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

64 Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

65 Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

66 Ex. SCG-28-R/SDG&E-26-R, p. MLD-29.

67 Ex. SCG-28-R/SDG&E-26-R, p. MLD-28.

For the Internal Audit Services and Risk Management department, ORA recommends total forecast Corporate Costs of $9.2 million (in 2016 Dollars) for Test Year 2019, with $2.6 million allocated to SDG&E, $2.4 million allocated to SoCalGas, and $4.2 million allocated to Global Retained.[68]

**g. Financial Leadership Program**

The Financial Leadership Program (FLP) is an important way in which Sempra attracts and develops talented accounting and finance staff.[69] FLP allocations are based on a weighted average of the employees in the Program based on the business units and then Corporate Center Assignments are reallocated using Multi-Factor Basic, resulting in a blended percentage.[70] FLP allocations are based on a weighted average of the employees in the Program based on the business of support and Corporate Center assignments are reallocated using the Multi-Factor Basic.[71] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 36% for SDG&E, 20% for SoCalGas and 44% for Global/Retained.[72]

For the Financial Leadership Program, the Utilities forecast total Corporate Costs of $1.4 million (in 2016 Dollars) for Test Year 2019, with $511,000 allocated to SDG&E, $287,000 allocated to SoCalGas, and $616,000 allocated to Global Retained.[73] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[68] Ex. SCG-28-R/SDG&E-26-R, WP p. 133 or 453.

[69] Ex. SCG-28-R/SDG&E-26-R, p. MLD-30.

[70] Ex. SCG-28-R/SDG&E-26-R, p. MLD-30.

[71] Ex. SCG-28-R/SDG&E-26-R, p. MLD-30.

[72] Ex. SCG-28-R/SDG&E-26-R, p. MLD-30.

[73] Ex. SCG-28-R/SDG&E-26-R, p. MLD-30.

### B. Legal, Compliance, and Governance

The division includes the office of the Executive Vice President and General Counsel, the Corporate Center Law Department (CCLD), and Governance, including Compliance, Corporate Secretary, Board of Directors, and Sempra Energy Executives.[74] The division provides legal, compliance, and governance services to all Sempra Energy companies and coordinates the retention and oversight of outside law firms, including the negotiation of outside legal fee arrangements.[75]

**Table 21-3**
**Corporate Center**
**Legal, Compliance, and Governance Division Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[76] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Legal Services | $51,228 | $18,163 | | $51,228 | $18,163 | |
| Compliance & Gov | $7,036 | $5,365 | | $7,036 | $5,365 | |
| Executive | $4,079 | $0 | | $4,079 | $0 | |
| Total | $62,344 | $23,528 | | $62,344 | $23,528 | |
| SDG&E Allocation | | | $10,914 | | | $10,914 |
| SCG Allocation | | | $12,614 | | | $12,614 |
| Total | | | $23,528 | | | $23,528 |

#### 1. Overview of Sempra Utilities' Request

For the Legal, Compliance, and Governance Division, Sempra forecasts total Corporate Costs of $62.3 million (in 2016 Dollars) for Test Year 2019, with $10.9 million allocated to SDG&E, $12.6 million allocated to SoCalGas, and $38.8 allocated to Global Retained.[77] ORA does not oppose Sempra's forecast of Corporate costs.

[74] Ex. SCG-28-R/SDG&E-26-R, p. MLD-31.

[75] Ex. SCG-28-R/SDG&E-26-R, p. MLD-31.

[76] Ex. SCG-28-R/SDG&E-26-R, p. MLD-31 Table MLD-4B.

[77] Ex. SCG-28-R/SDG&E-26-R, p. MLD-31.

### 2. ORA's Analysis

#### a. Legal Services

The General Counsel is responsible for Sempra Energy's legal affairs and compliance oversight and oversees a broad range of legal issues that impact SDG&E, SoCalGas, and the other Utility's business units.[78] Costs for Executive VP and General Counsel are referred to as "EVP – Legal" allocated using a weighted average of the diverse allocation methodologies used by each department within the Legal, Compliance, and Governance division.[79] Sempra's 2019 allocation forecasts for EVP-Legal are broken down into 35% for SDG&E, 38% for SoCalGas and 27% for Global/Retained.[80]

For Legal Services, the Utilities forecast total Corporate Costs of $51.2 million (in 2016 Dollars) for Test Year 2019, with $8.4 million allocated to SDG&E, $9.7 million allocated to SoCalGas, and $33.1 million allocated to Global Retained.[81] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### b. Compliance and Governance

Compliance and Governance is the highest level of leadership at Sempra Energy, and it reports to the Board of Directors and senior Sempra Energy management on a broad range of risk and business controls and compliance issues relating to policies, plans, procedures, laws, and regulations.[82] The Corporate Compliance and Governance department directly assigns costs to business units for compliance assessments and specific programs while all other costs are allocated

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[78] Ex. SCG-28-R/SDG&E-26-R, p. MLD-32.

[79] Ex. SCG-28-R/SDG&E-26-R, p. MLD-32.

[80] Ex. SCG-28-R/SDG&E-26-R, p. MLD-33.

[81] Ex. SCG-28-R/SDG&E-26-R, p. MLD-32.

[82] Ex. SCG-28-R/SDG&E-26-R, p. MLD-36.

using the "Multi-Factor Basic" method.[83] Allocations are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[84]

For Compliance and Governance, the Utilities forecast total Corporate Costs of $7.0 million (in 2016 Dollars) for Test Year 2019, with $2.5 million allocated to SDG&E, $2.8 million allocated to SoCalGas, and $1.7 million allocated to Global Retained.[85] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### c. Executive

The Executive department consists of the Chairman, President, and Chief Executive Officer (CEO) of Sempra Energy, as well as the Sempra Energy Group Presidents and these executives provide high-level leadership and governance to the operations and finances of all the Sempra Energy companies.[86] None of the costs associated with the Executive department are allocated to the Utilities and are all retained at Corporate Center.[87]

For the Executive Department, the Utilities forecast total Corporate Costs of $4.1 million (in 2016 Dollars) for Test Year 2019, with $0 allocated to SDG&E, $0 allocated to SoCalGas, and $4.1 million allocated to Global Retained.[88] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[83] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

[84] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

[85] Ex. SCG-28-R/SDG&E-26-R, p. MLD-36.

[86] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

[87] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

[88] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

### C. Human Resources and Administration

The Human Resources and Administration Division at Corporate Center develops corporate-wide policies, procedures and programs that apply to the entire Sempra Energy companies' workforce.[89] It also provides services not found in Sempra Energy's subsidiary organizations, related to the support and maintenance of Sempra Energy's employees, which Sempra Energy considers its most important asset.[90]

**Table 21-4**
**Corporate Center**
**Human Resources & Administration Division Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[91] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Senior VP HR Admin | $1,512 | $1,301 | | $1,512 | $1,301 | |
| Comp & Benefits | $5,116 | $4,487 | | $5,116 | $4,487 | |
| Corp HR Staff & Dev | $1,738 | $1,318 | | $1,738 | $1,318 | |
| CIO, Systems & Sec | $16,237 | $14,503 | | $16,331 | $14,594 | |
| Total | $24,603 | $21,608 | | $24,698 | $21,700 | |
| SDG&E Allocation | | | $7,973 | | | $8,005 |
| SCG Allocation | | | $13,635 | | | $13,694 |
| Total | | | $21,608 | | | $21,700 |

#### 1. Overview of Sempra Utilities' Request

For the Human Resources and Administration Division, Sempra forecasts total Corporate Costs of $24.7 million (in 2016 Dollars) for Test Year 2019, with $8.0 million allocated to SDG&E, $13.7 million allocated to SoCalGas, and $3.0 million allocated to Global Retained.[92] ORA forecasts $24.6 million for Corporate costs.

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[89] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38,39.

[90] Ex. SCG-28-R/SDG&E-26-R, p. MLD-39.

[91] Ex. SCG-28-R/SDG&E-26-R, p. MLD-39 Table MLD-4C.

[92] Ex. SCG-28-R/SDG&E-26-R, p. MLD-38.

### 2. ORA's Analysis

#### a. Senior VP Chief Human Resources and Administration

The Senior VP Chief of Human Resources and Administration oversees and provides strategic direction and overall corporate policy guidance in areas of compensation, benefits, HR information systems, diversity programs, workforce planning, leadership development, compliance training, corporate security, and cybersecurity.[93] Costs associated with the Senior VP Chief Human Resources and Administration is allocated using a weighted average of the diverse allocation methodologies used by each department within the division and this allocation average is referred to as "SVP-HR."[94] Sempra's 2019 allocation forecasts are broken down into 31% for SDG&E, 53% for SoCalGas and 16% for Global/Retained.[95]

For Senior VP Chief of Human Resources and Administration, the Utilities forecast total Corporate Costs of $1.5 million (in 2016 Dollars) for Test Year 2019, with $480,000 allocated to SDG&E, $821,000 allocated to SoCalGas, and $1.3 million allocated to Global Retained.[96] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### b. Compensation & Benefits

The Compensation & Benefits department administers employee compensation and benefit programs, including compensation and benefits plan design, contract negotiations, vendor management, and cost responsibilities.[97]

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[93] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

[94] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

[95] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

[96] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

[97] Ex. SCG-28-R/SDG&E-26-R, p. MLD-41.

Compensation & Benefits Administration, HR Accounting & Budgets, and Payroll Services costs are allocated by the "CB-FTE" method which reflects the level of service provided to each business unit based on active employees.[98] Sempra's 2019 allocation forecasts for CB-FTE are broken down into 34% for SDG&E, 61% for SoCalGas and 5% for Global/Retained.[99] For the Executive Compensation & Benefits group, costs are allocated using a weighted combination of executive FTE's (75%) and director-level FTE's (25%) at all business units.[100] This method referred to as "FTE-Executive" allocates costs to business units in proportion to the number of employees who benefit from the programs.[101] Sempra's 2019 allocation forecasts for FTE-Executive are broken down into 35% for SDG&E, 34% for SoCalGas and 31% for Global/Retained.[102]

For the Compensation and Benefits Department, the Utilities forecast total Corporate Costs of $5.1 million (in 2016 Dollars) for Test Year 2019, with $1.7 million allocated to SDG&E, $2.7 million allocated to SoCalGas, and $629,000 allocated to Global Retained.[103] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### c. Corporate Human Resources Staffing and Development

The Corporate Human Resources Staffing and Development function is responsible for day-to-day employee relations, staffing, and recruiting for Corporate

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[98] Ex. SCG-28-R/SDG&E-26-R, p. MLD-44.

[99] Ex. SCG-28-R/SDG&E-26-R, p. MLD-44.

[100] Ex. SCG-28-R/SDG&E-26-R, p. MLD-44.

[101] Ex. SCG-28-R/SDG&E-26-R, p. MLD-44.

[102] Ex. SCG-28-R/SDG&E-26-R, p. MLD-44.

[103] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

Center.[104] Costs associated with corporate human resources staffing and development are allocated using the "Multi-Factor Basic" method.[105] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[106]

For Corporate Human Resources Staffing and Development, the Utilities forecast total Corporate Costs of $1.7 million (in 2016 Dollars) for Test Year 2019, with $610,000 allocated to SDG&E, $707,000 allocated to SoCalGas, and $420,000 allocated to Global Retained.[107] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### d. CIO, Corporate Systems, and Security

The CIO, Corporate Systems, and Security (CCSS) department is responsible for the development and management of programs and policies for security systems, security investigations, and workplace violence avoidance, as well as crisis and security risk management services.[108] MyInfo Services group with in the CCSS provides HR and payroll system support, maintains employee databases, and develops management information systems and reports for SDG&E, SoCalGas, and all other Sempra Energy companies.[109] Costs associated with MyInfo Services are allocated based on the "CB-MyInfo" which is the number of employee records attributed to each business unit, including those on disability or other leave of absence, who remain tracked in system reports.[110] Sempra's 2019 allocation

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[104] Ex. SCG-28-R/SDG&E-26-R, p. MLD-45.

[105] Ex. SCG-28-R/SDG&E-26-R, p. MLD-45.

[106] Ex. SCG-28-R/SDG&E-26-R, p. MLD-45.

[107] Ex. SCG-28-R/SDG&E-26-R, p. MLD-40.

[108] Ex. SCG-28-R/SDG&E-26-R, p. MLD-46.

[109] Ex. SCG-28-R/SDG&E-26-R, p. MLD-46.

[110] Ex. SCG-28-R/SDG&E-26-R, p. MLD-47.

forecasts for CB-MyInfo are broken down into 34% for SDG&E, 62% for SoCalGas and 4% for Global/Retained.[111]

For security-related costs, CCSS uses a casual-beneficial allocation referred to as “CB-Security,” which is based on FTE’s per business unit, excluding the cost of Headquarters (HQ) Guard Services. 2019 allocation forecasts for CB-Security are broken down into 32% for SDG&E, 54% for SoCalGas and 14% for Global/Retained.[112] Security Services for senior executives and the Board of Directors have costs allocated based on the “CB-Security Exec” which is an estimate of usage (¼ to Utilities, ¼ to Global, and ½ retained at Corporate Center).[113] Sempra’s 2019 allocation forecasts for CB-Security Exec are broken down into 13% for SDG&E, 13% for SoCalGas and 74% for Global/Retained.[114] CCSS costs related to the Office of the CIO are allocated by the “CB-FTE” method which reflects the level of service provided to each business unit based on active employees.[115] 2019 allocation forecasts for CB-FTE are broken down into 34% for SDG&E, 61% for SoCalGas and 5% for Global/Retained.[116]

For CIO, Corporate Systems, and Security, the Utilities forecast total Corporate Costs of $16.3 million (in 2016 Dollars) for Test Year 2019, with $5.2 million allocated to SDG&E, $9.4 million allocated to SoCalGas, and $1.7 million allocated to Global Retained.[117] As part of its cost forecast, Sempra requests

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[111] Ex. SCG-28-R/SDG&E-26-R, p. MLD-47.

[112] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

[113] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

[114] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

[115] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

[116] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

[117] Ex. SCG-28-R/SDG&E-26-R, p. MLD-46.

funding for several new positions at various salary rates, and has accounted for the transfer of several positions from SDG&E to Corporate.

ORA opposes Sempra's request for one of those proposed new positions, as Sempra provided minimal justification, other than asserting the new position is needed to assist with the MyInfo Human Resources online learning and certification programs.[118] Sempra did not conduct a workload study or a cost benefit analysis to justify a need for this new position. Sempra was not able to demonstrate that this new position would benefit ratepayers. As the salary rate associated with this new position is confidential, ORA recommends a $95,000 adjustment to Sempra's forecast of MyInfo Services as a proxy for the confidential salary rate associated with this position. In applying its forecast, ORA uses the allocation factors for CB-MyInfo.

For the CIO, Corporate Systems, and Security Department, ORA forecasts total Corporate Costs of $16.2 million (in 2016 Dollars) for Test Year 2019, with $5.1 million allocated to SDG&E, $9.4 million allocated to SoCalGas, and $1.7 allocated to Global Retained.

### D. Corporate Strategy and External Affairs

Corporate Strategy and External Affairs provides overall policy guidance for the Sempra Energy companies' interactions with external constituents, in support of individual business objectives, and to ensure compliance with enterprise-wide objectives, laws, and regulations.[119]

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[118] Sempra's CONFIDENTIAL response to data request ORA-SCG-131-LJL.

[119] Ex. SCG-28-R/SDG&E-26-R, p. MLD-49.

**Table 21-5**
**Corporate Center**
**Corporate Strategy & External Affairs Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[120] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Executive VP | $799 | $351 | | $799 | $351 | |
| Corporate Strategy | $606 | $462 | | $606 | $462 | |
| Corp Communications | $2,205 | $1,501 | | $2,205 | $1,501 | |
| Issues Management | $1,139 | $544 | | $1,139 | $544 | |
| Corp Responsibility | $1,068 | $626 | | $1,068 | $626 | |
| Government Affairs | $3,388 | $130 | | $3,388 | $130 | |
| Employee Programs | $5,214 | $276 | | $5,214 | $276 | |
| Total | $14,420 | $3,890 | | $14,420 | $3,890 | |
| SDG&E Allocation | | | $1,768 | | | $1,768 |
| SCG Allocation | | | $2,123 | | | $2,123 |
| Total | | | $3,890 | | | $3,890 |

### 1. Overview of Sempra Utilities' Request

Sempra forecasts for Corporate Strategy and External Affairs total Corporate Costs of $14.4 million (in 2016 Dollars) for Test Year 2019, with $1.8 million allocated to SDG&E, $2.1 million allocated to SoCalGas, and $10.5 million allocated to Global Retained.[121] ORA does not oppose Sempra's forecast of Corporate costs.

### 2. ORA's Analysis

#### a. Executive VP of Corporate Strategy and External Affairs

The Executive VP of Corporate Strategy and External Affairs oversees the entire division that provides corporate communications, issues management, corporate responsibility, and governmental affairs services and guidance to Corporate Center and all of the business units.[122] Because of the diversity of

120 Ex. SCG-28-R/SDG&E-26-R, p. MLD-50 Table MLD-4D.

121 Ex. SCG-28-R/SDG&E-26-R, p. MLD-50.

122 Ex. SCG-28-R/SDG&E-26-R, p. MLD-50.

allocation methods used by various functions, Sempra utilizes a weighted average of the allocation methodologies used by each department reporting to the Executive VP of Corporate Strategy and External Affairs called "EVP-Ext Affairs."[123] Sempra's 2019 allocation forecasts for EVP-Ext Affairs are broken down into 20% for SDG&E, 24% for SoCalGas and 56% for Global/Retained.[124]

For the Executive VP of Corporate Strategy and External Affairs, the Utilities forecast total Corporate Costs of $799,000 (in 2016 Dollars) for Test Year 2019, with $159,000 allocated to SDG&E, $193,000 allocated to SoCalGas, and $448,000 allocated to Global Retained.[125] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### b. Corporate Strategy

Formally part of the Mergers & Acquisitions Department, Corporate Strategy in 2017 became its own department, responsible for facilitating and creating content for the annual strategy review for the Board of Directors and conducting or coordinating ad hoc research and analysis in support of senior management decision making for the business units.[126] Because Corporate Strategy supports activities across all the business units, these costs are allocated using the "Multi-Factor Basic" method.[127] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[128]

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[123] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[124] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[125] Ex. SCG-28-R/SDG&E-26-R, p. MLD-50.

[126] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[127] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[128] Ex. SCG-28-R/SDG&E-26-R, p. MLD-52.

For Corporate Strategy, the Utilities forecast total Corporate Costs of $606,000 (in 2016 Dollars) for Test Year 2019, with $214,000 allocated to SDG&E, $248,000 allocated to SoCalGas, and $144,000 allocated to Global Retained.[129] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

**c. Communications**

The Corporate Communications department oversees most shareholder communications, including media-related activities (broadcast and print) and earnings announcements, which communicate critical information to investors and customers about the financial health and strategy of Sempra Energy and its business units.[130] Services provided by corporate Communications may be on behalf of executives and/or issues for Sempra Energy or the Utilities or Global business units and, therefore, Sempra says it is appropriate to use a "Multi-Factor Split" method that divides costs equally between them.[131] Sempra's 2019 allocation forecasts for Multi-Factor Split are broken down into 23% for SDG&E, 27% for SoCalGas and 50% for Global/Retained.[132] Annual Report and other forms of external communications are allocated using the "Multi-Factor Basic" method, consistent with Investor Relations.[133] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[134]

[129] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[130] Ex. SCG-28-R/SDG&E-26-R, p. MLD-51.

[131] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

[132] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

[133] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

[134] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

For Corporate Communications, the Utilities forecast total Corporate Costs of $2.2 million (in 2016 Dollars) for Test Year 2019, with $695,000 allocated to SDG&E, $806,000 allocated to SoCalGas, and $704,000 allocated to Global Retained.[135] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

**d. Issues Management**

The Issues Management Department is responsible for identifying, analyzing, and reporting on key external issues and trends that may impact Sempra Energy and also provides resources and input to groups throughout Sempra Energy as they develop external plans for key projects and initiatives.[136] The Regional VP & Director for Issues Management does not work on utility-related issues and, therefore, a "Multi-Factor Basic" methodology is used because the costs are not allocated to the Utilities and the remainder of the Issues Management group supports activities across all the business units.[137] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[138]

For the Issues Management department, the Utilities forecast total Corporate Cost of $1.1 million (in 2016 Dollars) for Test Year 2019, with $252,000 allocated to SDG&E, $292,000 allocated to SoCalGas, and $595,000 allocated to Global Retained.[139] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[135] Ex. SCG-28-R/SDG&E-26-R, p. MLD-52.

[136] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

[137] Ex. SCG-28-R/SDG&E-26-R, p. MLD-54.

[138] Ex. SCG-28-R/SDG&E-26-R, p. MLD-54.

[139] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

### e. Corporate Responsibility

The Corporate Responsibility department supports the goal setting, tracking, and monitoring of corporate responsibility objectives, collects all data for corporate responsibility reporting, and handles all surveys and data requests for such information.[140] Corporate Responsibility supports activities across all the business units, but also has a component that is related directly to the PAC and political reporting.[141] The department allocation method called "CB-Corp Responsibility" starts with the Multi-Factor as a basis and then reduces the percentages to exclude a portion attributed to estimated time spent on political activities.[142] Sempra's 2019 allocation forecasts for CB-Corp Responsibility are broken down into 27% for SDG&E, 31% for SoCalGas and 42% for Global/Retained.[143]

For the Corporate Responsibility department, the Utilities forecast total Corporate Costs of $ 1.0 million (in 2016 Dollars) for Test Year 2019, with $290,000 allocated to SDG&E, $336,000 allocated to SoCalGas, and $442,000 allocated to Global Retained.[144] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### f. Governmental Affairs

The Governmental Affairs department is responsible for management of federal legislation and advocacy and represents Sempra Energy and its business units on all federal legislative issues that have the potential to directly impact Sempra Energy companies.[145] Federal Government is mainly a lobbying activity, so

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[140] Ex. SCG-28-R/SDG&E-26-R, p. MLD-54.

[141] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

[142] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

[143] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

[144] Ex. SCG-28-R/SDG&E-26-R, p. MLD-53.

[145] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

costs are 100% retained at the Corporate Center and FERC Relations is allocated using the "Multi-Factor Split" method in order to divide the benefits evenly between the Utilities and Global.[146] Sempra's 2019 allocation forecasts for Multi-Factor Split are broken down into 23% for SDG&E, 27% for SoCalGas and 50% for Global/Retained.[147]

For the Governmental Affairs department, the Utilities forecast total Corporate Costs of $ 3.4 million (in 2016 Dollars) for Test Year 2019, with $60,000 allocated to SDG&E, $70,000 allocated to SoCalGas, and $3.3 million allocated to Global Retained.[148] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### g. Employee Programs

The Employee Programs group develops, implements, and manages corporate policies and programs for charitable contributions and corporate memberships.[149] As this function primarily supports employee-based community involvement, the costs are allocated based on employees at each business unit, or the "CB-FTE" method.[150] Sempra's 2019 allocation forecasts for CB-FTE are broken down into 34% for SDG&E, 61% for SoCalGas and 5% for Global/Retained.[151]

For the Employee Programs group, the Utilities forecast total Corporate Cost of $5.2 million (in 2016 Dollars) for Test Year 2019, with $98,000 allocated to SDG&E, $178,000 allocated to SoCalGas, and $4.9 million allocated to Global

[146] Ex. SCG-28-R/SDG&E-26-R, p. MLD-56.

[147] Ex. SCG-28-R/SDG&E-26-R, p. MLD-56.

[148] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

[149] Ex. SCG-28-R/SDG&E-26-R, p. MLD-56.

[150] Ex. SCG-28-R/SDG&E-26-R, p. MLD-57.

[151] Ex. SCG-28-R/SDG&E-26-R, p. MLD-57.

Retained.[152] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### E. Facilities and Assets

Certain cost centers are grouped together as they relate to the physical environment and tools used in the conduct of corporate shared services and this includes the depreciation expense of corporate capital assets and annual property taxes paid on them.[153]

**Table 21-6**
**Corporate Center**
**Facilities & Assets Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[154] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Depr / Rate of Return | $13,569 | $8,484 | | $13,569 | $8,484 | |
| Property Taxes | $2,946 | $1,462 | | $2,946 | $1,462 | |
| Facilities/Other Assets | $13,640 | $6,085 | | $13,640 | $6,085 | |
| Total | $30,155 | $16,031 | | $30,155 | $16,031 | |
| SDG&E Allocation | | | $7,456 | | | $7,456 |
| SCG Allocation | | | $8,575 | | | $8,575 |
| Total | | | $16,031 | | | $16,031 |

[152] Ex. SCG-28-R/SDG&E-26-R, p. MLD-55.

[153] Ex. SCG-28-R/SDG&E-26-R, p. MLD-57.

[154] Ex. SCG-28-R/SDG&E-26-R, p. MLD-58 Table MLD-4E.

### 1. Overview of Sempra Utilities' Request

For Facilities and Assets, Sempra forecasts total Corporate Costs of $30.2 million (in 2016 Dollars) for Test Year 2019, with $7.5 million allocated to SDG&E, $8.6 million allocated to SoCalGas, and $14.1 million allocated to Global Retained.[155] ORA does not oppose Sempra's forecast of Corporate costs.

### 2. ORA's Analysis

#### a. Depreciation / Rate of Return

Corporate Center assets are comprised primarily of the Sempra Energy headquarters building leasehold improvements, furniture, voice, data, and other desktop equipment, application software, and enterprise-wide information systems software and hardware, managed by Corporate Center employees and these assets are depreciated based on their asset class and or expecting life, resulting in expense to the Corporate Center.[156]

Corporate Center Assets-Headquarters is allocated first to business units based on their direct occupancy of the various facilities, with the remaining Corporate Center share being allocated using the Multi Factor and this overall method is referred to as "CB-HQ." Sempra's 2019 allocation forecasts for CB-HQ are broken down into 34% for SDG&E, 61% for SoCalGas and 5% for Global/Retained.[157] Sempra forecasts that the Total Net Book Value at January 1, 2019 will be $34.5 million.[158]

Corporate Center Assets, Hardware and Software are allocated by various methods, including, by direct allocation, depending on the system and the methods are generally based on the number of users, or in the case of MyInfo/MyTime timekeeping, by the number of employees per business unit served by the

[155] Ex. SCG-28-R/SDG&E-26-R, p. MLD-58.

[156] Ex. SCG-28-R/SDG&E-26-R, p. MLD-59.

[157] Ex. SCG-28-R/SDG&E-26-R, p. MLD-60.

[158] Ex. SCG-28-R/SDG&E-26-R, p. MLD-60.

system.[159] Sempra's 2019 allocation forecasts for CB-FTE are broken down into 34% for SDG&E, 61% for SoCalGas and 5% for Global/Retained.[160] Sempra's 2019 allocation forecasts for CB-MyInfo are broken down into 34% for SDG&E, 62% for SoCalGas and 4% for Global/Retained.[161] Sempra forecasts that the Total Net Book Value at January 1, 2019 will be $19.6 million.[162]

Corporate Center Assets – Other Equipment includes all other equipment, vehicles and miscellaneous assets used by Corporate Center employees and other occupants of the Headquarters facilities. The depreciation for Other Equipment assets is allocated using the Multi-Factor method. Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[163]

For Depreciation/Rate of Return, the Utilities forecast total Corporate Costs of $13.6 million (in 2016 Dollars) for Test Year 2019, with $3.8 million allocated to SDG&E, $4.7 million allocated to SoCalGas, and $5.1 million allocated to Global Retained.[164] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### b. Property Taxes

Property tax expense is paid at Corporate Center only for property owned by the Sempra Energy parent, not for any business assets and this property generally includes the Utility's headquarters leasehold improvements and office equipment, and the forecast is estimated by Tax Services based on the expected changes in

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[159] Ex. SCG-28-R/SDG&E-26-R, p. MLD-61.

[160] Ex. SCG-28-R/SDG&E-26-R, p. MLD-61.

[161] Ex. SCG-28-R/SDG&E-26-R, p. MLD-61.

[162] Ex. SCG-28-R/SDG&E-26-R, p. MLD-61.

[163] Ex. SCG-28-R/SDG&E-26-R, p. MLD-61.

[164] Ex. SCG-28-R/SDG&E-26-R, p. MLD-58.

Net Book Value and escalation.[165] Property taxes on hardware assets that support Corporate Center functions or have enterprise-wide use are allocated using the "Multi-Factor Basic" method.[166] Sempra's 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[167] Taxes on leasehold improvements for the HQ building are allocated based on business unit occupancy, using the same method as its Depreciation.[168] Sempra's 2019 allocation forecasts for CB-HQ are broken down into 22% for SDG&E, 23% for SoCalGas and 55% for Global/Retained.[169]

For Property Taxes, the Utilities forecast total Corporate Costs of $3.0 million (in 2016 Dollars) for Test Year 2019, with $707,000 allocated to SDG&E, $755,000 allocated to SoCalGas, and $1.5 million allocated to Global Retained.[170] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### c. Facilities and Other Assets

Other Facilities and Assets represent various cost centers such as rent expense at headquarters, the Corporate IT Help Desk, and the fractional share ownership in the corporate aircraft.[171] HQ rent expense for the Headquarters building is allocated based on business unit occupancy, which uses the same method as Depreciation. 2019 allocation forecasts for CB-HQ are broken down into

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[165] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[166] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[167] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[168] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[169] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[170] Ex. SCG-28-R/SDG&E-26-R, p. MLD-62.

[171] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

22% for SDG&E, 23% for SoCalGas and 55% for Global/Retained.[172] The Corporate IT Help Desk supports Corporate Center functions that have enterprise-wide use and are thus allocated using the "Multi-Factor Basic" method.[173] 2019 allocation forecasts for Multi-Factor Basic are broken down into 35% for SDG&E, 41% for SoCalGas and 24% for Global/Retained.[174]

For Other Facilities and Assets, the Utilities forecast total Corporate Costs of $13.6 million (in 2016 Dollars) for Test Year 2019, with $3.0 million allocated to SDG&E, $3.1 million allocated to SoCalGas, and $7.6 million allocated to Global Retained.[175] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### F. Pension and Benefits

Pension & Benefits (P&B) costs are allocated using average rates representing such costs as a percentage of direct labor dollars.[176] The resulting costs are referred to as "labor overheads," which then can be allocated in the same manner as the direct labor in each cost center.

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[172] Ex. SCG-28-R/SDG&E-26-R, p. MLD-64.

[173] Ex. SCG-28-R/SDG&E-26-R, p. MLD-64.

[174] Ex. SCG-28-R/SDG&E-26-R, p. MLD-64.

[175] Ex. SCG-28-R/SDG&E-26-R, p. MLD-63.

[176] Ex. SCG-28-R/SDG&E-26-R, p. MLD-64.

**Table 21-7**
**Corporate Center**
**Pension & Benefits Expense Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[177] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Employee Benefits | $12,426 | $7,856 | | $13,347 | $8,438 | |
| Payroll Taxes | $5,515 | $3,493 | | $5,517 | $3,496 | |
| Incentive Comp | $8,261 | $4,729 | | $19,782 | $11,325 | |
| Long-Term Incentives | $0 | $0 | | $42,303 | $8,757 | |
| Suppl Retirement | $0 | $0 | | $13,100 | $3,394 | |
| Total | $26,202 | $16,078 | | $94,048 | $35,409 | |
| SDG&E Allocation | | | $7,180 | | | $16,038 |
| SCG Allocation | | | $8,898 | | | $19,371 |
| Total | | | $16,078 | | | $35,409 |

### 1. Overview of Sempra Utilities' Request

For Pension and Benefits, Sempra forecasts total Corporate Costs of $94.0 million (in 2016 Dollars) for Test Year 2019, with $16.0 million allocated to SDG&E, $19.4 million allocated to SoCalGas, and $58.6 million allocated to Global Retained.[178] ORA forecasts Corporate costs of $26.2 million.

### 2. ORA's Analysis

For Pensions & Benefits, ORA forecasts total ratepayer funded costs of $26.2 million (in 2016 Dollars) for Test Year 2019, with $7.2 million allocated to SDG&E, $8.9 million allocated to SoCalGas, and $10.1 million allocated to Global Retained.

#### a. Employee Benefits

Employee Benefits contains all health and welfare plans available to Corporate Center employees and includes pension, medical, dental, disability, life insurance, and retirement savings plan, as well as other post-retirement benefits

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177 Ex. SCG-28-R/SDG&E-26-R, p. MLD-65 Table MLD-4F.

178 Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

costs.[179] A description of employee benefit assumptions appear in Ex. SDGE-28 and SCG-30, and a discussion of pension costs in Ex. SDG&E-29 and SCG-31.[180]

For Employee Benefits, the Utilities forecast total Corporate Costs of $13.3 million (in 2016 Dollars) for Test Year 2019, with $3.8 million allocated to SDG&E, $4.7 million allocated to SoCalGas, and $4.9 million allocated to Global Retained.[181]

In Ex. ORA-22, ORA's forecast for SDG&E's and SoCalGas' 2019 Employee Benefits expenses amounted to 93.1% of the utilities requests. ORA applies that same percentage to the Employee Benefits expenses requested by the Corporate Center 2019, given that the compensation and benefits programs provided to employees at Corporate Center are comparable to those provided to SoCalGas and SDG&E employees.[182] See Ex. ORA-22 for justification of ORA's recommended adjustment in this area.

Based on the recommendations presented in Ex. ORA-22, ORA forecasts a total Corporate Costs of $12.4 (in 2016 Dollars) for Test Year 2019, with $3.5 million allocated to SDG&E, $4.3 million allocated to SoCalGas, and $4.6 million allocated to Global Retained.[183]

#### b. Payroll Taxes

Sempra's payroll tax expense is applied as an overhead rate to all direct labor and the composite overhead rate for payroll taxes used in 2016 was 3.43%.[184] In

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[179] Ex. SCG-28-R/SDG&E-26-R, p. MLD-66.

[180] Ex. SCG-28-R/SDG&E-26-R, p. MLD-66.

[181] Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

[182] Ex. SDG&E-28/SCG-30, p. DSR-25,33,35,38,40.

[183] Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

[184] Ex. SCG-28-R/SDG&E-26-R, p. MLD-66.

2019, the rate is forecasted at 3.46% with no changes to Social Security and Medicare, or the federal unemployment tax rates are expected in 2019.[185]

For Payroll Taxes, the Utilities forecast total Corporate Costs of $5.517 million (in 2016 Dollars) for Test Year 2019, with $1.565 million allocated to SDG&E, $1.930 million allocated to SoCalGas, and $2.022 million allocated to Global Retained. Based on the recommendations presented in Ex. ORA-02, ORA forecasts total Corporate costs of $5.515 million (in 2016 Dollars) for Test Year 2019, with a 0.06% reduction which yields $1.564 million allocated to SDG&E, a 0.04% reduction which yields $1.929 million allocated to SoCalGas, and $2.022 million allocated to Global Retained.

**c. Incentive Compensation**

Corporate Centers Incentive Compensation costs are included for all eligible employees based on expected overall performance results and places a portion of employee compensation at-risk, subject to achievement of plans performance measures, motivating employees to meet or exceed important financial and project completion goals.[186] The request is for ICP based on an average of last five years of actual ICP payouts and this is consistent with the Total Compensation structure used at SDG&E and SoCalGas.[187]

For Incentive Compensation, the Utilities forecast total Corporate Costs of $19.8 million (in 2016 Dollars) for Test Year 2019, with $5.0 million allocated to SDG&E, $6.3 million allocated to SoCalGas, and $8.5 million allocated to Global Retained.[188]

In Ex. ORA-22, ORA's forecast for SDG&E's and SoCalGas' 2019 Incentive Compensation expenses amounted to 41.76% of the utilities requests. ORA applies

[185] Ex. SCG-28-R/SDG&E-26-R, p. MLD-66.

[186] Ex. SCG-28-R/SDG&E-26-R, p. MLD-67.

[187] Ex. SCG-28-R/SDG&E-26-R, p. MLD-67.

[188] Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

that same percentage to the Incentive Compensation expenses requested by the Corporate Center 2019, given that the compensation and benefits programs provided to employees at Corporate Center are comparable to those provided to SoCalGas and SDG&E employees.[189] See Ex. ORA-22 for justification of ORA's recommended adjustment in this area.

Based on the recommendations presented in Ex. ORA-22, for Incentive Compensation, ORA proposes ratepayer funding of $8.3 million (in 2016 Dollars) for Test Year 2019, with $2.1 million allocated to SDG&E, $2.6 million allocated to SoCalGas, and $3.5 million allocated to Global Retained.

#### d. Long-Term Incentive

Long-term incentives are an integral component of a competitive compensation program for key management and executive employees.[190] Long-term incentives awards are granted under the Sempra Energy LTIP, in the form of performance-based restricted stock units and service based restricted stock units and the costs are based on the accounting expense incurred for awards issued to Corporate Center employees.[191]

For Long-Term Incentive, the Utilities forecast total Corporate Costs of $42.3 million (in 2016 Dollars) for Test Year 2019, with $4.1 million allocated to SDG&E, $4.6 million allocated to SoCalGas, and $33.5 million allocated to Global Retained.[192]

In Ex. ORA-22, ORA recommends no ratepayer funding for SDG&E's and SoCalGas' 2019 Long-Term Incentive expenses. ORA applies that same policy to the Long Term Incentive expenses requested by the Corporate Center 2019, given that the compensation and benefits programs provided to employees at Corporate

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[189] Ex. SDG&E-28/SCG-30, pp. DSR-17, -18.

[190] Ex. SCG-28-R/SDG&E-26-R, p. MLD-68.

[191] Ex. SCG-28-R/SDG&E-26-R, p. MLD-68.

[192] Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

Center are comparable to those provided to SoCalGas and SDG&E employees.[193] See Ex. ORA-22 for justification of ORA's recommended adjustment in this area.

Based on the recommendations presented in Ex. ORA-22, for Long-Term Incentive, ORA proposes ratepayer funding of $0 (in 2016 Dollars) for Test Year 2019, with $0 allocated to SDG&E, $0 allocated to SoCalGas, and $0 allocated to Global Retained.

#### e. Supplemental Retirement

SERP benefits are part of the total reward package for managers, directors, attorneys, and executives.[194]

For Supplemental Retirement, Sempra requests total Corporate Costs of $13.1 million (in 2016 Dollars) for Test Year 2019, with $1.6 million allocated to SDG&E, $1.8 million allocated to SoCalGas, and $9.7 million allocated to Global Retained.[195]

In Ex. ORA-22, ORA recommends no ratepayer funding for SDG&E's and SoCalGas' request for 2019 Supplemental Retirement expenses. ORA applies that same policy to the Supplemental Retirement expenses requested by the Corporate Center 2019, given that the compensation and benefits programs provided to employees at Corporate Center are comparable to those provided to SoCalGas and SDG&E employees.[196] See Ex. ORA-22 for justification of ORA's recommended adjustment in this area.

Based on the recommendations presented in Ex. ORA-22 for Supplemental Retirement, ORA proposes ratepayer funding of $0 (in 2016 Dollars) for Test Year 2019, with $0 allocated to SDG&E, $0 allocated to SoCalGas, and $0 allocated to Global Retained.

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[193] Ex. SDG&E-28/SCG-30, p. DSR-21.

[194] Ex. SCG-28-R/SDG&E-26-R, p. MLD-68.

[195] Ex. SCG-28-R/SDG&E-26-R, p. MLD-65.

[196] Ex. SDG&E-28/SCG-30, p. DSR-43.

## G. Oncor Acquisition Allocation

On March 9, 2018, Sempra completed its $9.45 billion acquisition of Energy Future Holdings (EFH), including EFH's approximately 80% ownership interest in Oncor Electric Delivery Company (Oncor), an electric transmission and distribution utility.[197] Based on the Sempra Energy 2017 Annual Report, the total assets for SDG&E were $17.844 billion, and for SoCalGas were $14.159 billion, as of December 31, 2017; based on Oncor's Form 10-K for the fiscal year ended December 31, 2017, its total assets were $13.470 billion.[198] As Oncor is now one of the utilities under Sempra Energy, ORA concludes that a portion of the total Corporate Center General Administration expenses forecasted for 2019 should be allocated not only to SDG&E and SoCalGas, but also to Oncor. Given the recent completion of the acquisition, ORA made its adjustments after the initial allocation to Sempra Utilities.

Based on the three utilities' total assets at the end of 2017, ORA developed the following table to show their respective percentages relative to the total amounts. ORA estimates that Oncor's Total Assets under Sempra ownership is 80% of $13.470 billion, or $10.776 billion. Given these assumptions, ORA calculates that Oncor comprises approximately 25% of the total utility assets under Sempra.

| Utility | Assets ($ millions) | Percentage |
|---|---|---|
| SDG&E | $17,844 | 41.71% |
| SoCalGas | $14,159 | 33.10% |
| Oncor | $10,776 | 25.19% |
| Total | $42,779 | 100.00% |

ORA also calculated the numbers to reflect the $9.45 billion acquisition cost. Using this more conservative assumption, Oncor comprises 22.8% of the total utility assets under Sempra, as shown in the table below. ORA uses this 22.8% factor to

[197] https://www.sempra.com/newsroom/press-releases/sempra-energy-completes-acquisition-majority-stake-oncor-0

[198] See Attachment at the end of this exhibit for excerpts from these two financial reports.

estimate an adjustment to the amount of total Corporate costs that should be allocated to SDG&E and SoCalGas given Sempra's acquisition of Oncor.

| Utility | Assets ($ millions) | Percentage |
|---|---|---|
| SDG&E | $17,844 | 43.05% |
| SoCalGas | $14,159 | 34.16% |
| Oncor | $9,450 | 22.80% |
| Total | $41,453 | 100.00% |

ORA's forecast of total Corporate costs allocated to SDG&E and SoCalGas (without Oncor) appear on Table 21-1. On the same table, ORA presents its forecast of costs allocated to SDG&E and SoCalGas, with Sempra's recent acquisition of Oncor, by reducing the "Util Alloc w/o Oncor" forecasts by 22.8%. For Utility Allocation factoring in Oncor, ORA forecasts total Utility Costs of $84.4 million (in 2016 Dollars) for Test Year 2019, with $38.0 million allocated to SDG&E and $46.4 million allocated to SoCalGas.

## V. INSURANCE COSTS

According to Sempra, its 2019 Insurance costs estimates are based on Sempra's loss history, input from the Utility's primary insurance broker Marsh, and expected insurance market conditions.[199] The Sempra Energy corporate insurance department procures insurance on behalf of SDG&E, SoCalGas, and other Sempra business units and the Utility's insurance generally provides coverage for all Sempra's business units including SDG&E and SoCalGas.[200] Insurance premiums are therefore billed in accordance with the following cost allocation priorities which are Direct Assignment, Causal/Beneficial (CB) and Multi-Factor Allocations.[201]

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199 Ex. SCG-29/SDG&E-27, p. NKC-1.

200 Ex. SCG-29/SDG&E-27, p. NKC-1.

201 Ex. SCG-29/SDG&E-27, p. NKC-1.

### A. Property Insurance

In general, property insurance premiums are influenced by several factors that are directly related to Sempra business unit operations and impacts from the worldwide marketplace.[202] Each of the individual insurance programs are subject to specific market conditions and worldwide losses such as earthquakes, floods, or hurricanes, as well as Sempra business unit losses, can negatively impact premiums.[203] Sempra asserts it is difficult to forecast future premiums with reasonable certainty due to the unexpected nature of perils covered by the Utility's commercial insurance policies.[204]

**Table 21-8**
**Corporate Center**
**Property Insurance Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[205] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| Primary | $9,157 | $6,409 | | $9,157 | $6,409 | |
| Excess | $10,194 | $8,908 | | $10,194 | $8,908 | |
| Other | $953 | $759 | | $953 | $759 | |
| Total | $20,304 | $16,076 | | $20,304 | $16,076 | |
| SDG&E Allocation | | | $9,910 | | | $9,910 |
| SCG Allocation | | | $6,166 | | | $6,166 |
| Total | | | $16,076 | | | $16,076 |

#### 1. Overview of Sempra Utilities' Request

For Property Insurance, Sempra forecasts total Corporate Costs of $20.3 million (in 2016 Dollars) for Test Year 2019, with $9.9 million allocated to SDG&E,

[202] Ex. SCG-29/SDG&E-27, p. NKC-6.

[203] Ex. SCG-29/SDG&E-27, p. NKC-6.

[204] Ex. SCG-29/SDG&E-27, p. NKC-6.

[205] Ex. SCG-29/SDG&E-27, p. NKC-3, Table NKC-2.

$6.2 million allocated to SoCalGas, and $4.2 million allocated to Global Retained.[206] ORA does not oppose Sempra's forecast of Corporate costs.

### 2. ORA's Analysis

#### a. Primary Property

Sempra's primary property program (also known as the OIL "wrap" program) provides coverage for direct physical damage to property owned by SDG&E, SoCalGas, and other Sempra business units.[207] Covered perils include electric and gas distribution and transmission lines and property is valued at full replacement cost.[208]

For Primary Property the Utilities allocate costs based on risk-adjusted rates applied to the replacement value of property for each business unit and then utilizes a loss-sensitivity factor for business units that have sustained loss.[209] Sempra's 2019 allocation forecasts for Primary Property are broken down into 53.3% for SDG&E, 16.7% for SoCalGas and 30% for Global/Retained.[210]

For Primary Property, the Utilities forecast total Corporate Costs of $9.2 million (in 2016 Dollars) for Test Year 2019, with $4.9 million allocated to SDG&E, $1.5 million allocated to SoCalGas, and $2.7 million allocated to Global Retained.[211] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[206] Ex. SCG-29/SDG&E-27, p. NKC-3.

[207] Ex. SCG-29/SDG&E-27, p. NKC-3.

[208] Ex. SCG-29/SDG&E-27, p. NKC-3.

[209] Ex. SCG-29/SDG&E-27, p. NKC-4.

[210] Ex. SCG-29/SDG&E-27, p. NKC-4.

[211] Ex. SCG-29/SDG&E-27, Workpaper p. NKC 6 of 84.

### b. Excess Property

The Excess Property Insurance program (provided by industry mutual OIL) includes coverage for physical damage, earthquake, flood, excess pollution liability, control of well, and does not exclude losses from terrorism and major exclusions include business interruption, extra expense, and electric transmission and distribution systems.[212] Excess Property Insurance is allocated based on reported asset values that cover Sempra business units benefiting from the program.[213] 2019 allocation forecasts for Excess Property are broken down into 46.9% for SDG&E, 40.4% for SoCalGas and 12.6% for Global/Retained.[214]

For Excess Property, the Utilities forecast total Corporate Costs of $10.2 million (in 2016 Dollars) for Test Year 2019, with $4.8 million allocated to SDG&E, $4.1 million allocated to SoCalGas, and $1.3 million allocated to Global Retained.[215] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### c. Other Property

Control of Well provides coverage for gas storage wells for well-control incidents and primarily covers the well activities for SoCalGas, with a partial amount charged to other Global business units with storage facilities.[216] Crime insurance provides coverage for employee theft of money or property and it insures theft of money or securities from within company premises or during transport by messengers.[217] Crime coverage costs are allocated using the Multi-Factor

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[212] Ex. SCG-29/SDG&E-27, p. NKC-4.

[213] Ex. SCG-29/SDG&E-27, p. NKC-4.

[214] Ex. SCG-29/SDG&E-27, p. NKC-4.

[215] Ex. SCG-29/SDG&E-27, Workpaper p. NKC 10 of 84.

[216] Ex. SCG-29/SDG&E-27, p. NKC-5.

[217] Ex. SCG-29/SDG&E-27, p. NKC-5.

Basic.[218] Sempra's 2019 allocation forecasts for Other Property are broken down into 35.3% for SDG&E, 40.9% for SoCalGas and 23.8% for Global/Retained.[219]

For Other Property, the Utilities forecast total Corporate Costs of $953,000 (in 2016 Dollars) for Test Year 2019, with $242,000 allocated to SDG&E, $517,000 allocated to SoCalGas, and $193,00 allocated to Global Retained.[220] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### B. Liability Insurance

**Table 21-9**
**Corporate Center**
**Liability Insurance Forecast for 2019**
**(in Thousands of 2016 Dollars)**

| Description | ORA Recommended | | | Sempra Proposed[221] | | |
|---|---|---|---|---|---|---|
| | Corporate | Util Alloc | Total | Corporate | Util Alloc | Total |
| General Excess | $69,224 | $52,783 | | $69,224 | $52,783 | |
| Wildfire | $89,266 | $89,190 | | $89,266 | $89,190 | |
| Director & Officer | $1,547 | $774 | | $1,547 | $774 | |
| Fiduciary | $713 | $544 | | $713 | $544 | |
| Workers Comp | $4,226 | $3,887 | | $4,226 | $3,887 | |
| Other Liability | $1,988 | $1,385 | | $1,988 | $1,385 | |
| Total | $166,965 | $148,562 | | $166,965 | $148,562 | |
| SDG&E Allocation | | | $116,231 | | | $116,231 |
| SCG Allocation | | | $32,331 | | | $32,331 |
| Total | | | $148,562 | | | $148,562 |

[218] Ex. SCG-29/SDG&E-27, p. NKC-5.

[219] Ex. SCG-29/SDG&E-27, p. NKC-5.

[220] Ex. SCG-29/SDG&E-27, Workpaper p. NKC 14 of 84.

[221] Ex. SCG-29/SDG&E-27, p. NKC-8, Table NKC-6.

### 1. Overview of Sempra Utilities' Request

Sempra forecasts $167.0 million (in 2016 dollars) of total Corporate costs for Liability Insurance for Test Year 2019, with $116.2 million allocated to SDG&E and $32.3 million allocated to SoCalGas.[222] ORA does not oppose Sempra's forecast of Corporate costs.

### 2. ORA's Analysis

#### a. General Excess Liability

General excess liability provides coverage against Sempra business units for their legal liability resulting from third-party property damage, bodily injury or personal injury.[223] Coverage includes operational pollution liability, auto liability, and employer's liability.[224] Coverage costs are allocated using the Multi-Factor Basic.[225] Sempra's 2019 allocation forecasts for General Excess Liability are broken down into 35.3% for SDG&E, 40.9% for SoCalGas and 23.8% for Global/Retained.[226]

For General Excess Liability, the Utilities forecast total Corporate Costs of $69.2 million (in 2016 Dollars) for Test Year 2019, with $24.4 million allocated to SDG&E, $28.3 million allocated to SoCalGas, and $16.4 million allocated to Global Retained.[227] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

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[222] Ex. SCG-29/SDG&E-27, p. NKC-8.

[223] Ex. SCG-29/SDG&E-27, p. NKC-8.

[224] Ex. SCG-29/SDG&E-27, p. NKC-8.

[225] Ex. SCG-29/SDG&E-27, p. NKC-8.

[226] Ex. SCG-29/SDG&E-27, p. NKC-8.

[227] Ex. SCG-29/SDG&E-27, Workpaper p. NKC 34 of 84.

### b. Wildfire Liability

Wildfire liability provides coverage for third-party liability for bodily injury, property damage or personal injury arising from wildfires and major exclusions include property damage to property owned by the insured, injury to the insured's employees, and international losses.[228] According to Sempra, its 2019 Insurance costs estimates are based on Sempra's loss history, input from the Utility's primary insurance broker Marsh, and expected insurance market conditions.[229]

Costs are allocated based on a causal relationship, using the miles or overhead electrical line as the factor.[230] Sempra's 2019 allocation forecasts for Wildfire Liability are broken down into 99.7% for SDG&E, 0.2% for SoCalGas and 0.1% for Global/Retained.[231]

For Wildfire Liability, the Utilities forecast total Corporate Costs of $89.3 million (in 2016 Dollars) for Test Year 2019, with $89.0 million allocated to SDG&E, $205,000 allocated to SoCalGas, and $76,000 allocated to Global Retained.[232] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### c. Directors & Officers (D&O) Liability

Directors and officers (D&O) liability provides coverage for corporate directors and officers against claims alleging financial loss arising from mismanagements and major exclusions include fraudulent or criminal acts, and claims covered under other liability policies.[233] Costs are allocated using the Multi-Factor Split.[234] Sempra's

[228] Ex. SCG-29/SDG&E-27, p. NKC-9.

[229] Ex. SCG-29/SDG&E-27, p. NKC-1.

[230] Ex. SCG-29/SDG&E-27, p. NKC-9.

[231] Ex. SCG-29/SDG&E-27, p. NKC-9.

[232] Ex. SCG-29/SDG&E-27, Workpaper p. NKC 38 of 84.

[233] Ex. SCG-29/SDG&E-27, p. NKC-10.

2019 allocation forecasts for Directors & Officers are broken down into 23.2% for SDG&E, 26.8% for SoCalGas and 50.0% for Global/Retained.[235]

For Directors and Officers, the Utilities forecast total Corporate Costs of $1.6 million (in 2016 Dollars) for Test Year 2019, with $358,000 allocated to SDG&E, $415,000 allocated to SoCalGas, and $774,000 allocated to Global Retained.[236] ORA reviewed Sempra's proposal and concludes that allocating 50% of D&O insurance costs to Global/Retained is consistent with Commission policy established in Decision (D.) 14-08-032, the decision in PG&E's 2014 GRC, and D.13-05-010, the decision in Sempra's 2012 GRC. Therefore, ORA does not oppose the forecast.

#### d. Fiduciary Liability

Fiduciary liability provides coverage for liability arising from wrongful acts committed by employee benefit program fiduciaries.[237] Costs are allocated using the Multi-Factor Basic method.[238] Sempra's 2019 allocation forecasts for Fiduciary Liability are broken down into 35.3% for SDG&E, 40.9% for SoCalGas and 23.8% for Global/Retained.[239]

For Fiduciary Liability, the Utilities forecast total Corporate Costs of $713,000 (in 2016 Dollars) for Test Year 2019, with $252,000 allocated to SDG&E, $292,000 allocated to SoCalGas, and $169,000 allocated to Global Retained.[240] After

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(continued from previous page)

234 Ex. SCG-29/SDG&E-27, p. NKC-10.

235 Ex. SCG-29/SDG&E-27, p. NKC-10.

236 Ex. SCG-29/SDG&E-27, Workpaper p. NKC 46 of 84.

237 Ex. SCG-29/SDG&E-27, p. NKC-10.

238 Ex. SCG-29/SDG&E-27, p. NKC-10.

239 Ex. SCG-29/SDG&E-27, p. NKC-10.

240 Ex. SCG-29/SDG&E-27, Workpaper p. NKC 48 of 84.

reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### e. Workers' Compensation

Worker's Compensation provides coverage for employee job-related injuries or diseases and each state requires that benefits be paid to injured employees with the amount and term set by the state based upon the type and extent of injury.[241] Sempra's Excess Workers Compensation (XS WC) Insurance self-insures its workers' compensation exposure for Corporate Center, Global, SDG&E, and SoCalGas employees in the State of California, however, Sempra purchases an XS WC policy to provide coverage for large claims for California employees.[242] Costs are allocated based on payroll per business units.[243] Sempra's 2019 allocation forecasts for California Excess Workers Compensation are broken down into 36.9% for SDG&E, 57.3% for SoCalGas and 5.9% for Global/Retained.[244]

For California Excess Workers Compensation, the Utilities forecast total Corporate Costs of $4.1 million (in 2016 Dollars) for Test Year 2019, with $1.5 million allocated to SDG&E, $2.4 million allocated to SoCalGas, and $241,000 allocated to Global Retained.[245] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

#### f. Other Liability

Liability insurance premiums are influenced by several factors that are directly related to Sempra business unit operations and conditions that impact the global

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[241] Ex. SCG-29/SDG&E-27, p. NKC 11.

[242] Ex. SCG-29/SDG&E-27, p. NKC 11.

[243] Ex. SCG-29/SDG&E-27, p. NKC 11.

[244] Ex. SCG-29/SDG&E-27, p. NKC-11.

[245] Ex. SCG-29/SDG&E-27, Workpaper p. NKC of 84.

insurance market place.[246] Premiums are primarily based on forecasts provided by Sempra's primary insurance broker Marsh, as well as loss history and growing insurer concerns with California's legal environment.[247] Costs include Cyber Insurance, Auto Liability, APS Yuma 500kV Transmission System-Liability, Railroad Protective and Broker Service Fee.[248] Costs for Cyber Insurance are allocated based Multi-Factor Basic Methodology.[249] Sempra's 2019 allocation forecasts for Cyber Insurance are broken down into 35.3% for SDG&E, 40.9% for SoCalGas and 23.8% for Global/Retained.[250]

Costs for Auto Liability are allocated based upon the number of covered vehicles owned per business unit and vehicles are re-allocated by the Multi-Factor method to result in a blended method referred to as "Vehicle".[251] Sempra's 2019 allocation forecasts for Vehicle are broken down into 9.3% for SDG&E, 7.6% for SoCalGas and 83.1% for Global/Retained.[252]

APS Yuma 500kV Transmission System is allocated 100% to SDG&E and Railroad protective provides coverage are directly allocated to the applicable business unit.[253]

Costs for Broker Service Fee costs are allocated using the Multi-Factor Basic Method.[254] Sempra's 2019 allocation forecasts for Broker Service Fee are broken

[246] Ex. SCG-29/SDG&E-27, p. NKC-14.

[247] Ex. SCG-29/SDG&E-27, p. NKC-14.

[248] Ex. SCG-29/SDG&E-27, p. NKC-12-13.

[249] Ex. SCG-29/SDG&E-27, p. NKC 12.

[250] Ex. SCG-29/SDG&E-27, p. NKC-13.

[251] Ex. SCG-29/SDG&E-27, p. NKC 12.

[252] Ex. SCG-29/SDG&E-27, p. NKC-12.

[253] Ex. SCG-29/SDG&E-27, p. NKC-13.

down into 35.3% for SDG&E, 40.9% for SoCalGas and 23.8% for Global/Retained.[255]

For Other Liability, the Utilities forecast total Corporate Costs of $2.0 million (in 2016 Dollars) for Test Year 2019, with $661,000 allocated to SDG&E, $724,000 allocated to SoCalGas, and $603,000 allocated to Global Retained.[256] After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose the forecast.

### 3. Liability Insurance Premium Balancing Account (LIPBA)

#### a. Overview of Sempra Utilities' Request

Sempra asserts that it continuously works to lower its insurance costs but has been challenged by insurance industry losses and the California legal environment.[257] Due to the uncertainty around the need for and the price of additional insurance and because of market fluctuations in the cost of liability insurance, SDG&E and SoCalGas are proposing a new two-way balancing account for liability insurance premiums.[258] The utility asserts worldwide insurance losses directly impact Sempra's insurance costs and because of this, forecasting insurance costs on a three-year forward-looking basis is challenging.[259] Accurately forecasting insurance losses and the resulting impacts to Sempra's liability insurance costs is

(continued from previous page)

254 Ex. SCG-29/SDG&E-27, p. NKC-13

255 Ex. SCG-29/SDG&E-27, p. NKC-13

256 Ex. SCG-29/SDG&E-27, Workpaper p. NKC 58 of 84.

257 Ex. SCG-29/SDG&E-27, p. NKC-16.

258 Ex. SCG-29/SDG&E-27, p. NKC-17.

259 ORA-SDGE/SCG-Oral_DR-002-LL

difficult and the cost volatility resulting from insurance market changes has the potential to be significant and have a major impact on the Utility's overall costs.[260]

**b. ORA's Analysis**

ORA does not oppose a two-way balancing account for liability insurance premiums, but recommends that this balancing account treatment should only be applicable to the amount of insurance coverage Sempra has forecasted in this rate case. Under this mechanism, the Commission should not provide Sempra with a "blank check" for obtaining wildfire insurance coverage beyond the limits requested in this GRC. If Sempra wishes to purchase additional coverage, ORA recommends that Sempra be required to file an application requesting recovery.

## C. Surety Bonds

### 1. Overview of Sempra Utilities' Request

Surety bonds guarantee the contractual performance obligations Sempra Energy has to other parties and bonds are usually required by city, state or federal governmental agencies.[261] The types of bonds typically required are franchise bonds, tax bonds, license and permit bonds, and appeals bonds and costs are directly assigned to the business unit requiring the bond.[262] Sempra is forecasting $192,000 for its Test Year 2019 for Surety Bonds.[263]

### 2. ORA's Analysis

After reviewing Sempra's testimony, workpapers, and responses to discovery requests, ORA does not oppose this request.

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[260] ORA-SDGE/SCG-Oral_DR-002-LL

[261] Ex. SCG-29/SDG&E-27, p. NKC-17.

[262] Ex. SCG-29/SDG&E-27, p. NKC-17.

[263] Ex. SCG-29/SDG&E-27, WP p. NKC 81 of 84.

# WITNESS QUALIFICATIONS

My name is Lindsay J. Laserson. My business address is 320 W. 4th Street, Los Angeles, California. I am employed by the Office of Ratepayer Advocates (ORA) as a Public Utilities Regulatory Analyst III in the Energy Cost of Service and Natural Gas Branch.

I received a Bachelor of Science degree in Environmental Planning, Policy and Analysis from the University of California, Davis.

Since joining ORA in 2007, I have worked on various general rate cases, involving companies such as Southern California Edison Company, Pacific Gas and Electric Company, Bear Valley Electric Service, San Jose Water Company, Great Oaks Water Company, PacifiCorp, San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas).

Prior to joining the Commission, I interned for the California Energy Commission and was responsible for preparing the 2004 greenhouse gas emissions inventory report for the California Climate Action Registry, conducting research to prepare both Federal and State bill analyses related to climate change, and researching various aspects of GHG emissions performance standards related to both in-state and out-of-state electricity generation.

This completes my prepared testimony.

# *ATTACHMENTS*

Sempra Energy

# Investing for the Future

2017 ANNUAL REPORT

**SAN DIEGO GAS & ELECTRIC COMPANY**
**CONSOLIDATED BALANCE SHEETS**
*(Dollars in millions)*

| | December 31, 2017 | December 31, 2016(1) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 12 | $ 8 |
| Restricted cash | 6 | 11 |
| Accounts receivable – trade, net | 362 | 354 |
| Accounts receivable – other, net | 79 | 17 |
| Due from unconsolidated affiliates | — | 4 |
| Income taxes receivable | — | 122 |
| Inventories | 105 | 80 |
| Prepaid expenses | 58 | 59 |
| Regulatory assets | 316 | 340 |
| Fixed-price contracts and other derivatives | 42 | 58 |
| Greenhouse gas allowances | 116 | 16 |
| Other | 4 | 3 |
| Total current assets | 1,100 | 1,072 |
| Other assets: | | |
| Restricted cash | 11 | 1 |
| Regulatory assets | 451 | 2,012 |
| Nuclear decommissioning trusts | 1,033 | 1,026 |
| Greenhouse gas allowances | 83 | 182 |
| Sundry | 328 | 176 |
| Total other assets | 1,906 | 3,397 |
| Property, plant and equipment: | | |
| Property, plant and equipment | 19,787 | 17,844 |
| Less accumulated depreciation and amortization | (4,949) | (4,594) |
| Property, plant and equipment, net ($321 and $354 at December 31, 2017 and 2016, respectively, related to VIE) | 14,838 | 13,250 |
| Total assets | $ 17,844 | $ 17,719 |

*(1) Reflects reclassifications to conform to current year presentation, which we discuss in Note 1.*

*See Notes to Consolidated Financial Statements.*

**SOUTHERN CALIFORNIA GAS COMPANY**
**BALANCE SHEETS**
*(Dollars in millions)*

| | December 31, 2017 | December 31, 2016 (1) |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 8 | $ 12 |
| Accounts receivable – trade, net | 517 | 608 |
| Accounts receivable – other, net | 90 | 77 |
| Due from unconsolidated affiliates | 4 | 8 |
| Income taxes receivable | 10 | 2 |
| Inventories | 124 | 58 |
| Regulatory assets | 9 | 8 |
| Greenhouse gas allowances | 179 | 24 |
| Other | 38 | 39 |
| Total current assets | 979 | 836 |
| Other assets: | | |
| Regulatory assets | 983 | 1,331 |
| Insurance receivable for Aliso Canyon costs | 418 | 606 |
| Greenhouse gas allowances | 9 | 109 |
| Sundry | 364 | 290 |
| Total other assets | 1,774 | 2,336 |
| Property, plant and equipment: | | |
| Property, plant and equipment | 16,772 | 15,344 |
| Less accumulated depreciation and amortization | (5,366) | (5,092) |
| Property, plant and equipment, net | 11,406 | 10,252 |
| Total assets | $ 14,159 | $ 13,424 |

*(1) Reflects reclassifications to conform to current year presentation, which we discuss in Note 1.*
*See Notes to Financial Statements.*

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-K

[√] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the Fiscal Year Ended December 31, 2017**

— OR —

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 333-100240

## Oncor Electric Delivery Company LLC

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State of Organization) | 75-2967830<br>(I.R.S. Employer Identification No.) |
| 1616 Woodall Rodgers Fwy., Dallas, TX 75202<br>(Address of principal executive offices)(Zip Code) | (214) 486-2000<br>(Registrant's telephone number, including area code) |

**Securities registered pursuant to Section 12(b) of the Act: None**
**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes___ No √
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes √ No___

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ___ No √

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes √ No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. √

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ___ Accelerated filer ___ Non-Accelerated filer √ (Do not check if smaller reporting company)
Smaller reporting company ___ Emerging growth company ___

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ___

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No √

Aggregate market value of Oncor Electric Delivery Company LLC common membership interests held by non-affiliates: None

As of February 22, 2018, 80.03% of the outstanding membership interests in Oncor Electric Delivery Company LLC (Oncor) were directly held by Oncor Electric Delivery Holdings Company LLC and indirectly by Energy Future Holdings Corp., 19.75% of the outstanding membership interests were held by Texas Transmission Investment LLC and 0.22% of the outstanding membership interests were indirectly held by certain members of Oncor's management and board of directors. None of the membership interests are publicly traded.

**DOCUMENTS INCORPORATED BY REFERENCE** - None

**Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED EQUITY HOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

At December 31, 2017, 80.03% of our outstanding membership interests was held by Oncor Holdings and indirectly held by EFH Corp., 19.75% was held by Texas Transmission and 0.22% was indirectly held by certain members of our management team and board of directors through Investment LLC. None of the membership interests are publicly traded, and none were issued in 2017.

See Note 9 to Financial Statements for a description of cash distributions we paid to our members and the restrictions on our ability to pay such distributions.

**Item 6. SELECTED FINANCIAL DATA**

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| | (millions of dollars, except ratios) | | | | |
| Total assets (a) | $ 22,120 | $ 20,811 | $ 19,287 | $ 19,029 | $ 18,198 |
| Property, plant & equipment — net | 14,879 | 13,829 | 13,024 | 12,463 | 11,902 |
| Goodwill | 4,064 | 4,064 | 4,064 | 4,064 | 4,064 |
| Capitalization: | | | | | |
| Long-term debt, less amounts due currently (a) | $ 5,567 | $ 5,515 | $ 5,646 | $ 4,964 | $ 5,345 |
| Membership interests | 7,903 | 7,711 | 7,508 | 7,518 | 7,409 |
| Total | $ 13,470 | $ 13,226 | $ 13,154 | $ 12,482 | $ 12,754 |
| Capitalization ratios (b): | | | | | |
| Long-term debt, less amounts due currently (a) | 41.3% | 41.7% | 42.9% | 39.8% | 41.9% |
| Membership interests (a) | 58.7% | 58.3% | 57.1% | 60.2% | 58.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

(a) Certain of the financial information at each of December 31, 2014 and 2013 has been restated to reflect the application of Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.
(b) For purposes of reporting to the PUCT, the regulatory capitalization ratio at December 31, 2017 was 59.4% debt to 40.6% equity. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Available Liquidity/Credit Facility" and Note 9 to Financial Statements for additional information regarding regulatory capitalization ratios.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| | (millions of dollars, except ratios) | | | | |
| Operating revenues | $ 3,958 | $ 3,920 | $ 3,878 | $ 3,822 | $ 3,552 |
| Net income | $ 419 | $ 431 | $ 432 | $ 450 | $ 432 |
| Capital expenditures | $ 1,631 | $ 1,352 | $ 1,154 | $ 1,107 | $ 1,079 |
| Ratio of earnings to fixed charges | 2.92 | 2.97 | 3.00 | 3.01 | 2.76 |
| Embedded interest cost on long-term debt — end of period (a) | 5.5% | 5.6% | 5.8% | 6.2% | 6.4% |

(a) Represents the annual interest and amortization of any discounts, premiums, issuance costs (including the effects of interest rate hedges) and any deferred gains/losses on reacquisitions divided by the carrying value of the debt plus or minus the unamortized balance of any discounts, premiums, issuance costs (including the effects of interest rate hedges) and gains/losses on reacquisitions at the end of the year.

March 9, 2018

# Sempra Energy Completes Acquisition Of Majority Stake In Oncor

## Transaction Creates Utility Holding Company with Largest U.S. Customer Base

SAN DIEGO and DALLAS, March 9, 2018 /PRNewswire/ -- Sempra Energy (NYSE: SRE) today completed its $9.45 billion acquisition of Energy Future Holdings Corp. (EFH), including EFH's approximate 80-percent indirect ownership interest in Oncor Electric Delivery Company LLC (Oncor). The close of the transaction creates a utility holding company with the largest U.S. customer base.

"The completion of this acquisition – the biggest in our 20-year history – represents an important milestone in the execution of our growth strategy moving forward," said Debra L. Reed, chairman, president and CEO of Sempra Energy. "We expect the addition of Oncor to diversify our base of U.S. utility earnings and create a broader platform for our expansion in the future. Oncor is an exceptional utility and we plan to provide the support it needs to continue to safely and reliably meet the needs of its millions of customers and the expanding economy in Texas."

Oncor will remain headquartered in Dallas. Allen Nye, who has been serving as Oncor's senior vice president and general counsel, now becomes Oncor's CEO, succeeding Bob Shapard, who becomes Oncor's chairman.

"We are thrilled to have a financially strong and dynamic majority owner in Sempra Energy," said Nye. "Sempra Energy will be a great partner in our mission to provide the safest, most reliable and affordable electric service to our customers."

The Public Utility Commission of Texas approved Sempra Energy's and Oncor's joint Change-in-Control application yesterday. The U.S. Bankruptcy Court for the District of Delaware provided its final approval last month. Sempra Energy entered into the agreement to acquire EFH Aug. 21, 2017.

Headquartered in Dallas, Oncor is a regulated electric transmission and distribution service provider, made up of approximately 134,000 miles of lines and nearly 3.5 million advanced meters, making it the largest utility in Texas. Using cutting-edge technology, more than 3,900 employees work to safely maintain reliable electric delivery service to over 11 million Texans.

Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company with 2017 revenues of more than $11 billion. Including Oncor, the Sempra Energy companies' approximately 20,000 employees serve 43 million consumers worldwide.