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

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
General Rate Case
Test Year 2008**

**SDG&E and SoCalGas
Corporate Center Expenses**

San Francisco, California
August 17, 2007

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NOTE: This exhibit has been revised to reflect DRA’s current recommendations as compared to the Corporate Center’s forecasts contained in the Utilities’ Applications. The following revisions to DRA’s recommendations for Corporate Center’s Legal department reflect Transcript Volume 10, page 1019, lines 7-17 (related to Exhibit SDG&E/SCG-229-E Confidential and SDG&E’s confidential response to data request DRA-SDG&E-207-DFB). Revisions to DRA’s recommendations for Finance costs are to correct calculation errors.

1 **SAN DIEGO GAS & ELECTRIC COMPANY**
2 **SOUTHERN CALIFORNIA GAS COMPANY**
3 **CORPORATE CENTER EXPENSES**
4

5 **I. INTRODUCTION**

6 This exhibit presents the Division of Ratepayer Advocates' (DRA) analysis
7 and recommendations regarding Sempra Energy's Corporate Center expenses that
8 are allocated to San Diego Gas & Electric Company (SDG&E) and Southern
9 California Gas Company (SoCalGas or SCG), also known as "the Utilities", for test
10 year 2008. Corporate Center incurs costs for functions and services and these costs
11 are fully charged out using direct assignment and allocation to SDG&E, SCG, or
12 Global or retained at the Corporate Center.¹ According to Corporate Center, the
13 costs charged from Corporate Center to SDG&E and SCG go to the appropriate
14 accounts as defined by the Federal Energy Regulatory Commission (FERC). Most
15 of those costs are related to FERC Administrative & General (A&G) accounts, but
16 some charges support other FERC operational accounts.²

17 Corporate Center incurs costs for functions and services in several
18 "divisions". These divisions are External Affairs & Communications, Finance,
19 Human Resources, Legal, Executive, Depreciation/ROR, Pension & Benefits, and
20 Insurance. For the 2008 Test Year forecast all Corporate Center expenses billed to
21 the utilities are reflected in the A&G accounts.³

22 Section II below presents DRA's summary of recommendations. Section III
23 provides background on the Corporate Center's presentation. Section IV presents
24 DRA's discussion and analyses of Corporate Center.
25

¹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-2.

² Id.

³ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-3.

Exhibit DRA-19-R (Revised August 17, 2007)

1 II. SUMMARY OF RECOMMENDATIONS

2 The following table summarizes DRA's recommendations on Corporate
 3 Center's total 2008 forecast before allocation to the Utilities:

4 **Table 19-1**
 5 **Comparison of DRA and Corporate Center Forecast**
 6 **(Dollars in thousands 2005\$)**

Services Provided	DRA Forecast	Corp Center⁴ Forecast	Amount CC>DRA (d=c-b)	Percentage CC>DRA (e=d/b)
(a)	(b)	(c)	(d=c-b)	(e=d/b)
A Communications & IR	\$ -	\$ 8,040	\$ 8,040	100.0%
B Finance	\$ 48,694	\$ 53,675	\$ 4,981	10.2%
C Human Resources	\$ 14,071	\$ 16,072	\$ 2,001	14.2%
D Legal	\$ 58,756	\$ 61,368	\$ 2,612	4.4%
E External Affairs	\$ -	\$ 11,450	\$ 11,450	100.0%
F Executive	\$ -	\$ 5,475	\$ 5,475	100.0%
G Depreciation & ROR	\$ 9,961	\$ 12,771	\$ 2,810	100.0%
H Benefits	\$ 18,356	\$ 78,917	\$ 60,561	329.9%
I Insurance	\$ 39,393	\$ 42,696	\$ 3,304	8.4%
Total	\$189,232	\$ 290,464	\$ 101,232	53.5%

7
 8 The following table summarizes DRA's recommendations on Corporate Center costs
 9 allocated to the Utilities:

⁴ See Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-8, Table Summary of Corporate Center Costs. DRA calculated the percentages.

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**Table 19-2
Comparison of DRA's and Corporate Center Allocations to Utilities
(Dollars in thousands – 2005\$)**

	DRA	Corp Center	Amount	Percentage
Services Provided	Forecast	Forecast⁵	CC>DRA	CC>DRA
(a)	(b)	(c)	(d=c-b)	(e=d/b)
A Communications & IR	\$ -	\$ 3,124	\$ 3,124	100%
B Finance	\$ 18,285	\$ 23,181	\$ 4,896	27%
C Human Resources	\$ 11,461	\$ 13,123	\$ 1,662	15%
D Legal	\$ 27,814	\$ 30,426	\$ 2,612	9.4%
E External Affairs	\$ -	\$ 905	\$ 905	100%
F Executive	\$ -	\$ 799	\$ 799	100%
G Depreciation & ROR	\$ 5,433	\$ 6,966	\$ 1,533	28%
H Benefits	\$ 10,512	\$ 28,966	\$ 18,454	176%
I Insurance	\$ 26,302	\$ 28,793	\$ 2,491	9%
Total	\$ 99,808	\$ 136,283	\$ 36,475	36.5%

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See Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-8, MPH-12, MPH-20, MPH-33, MPH-49, MPH-59, MPH-66, MPH-68, MPH-77, and MPH-80.

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**Table 19-2a
Comparison of DRA's and Corporate Center Allocations to Utilities
(Dollars in thousands – 2005\$)**

Service Provided (a)	DRA Estimates (b)	Estimate to SCG (c)	Estimate to SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
Communications & IR	\$ -	\$ 1,676	\$ 1,676	100.0%
Finance	\$ 9,549	\$ 12,044	\$ 2,495	26.1%
Human Resources	\$ 6,686	\$ 7,642	\$ 956	14.3%
Legal	\$ 10,290	\$ 10,290	\$ -	0.0%
External Affairs	\$ -	\$ 482	\$ 482	100.0%
Executive	\$ -	\$ 402	\$ 402	100.0%
Depreciation & ROR	\$ 3,001	\$ 3,848	\$ 847	28.2%
Benefits	\$ 5,127	\$ 14,432	\$ 9,305	181.5%
Insurance	\$ 13,852	\$ 15,179	\$ 1,327	9.6%
Total	\$ 48,506	\$ 65,995	\$ 17,489	36.1%

**Allocations to San Diego Gas & Electric Company
(Dollars in Thousands 2005\$)**

Service Provided (a)	DRA Estimates (b)	Estimates to SDGE (c)	Estimate to SDGE>DRA (d=c-b)	Percentage SDGE>DRA (e=d/b)
Communications & IR	\$ -	\$ 1,448	\$ 1,448	100.0%
Finance	\$ 8,736	\$ 11,137	\$ 2,401	27.5%
Human Resources	\$ 4,775	\$ 5,481	\$ 706	14.8%
Legal	\$ 17,524	\$ 20,136	\$ 2,612	14.9%
External Affairs	\$ -	\$ 423	\$ 423	100.0%
Executive	\$ -	\$ 397	\$ 397	100.0%
Depreciation & ROR	\$ 2,432	\$ 3,118	\$ 686	28.2%
Benefits	\$ 5,385	\$ 14,534	\$ 9,149	169.9%
Insurance	\$ 12,450	\$ 13,614	\$ 1,164	9.4%
Total	\$ 51,302	\$ 70,288	\$ 18,986	37.0%

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The following items summarize DRA's recommendations (in 2005 dollars):

- That \$101.232 million in Corporate Center costs be removed before allocating to the Utilities;
- That \$3.124 million for Corporate Center's Communications and Investor Relations department not be allocated to SDG&E and SCG for the test year 2008 as this represents a duplication of costs already incurred by the Utilities;

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- 3. That \$4.896 million for Corporate Center's Finance department not be allocated to SDG&E and SCG for the test year 2008, for the following reasons;
 - a. \$474,000 for Corporate Center's Executive VP & CFO should not be allocated as the Utilities include costs for a CFO in their Shared Services forecast;
 - b. That \$1.442 million for Corporate Center's Accounting Shared Services should not be allocated to the Utilities:
 - i. \$322,000 for Corporate Center's SVP/Controller should not be allocated as the Utilities include costs for a Vice President and Controller in their Shared Services forecast;
 - ii. \$351,000 for Corporate Center's Rotation Program should not be allocated as the Utilities include costs of a rotation program in their Shared Services forecast;
 - iii. \$120,000 for Corporate Center's Internship Program should not be allocated as the Utilities include costs of a Internship program in their Shared Services forecast;
 - iv. \$75,000 for Corporate Center's Financial Reporting Director should not be allocated as this relates to overseeing Corporate Center's Rotation and Internship Programs;
 - v. \$574,000 for Corporate Center's External Audit Fees should not be allocated to the Utilities. DRA based the forecast External Audit Fees using recorder 2006 with an annual 2% increase each year;
 - c. \$717,000 for Corporate Center's Corporate Planning should not be allocated as this is a duplication of costs already incurred by the Utilities;
 - d. \$510,000 for Corporate Center's Treasury Department should not be allocated as these costs are related to Cost of Capital and are not general rate case costs;
 - e. That \$1.753 million for Corporate Center's Tax Services should not be allocated to the Utilities:
 - i. \$124,000 for Corporate Center's VP of Tax Department should not be allocated because this relates to adjustments to the Corporate Tax Department and Tax Department – Global;
 - ii. \$1.384 million for Corporate Center's Corporate Tax Department should not be allocated; and
 - iii. \$245,000 for Corporate Center's Tax Department-Global should not be allocated as this is a duplication of costs already allocated from Corporate Center's Tax Department-Utility.

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- 1 4. That \$1.662 million for Corporate Center's Human Resource department
2 not be allocated to SDG&E and SCG for the test year 2008, for the
3 following reasons:
 - 4 a. \$772,000 for Corporate Center's Human Resource SVP & Staff
5 should not be allocated as the Utilities include costs for HR VP in
6 their Shared Services forecast;
 - 7 b. \$359,000 for Corporate Center's HR Business Partner should not
8 be allocated as the Utilities include costs for Business Partner in
9 their Shared Services forecast;
 - 10 c. \$531,000 for Corporate Center's Corporate Diversity Affairs should
11 not be allocated as the Utilities include costs for Diverse Business
12 Enterprises in their Shared Services forecast.
- 13 5. That \$905,000 for Corporate Center's External Affairs department not be
14 allocated to SDG&E and SCG for test year 2008 as this is a duplication
15 of costs already incurred by the Utilities;
- 16 6. That \$799,000 for Corporate Center's Executive department not be
17 allocated to SDG&E and SCG for test year 2008 as this is duplication of
18 costs already incurred by the Utilities;
- 19 7. That \$1.533 million for Corporate Center's Depreciation/Rate of Return
20 should not be allocated to reflect the impact of DRA's recommendations
21 to Corporate Center's forecast;
- 22 8. That \$18.454 million for Corporate Center's Benefits department not be
23 allocated to SDG&E and SCG for test year 2008, for the following
24 reasons:
 - 25 a. \$1.542 million for Corporate Center's Benefits Expense should not be
26 allocated to reflect the impact of DRA's recommendations to
27 Corporate Center's forecast;
 - 28 b. \$272,000 for Corporate Center's Benefits Expenses should not be
29 allocated consistent with DRA's recommendation regarding IRC
30 Section 415 Savings Plan in Exhibits DRA-15 and DRA-27;
 - 31 c. \$723,000 million for Corporate Center's Incentive Plans should not
32 be allocated to reflect the impact of DRA's recommendations to
33 Corporate Center's forecast;
 - 34 d. \$2.958 million for Corporate Center's Incentive Plans should not be
35 allocated to SDG&E and SCG for test year 2008 to be consistent with
36 DRA's recommendation regarding Incentive Plans in Exhibits DRA-
37 14 and DRA-35;
 - 38 e. \$616,000 for Corporate Center's Payroll Taxes should not be
39 allocated to reflect the impact of DRA's recommendations to
40 Corporate Center's forecast;

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- 1 f. \$2.680 million for Corporate Center's Retirement Plans should not
 2 be allocated to be consistent with DRA's recommendation regarding
 3 Supplemental Retirement Plans in Exhibits DRA-15 and DRA-27;
- 4 g. \$9.549 million for Corporate Center's Long Term Incentive Plans
 5 should not be allocated to be consistent with DRA's recommendation
 6 regarding Long Term Incentive Plans in Exhibits DRA-14 and DRA-
 7 35; and
- 8 h. \$113,000 for Corporate Center's Pension Expense should not be
 9 allocated to SDG&E and SCG for test year 2008 to reflect the impact
 10 of DRA's recommendations to Corporate Center's forecast.
- 11 9. That \$2.491 million for Corporate Center's Directors and Officers
 12 Insurance should not be allocated to the Utilities consistent with prior
 13 Commission decisions.
- 14 10. That Corporate Center's Legal department not allocate \$2.6 million for
 15 Outside Legal Services to SDG&E;

16 Table 19-3 compares DRA's recommendations with Corporate Center's
 17 estimated Utilities allocation for Test Year (TY) 2008, in 2008 dollars:

Table 19-3
Corporate Center Test Year 2008
(Escalated in Thousands of Dollars)

Services Provided (a)	DRA's Estimates (b)	Corp. Center Estimates ⁶ (c)	Amount CC>DRA (d=c-b)	Percentage CC>DRA (e=d/b)
Communications & IR	\$ -	\$ 3,510	\$ 3,510	0%
Finance	\$ 19,776	\$ 25,196	\$ 5,420	27%
Human Resources	\$ 12,855	\$ 14,715	\$ 1,860	14%
Legal	\$ 31,181	\$ 34,124	\$ 2,943	9%
External Affairs	\$ -	\$ 1,014	\$ 1,014	0%
Executive	\$ -	\$ 892	\$ 892	0%
Depreciation & ROR	\$ 5,433	\$ 6,966	\$ 1,533	28%
Benefits	\$ 11,621	\$ 30,762	\$ 19,141	165%
Insurance	\$ 26,302	\$ 28,793	\$ 2,491	9%
Total	\$ 107,168	\$ 145,972	\$ 38,804	36%

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⁶ See Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-8, MPH-12, MPH-20, MPH-33, MPH-49, MPH-59, MPH-66, MPH-68, MPH-77, and MPH-80.

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1 Table 19-4 compares DRA's the Utilities estimates of Corporate Center costs
 2 allocated to SCG and SDG&E for Test Year (TY) 2008, in 2008 dollars:

Table 19-4
Allocations to Southern California Gas Company
(Escalated in Thousands of Dollars)

Service Provided (a)	DRA Estimates (b)	Estimate to SCG (c)	Estimate to SCG>DRA (d=c-b)	Percentage SCG>DRA (e=d/b)
Communications & IR	\$ -	\$ 1,882	\$ 1,882	100%
Finance	\$ 10,289	\$ 13,060	\$ 2,771	27%
Human Resources	\$ 7,498	\$ 8,569	\$ 1,071	14%
Legal	\$ 11,528	\$ 11,528	\$ -	0%
External Affairs	\$ -	\$ 540	\$ 540	100%
Executive	\$ -	\$ 449	\$ 449	100%
Depreciation & ROR	\$ 3,001	\$ 3,848	\$ 847	28%
Benefits	\$ 5,665	\$ 15,304	\$ 9,639	170%
Insurance	\$ 13,852	\$ 15,179	\$ 1,327	10%
Total	<u>\$ 51,834</u>	<u>\$ 70,153</u>	<u>\$ 18,319</u>	<u>35%</u>

Allocations to San Diego Gas & Electric Company
(Escalated in Thousands of Dollars)

Service Provided (a)	DRA Estimates (b)	Estimates to SDGE (c)	Estimate to SDGE>DRA (d=c-b)	Percentage SDGE>DRA (e=d/b)
Communications & IR	\$ -	\$ 1,628	\$ 1,628	100%
Finance	\$ 9,487	\$ 12,136	\$ 2,649	28%
Human Resources	\$ 5,357	\$ 6,146	\$ 789	15%
Legal	\$ 19,653	\$ 22,596	\$ 2,943	15%
External Affairs	\$ -	\$ 474	\$ 474	100%
Executive	\$ -	\$ 443	\$ 443	100%
Depreciation & ROR	\$ 2,432	\$ 3,118	\$ 686	28%
Benefits	\$ 5,955	\$ 15,458	\$ 9,503	160%
Insurance	\$ 12,450	\$ 13,614	\$ 1,164	9%
Total	<u>\$ 55,334</u>	<u>\$ 75,613</u>	<u>\$ 20,279</u>	<u>37%</u>

6 III. BACKGROUND ON CORPORATE CENTER PRESENTATION

7 The stated goal of Corporate Center is "...to reasonably and equitably bill its
 8 costs to business units, associating the costs as closely as possible to the level of
 9

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1 service being provided to business unit.”⁷ In order to achieve this, Corporate Center
 2 states that it allocates its costs to the utilities and Global either by direct assignment,
 3 causal/beneficial, or a multi-factor method. Where an expense, such as labor, can
 4 be directly assigned to a business unit, it is done first. Functions supporting multiple
 5 business units are charged to the business units using a causal/beneficial factor.
 6 Finally, corporate oversight or governance functions that support the unit as a whole
 7 are allocated using a multi-factor method. Expenses which are not recoverable in
 8 ratemaking (lobbying, contributions, and corporate branding) are not billed to the
 9 business units and are referred to as “Global” or “retained” at Corporate Center.⁸
 10 DRA does not oppose the proposed allocation methods used in allocating Corporate
 11 Center costs to the Utilities.

12 Corporate Center states that all its divisions use direct assignment whenever
 13 possible; while remaining costs are allocated by an appropriate causal/beneficial or
 14 multi-factor method.⁹ For example, assuming a total estimated cost of \$2.1 million,
 15 of which \$1,200,000 is directly assigned, and the remaining portion is allocated by a
 16 causal/beneficial method; this results in 36% allocated to SDG&E, 46% allocated to
 17 SoCalGas, and 18% allocated to Global:¹⁰

			SoCalGas		SDG&E	Global/ Retained
Total Costs	\$ 2,100					
Direct Assignment	\$ (1,200)	=	\$ 350	\$ 20	\$ 830	
			46%	36%	18%	
Remaining to be Allocated	\$ 900		\$ 324	\$ 414	\$ 162	
Total Charges	\$ 2,100		\$ 674	\$ 434	\$ 992	

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⁷ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-3.

⁸ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-3 and MPH-4.

⁹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-4.

¹⁰ Id.

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Corporate Center developed its 2008 Test Year forecast costs by taking the 2005 base year adjusted recorded and adding or subtracting incremental changes between 2005 and 2008, and applying the change in allocation, to arrive at the 2008 test year forecast.¹¹ The forecasted 2008 costs are then allocated among SDG&E, SoCalGas, and Global/Retained. Various allocation factors are used to allocate the Corporate Center costs among SDG&E, SoCalGas, and Global/Retained as discussed above. The following table shows Corporate Center's base year 2005 costs, plus the increase or decrease, to arrive at its forecasted 2008 costs, utility allocation, and allocation between SDG&E and SoCalGas:

Table 19-5
Corporate Center Forecast¹²

(Unescalated 2005-2008 – 2005\$ - dollars in thousands)

	Corporate Center Divisions	Base Year 2005	2005-2008 Incr/(Decr)	Forecast 2008	Utility Allocation	Percentage Allocated
A	Communications & IR	\$ 7,326	\$ 714	\$ 8,040	\$ 3,124	39%
B	Finance	\$ 47,210	\$ 6,465	\$ 53,675	\$ 23,181	43%
C	Human Resources	\$ 13,177	\$ 2,895	\$ 16,072	\$ 13,123	82%
D	Legal	\$ 81,411	\$ (20,043)	\$ 61,368	\$ 30,426	50%
E	External Affairs	\$ 12,027	\$ (577)	\$ 11,450	\$ 905	8%
F	Executive	\$ 5,601	\$ (126)	\$ 5,475	\$ 799	15%
G	Depreciation & ROR	\$ 10,860	\$ 1,911	\$ 12,771	\$ 6,966	55%
H	Benefits	\$ 92,242	\$ (13,325)	\$ 78,917	\$ 28,966	37%
I	Insurance	\$ 32,154	\$ 10,542	\$ 42,696	\$ 28,793	67%
	Total	\$302,008	\$ (11,544)	\$290,464	\$136,283	47%

The overall forecasted decrease in Corporate Center costs is 4%.¹³ Corporate Center is forecasting to assign 47%¹⁴ of the 2008 forecast Corporate

¹¹ Exhibit SDGE/SCG-17 or SCG/SDGE/SCG-15 Workpapers, see, for example, page MPH-WP-22.

¹² Exhibit SDGE/SCG-17 or SCG/SDGE-15; page MPH-8, under Table under Summary of Corporate Center Costs. DRA calculated the percentages.

¹³ Decrease equals (\$11.544 million) divided by \$302.008 million.

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1 Center costs to SDG&E and SCG. Of the 47% of Corporate Center costs assigned,
 2 SDG&E is allocated 52% and SCG is allocated 48%.¹⁵

3 **Table 19-6**
 4 **Corporate Center Allocation¹⁶**
 5 **(Unescalated 2005-2008 – 2005\$ - dollars in thousands)**

	Corporate Center Divisions	Base Year 2005	2005-2008 Incr/(Decr)	Forecast 2008	Utility Allocation	2008 Forecast	
						SDG&E	SCG
A	Communications & IR	\$ 7,326	\$ 714	\$ 8,040	\$ 3,124	\$ 1,448	\$ 1,676
B	Finance	\$ 47,210	\$ 6,465	\$ 53,675	\$ 23,181	\$ 11,137	\$ 12,044
C	Human Resources	\$ 13,177	\$ 2,895	\$ 16,072	\$ 13,123	\$ 5,481	\$ 7,642
D	Legal	\$ 81,411	\$ (20,043)	\$ 61,368	\$ 30,426	\$ 20,136	\$ 10,290
E	External Affairs	\$ 12,027	\$ (577)	\$ 11,450	\$ 905	\$ 423	\$ 482
F	Executive	\$ 5,601	\$ (126)	\$ 5,475	\$ 799	\$ 397	\$ 402
G	Depreciation & ROR	\$ 10,860	\$ 1,911	\$ 12,771	\$ 6,966	\$ 3,118	\$ 3,848
H	Benefits	\$ 92,242	\$ (13,325)	\$ 78,917	\$ 28,966	\$ 14,534	\$ 14,432
I	Insurance	\$ 32,154	\$ 10,542	\$ 42,696	\$ 28,793	\$ 13,614	\$ 15,179
	Total	\$302,008	\$ (11,544)	\$290,464	\$136,283	\$ 70,288	\$ 65,995

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 7 After applying the escalation factors, the following table shows Corporate
 8 Center's proposed utility allocation costs and the portions allocated between SDG&E
 9 and SCG:¹⁷

(Continued from previous page)

¹⁴ Utility Allocation equals \$136.282 million divided by \$290.464 million.

¹⁵ SDG&E allocation equals \$70.288 million divided by \$136.283 million. SCG allocation equals \$65.995 million divided by \$136.283 million.

¹⁶ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-8, MPH-12, MPH-20, MPH-33, MPH-49, MPH-59, MPH-66, MPH-68, MPH-77, and MPH-80.

¹⁷ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-95.

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Table 19-7
Corporate Center 2008 Test Year Costs By Function¹⁸
(Escalated \$ - 000s)

	Services Provided	SDG&E	SCG	Total
A	Communications & IR	\$ 1,628	\$ 1,882	\$ 3,510
B	Finance	\$12,136	\$13,060	\$ 25,196
C	Human Resources	\$ 6,146	\$ 8,569	\$ 14,715
D	Legal	\$22,596	\$11,528	\$ 34,124
E	External Affairs	\$ 474	\$ 540	\$ 1,014
F	Executive	\$ 443	\$ 449	\$ 892
G	Depreciation & ROR	\$ 3,118	\$ 3,848	\$ 6,966
H	Benefits	\$15,458	\$15,304	\$ 30,762
I	Insurance	\$13,614	\$15,179	\$ 28,793
	Total	\$75,613	\$70,359	\$145,972

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5 Corporate Center's allocated escalated costs of \$75,613,000 and
6 \$70,359,000 to SDG&E and SCG, respectively, are included in the following FERC
7 Accounts:

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Table 19-8
Corporate Center 2008 Test Year Costs Allocation to FERC Accounts¹⁹
(Escalated \$ - 000s)

FERC Account	Account Description	SDG&E (000)	SCG (000)
923.1	Outside Services	\$ 58,881	\$ 51,332
923.4	Depreciation & ROR	\$ 3,118	\$ 3,848
924.0	Property Insurance (non-nuclear)	\$ 4,058	\$ 4,183
924.1	Property Insurance (nuclear)	\$ (922)	\$ -
925.0	Excess Liability Insurance (PLPD)	\$ 4,951	\$ 5,642
925.1	Excess Workers Compensation Insurance	\$ 828	\$ 1,013
925.3	Other Liability Insurance (non-nuclear)	\$ 4,249	\$ 4,341
925.4	Other Liability Insurance (nuclear)	\$ 450	\$ 0
	Total	\$ 75,613	\$ 70,359

11

¹⁸ Id.

¹⁹ Id.

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1 IV. DISCUSSION / ANALYSIS

2 A. Communications & Investor Relations (IR)

3 This area of Corporate Center provides policy guidance for Sempra Energy
 4 communication with customers, employees, shareholders, the financial community
 5 and the general public.²⁰ Communications & IR consists of VP Communications &
 6 IR, Investor Relations, Public Relations, Communications, and Advertising & Web
 7 Management. Corporate Center has forecasted \$8.04 million in costs for test year
 8 2008. Included in the \$8.04 million is \$2.698 million for Advertising & Web
 9 Management. None of the \$2.698 million in Advertising & Web Management costs
 10 is allocated to the Utilities. Corporate Center proposes allocating \$3.124 million in
 11 other categories of Communications and IR costs to the Utilities. Of that, \$3.124
 12 million, Corporate Center allocates \$1.448 million to SDG&E and \$1.676 million to
 13 SCG, respectively.²¹ Table 19-9 shows the breakdown of Corporate Center costs
 14 for this business unit:²²

**Table 19-9
 Corporate Center – Communications & IR (A)²³
 (In Thousands of 2005 Dollars)**

		Corporate Center			Utility	Percentage
		Base Year	2005-2008	Forecast	Allocation	Allocated
		2005	Incr/(Decr)	2008	2008	
A-01	VP Communications & IR	\$ 528	\$ 94	\$ 622	\$ 299	48%
A-02	Investor Relations	\$ 1,779	\$ 172	\$ 1,951	\$ 1,462	75%
A-03	Public Relations	\$ 768	\$ 13	\$ 781	\$ 249	32%
A-04	Communications	\$ 1,834	\$ 154	\$ 1,988	\$ 1,114	56%
A-05	Advertising & Web Management	\$ 2,417	\$ 281	\$ 2,698	\$ -	0%
		\$ 7,326	\$ 714	\$ 8,040	\$ 3,124	39%

²⁰ Exhibit SDGE/SCG-17 or SCG/SDGE-15; page MPH-12, Lines 2 through 4.

²¹ Id.

²² Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-12. DRA calculated the percentage of allocations.

²³ Id.

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1 Table 19-10 shows the allocation of costs to SDG&E and SCG:
2
3

4 **Table 19-10**
5 **Communications & IR (A) Allocated to Utilities²⁴**
(In Thousands of 2005 Dollars)

		Allocated to SDG&E	Allocated To SCG	Percentage to SDG&E	Percentage to SCG
A-01	VP Communications & IR	\$ 137	\$ 162	46%	54%
A-02	Investor Relations	\$ 691	\$ 771	47%	53%
A-03	Public Relations	\$ 115	\$ 134	46%	54%
A-04	Communications	\$ 505	\$ 609	45%	55%
A-05	Advertising & Web Management	\$ -	\$ -	0%	0%
		\$ 1,448	\$ 1,676	46%	54%

6

7 The Utilities, through its Shared Services,²⁵ provides these same types of
8 services and it is not reasonable to allocate these additional Communications and IR
9 costs from Corporate Center to SDG&E and SCG. SDG&E indicated that "Investor
10 Relations is a corporate department responsible for communicating with analysts,
11 portfolio managers and other members of the financial community regarding Sempra
12 Energy and its subsidiaries."²⁶ In addition, SDG&E indicated that "The Corporate
13 Communications sets the overall standards and provides governance for
14 communications to all Sempra Energy employees...coordinates and distributes
15 information about the corporation's strategy and policies, as well as news and public
16 relations about its non-utility affiliates."²⁷

17 Corporate Center's Communications and IR costs should not be allocated to
18 SDG&E and SCG as the Utilities' Shared Services External Affairs provides these

²⁴ Id.

²⁵ Exhibit DRA-18 SDG&E and SCG Shared Services Report.

²⁶ See response to data request DRA-SDG&E-37 DFB, Question 1.

²⁷ See response to DRA-SDG&E-37- DFB, Question 10.

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1 services.²⁸ Ratepayers should not be required to fund these types of costs from
 2 both Corporate Center and SDG&E/SCG. This is a duplication of costs that should
 3 not be borne by SDG&E and SCG ratepayers. DRA recommends that the \$3.124
 4 million in forecasted costs not be allocated to SDG&E and SCG for the 2008 test
 5 year.

6 The following table reflected DRA's recommendations:

7 **Table 19-11**
 8 **DRA's – Corporate Center Communications & IR**
 9 **Allocations to Southern Gas Company**
 10 **(Dollars in Thousands – 2005\$)**

Service Provided (a)	DRA Estimates (b)	Utilities Estimates ²⁹ (c)	Est. to Util>DRA (d=c-b)	Percentage Util>DRA (e=d/b)
A-01 VP Communications & IR	\$ -	\$ 299	\$ 299	100%
A-02 Investor Relations	\$ -	\$ 1,462	\$ 1,462	100%
A-03 Public Relations	\$ -	\$ 249	\$ 249	100%
A-04 Communications	\$ -	\$ 1,114	\$ 1,114	100%
A-05 Advertising & Web Mgmt	\$ -	\$ -	\$ -	100%
Totals	\$ -	\$ 3,124	\$ 3,124	100%

11
 12 **B. Finance**

13 This area of Corporate Center is responsible for raising and managing capital
 14 and maintaining the financial integrity of the Sempra Energy companies, including
 15 tax services. Finance consists of Executive VP & CFO, Audit Services, Accounting
 16 Shared Services, Corporate Planning, Treasury, Energy Risk Management, Tax
 17 Services, and Corporate Development. Corporate Center has forecasted \$53.675
 18 million in costs for test year 2008.³⁰ Corporate Center proposes allocating \$23.181

²⁸ Exhibit SDGE/SCG-16 or SCG/SDGE-14, Chapter II, page SK-18.

²⁹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-12.

³⁰ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-20.

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1 million of these costs to the Utilities, \$11.137 million to SDG&E and \$12.044 million
2 to SCG, respectively.

Table 19-12
Corporate Center – Finance (B)³¹
(In Thousands of 2005 Dollars)

	Corporate Center			Utility Allocation 2008	Percentage Allocated
	Base Year 2005	2005-2008 Incr/(Decr)	Forecast 2008		
B-01 Executive VP & CFO	\$ 955	\$ (85)	\$ 870	\$ 474	54%
B-02 Audit Services	\$ 3,546	\$ 1,092	\$ 4,638	\$ 2,665	57%
B-03 Accounting Shared Service	\$ 9,126	\$ 697	\$ 9,823	\$ 7,409	75%
B-04 Corporate Planning	\$ 1,391	\$ 60	\$ 1,451	\$ 717	49%
B-05 Treasury	\$ 21,919	\$ 3,161	\$ 25,080	\$ 7,631	30%
B-06 Energy Risk Management	\$ 1,180	\$ (22)	\$ 1,158	\$ -	0%
B-07 Tax Services	\$ 9,093	\$ (456)	\$ 8,637	\$ 4,285	50%
B-08 Corporate Development	\$ -	\$ 2,018	\$ 2,018	\$ -	0%
Total	\$ 47,210	\$ 6,465	\$ 53,675	\$ 23,181	43%

Table 19-13³²
Corporate Center - Finance Allocated to Utilities
(In Thousands of 2005 Dollars)

	Allocated To SDG&E	Allocated To SCG	Percentage to SDG&E	Percentage to SCG
	B-01 Executive VP & CFO	\$ 221	\$ 253	47%
B-02 Audit Services	\$ 1,592	\$ 1,073	60%	40%
B-03 Accounting Shared Services	\$ 3,609	\$ 3,800	49%	51%
B-04 Corporate Planning	\$ 336	\$ 381	47%	53%
B-05 Treasury	\$ 3,410	\$ 4,221	45%	55%
B-06 Energy Risk Management	\$ -	\$ -	0%	0%
B-07 Tax Services	\$ 1,969	\$ 2,316	46%	54%
B-08 Corporate Development	\$ -	\$ -	0%	0%
Total	\$ 11,137	\$ 12,044	48%	52%

³¹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-20. DRA calculated the percentages.

³² Exhibit SDGE/SCG-17 or SCG/SDGE-15, pages MPH-21, MPH-22, MPH-24, MPH-26, MPH-27, MPH-29, MPH-30, and MPH-32.

Exhibit DRA-19-R (Revised August 17, 2007)

1 **1. Executive VP & CFO (B-01)**

2 The Chief Financial Officer (CFO) is responsible for financial goals (operating
3 and capital budgets) oversees the functions of the Corporate Controller, Treasurer,
4 Audit Services, Tax Services, Energy Risk Management, and Corporate
5 Development, and actively participates with other members of the senior
6 management to develop long-term business strategy, providing leadership and
7 strategic direction to all business units.³³

8 DRA believes that there is a duplication of functions between Corporate
9 Center and SDG&E/SCG's Shared Services. The Utilities CFO's "responsibilities
10 include managing the financial operations and performance; approving utility
11 financial transactions, developing strategy for financial operations, developing
12 financial performance targets; and overseeing reviewing SEC filings and public
13 disclosures."³⁴ Therefore, Corporate Center forecast costs of \$474,000 for
14 Executive VP. CFO should not be allocated to the Utilities.

15 **2. Audit Services (B-02)**

16 Corporate Center provides internal audit services for all business units. Audit
17 Services conduct general controls reviews in operational, financial, and information
18 systems areas as well as conducting testing on management's behalf for SOX 404
19 compliance. The allocation of costs for this function is based on the Audit Plan, a
20 study of planned audit hours for each business unit. DRA reviewed the allocation of
21 planned audit hours and takes no exception to the allocation of 34.3% to SDG&E,
22 23.1% to SCG, and 42.6% to Corporate Center.³⁵

³³ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-21.

³⁴ See response to DRA SDG&E-184 DFB, Question 1.

³⁵ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-22. DRA calculated the percentages.

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Table 19-14
Corporate Center - Audit Services³⁶
(In Thousands of 2005 Dollars)

		Corporate Center			Utility	Percentage
		Base Year	2005-2008	Forecast	Allocations	Allocated
		2005	Incr/(Decr)	2008	2008	
B-02.01	VP Audit Services	\$ 358	\$ (29)	\$ 329	\$ 189	57%
B-02.02	Audit Services	\$ 3,188	\$ 1,121	\$ 4,309	\$ 2,476	57%
		<u>\$ 3,546</u>	<u>\$ 1,092</u>	<u>\$ 4,638</u>	<u>\$ 2,665</u>	<u>57%</u>

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3. Accounting Shared Services (B-03)

Accounting Shared Services includes the Controller, corporate-level accounting and consolidated financial reporting and other business functions. The following table shows the break down of Corporate Center's Accounting Shared Services costs:

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Table 19-15³⁷
Corporate Center - Accounting Shared Services (B-3)
(In Thousands of 2005 Dollars)

		Corporate Center			Utility	Percentage
		Base Year	2005-2008	Forecast	Allocation	Allocated
		2005	Incr/(Decr)	2008		
B-03.01	SVP/Controller	\$ 411	\$ 16	\$ 427	\$ 322	75%
B-03.02	Financial Reporting Director	\$ 240	\$ 10	\$ 250	\$ 189	76%
B-03.03	Financial Reporting	\$ 668	\$ 9	\$ 677	\$ 511	75%
B-03.04	Accounting Research	\$ 233	\$ 48	\$ 281	\$ 212	75%
B-03.05	Rotation Program	\$ 292	\$ 173	\$ 465	\$ 351	75%
B-03.06	Internship Program	\$ 194	\$ (35)	\$ 159	\$ 120	75%
B-03.07	Director Financial Accounting	\$ 233	\$ 28	\$ 261	\$ 197	75%
B-03.08	Parent & Sundry Accounting	\$ 773	\$ 10	\$ 783	\$ 590	75%
B-03.09	Accounting Controls	\$ 429	\$ 36	\$ 465	\$ 351	75%
B-03.10	SOX Coordinator	\$ 67	\$ 61	\$ 128	\$ 96	75%
B-03.11	External Audit Fees	\$ 5,586	\$ 341	\$ 5,927	\$ 4,470	75%
Total		<u>\$ 9,126</u>	<u>\$ 697</u>	<u>\$ 9,823</u>	<u>\$ 7,409</u>	<u>75%</u>

³⁶ Id.

³⁷ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-24. DRA calculated the percentages.

Exhibit DRA-19-R (Revised August 17, 2007)

1 The following table shows Corporate Center's costs allocated to the Utilities:

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**Table 19-16
Corporate Center - Accounting Shared Services Allocate to Utilities
(In Thousands of 2005 Dollars)**

		Allocated to SDGE		Allocated to SCG		Percentage to SDGE	Percentage to SCG
B-03.01	SVP/Controller	\$ 151		\$ 171		47%	53%
B-03.02	Financial Reporting Director	\$ 88		\$ 101		47%	53%
B-03.03	Financial Reporting	\$ 239		\$ 272		47%	53%
B-03.04	Accounting Research	\$ 99		\$ 113		47%	53%
B-03.05	Rotation Program	\$ 164		\$ 187		47%	53%
B-03.06	Internship Program	\$ 56		\$ 65		47%	54%
B-03.07	Director Financial Accounting	\$ 92		\$ 105		47%	53%
B-03.08	Parent & Sundry Accounting	\$ 276		\$ 314		47%	53%
B-03.09	Accounting Controls	\$ 164		\$ 187		47%	53%
B-03.10	SOX Coordinator	\$ 45		\$ 51		47%	53%
B-03.11	External Audit Fees	\$ 2,235		\$ 2,235		50%	50%
	Total	\$ 3,609		\$ 3,801		49%	51%

6

7

a. SVP /Controller (B-03.01)

8

Corporate Center is allocating 75% of the costs of this functional area to the utilities.³⁸ The SVP/Controller of Corporate Center has the overall responsibility for maintaining the financial integrity of Sempra Energy companies. Accounting Policy & Research analyzes accounting, regulatory, and financial reporting issues as needed to comply with GAAP and SEC rules and regulations.³⁹

13

DRA believes that there is a duplication of functions between Corporate Center and SDG&E's/SCG's Shared Services. SDG&E states that "The Vice President and Controller of the Sempra Energy utilities is an employee of SDG&E and also supports SoCalGas as a shared service function. This position is responsible for the accuracy and timeliness of the financial records and reporting for

17

³⁸ Utility allocation equals \$7.409 million divided by \$9.823 million.

³⁹ Exhibit SDG/SCG-17 or SCG/SDGE-15; page MPH-23, lines 12 through 15.

Exhibit DRA-19-R (Revised August 17, 2007)

1 the regulated utilities.”⁴⁰ Therefore, Corporate Center costs of \$322,000 for
2 SVP/Controller should not be allocated to the utilities.

3 **b. Rotation Program (B-03.04)**

4 In reviewing the Corporate Center costs and Shared Services A&G costs,
5 DRA noted that Shared Services has a new Management Accounting Rotation
6 Program (MARP) and includes the costs for this rotation program.⁴¹ In addition,
7 Shared Services includes a summer internship program with costs allocated
8 between SDG&E and SCG. The Utilities have both a rotation and internship
9 program costs included in their test year 2008. Therefore, additional costs
10 associated with Corporate Center’s Rotation Program and Internship Program costs
11 should not be allocated to the utilities. Ratepayers should not be required to fund
12 the Utilities’ rotation and internship program costs and also the Corporate Center’s
13 rotation and internship programs. DRA recommends that the \$351,000 in Rotation
14 Program and the \$120,000 in Internship Program costs should not be allocated to
15 SDG&E and SCG for test year 2008.

16 **c. Financial Reporting Director** 17 **(B-03.02)**

18 The Financial Reporting Director coordinates the activities of Financial
19 Reporting (B-03.03), Accounting Research (B-03.04), Rotation Program (B-03.05),
20 Internship Program (B-03.06), and the SOX Coordinator (B-03.10). Since the
21 Financial Reporting Director oversight includes the Rotation Program and Internship
22 Program activities, SDG&E and SCG ratepayers should not fund 40% of the costs,
23 \$75,000, for the Financial Reporting Director.

⁴⁰ Response to DRA-SDGE-37 DFB, Question 40.

⁴¹ See response to DRA-SDGE-37 DFB, Question 90.

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1 d. External Audit Fees (B-03.11)

2 Corporate Center forecasted the External Audit Fees based on 2005 record
3 fees and increased each year by 2%. This results in a test year forecast of \$5.9
4 million in External Audit Fees with the Utilities being allocated 75% or \$4.5 million.
5 However, recorded 2006 audit fees⁴² were \$4.966 million with \$3.828 million
6 allocated to the Utilities, which is \$732,000 less then Corporate Center's forecast of
7 \$5.698 million for 2006.

8 The actual 2006 audit fees were less then actual 2005 audit fees of \$5.586
9 million. Corporate Center based its 2008 forecast using an estimated 2% annual
10 increase to the 2005 recorded to growth of Sempra businesses and related
11 additional Sarbanes-Oxley Section 404 testing. Audit fees went down by
12 approximately \$620,000 in 2006. Using the 2006 actual audit fees of \$4.966 million
13 and applying the 2% increase for 2007 and 2008 yields \$5.167 million before
14 allocating to the Utilities. DRA recommends using the 2006 actual audit fees as a
15 basis for forecasting for the test year 2008. Therefore, Corporate Center External
16 Audit Fess should be reduced by \$760,000 before allocating to the Utilities.

⁴²

In response to DRA's verbal request, DRA was provided with Corporate Center's actual adjusted 2006 costs on April 12, 2007.

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**Table 19-17
DRA's Corporate Center – Accounting Shared Services (B-3)
(In Thousands of 2005 Dollars)**

	Service Provided (a)	DRA Estimates (b)	Estimate to Utilities (c)	Estimate to Util>DRA (d=c-b)	Percentage Util>DRA (e=d/b)
B-03.01	SVP/Controller	\$ -	\$ 322	\$ 322	100%
B-03.02	Financial Reporting Director	\$ 114	\$ 189	\$ 75	66%
B-03.03	Financial Reporting	\$ 511	\$ 511	\$ -	0%
B-03.04	Accounting Research	\$ 212	\$ 212	\$ -	0%
B-03.05	Rotation Program	\$ -	\$ 351	\$ 351	100%
B-03.06	Internship Program	\$ -	\$ 120	\$ 120	100%
B-03.07	Director Financial Accounting	\$ 197	\$ 197	\$ -	0%
B-03.08	Parent & Sundry Accounting	\$ 590	\$ 590	\$ -	0%
B-03.09	Accounting Controls	\$ 351	\$ 351	\$ -	0%
B-03.10	SOX Coordinator	\$ 96	\$ 96	\$ -	0%
B-03.11	External Audit Fees	\$ 3,897	\$ 4,470	\$ 573	15%
	Total	\$ 5,967	\$ 7,409	\$ 1,442	24%

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4. Corporate Planning (B-04)

Corporate Planning facilitates the planning and performance measurement process for Sempra Energy and for Corporate Center, and develops Shared Services allocations to all business units. Corporate Center is forecasting \$1.451 million for the 2008 test year and allocating \$717,000 to the Utilities.⁴³

⁴³ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-26.

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**Table 19-18
Corporate Center – Corporate Planning⁴⁴
(In Thousands of 2005 Dollars)**

		Corporate Center			Utility	
		Base Year	2005-2008	Forecast	Allocation	Percentage
		2005	Incr/(Decr)	2008	2008	Allocated
B-04.01	Corporate Planning	\$ 224	\$ (1)	\$ 223	\$ 111	50%
B-04.02	Budget & Perf. Measurement	\$ 310	\$ 156	\$ 466	\$ 233	50%
B-04.03	Financial Planning	\$ 265	\$ 73	\$ 338	\$ 169	50%
B-04.04	Financial Systems & Reporting	\$ 507	\$ (83)	\$ 424	\$ 204	48%
B-04.05	Budgets	\$ 85	\$ (85)	\$ -	\$ -	0%
		<u>\$ 1,391</u>	<u>\$ 60</u>	<u>\$ 1,451</u>	<u>\$ 717</u>	<u>49%</u>

4
5

This area includes Budget & Performance Measurement (B-04.02).

6

Corporate Center indicates the functions performed by this area are:

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8
9
10
11
12

“This group manages the one-year planning process. This includes consolidating business unit Outlooks; providing supporting documentation for short-term earnings guidance used by executive management, the Sempra Board of Directors, and the market analysts; and developing short-term cash flow forecasts.”⁴⁵

13
14

The Utilities Shared Services also includes Business Planning and Budgets

15

which performs the same type of functions. The Utilities specifically states that:

16
17
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This department directs and oversees the detailed costs center level operating costs budgets and project level capital budgets, along with associated monthly reporting and variance analysis. This department is responsible for providing accurate; and consistent reporting to all utility department managers to support their needs for budget and cost information....working with all utility divisions and departments to coordinate, develop and consolidate the detail level annual operating cost and project level capital plans; establishing policies, procedures and guidelines for the budgeting process; preparing monthly and quarterly operating cost and capital performance reports; monitoring

⁴⁴ Id.

⁴⁵ See response to DRA-SDG&E-10 DFB, Question 11.

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1 and reporting cost allocation/shared services
2 performance.”⁴⁶

3
4 In addition, Shared Services includes Financial Planning which has similar
5 functions to Corporate Center’s Budget and Performance Measurements:

6 “The Financial Planning department develops the one-year
7 and five-year financial plans for SDG&E and SoCalGas,
8 including the preparations of Statement of Earnings, Balance
9 Sheet and Statement of Cash Flow forecasts....This
10 department prepares monthly and quarterly analyses for
11 SDG&E’s and SoCalGas’s actual performance compared to
12 the financial plan, including updated quarterly and year-end
13 financial Outlooks, to Senior Management and the SDG&E
14 and SoCalGas Boards of Directors.

15
16 In addition, this department prepares cash flow forecasts
17 used as a basis for decision making on the amount and
18 timing of new debt issuances and debt refunding....the
19 department determines the equity needed to maintain a
20 balanced capital structure in alignment with the CPUC-
21 authorized capital structure.”⁴⁷

22
23 Corporate Center also includes in this area Financial Planning (B-04.03):

24 “This group facilitates the five-year planning process. This
25 includes consolidating business unit five-year plans;
26 providing the supporting documentation for long-term
27 earnings guidance used by management, the Sempra Board
28 of Directors, market analysts, and rating agencies; and
29 analyzing debt and equity funding requirements needed to
30 support capital programs.”⁴⁸

31
32 Since Shared Services provides this same function, this is an area of
33 duplication between Corporate Center and the Utilities.

⁴⁶ Exhibit SDGE/SCG-16 (SCG/SDGE-14); page SK-49, lines 4 through 16.

⁴⁷ See Exhibit SDGE/SCG-16 (SCG/SDGE-14) page SK-46, lines 4 through 26.

⁴⁸ See response to DRA-SDG&E-10-DFB, Question 11.

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1 Another area under Corporate Planning is Financial Systems & Reporting (B-
 2 04.04). This area provides systems administration and support for Corporate
 3 Center’s consolidation system which is used to consolidate financial reporting.⁴⁹
 4 Shared Services has Financial Systems “which allows the utilities to perform cost
 5 accounting, and present and maintain stand-alone financial statements for various
 6 regulator bodies such as the CPUC, FERC, and the Securities and Exchange
 7 Commission (SEC).”⁵⁰

8 DRA believes that costs from Corporate Planning should not be allocated to
 9 the Utilities as they are duplication of costs already incurred at the Utilities and are
 10 incurred to support Corporate holding company operations. DRA recommends that
 11 the \$717,000 Corporate Center forecasted for test year 2008 not be allocated to the
 12 Utilities.

**Table 19-19
 DRA’s Corporate Center –Corporate Planning
 (2005\$ - In Thousands)**

	Service Provided (a)	DRA Estimates (b)	Utilities Estimates (c)	Estimate to Util>DRA (d=c-b)	Percentage Util>DRA (e=d/b)
B-04.01	Corporate Planning	\$ -	\$ 111	\$ 111	100%
B-04.02	Budget & Perf. Measurement	\$ -	\$ 253	\$ 253	100%
B-04.03	Financial Planning	\$ -	\$ 169	\$ 169	100%
B-04.04	Fin. Systems & Reporting	\$ -	\$ 204	\$ 204	100%
B-04.05	Budgets	\$ -	\$ -	\$ -	0%
	Totals	\$ -	\$ 737	\$ 737	100%

16

5. Treasury (B-05)

17 This group oversees the day-to-day banking and investment activities,
 18 maintains relationships with commercial banks, investment banks and credit rating
 19 agencies. These functions are centralized at Corporate Center for efficiencies in
 20

⁴⁹ Id.

⁵⁰ Exhibit SDGE/SCG-16 (SCG/SDGE-14) page SK-51, lines 16 through 18.

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1 volume, management oversight, standardization, and compliance. Corporate Center
 2 is forecasting \$7.631 million to be allocated to SDG&E and SCG for test year
 3 2008.⁵¹

**Table 19-20
 Corporate Center – Treasury
 (2005\$ - in thousands)**

		Corporate Center			Utility	
		Base Year 2005	2005- 2008 Incr/(Decr)	Forecast 2008	Allocation 2008	Percentage Allocated
B-05.01	VP Treasurer & Staff	\$ 554	\$ 82	\$ 636	\$ 344	54%
B-05.02	Cash Management	\$ 552	\$ (36)	\$ 516	\$ 389	75%
B-05.03	Finance Director	\$ 683	\$ 3	\$ 686	\$ 450	66%
B-05.04	Pension & Trust Investments	\$ 284	\$ 49	\$ 333	\$ 251	75%
B-05.05	Sempra Financial Staff	\$ 221	\$ 33	\$ 254	\$ -	0%
B-05.06	Risk Management	\$ 411	\$ 117	\$ 528	\$ 398	75%
B-05.07	Cash Mgmt. Bank Fees	\$ 4,028	\$ 521	\$ 14,549	\$ 4,288	29%
B-05.08	Trust & Rating Agency Fees	\$ 5,186	\$ 2,392	\$ 7,578	\$ 1,511	20%
Total		\$21,919	\$ 3,161	\$ 25,080	\$ 7,631	30%

7

8 The following details the functions performed in Trust & Rating Agency Fees
 9 (B-5.08):⁵²

10 Rating Agency Fees – This fee is paid to various credit rating agencies
 11 such as Standard & Poor’s, Moody’s, and Fitch’s for evaluating each
 12 company’s (Sempra, SDG&E, and SoCalGas) overall credit worthiness
 13 and financial risk. Increases are due to change in debt level.

14
 15 Trustee Fees – Fees paid to a trust company that acts as an intermediary
 16 between debt issuing company and the borrower. The trust company
 17 represents the bondholders and sees that the terms of indenture are
 18 observed, administers any sinking funds, and looks after the bond holders’
 19 interests in the event of a default. Increases are due to change in debt
 20 level.
 21

⁵¹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-27.

⁵² Response to DRA-SDG&E-10-DFB, question 103.

Exhibit DRA-19-R (Revised August 17, 2007)

1 CPUC Debt Authorization Fees – SDG&E and SoCalGas require
2 California Public Utilities Commission’s authorization before issuing any
3 new debt. A fee is paid to CPUC for obtaining this authorization. SDG&E
4 and SoCalGas will pay these fees directly in the future, so there is no
5 charge from the Corporate Center, and no future forecast in this General
6 Rate Case request at the Corporate Center.

7
8 Printing / Legal / Auditor Fees – Administrative expense for printing and
9 independent auditor review of the debt prospectus, and legal costs
10 associated with new debt issuance by either SDG&E or SoCalGas.
11 Historically, these costs were directly paid by the Utilities. This practice
12 was changed in 2005 and now the costs are recorded through the
13 Corporate Center and directly assigned to the debt issuing Utility.

14
15 City of San Diego Industrial Development Bond Fees – Payments made
16 by Sempra on behalf of SDG&E to the City of San Diego for the ability to
17 issue tax exempt debt through the city. In 2005, SDG&E replaced \$251M
18 of City of San Diego bonds with City of Chula Vista bonds which does not
19 charge an ongoing fee.

20
21 Remarketing Fees – Fees paid to underwriters who manage the
22 remarketing process of a bond in which bondholders surrender their bonds
23 to the company and the bond issue is re-sold. This activity is not
24 anticipated in the forecast years.

25
26 Debt Issuance / New Financing Upfront Fees – A percentage of principal
27 paid to the underwriters who assume the financial risk of a new debt
28 issuance and sell the bonds to third party investors. SDG&E and
29 SoCalGas pay these fees directly, so there is no charge from the
30 Corporate Center, and no future forecast in this General Rate Case
31 request.

32
33 Amortization of Debt Issuance Fees – Upfront fees for Sempra Parent
34 debt are amortized over the life of the debt and expensed on a monthly
35 basis. This expense is retained at Corporate Center or shared with
36 Global; none of the expense is charged to SDG&E or SoCalGas.

37
38 Accounting Adjustment – In 2004, an accounting adjustment was recorded
39 and retained at Sempra Parent to true-up the unamortized portion of a
40 debt called QUIPS. The debt was determined to have a shorter life than
41 originally believed. Additional expense was recorded to catch up on
42 amortization that should have been recorded in past periods. This was a
43 one-time event that has no impact on the forecast for SDG&E or
44 SoCalGas.

Exhibit DRA-19-R (Revised August 17, 2007)

1 In a follow-up data request, Corporate Center indicated that upon further
 2 review of Corporate Center's testimony and workpapers the Printing/Legal/Auditor
 3 fees were erroneously included in the Corporate Center general rate case forecast.
 4 These costs are already being recovered via the Cost of Capital proceedings.⁵³
 5 DRA has removed \$510,000 from the Corporate Center's Treasury forecast. The
 6 following table reflects the removal of costs recovered in Cost of Capital proceeding:

7 **Table 19-21**
 8 **DRA's Corporate Center – Treasury**
 9 **(In thousands of 2005 Dollars)**

	Services (a)	DRA Estimates (b)	Utilities Estimates (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
B-05.01	VP Treasurer & Staff	\$ 344	\$ 344	\$ -	0%
B-05.02	Cash Management	\$ 389	\$ 389	\$ -	0%
B-05.03	Finance Director Pension & Trust	\$ 450	\$ 450	\$ -	0%
B-05.04	Investments	\$ 251	\$ 251	\$ -	0%
B-05.05	Sempra Financial Staff	\$ -	\$ -	\$ -	0%
B-05.06	Risk Management	\$ 398	\$ 398	\$ -	0%
B-05.07	Cash Mgmt. Bank Fees Trust & Rating Agency	\$ 4,288	\$ 4,288	\$ -	0%
B-05.08	Fees	\$ 1,001	\$ 1,511	\$ 510	51%
	Total	<u>\$ 7,121</u>	<u>\$ 7,631</u>	<u>\$ 510</u>	<u>7%</u>

11 **6. Energy Risk Management (B-06)**

12 Energy Risk Management department uses financial products to protect
 13 Sempra Energy companies against risks associated with volatility in prices of natural
 14 gas, electricity, and associated commodities. Energy Risk Management monitors
 15 energy risk management and trading activities in non-regulated business units only.
 16 Since the beginning in 2005 Corporate Center no longer allocates these costs to
 17 SDG&E and SCG.⁵⁴

⁵³ See response to DRA-SDG&E-43-DFB, question 38.

⁵⁴ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-29.

Exhibit DRA-19-R (Revised August 17, 2007)

7. Tax Services (B-07)

Tax Services is responsible for federal, state, local, and international tax planning and compliance, regulatory tax review, financial tax accounting, and establishing tax policy for Sempra Energy and all business units.

Table 19-22
Corporate Center – Tax Services⁵⁵
(In Thousands of Dollars)

		Corporate Center			Utility Allocations	
		Base Year 2005	2005-2008 Incr/(Decr)	Forecast 2008	Forecast 2008	Percentage Allocated
B-07.01	VP of Tax Dept.	\$ 638	\$ (42)	\$ 596	\$ 310	52%
B-07.02	Corporate - Tax Dept	\$ 1,718	\$ 166	\$ 1,884	\$ 1,384	73%
B-07.03	Tax Dept - Utility	\$ 2,375	\$ (937)	\$ 1,438	\$ 1,335	93%
B-07.04	Tax Dept - Global	\$ 2,684	\$ 293	\$ 2,977	\$ 245	8%
B-07.05	Tax Dept - Transact	\$ 1,211	\$ (258)	\$ 953	\$ 427	45%
B-07.06	Property Taxes	\$ 467	\$ 322	\$ 789	\$ 584	74%
		\$ 9,093	\$ (456)	\$ 8,637	\$ 4,285	50%

The following details the functions performed in Tax Services.⁵⁶

B-07.01 VP of Tax Dept – This group consists of the VP & Chief Tax Counsel for Sempra Energy who oversees all the groups in Tax Services (B-07).

B-07.02 Corporate - Tax Dept – One of the four major groups in Tax Services, this group is responsible for federal, state, and international tax accounting, managing the U.S. tax audits and select tax systems, and establishing tax policies primarily for Sempra Energy on a consolidated basis.

⁵⁵ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-30.

⁵⁶ Response to DRA-SDGE-10-DFB, Question 16.

Exhibit DRA-19-R (Revised August 17, 2007)

1 B-07.03 Tax Dept - Utility – This major group is responsible
2 for federal and state income tax planning, compliance,
3 regulatory tax review, and establishing tax policy primarily for
4 SDG&E and SoCalGas.

5
6 B-07.04 Tax Dept - Global – This major group is responsible
7 for federal, state, and international income tax planning,
8 compliance, non-U.S. tax audits, and establishing tax policy
9 primarily for the non-utility business units.

10
11 B-07.05 Tax Dept - Transactional – This major group
12 ensures federal, state, and local tax compliance through
13 research and preparation of all tax filings for property tax,
14 utility user tax, franchise fees, use tax, sales taxes and other
15 local taxes and fees. This group supports SDG&E,
16 SoCalGas, and the non-regulated businesses.

17
18 B-07.06 Property Taxes – This is non-labor expense
19 primarily for property taxes on Corporate Center shared
20 assets.

21
22 Corporate Center's Tax Services is responsible for compiling and filing
23 consolidated federal tax returns. The Utilities do not file a stand alone federal
24 income tax return; instead each utility compiles a pro forma federal income tax
25 return. Sempra Energy Company's federal income taxes are minimized by filing a
26 consolidated federal tax return which includes all SDG&E and SCG. Sempra Energy
27 shareholders receive the large benefit of this consolidation. The following table
28 shows the Utilities' federal income tax component and Sempra Energy Company's
29 actual federal income taxes paid.

Exhibit DRA-19-R (Revised August 17, 2007)

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Table 19-23
Federal Income Taxes⁵⁷
(Dollars in Millions)

	SDG&E Actual	SCG Actual	Sempra Income Taxes
Year 2000	\$ (97)	\$ 159	\$ 25
Year 2001	\$ 40	\$ 123	\$ 84
Year 2002	\$ 19	\$ 151	\$ 171
Year 2003	\$ 134	\$ 79	\$ 83
Year 2004	\$ 65	\$ 101	\$ 93
Year 2005	\$ 48	\$ 109	\$ 226
	<hr/>	<hr/>	<hr/>
	\$ 209	\$ 722	\$ 682

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Given the substantial benefits that Sempra Energy and its shareholders enjoy from filing a consolidated federal income tax return, the majority of the expenses associated with Tax Services should be retained within the holding company. DRA recommends that Corporate Center should retain 100% of its costs in B07.02, Corporate – Tax Dept. DRA does accept Corporate Center’s estimate of \$1.335 million for Tax Dept. – Utility.

Further, DRA believes that B-07.04, Tax Dept. Global, provides the same services to the Utilities as the Tax Dept. Utility (B-07.03) and these duplicate costs should not be allocated to the Utilities. Since the VP of Tax Dept. (B-07.01) oversees all the Tax Services, an additional 40% of the VP of Tax Dept. costs should remain with Corporate Center to reflect the impact of DRA’s recommendations for B-07.02 and B-07.04.

⁵⁷ See response to DRA-SDG&E-67-DFB, confidential. DRA understands that Sempra does not object to the public release of the information provided above.

Exhibit DRA-19-R (Revised August 17, 2007)

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Table 19-24
DRA's Corporate Center – Tax Services⁵⁸
(In Thousands of 2005 Dollars)

	Services	DRA	Utilities	Utilities	Percentage
	(a)	Estimates	Estimates	Est.>DRA	Util Est.>DRA
		(b)	(c)	(d=c-b)	(e=d/b)
B-07.01	VP of Tax Dept.	\$ 186	\$ 310	\$ 124	67%
B-07.02	Corporate - Tax Dept	\$ -	\$ 1,384	\$ 1,384	100%
B-07.03	Tax Dept - Utility	\$ 1,335	\$ 1,335	\$ -	0%
B-07.04	Tax Dept - Global	\$ -	\$ 245	\$ 245	100%
B-07.05	Tax Dept - Transact	\$ 427	\$ 427	\$ -	0%
B-07.06	Property Taxes	\$ 584	\$ 584	\$ -	0%
		\$ 2,532	\$ 4,285	\$ 1,753	69%

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The following table summarizes DRA's adjustments to Corporate Center's Finance Department:

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Table 19-25
DRA's Corporate Center – Finance Summary
(In thousands of 2005 Dollars)

	Services	DRA	Utilities	Utilities	Percentage
	(a)	Estimates	Estimates	Est.>DRA	Util Est.>DRA
		(b)	(c)	(d=c-b)	(e=d/b)
B-01	Executive VP & CFO	\$ -	\$ 474	\$ 474	100%
B-02	Audit Services	\$ 2,665	\$ 2,665	\$ -	0%
B-03	Accounting Shared Services	\$ 5,967	\$ 7,409	\$ 1,442	24%
B-04	Corporate Planning	\$ -	\$ 717	\$ 717	100%
B-05	Treasury	\$ 7,121	\$ 7,631	\$ 510	7%
B-06	Energy Risk Management	\$ -	\$ -	\$ -	100%
B-07	Tax Services	\$ 2,532	\$ 4,285	\$ 1,753	69%
B-08	Corporate Development	\$ -	\$ -	\$ -	0%
	Total	\$ 18,285	\$ 23,181	\$ 4,896	27%

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C. Human Resources

According to Corporate Center, this area of Corporate Center is responsible for specific services not found in subsidiary human resources organizations with

⁵⁸ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-30.

Exhibit DRA-19-R (Revised August 17, 2007)

1 Sempra Energy. Human Resources consist of Human Resources SVP & Staff, HR
 2 Business Partner, Corporate Diversity Affairs, Corporate Security, Compensation &
 3 Benefits, Human Capital Services, and Payroll & HR Information System. Corporate
 4 Center has forecasted \$16.072 million in costs for test year 2008. Corporate Center
 5 proposes allocating \$13.123 million of these costs to the Utilities, \$5.481 million to
 6 SDG&E and \$7.642 million to SCG, respectively.⁵⁹

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**Table 19-26
 Corporate Center – Human Resources
 (In Thousands of 2005 Dollars)**

	Services Provided	Corporate Center			Utilites	Percentage
		Base Year	2005-2008	Forecast	Forecast	Allocated
		2005	Incr/(Decr)	2008	2008	
C-01	Human Resources SVP & Staff	\$ 851	\$ 85	\$ 936	\$ 772	82%
C-02	HR Business Partner	\$ 372	\$ 104	\$ 476	\$ 359	75%
C-03	Corporate Diverity Affairs	\$ 688	\$ (99)	\$ 589	\$ 531	90%
C-04	Corporate Secretary	\$ 3,664	\$ (532)	\$ 3,132	\$ 1,948	62%
C-05	Compensation & Benefits	\$ 2,658	\$ 283	\$ 2,941	\$ 2,455	83%
C-06	Human Capital Services	\$ 924	\$ 337	\$ 1,261	\$ 927	74%
C-07	Payroll & HR Information System	\$ 4,020	\$ 2,717	\$ 6,737	\$ 6,131	91%
		\$ 13,177	\$ 2,895	\$ 16,072	\$ 13,123	82%

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⁵⁹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-33.

Exhibit DRA-19-R (Revised August 17, 2007)

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**Table 19-27
Corporate Center – Human Resources Allocations to SDG&E and SCG⁶⁰
(In Thousands of 2005 Dollars)**

		Allocated to SDG&E	Allocated To SCG	Percentage To SDG&E	Percentage to SCG
C-01	Human Resources SVP & Staff	\$ 320	\$ 452	41%	59%
C-02	HR Business Partner	\$ 168	\$ 191	47%	53%
C-03	Corporate Diversity Affairs	\$ 218	\$ 313	41%	59%
C-04	Corporate Secretary	\$ 844	\$ 1,104	43%	57%
C-05	Compensation & Benefits	\$ 1,044	\$ 1,411	43%	57%
C-06	Human Capital Services	\$ 420	\$ 507	45%	55%
C-07	Payroll & HR Information System	\$ 2,467	\$ 3,664	40%	60%
		\$ 5,481	\$ 7,642	42%	58%

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The Human Resources Senior Vice President provides the strategic direction and overall corporate policy guidance in the areas of compensation, benefits, HR Information systems, diversity programs, workforce planning, corporate security, leadership development and compliance training.⁶¹ The Utilities, through its Shared Services provides these same types of services and it is not reasonable to allocate these additional HR SVP costs from Corporate Center to SDG&E and SCG. The Utilities Vice President of Human Resources “provides leadership and strategic direction to the organization and manages, directly and indirectly, the performance and productivity of utility employees.”⁶² Ratepayers should not be required to fund these types of costs from both Corporate Center and SDG&E/SCG. This is a duplication of costs that should not be borne by SDG&E and SCG ratepayers. DRA recommends that the \$772,000 in forecasted costs not be allocated to SDG&E and SCG for the 2008 test year.

⁶⁰ Exhibit SDGE/SCG-17 or SCG/SDGE-15 Workpapers, pages MPH-WP-187, 190, 193, 196, 204, 219, and 234.

⁶¹ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-34.

⁶² Exhibit SDGE/SCG-16 or SCG/SDGE-14, Chapter II, page SK-93.

Exhibit DRA-19-R (Revised August 17, 2007)

1 Corporate Center's HR Business Partner is responsible for the day-to-day
2 employee relations, staffing, and recruiting for Corporate Center only. In addition,
3 HR Business Partner activities include HR policy interpretation, performance
4 management, employee discipline, career counseling, salary administration,
5 employee development, and processing terminating employees for the Corporate
6 Center.⁶³ The Utilities' Shared Services Business Partner department consists of
7 Human Resource Advisors (HRA) who work closely with all departments to support
8 success with coaching and counseling on complex human resource issues such as
9 employee motivation, hiring, appropriate disciplinary action, termination,
10 performance management, and implementation of affirmative action strategies.⁶⁴

11 Corporate Center's HR Business Partner costs should not be allocated to
12 SDG&E and SCG as the Utilities' Shared Services Business Partner provides these
13 services. Ratepayers should not be required to fund these types of costs from both
14 Corporate Center and SDG&E/SCG. This is a duplication of costs that should not be
15 borne by SDG&E and SCG ratepayers. DRA recommends that the \$359,000 in
16 forecast costs not be allocated to SDG&E and SCG for the 2008 test year.

17 Corporate Center's Diversity Affairs is responsible for developing and
18 directing the corporate-wide strategic business objective for managing workplace
19 and marketplace diversity. In addition, Diversity Affairs develops and ensures
20 compliance with federal and state laws.⁶⁵ The Utilities Shared Services Diverse
21 Business Enterprises has a number of programs that handle the diversity of
22 the workplace and marketplace.⁶⁶ Corporate Center's Diversity Affairs costs
23 should not be allocated to SDG&E and SCG as the Utilities' Shared Services
24 Diverse Business Enterprises provides these services. Ratepayers should not be

⁶³ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-35.

⁶⁴ Exhibit SDGE/SCG-16 or SCG/SDGE-14, Chapter II, page SK-95.

⁶⁵ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-36 and MPH-37.

⁶⁶ Exhibit SDGE/SCG-16 or SCG/SDGE-14, Chapter IV; page RAK-24 through RAK-31.

Exhibit DRA-19-R (Revised August 17, 2007)

1 required to fund these types of costs from both Corporate Center and SDG&E/SCG.
2 This is a duplication of costs that should not be borne by SDG&E and SCG
3 ratepayers. DRA recommends that the \$531,000 in forecast costs not be allocated
4 to SDG&E and SCG for the 2008 test year.

5 **Table 19-28**
6 **DRA's Corporate Center – Human Resources**
7 **(In Thousands of 2005 Dollars)**

	Services (a)	DRA Estimates (b)	Utilities Estimates (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
C.01	Human Resources SVP & Staff	\$ -	\$ 772	\$ 772	100%
C.02	HR Business Partner	\$ -	\$ 359	\$ 359	100%
C.03	Corporate Diversity Affairs	\$ -	\$ 531	\$ 531	100%
C.04	Corporate Security	\$ 1,948	\$ 1,948	\$ -	0%
C.05	Compensation & Benefits	\$ 2,455	\$ 2,455	\$ -	0%
C.06	Human Capital Services	\$ 927	\$ 927	\$ -	0%
C.07	Payroll & HR Information Systems	\$ 6,131	\$ 6,131	\$ -	0%
		\$ 11,461	\$ 13,123	\$ 1,662	15%

8 **D. Legal**

9 This area of Corporate Center is responsible for ensuring good corporate
10 governance, compliance and oversight through the Board of Directors and Corporate
11 Secretary, and the Compliance department. Legal consists of Corporate
12 Governance, Compliance, General Counsel, and Legal Services. Corporate Center
13 has forecasted \$61.368 million in costs for test year 2008. Corporate Center
14 proposes allocating \$30.426 million of these costs to the Utilities, \$20.136 million to
15 SDG&E and \$10.290 million to SCG, respectively. ⁶⁷ ~~DRA has reviewed this area~~
16 ~~and takes no exception to the costs being allocated to the Utilities.~~ DRA is removing
17 \$2.6 million in Outside Legal Services costs allocated to SDG&E only, as agreed to
18 by Sempra (Transcript Volume 10, page 1019, lines 10-17), and based on Corporate
19 Center's confidential response to DRA-SDG&E-207-DFB. This response was

⁶⁷ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-49.

Exhibit DRA-19-R (Revised August 17, 2007)

1 entered into the record as Exhibit SDG&E/SCG-229-E Confidential on August 13,
 2 2007. (See Transcript Volume 10, Pages 1011 and 1030) Corporate Center has
 3 agreed to remove \$2.6 million from SDG&E's forecasted 2008 Test Year Outside
 4 Legal costs. (See Transcript Volume 10, Page 1010, lines 6 through 10)

5 **Table 19-29**
 6 **DRA's Corporate Center – Legal**
 7 **(In Thousands of Dollars 2005)**

	Services	SDG&E Estimates	SCG Estimates	Total Estimates	
D-01	Corporate Governance	\$ 838	\$ 954	\$ 1,792	
D-02	Compliance	\$ 703	\$ 802	\$ 1,505	
D-03	General Counsel	\$ 326	\$ 290	\$ 616	
D-04	Legal Services	\$ 18,269	\$ 8,244	\$ 26,513	
		\$ 20,136	\$ 10,290	\$ 30,426	

	Services (a)	DRA for SDG&E Estimates (b)	SDG&E Estimates (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
D-01	Corporate Governance	\$ 838	\$ 838	\$ -	0%
D-02	Compliance	\$ 703	\$ 703	\$ -	0%
D-03	General Counsel	\$ 326	\$ 326	\$ -	0%
D-04	Legal Services	\$ 15,657	\$ 18,269	\$ 2,612	17%
		\$ 17,524	\$ 20,136	\$ 2,612	15%

8

9 **E. External Affairs**

10 The mission of this area of Corporate Center is to provide overall policy
 11 guidance for the Sempra Energy companies' interactions with external
 12 constituents.⁶⁸ External Affairs consists of VP Gov. Affairs, Governmental Affairs,
 13 Legislative Analysis, Community Affairs, and Contributions & Memberships.
 14 Corporate Center has forecasted \$11.450 million in costs for test year 2008.
 15 Corporate Center proposes allocating \$905,000 of these costs to the Utilities,
 16 \$423,000 to SDG&E and \$482,000 to SCG, respectively.⁶⁹

⁶⁸ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-59.

⁶⁹ Id.

Exhibit DRA-19-R (Revised August 17, 2007)

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**Table 19-30
Corporate Center's – External Affairs
(In Thousands of Dollars 2005)**

		Corporate Center			Allocated 2008
Base Year 2005	2005- 2008 Incr/(Decr)	Forecast 2008			
E-01	VP Gov. Affairs	\$ 544	\$ 244	\$ 788	\$ 77
E-02	Governmental Affairs	\$ 3,942	\$ 195	\$ 4,137	\$ -
E-03	Legislative Analysis	\$ 767	\$ 139	\$ 906	\$ 420
E-04	Community Affairs	\$ 1,462	\$ 57	\$ 1,519	\$ 408
E-05	Contrib. & Memberships	\$ 5,312	\$ (1,212)	\$ 4,100	\$ -
		<u>\$12,027</u>	<u>\$ (577)</u>	<u>\$11,450</u>	<u>\$ 905</u>

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As stated above, DRA believes these costs are duplicate of costs already borne by ratepayers in Shared Services of the Utilities. DRA recommends that no costs for External Affairs be allocated to the Utilities from Corporate Center for test year 2008.⁷⁰

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**Table 19-31
DRA's Corporate Center – External Affairs
(In Thousands of Dollars 2005)**

	Services (a)	DRA Estimates (b)	Utilities Estimates (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
E-01	VP Gov. Affairs	\$ -	\$ 77	\$ 77	100%
E-02	Governmental Affairs	\$ -	\$ -	\$ -	100%
E-03	Legislative Analysis	\$ -	\$ 420	\$ 420	100%
E-04	Community Affairs	\$ -	\$ 408	\$ 408	100%
E-05	Contributions & Memberships	\$ -	\$ -	\$ -	0%
		<u>\$ -</u>	<u>\$ 905</u>	<u>\$ 905</u>	<u>100%</u>

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⁷⁰ See response to DRA-SDGE-37 DFB, Question 1.

Exhibit DRA-19-R (Revised August 17, 2007)

1 (Emphasis added) The Utilities Shared Services A&G includes costs for Offices of
2 President and CFO.⁷⁴ SDG&E/SCG's Shared Services testimony states:

3 "Together they provide the highest executive level of
4 oversight and governance at the utility level to the operations
5 of SoCalGas and SDG&E. The President and COO gives
6 strategic direction, sets the business vision, and provides
7 oversight to the utilities' operations functions and
8 management for those departments... The position is
9 ultimately responsible for utility customers receiving safe and
10 reliable energy throughout a large and complex service
11 territory through the efforts of nearly 12,000 employees. The
12 President provides leadership and management to gas and
13 electric operations; electric and gas customer service and
14 facilities and supply management. This office also ensures
15 compliance with all applicable environmental laws and
16 regulations and champions employee and transportation
17 safety. The President's responsibilities also include the
18 response and continuation of operations and the utilities'
19 sustainability during natural and/or other emergencies."⁷⁵
20

21 DRA believes that this is another example of duplication of functions and
22 asking utility ratepayers to pay twice for the same services. DRA recommends that
23 the forecast \$799,000 of Corporate Center's Executive costs not be allocated to
24 SDG&E and SCG for the test year 2008.

⁷⁴ Exhibit SDGE/SCG-16 or SCG/SDGE-14, page SK-159.

⁷⁵ Exhibit SDGE/SCG-16 or SCG/SDGE-14; page SK-159, Lines 8 through 20.

Exhibit DRA-19-R (Revised August 17, 2007)

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**Table 19-33
DRA's Corporate Center – Executive
(In Thousand of Dollars 2005)**

Services (a)	DRA Estimates (b)	Utilities Estimates (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
F-01 Office of the Chairman	\$ -	\$ -	\$ -	0%
F-02 Chief Operating Officer	\$ -	\$ -	\$ -	0%
F-03 Group Pres. - Regulated	\$ -	\$ 722	\$ 722	100%
F-04 Group Pres. - Unregulated	\$ -	\$ -	\$ -	0%
F-05 Executive Projects	\$ -	\$ 77	\$ 77	100%
F-06 Aircraft	\$ -	\$ -	\$ -	0%
		\$ 799	\$ 799	100%

4

G. Depreciation & Rate of Return (ROR)

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This area of Corporate Center is composed primarily of office leasehold improvements, furniture, desktop equipment, application software and enterprise-wide information systems and hardware managed by Corporate Center. Corporate Center has forecasted \$12.771 million in costs for test year 2008. Corporate Center proposes allocating \$6.966 million of these costs to the Utilities, \$3.118 million to SDG&E and \$3.848 million to SCG, respectively.⁷⁶

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**Table 19-34
Corporate Center's – Depreciation & Rate of Return (ROR)
(In Thousand of 2005 Dollars)**

		Corporate Center				
	Base Year 2005	2005- 2008 Incr/(Decr)	Forecast 2008	Allocated 2008	Percentage Allocated	
G-01 Headquarters (HQ)	\$ 7,047	\$ 365	\$ 7,412	\$ 2,743	37%	
G-02 Hardware & Software	\$ 2,646	\$ 1,499	\$ 4,145	\$ 3,473	84%	
G-03 Other Equipment	\$ 293	\$ 841	\$ 1,134	\$ 750	66%	
G-04 Aircraft/Retained	\$ 874	\$ (794)	\$ 80	\$ -	0%	
	\$ 10,860	\$ 1,911	\$ 12,771	\$ 6,966	55%	

⁷⁶

Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-70, MPH-73, MPH-75, and MPH-76.

Exhibit DRA-19-R (Revised August 17, 2007)

1 DRA has made several recommendations on Corporate Center operational
 2 costs in Sections A through F, as well as Sections H and I. The recommended
 3 operational costs have been removed before allocating to the Utilities and the impact
 4 should also be reflected in this section. DRA recommends that \$1.533 million
 5 should not be allocated to the Utilities for the test year 2008 forecast for Depreciation
 6 and Rate of Return.

**Table 19-35
 DRA's Corporate Center – Depreciation & Rate of Return
 (In Thousand of 2005 Dollars)**

Services (a)	DRA Estimates (b)	Utilities Estimates ⁷⁷ (c)	Utilities Est.>DRA (d=c-b)	Percentage Util Est.>DRA (e=d/b)
G-01 Headquarters (HQ)	\$ 2,140	\$ 2,743	\$ 603	28%
G-02 Hardware & Software	\$ 2,709	\$ 3,473	\$ 764	28%
G-03 Other Equipment	\$ 585	\$ 750	\$ 165	28%
G-04 Aircraft/Retained	\$ -	\$ -	\$ -	0%
	<u>\$ 5,433</u>	<u>\$ 6,966</u>	<u>\$ 1,533</u>	<u>28%</u>

10

H. Benefits

11

12 In order to allocate benefits, incentive plan accruals, and payroll taxes,
 13 Sempra Energy uses loading rates on top of direct labor dollars. The overhead
 14 loaders have been removed from the operational costs in sections A through E and
 15 are consolidated in this area. Benefits consist of Benefits Expense, Incentive Plans,
 16 Payroll Tax, Retirement Plans, Long Term Incentive Plans, and Pension Expense.
 17 Corporate Center has forecasted \$78.917 million in costs for test year 2008.
 18 Corporate Center proposes allocating \$28.966 million of these costs to the Utilities,
 19 \$14.534 million to SDG&E and \$14.432 million to SCG, respectively.⁷⁸

⁷⁷ Exhibit SDGE/SCG-17 or SCG/SDGE-15, pages MPH-70, MPH-73, MPH-75, and MPH-76.

⁷⁸ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-77.

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**Table 19-36
Corporate Center's – Benefits
(In Thousands of Dollars 2005)**

		Corporate Center			
	Base Year 2005	2005- 2008 Incr/(Decr)	Forecast 2008	Allocated 2008	
H-01	Benefits Expense	\$ 9,296	\$ 2,668	\$11,964	\$ 6,857
H-02	Incentive Plans	\$ 20,288	\$ (8,270)	\$12,018	\$ 6,639
H-03	Payroll Tax	\$ 4,332	\$ 347	\$ 4,679	\$ 2,725
H-04	Retirement Plans	\$ 2,845	\$ 5,864	\$ 8,709	\$ 2,680
H-05	Long Term Incentive Plans	\$ 50,326	\$(17,044)	\$33,282	\$ 9,549
H-06	Pension Expense	\$ 5,155	\$ 3,110	\$ 8,265	\$11,375
		<u>\$ 92,242</u>	<u>\$(13,325)</u>	<u>\$78,917</u>	<u>\$39,825</u>

4

1. Benefits Expense

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6

This area of Corporate Center contains all the health and welfare plans. The major benefits included are pension, medical, dental, disability, life insurance, and retirement savings plans, as well as other post-retirement benefit costs. Corporate Center has forecasted \$11.964 million⁷⁹ in costs for test year 2008 and proposes allocating \$6.857 million of these costs to the Utilities, \$3.516 million to SDG&E and \$3.341 million to SCG.⁸⁰

11

12

Benefits Expense is part of the overhead loaders that have been removed from the operational costs in sections A through E and are consolidated in this area. DRA has made several recommendations on Corporate Center operational costs in Section A through E. The recommended operational costs that have been removed before allocating to the Utilities should also have the overhead loaders removed. DRA recommends that \$1.542 million should not be allocated to the Utilities for test year 2008 forecast of Benefits Expenses.

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⁷⁹ Id.

⁸⁰ Exhibit SDGE/SCG-17 of SCG/SDGE-15, Workpapers, page MPH-WP-431.

Exhibit DRA-19-R (Revised August 17, 2007)

1 Included in this area is the IRC Section 415 Savings Plan, which DRA is
2 contesting.⁸¹ DRA's recommendation has an impact on the costs from this area of
3 Corporate Center. Consistent with its recommendations relating to the Utilities IRC
4 415 Savings Plan, DRA has removed Corporate Center's forecast costs of \$272,000
5 from the allocations to SDG&E and SCG.

6 **2. Incentive Plans**

7 This area of Corporate Center's Incentive Compensation Plan (ICP) costs are
8 included for all eligible employees based on overall performance results. Corporate
9 Center forecast \$12.018 million⁸² in costs for test year 2008 and proposes allocating
10 \$6.639 million of these costs to the Utilities, \$3.415 million to SDG&E and \$3.224
11 million to SCG.⁸³ ICP is another overhead loader to the operational costs in
12 Sections A through E. As stated above, Section H.1. Benefits Expense, DRA's
13 recommendations also impact this area. DRA has calculated the ICP overhead
14 loaders to be \$2.095 million. DRA recommends \$723,000 should not be allocated to
15 the Utilities test year 2008 forecast of ICP costs.

16 DRA's position on ICP costs is addressed in Exhibit DRA-14 and DRA-27. In
17 those exhibits, DRA recommends that ratepayers fund 50% of the ICP. This
18 recommendation impacts Corporate Center's forecast of ICP allocated to SDG&E
19 and SCG. Consistent with its recommendations relating to the Utilities' ICP, DRA
20 has made an adjustment to Corporate Center's forecasted ICP costs of \$2,958,000
21 from the allocations to SDG&E and SCG.

22 **3. Payroll Taxes**

23 This area of Corporate Center includes the payroll tax expense. Corporate
24 Center is forecasting \$4.679 million in payroll taxes for the test year 2008 and

⁸¹ See Exhibit DRA-15 and DRA-27 for complete recommendations.

⁸² Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-77.

⁸³ Exhibit SDGE/SCG-17 or SCG/SDGE-15 Workpapers; page MPH-WP-442.

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1 proposes allocating \$2.725 million of these costs to the Utilities, \$1.408 million to
2 SDG&E and \$1.317 million to SCG.⁸⁴ Since this is another overhead loader, DRA's
3 recommendations also impact this area. DRA has calculated the impact of its
4 adjustment on Payroll Tax overhead loaders to be \$616,000. DRA recommends
5 \$616,000 should not be allocated to the Utilities for the test year 2008 forecast of
6 Payroll Tax costs.

7 **4. Retirement Plans**

8 This area of Corporate Center includes payment amounts to executives
9 eligible for SERP by 2008. DRA's recommendations⁸⁵ relating to SERP have an
10 impact on the costs from this area of Corporate Center. Consistent with its
11 recommendations relating to the Utilities SERP, DRA has also removed Corporate
12 Center's SERP costs of \$2,680,000 from allocations to SDG&E and SCG.⁸⁶

13 **5. Long Term Incentive Plans**

14 This area of Corporate Center contains Long Term Incentive Plans for senior
15 employees and executives that are eligible for LTIP. DRA's recommendations
16 relating to LTIP have an impact on the costs from this area of Corporate Center.⁸⁷
17 Consistent with its recommendations relating to LTIP, DRA recommends removing
18 Corporate Center's forecasted LTIP costs of \$9,549,000 from allocations to SDG&E
19 and SCG.⁸⁸

⁸⁴ Exhibit SDGE/SCG-17 or SCG/SDGE-15, Workpapers; page MPH-WP-451.

⁸⁵ See DRA-15 and DRA-27 for complete recommendations.

⁸⁶ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-77.

⁸⁷ See Exhibit DRA-15 and DRA-27 for complete recommendations.

⁸⁸ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-77.

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1 million of these costs to the Utilities, \$13.614 million to SDG&E and \$15.179 million
2 to SCG, respectively.⁹⁰

3 **Table 19-38**
4 **Corporate Center's – Insurance**
5 **(In Thousand of Dollars 2005)**

		Corporate Center			Util. Allocated
		Base Year 2005	2005-2008 Incr/(Decr)	Forecast 2008	Forecast 2008
I-01	Property Insurance	\$ 10,630	\$ 2,682	\$13,312	\$ 7,319
I-02	Liability Insurance	\$20,930	\$ 8,291	\$29,221	\$ 21,474
I-03	Surety Bonds	\$ 594	\$ (431)	\$ 163	\$ -
		<u>\$32,154</u>	<u>\$ 10,542</u>	<u>\$42,696</u>	<u>\$ 28,793</u>

6

7 **1. Officer and Director Insurance Costs**

8 The Commission, in D. 00-02-046, allowed Pacific Gas and Electric Company
9 to recover half of its Officer and Director Insurance costs from ratepayers, while the
10 other half was to be recovered from shareholders.⁹¹ The Commission's reasoning
11 was that the officers and directors' insurance benefited both the utility's shareholders
12 and ratepayers. Further, in D. 96-01-011⁹² the Commission found it appropriate to
13 allocate 50% of the officers and directors' insurance costs to shareholders to reflect
14 the benefits they received from this insurance. The Commission, in D.04-03-034,
15 states:

16 "However, D&O insurance protects directors and officers from
17 activities that benefit both shareholders and customers. Therefore,
18 we will adopt an amount for D&O insurance that allocates the costs
19 of D&O insurance equally between shareholders and customers."⁹³
20

⁹⁰ Exhibit SDGE/SCG-17 or SCG/SDGE-15, page MPH-80.

⁹¹ D.00-02-046, mimeo page 305.

⁹² 64 CPUC2d 241,319 for Southern California Edison Company.

⁹³ D.04-03-034, mimeo page 32 and 33.

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1 Corporate Center projects an increase of 7% each of the years 2006, 2007,
2 and 2008 over the actual premium expense for 2005.⁹⁴ Corporate Center has
3 forecasted \$6.607 million in costs for the test year 2008. Corporate Center proposes
4 allocating \$4.983 million to the Utilities, \$2.329 million to SDG&E and \$2.654 million
5 to SCG.⁹⁵ DRA recommends a 50% adjustment to the requested Officers and
6 Directors insurance because it also benefits the shareholders and directors and
7 officers. This 50% adjustment is consistent with a number of past Commission
8 decisions concerning these costs. DRA recommends that \$2.491 million in Officers
9 and Directors' Insurance not be allocated to SDG&E and SCG for test year 2008.

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11 **Table 19-39**
12 **DRA's Corporate Center – Insurance**
13 **(In Thousand of Dollars 2005)**

Service Provided (a)	DRA Estimates (b)	Utilities Estimates (c)	Utilities Estimates>DRA (d=c-b)	Percentage Util. Est.>DRA (e=d/b)
I-01 Property Insurance	\$ 7,319	\$ 7,319	\$ -	0%
I-02 Liability Insurance	\$ 18,983	\$ 21,474	\$ 2,491	13%
I-03 Surety Bonds	\$ -	\$ -	\$ -	0%
	<u>\$ 26,302</u>	<u>\$ 28,793</u>	<u>\$ 2,491</u>	<u>9%</u>

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16 **V. SUMMARY OF UTILITY ALLOCATIONS**

17 **A. Allocations**

18 Following is a summary of DRA's forecast allocations of Corporate Center
19 expenses to SDG&E and SCG, on an escalated basis.

⁹⁴ Exhibit SDGE/SCG-17 or SCG/SDGE-15; page MPH-91, Lines 8 through 10.

⁹⁵ Exhibit SDGE/SCG-17 or SCG/SDGE-15, Workpapers; page MPH-WP-518.

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**Table 19-40
DRA's Corporate Center Allocations to the Utilities
(In Thousands of 2008 Dollars)**

		2008		
		SDG&E	SCG	Total
A	Communications & IR	\$ -	\$ -	\$ -
B	Finance	\$ 9,487	\$ 10,289	\$ 19,776
C	Human Resources	\$ 5,357	\$ 7,498	\$ 12,855
D	Legal	\$ 19,653	\$ 11,528	\$ 31,181
E	External Affairs	\$ -	\$ -	\$ -
F	Executive	\$ -	\$ -	\$ -
G	Depreciation & ROR	\$ 2,432	\$ 3,001	\$ 5,433
H	Benefits	\$ 5,955	\$ 5,665	\$ 11,621
I	Insurance	\$ 12,450	\$ 13,852	\$ 26,302
		\$ 55,334	\$ 51,834	\$ 107,168

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The costs from Corporate Center are reflected in the following FERC accounts for SDG&E and SCG:

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**Table 19-41
DRA's Corporate Center Costs by FERC Account
(In Thousands of 2008 Dollars)**

		2008		
		SDG&E	SCG	Total
923.1	Outside Services	\$ 40,452	\$ 34,981	\$ 75,433
923.4	Depreciation & ROR	\$ 2,432	\$ 3,001	\$ 5,433
924.0	Property Insurance (non-nuclear)	\$ 4,058	\$ 4,183	\$ 8,241
924.1	Property Insurance (nuclear)	\$ (922)	\$ -	\$ (922)
925.0	Excess Liability Insurance (PLPD)	\$ 4,951	\$ 5,642	\$ 10,593
925.1	Excess Workers Compensation Insurance	\$ 828	\$ 1,013	\$ 1,841
925.3	Other Liability Insurance (non-nuclear)	\$ 3,085	\$ 3,014	\$ 6,099
925.4	Other Liability Insurance (nuclear)	\$ 450	\$ -	\$ 450
Total		\$ 55,334	\$ 51,834	\$ 107,168

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