

Company: San Diego Gas & Electric Company (U 902 M)/ Southern California Gas
Company (U 904 G)
Proceeding: 2028 General Rate Case
Application: A.26-06-_____
Exhibit: SCG-14/SDGE-18

PREPARED DIRECT TESTIMONY OF LISA GIGLIOTTI
(CORPORATE CENTER ADMINISTRATION)

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



June 2026

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SUMMARY

CORPORATE CENTER ADMINISTRATION (in 2025 \$000's)			
O&M	2025 Adjusted-Recorded	Estimated TY 2028	Change
SDG&E Billed Shared	54,452	64,818	10,367
SoCalGas Billed Shared	60,090	60,049	(42)
Total Utility Billed	114,542	124,867	10,325

Summary of Requests

San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) respectively request that the California Public Utilities Commission (CPUC or Commission) adopt the Test Year (TY) 2028 forecast for Corporate Center Administration (Corporate Center) shared operations and maintenance (O&M) costs of \$124.9 million. This represents an increase of \$10.3 million, or approximately 9%, relative to Base Year (BY) 2025 adjusted recorded costs of \$114.5 million.

The TY 2028 forecast is based primarily on BY 2025 representative activity, with targeted adjustments for known and measurable changes in workload, organization, and allocation patterns, including the impacts of Corporate Center service realignment as discussed in Section III.B. and the Compensation Modernization initiative is covered in the Compensation and Benefits testimony (Exhibit (Ex.) SCG-16/SDGE-20). This forecasting approach is reasonable, transparent, and appropriate given the relatively stable nature of Corporate Center activities.

The requested change reflects the combined effect of allocation-driven shifts and changes in underlying Corporate Center costs. The primary drivers of the requested change relative to BY 2025 are:

- Allocation changes associated with the realignment of Corporate Center services resulting in a net increase of approximately \$10.3 million in costs allocated to SDG&E and SoCalGas. Specifically, an allocation-driven increase of \$25 million resulting from a greater share of existing shared services being projected to support regulated utility operations following a reduction to Sempra's non-utility businesses is partially offset by approximately \$14.7 million in decreases in underlying Corporate Center

costs, including reductions in both labor and non-labor expenses, increased stabilization of incentive compensation, and transfers of utility-specific roles to SDG&E and SoCalGas.

- Labor reductions include Corporate Center FTE decreases of approximately 31 full-time employees or equivalents (FTEs) from BY 2025 to TY 2028, reflecting ongoing cost-control actions and organizational realignment.
- The Compensation Modernization initiative, as described in the Compensation and Benefits testimony (Ex. SCG-16/SDGE-20), shifts a portion of employee compensation from incentive-based pay to base salary, reducing incentive compensation volatility and improving cost predictability, and is reflected in the forecast as part of normalized labor costs.

The Corporate Center services included in this request support essential security, compliance, administrative, and governance functions that SDG&E and SoCalGas would alternatively perform separately, resulting in higher overall costs to ratepayers. Centralizing these functions promotes affordability through economies of scale, specialized expertise, consistent governance, and the avoidance of duplicative resources and associated costs.

Approval of the requested TY 2028 Corporate Center shared O&M costs will allow SDG&E and SoCalGas to continue benefiting from centralized, shared services at Corporate Center that promote ratepayer affordability as well as various security, compliance, administrative, and governance activities. By avoiding duplication of essential security, compliance, administrative, and governance functions at each respective utility level, the Corporate Center structure reduces total costs and supports ratepayer affordability through economies of scale, specialized expertise, and consistent enterprise-wide oversight.

None of the costs included in this testimony are duplicated in other SDG&E and SoCalGas testimonies. Table LG-1 summarizes the Corporate Center Administration costs sponsored in this testimony.

TABLE LG-1
Test Year 2028 Summary of Total Costs (\$000's)

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
A. Finance	31,466	4,553	36,019	38,898
B. Corporate Affairs and Human Resources	11,309	(199)	11,110	11,998
C. Legal, Compliance, and Governance	19,720	2,144	21,864	23,597
D. Treasury Fees	10,237	(101)	10,136	10,136
E. Outside Legal Services	2,891	-	2,891	3,047
F. Facilities and Assets	14,400	7,360	21,760	22,535
G. Compensation and Benefits	24,519	(3,433)	21,086	23,145
Total	114,542	10,325	124,867	133,356

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	54,452	10,367	64,818	68,989
SoCalGas	60,090	(42)	60,049	64,367
Total	114,542	10,325	124,867	133,356

B. Organization of Testimony

This testimony is organized as follows:

- An overview of Corporate Center O&M activities and costs for shared services provided to SDG&E and SoCalGas is provided in Section I;
- Discussion of activities undertaken at Corporate Center to increase efficiency and promote ratepayer affordability is provided Section II;

- 1 • Discussion of Corporate Center general cost allocation and escalation
2 methodologies, is provided in Section III;
- 3 • Descriptions of the activities within the groups at Corporate Center that
4 provide shared services to SDG&E and SoCalGas, including discussion of
5 cost drivers, forecasting methodologies, and how such activities benefit
6 SDG&E's and SoCalGas's ratepayers, is provided in Section IV;
- 7 • Closing comments regarding the costs being requested in this GRC are
8 provided in Section V;
- 9 • A summary of witness qualifications as the witness for this testimony is
10 provided in Section VI.

11 **C. Support To and From Other Witnesses**

12 This testimony refers to the testimony and supporting workpapers of several other
13 witnesses, either providing support to or receiving support from SDG&E and SoCalGas.

14 Certain shared services are charged to Corporate Center by SDG&E and SoCalGas,
15 subject to Corporate Re-Allocation, the calculation of which is provided in the Shared Services
16 testimony (Ex. SCG-22/SDGE-27).

17 While direct and indirect labor costs for each Corporate Center function are included in
18 this testimony, discussion of Sempra's total employee compensation program and framework
19 (e.g., employee salary and benefits) are covered in the Compensation & Benefits testimony (Ex.
20 SCG-16/SDGE-20) and the Pension and Postretirement Benefits Other Than Pension testimony
21 (Ex. SCG-17/SDGE-21).

22 While direct labor and non-labor costs for the Insurance and Risk Advisory Corporate
23 Center function are included in this testimony, detailed descriptions and projected direct costs of
24 SDG&E's and SoCalGas's insurance programs are presented in the Insurance testimony (Ex.
25 SCG-15/SDGE-19).

26 While Outside Legal Services costs associated with Corporate Center legal matters that
27 benefit SDG&E and SoCalGas are included in this testimony, directly assignable outside legal
28 matters costs of SDG&E and SoCalGas are presented in SoCalGas and SDG&E Administrative
29 & General testimonies Ex. SCG-19 and Ex. SDGE-23.

30 The labor and non-labor escalation factors used by Corporate Center for TY 2028 are
31 provided in the Escalation & Gas Customer Forecast testimony (Ex. SCG-20/SDGE-24).

1 Lastly, information required from D.24-12-074, Ordering Paragraph 53, is contained in
2 the Compliance testimony (Ex. SCG-30/SDGE-36).

3 **II. AFFORDABILITY & EFFICIENCY**

4 Building on the shared-services structure described in Section I, Corporate Center has
5 implemented a series of targeted actions beginning in 2025 to improve efficiency, moderate and
6 constrain cost growth, and mitigate ratepayer impacts, while continuing to meet the security,
7 compliance, administrative, and governance requirements of SDG&E and SoCalGas.

8 These targeted cost-control and efficiency measures directly benefit SDG&E and
9 SoCalGas ratepayers, and include the following:

- 10 • Reduction of Corporate Center FTEs, including the elimination of certain
11 executive-level and management roles and the attrition (not backfilled) of
12 other roles, thereby reducing shared labor costs borne by ratepayers;
- 13 • Compensation Modernization initiative is covered in the Compensation
14 and Benefits testimony (Ex. SCG-16/SDGE-20) which reduced target
15 incentive compensation and improved compensation structure
16 predictability, helping to stabilize staffing levels and moderate costs
17 associated with overtime, contractor usage, recruiting, and training; and
- 18 • Centralized procurement and vendor consolidation for audit, legal,
19 insurance, and benefits administration services, leveraging Sempra’s scale
20 to negotiate more favorable pricing than SDG&E or SoCalGas could
21 likely achieve on a stand-alone basis.

22 Collectively, these actions demonstrate that the requested funding reflects ongoing,
23 efficiently managed shared services as opposed to the alternative of duplicative, stand-alone
24 utility procurement. This approach aligns with the Commission’s longstanding expectation that
25 corporate services used by regulated utilities be provided at the lowest reasonable cost consistent
26 with safety, reliability, and regulatory compliance, while supporting affordability for SDG&E
27 and SoCalGas ratepayers.

1 **III. CORPORATE CENTER POLICIES**

2 **A. Costs Overview**

3 Corporate Center O&M costs for shared services are allocated to SDG&E and SoCalGas,
4 when appropriate, using the allocation methodologies described below. In general, expenses
5 attributable to standard utility activities are included as part of the allocations to SDG&E and
6 SoCalGas and are recoverable in rates. Certain costs may be allocated to SDG&E and SoCalGas
7 but are excluded in accordance with applicable regulations or on a voluntary basis. For example,
8 costs required to be excluded by California Assembly Bill (AB) 1167² have been excluded from
9 the Corporate Center O&M costs for shared services being requested in this testimony and are
10 not included in the BY 2025 or TY 2028 costs presented. Details of Corporate Center shared
11 O&M costs, including identification of those costs that are excluded from allocation to SDG&E
12 and SoCalGas and those costs fully retained by Corporate Center, can be found in Section IV.
13 Shared O&M costs charged by Corporate Center to SDG&E and SoCalGas are recorded in the
14 appropriate Administrative & General (A&G) accounts as defined by the Federal Energy
15 Regulatory Commission’s (FERC) Uniform Systems of Accounts, of which each utility may
16 capitalize a portion thereof.

17 Additionally, SDG&E and SoCalGas may charge each other for the costs of services that
18 are shared between them (Utility Shared Services (USS)), and they may also charge Corporate
19 Center for the costs of A&G services at each utility that are shared with and utilized by
20 Corporate Center (Corporate Shared Services (CSS)). For example, CSS may include
21 information technology, document and supply management, and certain accounting services
22 (e.g., accounts payable). Similar to the shared services at Corporate Center, Corporate Center
23 utilizes and benefits from CSS provided by SDG&E and SoCalGas, meeting our shared objective
24 of obtaining services at the lowest reasonable cost. CSS charges to Corporate Center are
25 determined by SDG&E and SoCalGas based on appropriate direct assignment or cost allocation
26 methodologies, which Corporate Center reviews annually for reasonableness and applicability.

27 Rather than allocating these CSS costs to Corporate Center and subsequently
28 redistributing them to SDG&E and SoCalGas through Corporate Center’s standard allocation
29 process, SDG&E and SoCalGas apply a Corporate Re-Allocation methodology. Under the

² AB 1167 (Berman, 2025), available at:
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB1167.

1 Corporate Re-Allocation methodology, CSS costs incurred on behalf of Corporate Center are
2 reallocated directly to the benefiting operating companies using the same allocation
3 methodologies and rates that Corporate Center would have applied had such costs been incurred
4 at Corporate Center. This approach avoids unnecessary administrative effort and circular cost
5 flows while preserving consistency with Corporate Center's approved allocation framework and
6 enabling costs to be assigned in proportion to the benefits received.

7 Any CSS charges to Corporate Center that are not subject to the Corporate Re-Allocation
8 methodology are retained by Sempra and are not reallocated to SDG&E and SoCalGas (e.g.,
9 costs for certain software licenses). This process is further described in the Shared Services
10 testimony (Ex. SCG-22/SDGE-27).

11 **B. Cost Allocation Methodologies**

12 Corporate Center reasonably and equitably allocates its shared services costs to Sempra's
13 operating companies, including SDG&E and SoCalGas, associating the costs as closely as
14 possible to the level of service being provided to each. To achieve this, Corporate Center uses a
15 hierarchy of methodologies to allocate its costs. This hierarchy and the underlying cost
16 allocation methodologies have been used by Corporate Center since its inception in 1998, have
17 not substantively changed, and have been consistently accepted by the Commission in prior GRC
18 decisions. The three methodologies are: (1) Direct Assignment; (2) Causal/Beneficial (CB); and
19 (3) Multi-Factor.

20 Allocation of costs using direct assignment is performed whenever possible, and any
21 remaining costs are allocated by the CB or Multi-Factor methodologies, as applicable. Certain
22 costs may be allocated using a weighted average of two or more cost allocation methodologies,
23 for example, certain leadership (e.g., Vice Presidents (VP)) costs may be allocated using a
24 weighted average of the allocation methodologies used by the groups reporting to them. The cost
25 allocation process is illustrated in the following table.

1
2

TABLE LG-2
Example of Corporate Center Cost Allocation Process (\$000's)

	Test Year Forecast 2028	SDG&E	SoCalGas	Non-California Utilities
2028 Forecast	8,770			
Direct Assignment	(725)	320	230	175
Remaining Amount to be Allocated	8,045			
Operating Company Allocations		42.53%	40.22%	17.25%
Allocated Amount	(8,045)	3,422	3,236	1,387
Total Billed Costs	-	3,742	3,466	1,562

3 The following is a more complete description of Corporate Center’s cost allocation
4 methodologies:

5 ***Direct Assignment Methodology***

6 Costs that are directly attributable to SDG&E or SoCalGas are directly assigned thereto.
7 An example would be the costs associated with issuing long-term debt (such as first-mortgage
8 bonds) at SDG&E or SoCalGas. Generally, non-labor costs can be identified and directly
9 assigned to SDG&E or SoCalGas by the support in the accounts payable system or through
10 journal entries, which specify company codes, in the general ledger. Further, labor costs can be
11 specifically identified by employees entering and assigning incurred work hours in their
12 timesheets (or other function-specific timekeeping system), which directly charges the applicable
13 operating company based on the company code and labor or work project code the employee
14 uses. Labor overhead costs, including payroll taxes and employee benefits, are charged
15 consistently with the proportion of labor costs charged to SDG&E and SoCalGas.

16 ***Causal/Beneficial Methodology***

17 When costs cannot be directly assigned, they may be allocated to SDG&E and SoCalGas
18 using a CB methodology, which is based on a cost driver(s) that is comparable for all Sempra
19 operating companies and best reflects the level of benefit received. An example of a CB cost
20 driver is the number of FTEs at each operating company when allocating costs of employee
21 compensation and benefits-related services, since FTEs generally drives the number of
22 transactions and dollar amount of activities, which then drives the associated level of

1 administrative effort. CB methodologies are re-evaluated each year, or as needed such as when
2 major organizational changes occur, to confirm their reasonableness for the costs being allocated.

3 ***Multi-Factor Methodology***

4 The Multi-Factor is a four-factor allocation methodology used to allocate costs to
5 SDG&E and SoCalGas for groups that serve all Sempra operating companies but for which there
6 is not a direct or causal/beneficial relationship (e.g., financial reporting mandated by SEC
7 requirements). The Multi-Factor method cost allocation methodology is consistent with previous
8 CPUC decisions, such as the Merger Decision (D.98-03-073), the 2004 Cost of Service Decision
9 (D.04-12-015), and prior GRC Decisions in 2008 (D.08-07-046), 2012 (D.13-05-010), 2016
10 (D.16-06-054), 2019 (D.19-09-051), and 2024 (D.24-12-074).

11 The Multi-Factor methodology weighs four factors from all Sempra operating companies:
12 (1) Revenues; (2) Operating Expenses; (3) Gross Plant Assets and Investments; and (4) FTEs.
13 These four factors are compiled at the beginning of each year, using prior year's data as the basis
14 for the following year's actual allocations.

15 The following specific Multi-Factor methodologies have been used by Corporate Center:

- 16 a. Multi-Factor Basic Methodology: This methodology applies to groups where no
17 direct or causal relationship to a specific operating company exists. It assigns
18 equal weight to the four factors for each operating company.
- 19 b. Multi-Factor Split Methodology:³ This methodology is used when no explicit
20 causal relationship exists, but allocations need to distinguish between SDG&E
21 and SoCalGas and Sempra's other operating companies. It begins with the Multi-
22 Factor Basic methodology allocation rates and organizes them into two groups:
23 (1) Utilities and (2) Sempra's other operating companies. Within each group, the
24 allocation rates are normalized to total 100%. Finally, an equal 50% weighting is
25 applied between the two groups (Utilities and Sempra's other operating
26 companies) to determine the final allocation.

³ Note that with the realignment of Corporate Center services (further discussed below), Multi-Factor Split Methodology will not be used subsequent to BY 2025 and any costs previously allocated using the Multi-Factor Split Methodology are allocated using the Multi-Factor Basic Methodology.

To arrive at the forecasted Multi-Factor Basic methodology rates for TY 2028, historical data from 2021-2025 were projected using a trend forecasting methodology with adjustments for known major organizational changes.

The below illustrates Corporate Center’s historical and projected Multi-Factor Basic methodology rates. These trends show that SDG&E’s and SoCalGas’s Multi-Factor methodology rates in TY 2028 are projected to be 40.3% and 54.4%, respectively.

**TABLE LG-3
2021-2031 Multi-Factor Basic Allocations**

	Historical					Projection					
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
SDG&E	38.5%	37.1%	36.0%	33.6%	34.6%	41.9%	40.7%	40.3%	40.0%	39.6%	39.3%
SoCalGas	<u>43.9%</u>	<u>43.9%</u>	<u>45.3%</u>	<u>45.6%</u>	<u>44.7%</u>	<u>52.7%</u>	<u>54.0%</u>	<u>54.4%</u>	<u>54.7%</u>	<u>55.0%</u>	<u>55.3%</u>
California Utilities	82.4%	80.9%	81.3%	79.2%	79.3%	94.5%	94.7%	94.7%	94.7%	94.7%	94.6%
Non-California Utilities	<u>17.6%</u>	<u>19.1%</u>	<u>18.7%</u>	<u>20.8%</u>	<u>20.7%</u>	<u>5.5%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.4%</u>	<u>5.4%</u>
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data from Audited Financials: 2020 2021 2022 2023 2024 2025

Realignment of Corporate Center Services

In prior years, the growth in Sempra’s non-CPUC-regulated businesses created a relatively flat or declining trend in Corporate Center allocations to SDG&E and SoCalGas. In 2025, Sempra announced the sale of a significant portion of Sempra’s non-CPUC-regulated businesses, resulting in changes to the projected mix of operating companies supported by Corporate Center. Closing of the sale is anticipated to result in an increase to the Corporate Center cost allocations to SDG&E and SoCalGas. Corporate Center has undertaken efforts to adjust its cost structure to align with the expected sale with a focus on cost effectiveness and affordability. The initiatives discussed in Section II reflect these actions. Overall impacts of the realignment of Corporate Center services are reflected in the Corporate Center shared services costs presented in Section IV, which demonstrate ongoing attention to efficiency and cost control, even as a greater share of costs are allocated to SDG&E and SoCalGas.

C. Escalation Approach

Labor and non-labor costs in BY 2025 are presented in this testimony in 2025 dollars. Forecasts for labor and non-labor costs in TY 2028 are presented in both 2025 dollars and 2028 escalated dollars. Exceptions to these guidelines are items that are considered “non-standard” or

1 not subject to standard inflation; for example, costs that have contractual rates of increase, such
2 as multi-year service agreements. Other non-standard items are fixed costs such as depreciation
3 or amortization of financing costs. Contractual and other-than-standard inflation areas are
4 excluded from further escalation where appropriate.

5 The escalation factors used by Corporate Center for TY 2028 from BY 2025 are 1.0976
6 for labor costs and 1.0538 for non-labor costs and are derived from indices used by SDG&E, as
7 discussed in the Escalation & Gas Customer Forecast testimony (Ex. SCG-20/SDGE-24).
8 SDG&E indices were selected as the basis for Corporate Center since both entities are primarily
9 located in the San Diego market area. For labor, a simple average of the indices for Managers &
10 Administrators and Professional & Technical was used, as these most closely correspond to the
11 employee population at Corporate Center. For non-labor, a simple average of the electric and
12 gas indices for Administrative & General (except for FERC's Uniform Systems of Account,
13 account 926, Employee pensions and benefits) was used.

14 **IV. SHARED O&M COSTS**

15 As described in this testimony, shared services are activities performed by a Corporate
16 Center group (i.e., functional area) for the benefit of: (i) SDG&E and/or SoCalGas, (ii) Sempra,
17 and/or (iii) other operating companies of Sempra. The group providing the shared services
18 allocates and bills the incurred costs to the entity or entities that benefit from those services.

19 This testimony is sponsoring the forecasts on an allocated basis to SDG&E and SoCalGas
20 and includes the shared services allocation percentages related to those costs. Those percentages
21 are presented in the Corporate Center workpapers, along with additional descriptions of the
22 activities being allocated.

1
2

TABLE LG-5
Summary of Adjustments to Forecast – Finance

Cost Category	Amount (<i>\$ in millions</i>)	Commentary
Labor	(\$4.5)	Reduction of 24 FTEs and exclusion of severance and other one-time labor costs
Compensation Modernization	0.7	Reflects changes in connection with the Compensation Modernization initiative
Operating company allocations	8.4	Realignment of Corporate Center services
2025-2028 Incr/(Decr)	\$4.6	

3

1. Description of Costs and Underlying Activities

4

Finance provides the required financial capabilities for the Sempra operating companies including, but not limited to, filing financial statements with the SEC and other regulatory bodies, making necessary tax filings with federal and state authorities, raising and efficiently managing capital, providing financial forecasts, and monitoring internal control environments and compliance with policies. Centralizing Finance services across operating companies allows SDG&E and SoCalGas to adhere to financial reporting, audit, tax, and financing requirements at a lower total cost than would result from duplicative stand-alone utility functions. These shared services avoid duplicative platforms, separate audit engagements, redundant staffing, parallel capital markets activity, and multiple technology systems, thereby directly reducing the costs borne by ratepayers.

14

Certain Finance costs are allocated to SDG&E and SoCalGas but are not subject to cost recovery in accordance with applicable regulations or on a voluntary basis. These include:

16

- Allocations to SDG&E and SoCalGas of costs associated with Sempra’s Chief Financial Officer (CFO) and VP, Controller and Chief Accounting Officer (CAO) are excluded on a voluntary basis;

17

18

19

- Allocations to SDG&E and SoCalGas of tax penalties or fines issued against SDG&E and SoCalGas are excluded in accordance with FERC’s Uniform Systems of Accounts (18 CFR § 367.4263 or Account 426.3 Penalties);

20

21

22

23

- Allocations to SDG&E and SoCalGas of costs associated with the Investor Relations function are excluded in accordance with AB 1167; and

24

- Sponsorship, memberships, and trade association dues paid to 501(c)(6) organizations are excluded in accordance with FERC's Uniform Systems of Accounts (426.4 Expenditures for certain civic, political and related activities) and AB 1167.

Certain additional Finance costs are also fully excluded from this testimony, as they cannot be directly associated with benefits to SDG&E and SoCalGas. Examples of such costs include those associated with broader Sempra initiatives such as acquisitions or dispositions.

The areas within the Finance division that include cost allocations to SDG&E and SoCalGas are discussed in this section, with major functions highlighted in the table above (not including those costs that are fully retained by Corporate Center or that have been excluded from allocation).

A-1 Accounting Services

The Accounting Services group is responsible for several key functions that are centralized at Corporate Center to promote consistency, efficiency, and effective oversight across Sempra, SDG&E and SoCalGas: Corporate Accounting; Human Resources (HR) Accounting; Technical Accounting and Policies; Financial Reporting; Employee Benefit Plan Financial Reporting; Financial Systems and Transformation; and External Audit fees.

Corporate Accounting is responsible for the ongoing accounting for Corporate Center and the holding companies of Sempra, SDG&E and SoCalGas. Corporate Accounting also establishes enterprise-wide internal control and accounting policies and is responsible for the accounting of Corporate Center shared services, enabling Corporate Center shared costs to be appropriately tracked, recorded and allocated across Sempra, SDG&E and SoCalGas.

HR Accounting is responsible for the accounting and disclosures related to employee compensation, benefits and benefit plans included in SDG&E's and SoCalGas's SEC Forms 10-Q and 10-K. HR Accounting also processes all employee benefit plan payments, including savings plan contributions and benefit premiums for employee and retiree medical, dental, vision, and other benefit programs. In addition, this function coordinates and engages with external actuaries, third-party administrators, trustees, and independent auditors. HR Accounting is responsible for the employee pension and benefits budgeting and provides support to SDG&E and SoCalGas in regulatory proceedings, where needed.

1 Technical Accounting, Advisory and Policies (TAAP) is responsible for analyzing and
2 advising on the accounting impacts of new and changing accounting standards and of proposed
3 business initiatives affecting Sempra, SDG&E and SoCalGas, to comply with U.S. Generally
4 Accepted Accounting Principles (GAAP) and SEC rules and regulations. TAAP also oversees
5 the enterprise-wide implementation of new accounting standards and, in conjunction with
6 Corporate Accounting, develops and maintains Corporate Center accounting policies to promote
7 accurate and consistent application across Sempra, SDG&E and SoCalGas. Examples of
8 projects supported by TAAP in 2025 and 2026 include accounting analyses related to battery
9 storage facility acquisitions and renewable natural gas contracts, financial statement disclosures
10 for natural gas contracts and other contracts, and evaluating and implementation planning for a
11 new GAAP accounting standard on the disaggregation of income statement expenses, which is
12 required to be adopted in 2027.

13 Financial Reporting prepares SDG&E's and SoCalGas's Forms 10-Q and 10-K, which
14 are included in Sempra's combined SEC filings, to meet the Utilities' ongoing public reporting
15 obligations. This group is also responsible for many of SDG&E's and SoCalGas's other
16 required SEC filings, including Forms 8-K, to report material business events and registration
17 statements related to securities and debt offerings.

18 Employee Benefit Plan Financial Reporting is responsible for SDG&E's and SoCalGas's
19 employee benefit plans financial statements and related filings required by the SEC, Department
20 of Labor (DOL), and IRS. These activities included preparation of audited and unaudited
21 financial statements, Forms 11-K filed with the SEC for the savings (401(k)) plans, and Forms
22 5500 filed with the DOL and IRS for the Employee Retirement Income Security Act of 1974
23 (ERISA) qualified savings, cash balance/pension, and health and welfare benefit plans. This
24 group also manages transactions and benefit plan changes involving SDG&E's and SoCalGas's
25 employee benefit plan trusts to enable compliance with plan documents and applicable
26 requirements under the ERISA laws and regulations, including processing monthly pension
27 payments for SDG&E's and SoCalGas's retirees. In addition, this group supports regulatory
28 compliance audits of the Utilities' employee benefit plans conducted by oversight agencies,
29 including the DOL and IRS.

30 Financial Systems and Transformation provides enterprise-wide support for Corporate
31 Center's financial and accounting systems, including those that are used to prepare SDG&E's

1 and SoCalGas's SEC filings and to support SDG&E's and SoCalGas's planning processes.
2 These systems principally consist of Hyperion Financial Management, Workiva, and Oracle
3 Planning. The primary objective of Financial Systems and Transformation is to maintain the
4 integrity of financial systems and applications and to provide efficient access to accurate and
5 timely financial information. Financial Systems and Transformation is also central in helping to
6 advance automation and system driven work among the Finance groups by leading new system
7 implementations and training employees on the new tools and applications, thereby advancing
8 efficiencies.

9 External audit fees associated with the SEC-required reviews and audits of Sempra's and
10 its operating companies' quarterly and annual SEC Forms 10-Q and 10-K, including those of
11 SDG&E's and SoCalGas's (which are included in Sempra's combined SEC filings), are also
12 included in the Accounting Services allocated costs.

13 *A-2 Tax Services*

14 Tax Services is responsible for federal, state, and local tax compliance and planning; tax
15 accounting; regulatory tax research and compliance; and establishment of tax policy governance
16 for Sempra, SDG&E and SoCalGas. Centralizing these activities within a single function
17 provides the Utilities with consistent application of tax policy, strengthened compliance, and
18 coordinated identification of tax-efficient strategies across the enterprise enabling a cost-
19 effective tax structure to the benefit of ratepayers.

20 Tax Services is responsible for the following:

- 21 • Federal, state, and local tax compliance and planning which includes
22 monitoring changes in tax law to enable compliance and maximize tax
23 efficiency and tax planning opportunities; researching and preparing all
24 income tax filings; preparing filings for state assessed property taxes,
25 utility user taxes, sales/use taxes, and other applicable local taxes; and
26 managing federal, state, and local tax audits conducted by taxing
27 authorities and regulatory bodies, such as the IRS and the California
28 Franchise Tax Board.
- 29 • Regulatory compliance and tax research which includes developing
30 SDG&E's and SoCalGas's income, property, and payroll tax forecasts and
31 related testimony for CPUC and FERC ratemaking proceedings. Other

1 responsibilities include researching and reporting the ratemaking tax
2 impacts of proposed transactions; preparing ratemaking tax information
3 submitted to federal, state, and local regulatory agencies; and assisting in
4 litigation of tax positions, when necessary. Tax Services evaluates and
5 quantifies the impacts of tax legislation and regulatory decisions and
6 proposals. It also responds to tax regulatory inquiries and provides tax
7 analysis and advice on regulatory matters. In addition, Tax Services
8 prepares the quarterly tax sections of FERC regulatory filings and
9 coordinates with internal and external auditors on tax-related regulatory
10 matters.

- 11 • Tax accounting which includes calculating current, deferred, and
12 forecasted income taxes and preparing the related disclosures included in
13 SDG&E's and SoCalGas's SEC Forms 10-Q and 10-K, which are
14 incorporated into Sempra's consolidated SEC filings, as well as FERC
15 Forms 1. This function also evaluates the tax impacts of new or revised
16 accounting standards and changes in tax laws and regulations, and
17 implements the resulting requirements in the Utilities' tax accounting and
18 reporting processes. It also provides tax planning support by assessing the
19 tax accounting consequences of proposed SDG&E and SoCalGas
20 transactions and business initiatives.

21 ***A-3 Treasury & Planning***

22 The Treasury group is critical to the issuance of financial securities, the management of
23 bank accounts, maintaining appropriate liquidity and managing revolving credit facilities, which
24 enables Sempra, SDG&E and SoCalGas, to support ongoing operational activities, regulatory
25 initiatives and investments within the CPUC approved cost of capital, as applicable. These
26 functions are centralized at Corporate Center and include the following areas of responsibility:

- 27 • Optimizing SDG&E and SoCalGas capital structures using a combination
28 of debt and equity;
- 29 • Executing financing transactions to support SDG&E's and SoCalGas's
30 short- and long-term operational and capital financing needs, through

1 instruments including short-term loans, revolving credit facilities, letters
2 of credit and first mortgage bonds;

- 3 • Managing SDG&E and SoCalGas bank accounts and funding to support
4 payment services functions, such as for employee payroll, customer
5 receipts and refunds, gas supply purchases and vendor payments; and
- 6 • Communicating with fixed-income investors, bankers, and rating agencies
7 regarding financial performance and future expectations, including
8 SDG&E and SoCalGas financing needs, in support of debt and equity
9 issuances and maintenance of appropriate credit ratings, providing
10 efficient liquidity and funding within the CPUC approved cost of capital,
11 as applicable.

12 The Planning group develops and analyzes Sempra's short-term and long-term financial
13 plan, incorporating the plans and forecasts of SDG&E and SoCalGas. It also sets planning and
14 forecasting policies and provides financial projections to various groups, including Treasury, to
15 assess SDG&E's and SoCalGas's equity, debt, and liquidity needs. Planning is also responsible
16 for developing, tracking and reporting Corporate Center budgets and managing allocation
17 methodologies to SDG&E and SoCalGas.

18 ***A-4 Audit Services & Insurance and Risk Advisory***

19 Audit Services & Insurance and Risk Advisory provide services for all Sempra operating
20 companies, including SDG&E and SoCalGas.

21 Audit Services provides independent evaluations of the adequacy of processes and
22 controls to manage business risk, including cost containment, across Sempra, SDG&E and
23 SoCalGas. It follows a standardized, disciplined and risk-based approach to help management
24 evaluate and improve the effectiveness of risk management, internal controls, and governance
25 processes. For SDG&E and SoCalGas, Audit Services' annual audit plans generally cover key
26 operational (including safety), financial, information technology, fraud prevention, contract
27 compliance, and regulatory compliance (including health, safety, and environmental) processes
28 and controls to prioritize the highest risks associated with the processes under review.

29 The policies and procedures followed by Audit Services in the performance of their
30 audits comply with the Institute of Internal Auditors' Global Internal Audit Standards.

1 Audit, Quality Assurance, and Data Analytics is responsible for maintaining audit
2 standards, consistency, and quality across Sempra’s internal audit function and provides
3 technical guidance related to changes in systems, processes, controls, and compliance mandates.
4 It also develops data analytics that enhances audit planning, execution, and monitoring activities.

5 Audit Services and Audit, Quality Assurance, and Data Analytics regularly coordinate
6 with each other and external auditors to avoid duplication and overlap of audit efforts which
7 helps control costs and promotes effective use of resources and associated costs. The groups
8 may also, where necessary, help monitor project spend, recommend process improvements and
9 identify and recommend solutions to business control issues.

10 Insurance and Risk Advisory manages Sempra’s, SDG&E’s, and SoCalGas’s financial
11 exposure to risks of loss through the procurement of insurance and other risk transfer
12 mechanisms in the commercial markets. This includes the management of a portfolio of
13 property and liability insurance programs. This group also supports SDG&E and SoCalGas
14 procurement and contracting activities by evaluating and recommending insurance requirements
15 for third party contracts. Detailed descriptions and projected direct costs of SDG&E’s and
16 SoCalGas’s insurance programs are presented in the Insurance testimony (Ex. SCG-15/SDGE-
17 19).

18 The Financial Rotational Leadership Program (FLP) which enables Sempra, SDG&E and
19 SoCalGas to attract and develop early-career professionals in accounting, finance, economics,
20 and data science disciplines, is also included in this area. Over the course of three years, FLP
21 participants rotate through roles in audit, tax, accounting, and finance, gaining experience that
22 prepares them for permanent positions. By providing a structured rotation through key business
23 functions, the program allows management to assess participants’ skills before potentially
24 placing them in permanent roles. This approach supports ratepayer affordability by lowering
25 recruitment and hiring costs and creating a pipeline of capable, lower-cost early-career
26 employees.

27 **2. Forecast Methodology**

28 The TY 2028 forecasts for Finance are based on BY 2025 representative activity.
29 Finance costs primarily consist of labor expenses, which were forecasted based on prior year
30 FTE levels and adjusted to reflect the anticipated levels in TY 2028. Additionally, the 2028
31 forecast for financial external audit fees is derived from the contracted amount in BY 2025,

1 escalated according to the annual contractual increase for the year following. Because these cost
2 components are anticipated to remain stable with minimal fluctuations and considering the
3 realignment of Corporate Center services beginning in 2025 as discussed in Section III.B.,
4 applying this forecasting methodology is the most pertinent and appropriate approach to
5 reasonably project the expected level of shared services for TY 2028.

6 Allocation of Finance Costs

7 Finance costs are allocated to SDG&E and SoCalGas using allocation methodologies that
8 reflect the nature of the services provided and the extent to which those services benefit each
9 operating company.

10 Corporate Accounting, Technical Accounting and Policies, Financial Reporting,
11 Financial Systems and Transformation, External Audit fees, Planning, and Insurance and Risk
12 Advisory perform enterprise-wide functions that support Sempra and its operating companies
13 collectively and are therefore allocated to SDG&E and SoCalGas using the Multi-Factor Basic
14 methodology.

15 HR Accounting, Employee Benefit Plan Financial Reporting, Tax Services, Treasury,
16 Audit Services, Audit, Quality Assurance, and Data Analytics, and the Financial Rotational
17 Leadership Program support multiple operating companies at levels that can be related to
18 identifiable cost drivers and are allocated to SDG&E and SoCalGas using CB allocation
19 methodologies.

20 Beginning in 2026, and consistent with changes in Sempra's operating company
21 structure, Finance costs previously allocated using the Multi-Factor Split methodology are
22 allocated using the Multi-Factor Basic methodology. Further discussion of this change is
23 provided in Section III.B.

24 **3. Cost Drivers**

25 Finance costs are driven by different factors based on the groups and cost allocation
26 methodologies described above. The primary cost drivers from BY 2025 to TY 2028 include the
27 following:

28 Direct labor costs within Finance are forecasted to decrease overall due to a reduction of
29 24 FTEs that are not being backfilled as a result of the realignment of Corporate Center services,
30 which is further discussed in Section III.B. This decrease is partially offset by stabilized and
31 predictable increases in base salary costs resulting from the Compensation Modernization

1 initiative, which is further covered in the Compensation & Benefits testimony (Ex. SCG-
 2 16/SDGE-20). These changes reflect underlying staffing and compensation adjustments and are
 3 separate from the standard labor escalation factors applied to derive escalated forecast amounts.

4 Non-labor costs within Finance are forecasted to stay consistent with BY 2025 levels.

5 Additionally, the operating company allocations to SDG&E and SoCalGas are forecasted
 6 to increase from BY 2025 to TY 2028 as a result of the realignment of Corporate Center
 7 services, which is further discussed in Section III.B., and are projected to offset the overall
 8 decreases in direct labor costs within this group that are discussed above. Consequently, Finance
 9 costs allocated to SDG&E and SoCalGas are forecasted to increase from BY 2025 to TY 2028 as
 10 presented in the table at the start of this section.

11 **B. Corporate Affairs and Human Resources**

12 **TABLE LG-6**
 13 **Corporate Affairs and Human Resources Summary of Costs**
 14 **(\$000's)**

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
B-1 Corporate Relations	1,789	74	1,863	1,963
B-2 Ethics & Investigations	798	(20)	778	846
B-3 Talent and Culture	3,130	(506)	2,624	2,850
B-4 Total Rewards	5,592	252	5,844	6,339
Total	11,309	(199)	11,110	11,998

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	4,570	(59)	4,511	4,869
SoCalGas	6,738	(140)	6,599	7,129
Total	11,309	(199)	11,110	11,998

Corporate Affairs and Human Resources costs allocated to SDG&E and SoCalGas are forecasted to decrease by \$0.2 million from BY 2025 to TY 2028. This is primarily due to overall decreases in direct labor costs and decreases in non-labor costs related to training reductions, offset by increases in operating company allocations associated with the realignment of Corporate Center services which is further discussed in Section III.B., as summarized below. The significant components of these changes are discussed in Section IV.B.3 below.

TABLE LG-7
Summary of Adjustments to Forecast – Corporate Affairs and Human Resources

Cost Category	Amount (\$ in millions)	Commentary
Labor	(\$1.0)	Elimination of an executive-level role in 2025, transfer of an executive-level role to the Utilities in 2026, reduction in FTEs in 2025, and exclusion of severance and other one-time labor costs
Compensation Modernization	0.2	Reflects changes in connection with the Compensation Modernization initiative
Non-labor	(0.5)	Primarily executive coaching training costs voluntarily excluded in TY 2028
Operating company allocations	1.1	Realignment of Corporate Center services
2025-2028 Incr/(Decr)	(\$0.2)	

1. Description of Costs and Underlying Activities

Corporate Affairs provides regulatory coordination and required reporting support necessary for SDG&E’s and SoCalGas’s ongoing interactions with governmental and regulatory authorities. Corporate Affairs works to build trust and credibility with regulators and stakeholders in support of SDG&E’s and SoCalGas’s ratepayer interests.

Human Resources supports the management and development of the organizational workforce through establishing and overseeing important enterprise-wide policies, procedures and programs. It provides certain shared services to SDG&E and SoCalGas, including employee compensation functions, payroll processing, and benefit plan administration. Also, Human Resources manages the Ethics and Investigations group, which creates and implements policies to foster a culture that reflects Sempra’s values and promotes an ethical and legally compliant business culture.

1 Certain Corporate Affairs and Human Resources costs are fully retained by Corporate
2 Center and are not allocated to SDG&E and SoCalGas in accordance with applicable regulations
3 or on a voluntary basis. These include:

- 4 • Costs associated with managing and operating the Sempra Foundation,
5 which funds community initiatives and programs related to energy
6 poverty, energy access, and disaster relief are excluded in accordance with
7 AB 1167;
- 8 • Costs associated with an enterprise-wide program that provides matching
9 funds for employees who make financial contributions or donate time to
10 any 501(c)(3) organization are excluded in accordance with FERC's
11 Uniform Systems of Accounts (426.1 Donations) and AB 1167;
- 12 • Charitable contributions and trade association memberships are excluded
13 in accordance with FERC's Uniform Systems of Accounts (426.1
14 Donations and 426.4 Expenditures for certain civic, political and related
15 activities) and AB 1167; and
- 16 • Memberships and trade association dues paid to 501(c)(6) organizations
17 are excluded in accordance with FERC's Uniform Systems of Accounts
18 (426.4 Expenditures for certain civic, political and related activities) and
19 AB 1167.

20 Certain additional Corporate Affairs and Human Resources costs allocated to SDG&E
21 and SoCalGas are excluded from this rate case in accordance with applicable regulations or on a
22 voluntary basis. These include:

- 23 • Sempra's Senior Vice President, Corporate Affairs and Human Resources
24 costs are excluded on a voluntary basis;
- 25 • Political influence activities, as defined by AB 1167, are excluded
26 including costs associated with the Government Affairs group; and
- 27 • Communications aimed at enhancing the Sempra public image are
28 excluded in accordance with AB 1167, including costs associated with
29 Corporate Citizenship, Corporate Communications, and Branding and
30 Marketing within the Corporate Relations group.

1 The following describes the groups within Corporate Affairs and Human Resources that
2 include cost allocations to SDG&E and SoCalGas (not including those costs that are fully
3 retained by Corporate Center or allocations that have been excluded).

4 ***B-1 Corporate Relations***

5 Annual Reporting is a Corporate Relations function that includes costs incurred to
6 compile, print, publish and distribute required external reports, including Sempra's Annual
7 Report to Shareholders (required by SEC regulations and California state law), the annual Proxy
8 Statement (required by SEC regulations), annual Sustainability Report, and SoCalGas's annual
9 Information Statement (required by SEC regulations).

10 Although these reports are issued at the Sempra level, they incorporate consolidated
11 financial statements, disclosures and other pertinent information that are substantially supported
12 by the regulated operations, financial results, and risk profiles of SDG&E and SoCalGas.

13 Annual Reporting also includes annual listing fees paid to the New York Stock Exchange and
14 fees paid to other entities, such as the Depository Trust Company, which are incurred in
15 connection with Sempra's public listing and capital-raising activities which support SDG&E's
16 and SoCalGas's operations and cost effectiveness.

17 ***B-2 Ethics and Investigations***

18 Ethics and Investigations is responsible for administering Sempra's enterprise-wide
19 ethics and compliance program. This includes oversight of ethics-related conduct, investigation
20 of reported concerns, and enterprise-wide training and awareness initiatives.

21 A core function of Ethics and Investigations is the administration of the Ethics &
22 Compliance Helpline (Helpline), which is supported by a third-party vendor and is available to
23 employees, contractors, ratepayers and members of the public. The group oversees the intake,
24 evaluation, and tracking of reported matters and, where appropriate, coordinates investigations in
25 partnership with Human Resources, Compliance, Legal, and other subject-matter experts.

26 By promoting ethical conduct and legal compliance, Ethics and Investigations helps
27 mitigate risks related to noncompliance, penalties, litigation, and operational disruption.
28 Through prevention and early detection of issues, these activities help protect ratepayers from
29 avoidable costs and support the continued safe and reliable operation of SDG&E and SoCalGas.

1 ***B-3 Talent and Culture***

2 Talent and Culture includes the following areas of responsibility:

3 Corporate Human Resources is responsible for human resources activities at Corporate
4 Center, including staffing and recruitment, new hire onboarding and orientation, ongoing
5 performance management, and management of employee transfers and attrition for Corporate
6 Center employees who support the groups providing shared services to SDG&E and SoCalGas.
7 This group enables staffing of Corporate Center with qualified, skilled individuals to provide the
8 shared services described in this testimony, thus benefiting ratepayers through the reduced costs
9 of obtaining these services on a shared basis.

10 Talent Development and Engagement provides professional development resources to
11 employees across Sempra, SDG&E and SoCalGas. These resources include training courses in
12 areas such as energy and utility industry knowledge, financial skills, leadership, and
13 communication; guidance for creating professional development plans; and tools for providing
14 effective feedback and annual performance discussions. Additionally, this group focuses on
15 improving overall employee engagement at Corporate Center. Research demonstrates that
16 higher levels of employee engagement are associated with improved work quality, lower
17 absenteeism and turnover, fewer safety incidents, and higher employee wellbeing.⁴

18 Overall, the activities of the Talent Development and Engagement group promote
19 retention of skilled employees, reduce compliance-related risks, and help mitigate the cost of
20 employee turnover, replacement, and retraining, thereby supporting ratepayer affordability goals
21 at SDG&E and SoCalGas.

22 HR Systems and Data is responsible for implementation and ongoing maintenance and
23 support for the human resources information systems used by Sempra, SDG&E and SoCalGas.
24 These systems include human capital management and timekeeping systems. HR Systems and
25 Data is also responsible for maintaining the completeness and accuracy of the sensitive
26 underlying human resources data stored in these systems, which is used for various planning,
27 forecasting, and reporting purposes. Proper maintenance and support for these systems is critical

⁴ Gallup, *The Relationship Between Engagement at Work and Organizational Outcomes: Q12® Meta-Analysis (11th Edition) (May 2024)*, available at: <https://www.gallup.com/workplace/321725/gallup-q12-meta-analysis-report.aspx>.

1 for employees to be paid timely and accurately and provide accessible, complete and accurate
2 HR data for internal and external purposes.

3 ***B-4 Total Rewards***

4 Total Rewards includes the following areas of responsibility:

5 Compensation and Payroll is responsible for administering employee compensation and
6 payroll programs for Sempra, SDG&E and SoCalGas. These activities include:

- 7 • Design of employee base pay and incentive compensation plans in
8 alignment with company objectives and market standards;
- 9 • Oversight and management of employee base pay and incentive
10 compensation plans, such as periodic benchmarking of salary data, in
11 order to offer equitable and market-based compensation packages for new
12 and existing job roles and for use in developing annual salary budgets for
13 internal and GRC forecasting purposes;
- 14 • Processing payroll for U.S.-based Sempra, SDG&E and SoCalGas
15 employees and complying with all employment tax reporting at the federal
16 and state levels;
- 17 • Compensation and payroll related compliance activities, including
18 developing and maintaining enterprise-wide policies that are in accordance
19 with federal and local wage and hour laws and regulations, conducting
20 federally required annual audits of pay practices in keeping with the
21 Office of Federal Contract Compliance Programs guidelines, and auditing
22 job classifications according to the Fair Labor Standards Act requirements
23 and other applicable laws; and
- 24 • Supporting SDG&E and SoCalGas union negotiations through analyzing
25 the cost and other impacts of proposed changes related to unionized
26 employee compensation.

27 Benefits is responsible for the design and ongoing administration of the employee
28 benefits programs offered to the employees and retirees of Sempra, SDG&E and SoCalGas.
29 Designing and administering SDG&E and SoCalGas benefit programs in accordance with
30 ERISA, DOL and other applicable rules and regulations allows ERISA qualified plans to receive
31 tax-advantaged treatment for both employers and participants, avoids penalties associated with

1 non-compliance, and safeguards benefit assets so that they are properly managed and preserved
2 for participants. Administration of the various benefit plans includes managing plan audits by
3 the DOL, IRS, and other regulatory bodies, and providing support for SDG&E and SoCalGas
4 union negotiations through analyzing the cost and other impacts of proposed changes related to
5 employee benefit plans.

6 Benefits functions are important for efficiently and cost effectively supporting the health
7 and wellness of employees and their families and dependents, which helps to reduce
8 absenteeism, turnover, and overall healthcare costs in support of ratepayer affordability goals at
9 SDG&E and SoCalGas. Separate, company-specific benefit programs/plans are offered at
10 Corporate Center, SDG&E and SoCalGas and include the following:

- 11 • Health benefits: medical, dental, vision, wellness, and employee assistance
12 program (EAP) benefits;
- 13 • Welfare benefits: long-term disability, critical illness workers'
14 compensation, life insurance, accidental death and dismemberment
15 (AD&D) insurance, and business travel accident insurance; and
- 16 • Retirement benefits: retirement savings (401(k)), pension, and other post-
17 retirement benefits plans.

18 As of December 31, 2024,⁵ these benefits programs cover approximately:

- 19 • 1,000 active employees and 2,100 retirees at Sempra (including Corporate
20 Center and Sempra's other operating companies exclusive of the Utilities);
- 21 • 4,500 active employees and 6,300 retirees at SDG&E; and
- 22 • 8,100 active employees and 12,000 retirees at SoCalGas.

23 Centralizing the administration of employee benefit programs at Corporate Center allows
24 Benefits to leverage the total employee and retiree population of Sempra and its operating
25 companies to obtain higher coverage levels at lower costs, resulting in more competitive and
26 cost-effective benefit coverage. This adds to ratepayer affordability by reducing employee and
27 retiree benefits costs for SDG&E and SoCalGas which would likely be higher if each utility were
28 to negotiate employee benefits on a standalone basis.

⁵ Represents the most recent annual data available.

1 Pensions and Trust Investments is responsible for managing the asset portfolios held in
2 trusts related to the ERISA qualified and non-qualified employee benefit plans of Sempra,
3 SDG&E and SoCalGas. This includes the assets held in trusts for SDG&E's and SoCalGas's
4 qualified pension and retiree health and benefit plans. Additionally, this group manages the
5 assets held in trusts relating to SDG&E's nuclear decommissioning obligations. The
6 responsibilities of this group include making recommendations pertaining to various aspects of
7 investment management, including investment policy, asset allocation, asset class and
8 investment management structure, along with ongoing monitoring of investment performance
9 and plan funded status.

10 **2. Forecast Methodology**

11 The TY 2028 forecasts for Corporate Affairs and Human Resources are based on BY
12 2025 representative activity, with direct labor costs being adjusted beginning in 2026 to reflect
13 the impact of the Compensation Modernization initiative, which is further covered in the
14 Compensation and Benefits testimony (Ex. SCG-16/SDGE-20). This forecast methodology is
15 appropriate because costs are anticipated to remain relatively stable for Corporate Affairs and
16 Human Resources.

17 Allocation of Corporate Affairs and Human Resources Costs

18 Annual Reporting, Ethics and Investigations, Corporate Human Resources, and Talent
19 Development and Engagement are enterprise-wide functions that benefit Sempra, SDG&E, and
20 SoCalGas. As costs cannot be directly attributed to specific cost drivers, they are allocated to
21 SDG&E and SoCalGas using the Multi-Factor Basic methodology.

22 HR Systems and Data, Compensation and Payroll, Benefits, and Pension and Trust
23 Investments costs are allocated to SDG&E and SoCalGas using CB allocation methodologies
24 because these groups support multiple Sempra operating companies, including SDG&E and
25 SoCalGas, at levels that can be attributed to each relative to specific cost drivers. Further details
26 of the CB allocation methodologies used for each of these groups, including specific cost drivers,
27 are included in the workpapers supporting this testimony.

28 **3. Cost Drivers**

29 Corporate Affairs and Human Resources costs are driven by different factors based on
30 the groups and cost allocation methodologies described above. The primary cost drivers from BY
31 2025 to TY 2028 are described below.

1 Direct labor costs within Corporate Affairs and Human Resources are forecasted to
2 decrease overall due to the retirement of an executive and attrition of an employee in 2025 that
3 are not being backfilled, as well as the transfer of an executive-level role from this group to the
4 Utilities in 2026. Direct labor is also forecasted to decrease in TY 2028 due to the exclusion of
5 severance, retention, and employee recognition costs that were incurred in 2025. Severance,
6 retention and employee recognition costs are highly variable from year to year and are unable to
7 be accurately forecasted. These decreases are partially offset by increases in base salary costs
8 resulting from the Compensation Modernization initiative, which is further covered in the
9 Compensation and Benefits testimony (Ex. SCG-16/SDGE-20).

10 Non-labor costs within Corporate Affairs and Human Resources are forecasted to
11 decrease overall primarily due to a decrease in training costs related to voluntarily excluding
12 certain executive coaching costs from allocation to SDG&E and SoCalGas.

13 However, the operating company allocations to SDG&E and SoCalGas are forecasted to
14 increase from BY 2025 to TY 2028 as a result of the realignment of Corporate Center services,
15 which is further discussed in Section III.B., and partially offset the overall decreases in both
16 direct labor and non-labor costs within this group. Consequently, Corporate Affairs and Human
17 Resources costs allocated to SDG&E and SoCalGas are forecasted to have a modest reduction
18 from BY 2025 to TY 2028 as presented in the table at the start of this section.

C. Legal, Compliance, and Governance

TABLE LG-8
Legal, Compliance, and Governance Summary of Costs
(\$000's)

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
C-1 Corporate Legal	5,334	(308)	5,026	5,488
C-2 Corporate Governance	1,509	95	1,604	1,752
C-3 Board of Directors	2,790	531	3,321	3,500
C-4 Litigation, Compliance, and Sustainability	4,146	(158)	3,988	4,316
C-5 Corporate Security	4,883	1,743	6,626	7,138
C-6 Cybersecurity	1,059	240	1,298	1,403
Total	19,720	2,144	21,864	23,597

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	8,562	1,533	10,096	10,899
SoCalGas	11,158	610	11,768	12,698
Total	19,720	2,144	21,864	23,597

Legal, Compliance, and Governance costs allocated to SDG&E and SoCalGas are forecasted to increase by \$2.1 million from BY 2025 to TY 2028. The change in costs is driven primarily by allocation changes associated with the realignment of Corporate Center services, which is further discussed in Section III.B. The allocation changes are partially offset by an overall decrease in direct labor costs for this group. This forecast increase is summarized in the table below and the significant components of the changes are discussed in Section IV.C.3. below.

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TABLE LG-9
Summary of Adjustments to Forecast – Legal, Compliance, and Governance

Cost Category	Amount (\$ in millions)	Commentary
Labor	(\$1.7)	Elimination of an executive-level role in 2026, reductions in FTEs in 2025 and 2026, and exclusion of severance and other one-time costs
Compensation Modernization	0.2	Reflects changes in connection with the Compensation Modernization initiative
Operating company allocations	3.6	Realignment of Corporate Center services
2025-2028 Incr/(Decr)	<u><u>\$2.1</u></u>	

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1. Description of Costs and Underlying Activities

Legal, Compliance, and Governance includes costs associated with: (i) internal legal services to Sempra, SDG&E and SoCalGas in areas such as litigation, labor and employment, securities law, large business transactions, Corporate Secretary and governance services, legal operations, and eDiscovery;⁶ (ii) the compliance and sustainability function; (iii) corporate governance, inclusive of the board of directors; and (iv) physical security and cybersecurity. These capabilities support Sempra’s businesses through representation in legal matters; managing compliance with applicable laws, statutes, regulations, and CPUC and judicial decisions; enabling appropriate governance and oversight; and advancing centralized physical and cybersecurity capabilities. Examples of how such services benefit SDG&E and SoCalGas ratepayers and support ratepayer affordability goals include initiating litigation to seek recovery or damages from third parties when such third parties have damaged SDG&E and/or SoCalGas assets, equipment, or facilities; affording legal advice and counsel to support procurement, sourcing, and other commercial contracting to facilitate cost management, ethical business practices, and compliance with applicable laws and regulations; and providing centralized governance and security departments to promote efficiencies and alignment across operating companies, thereby helping to mitigate costs and reduce risks in delivering safe, reliable, and affordable energy to the ratepayers and communities that SDG&E and SoCalGas serve.

⁶ Outside Legal Services are covered separately in section IV.E. of this testimony.

1 Certain Legal, Compliance, and Governance costs are allocated to SDG&E and
2 SoCalGas but are excluded from this proceeding in accordance with applicable regulations or on
3 a voluntary basis. These include:

- 4 • Sempra’s Chief Legal Counsel costs are excluded on a voluntary basis;
- 5 • Political influence activities, as defined by AB 1167, are excluded;
- 6 • Travel, lodging, catering, and other similar expenses for the Boards of
7 Directors of Sempra, SDG&E, and SoCalGas are excluded in accordance
8 with AB 1167;
- 9 • Transportation services used by officers and senior executives at Sempra,
10 SDG&E and SoCalGas are excluded in accordance with Senate Bill 901
11 and AB 1167; and
- 12 • Memberships and trade association dues paid to 501(c)(6) organizations
13 are excluded in accordance with FERC’s Uniform Systems of Accounts
14 (426.4 Expenditures for certain civic, political and related activities) and
15 AB 1167.

16 The following describes the groups within Legal, Compliance, and Governance that
17 include cost allocations to SDG&E and SoCalGas (not including those costs that are retained by
18 Corporate Center or allocations that have been excluded):

19 ***C-1 Corporate Legal***

20 Corporate Legal provides internal legal advice and counsel, along with oversight and
21 management of outside legal services, to Sempra, SDG&E, and SoCalGas. These services
22 support compliance with applicable laws and regulations, management of litigation and legal
23 risk, and the execution of required corporate, financing, and governance activities for the
24 Utilities.

25 Maintaining a centralized in-house legal function at Corporate Center allows SDG&E
26 and SoCalGas to access experienced legal resources with familiarity in utility activities,
27 regulatory requirements, and internal policies, without duplicating legal staffing at each utility.
28 This structure reduces reliance on outside counsel, enables timely and consistent legal guidance,
29 and supports efficient resolution of legal matters that could otherwise result in higher costs or
30 business disruption.

1 Corporate Legal also centrally manages the engagement and oversight of outside legal
2 counsel when specialized expertise or additional legal capacity is required. Centralized
3 management of outside counsel enables negotiation of more cost-effective fee arrangements,
4 consistent billing controls, and avoidance of unnecessary legal spend across operating
5 companies. Corporate Center costs associated with Outside Legal Services are addressed
6 separately in Section IV.E of this testimony.

7 Services provided by Corporate Legal include the following:

- 8 • Corporate and Securities Law: Provides legal advice and counsel in
9 support of debt and equity issuances, SEC reporting and compliance,
10 drafting of commercial contracts, review of commercial practices and
11 standard form agreements, and provides legal representation in
12 commercial negotiations and transactions in areas such as energy
13 efficiency, intellectual property, rights of way, transmission, underground
14 gas storage, and gas and electricity supply. Preventive counseling is also
15 provided in the areas of antitrust, legal compliance, and political law.
16 Corporate and Securities Law is also responsible for preparing and filing
17 SDG&E's and SoCalGas's registration statements for securities offerings
18 with the SEC, such as capital project related issuances of first mortgage
19 bonds for SDG&E and SoCalGas.
- 20 • Labor and Employment Law: Provides legal advice and counsel in matters
21 involving labor and employment laws, such as employee relations,
22 employee compensation and benefits, employee conduct, and compliance
23 with local, state, and federal laws and regulations applicable to employers.
24 This group also supports confidential investigations and responses to
25 human resources-related issues reported to the Ethics & Compliance
26 Helpline, represents SDG&E and SoCalGas in union-related matters
27 arising under collective bargaining agreements, and represents Sempra,
28 SDG&E, and SoCalGas in employment-related litigation in state and
29 federal courts and in proceedings before state and federal labor agencies,
30 such as Cal/OSHA (California Division of Occupational Safety and

1 Health), the Equal Employment Opportunity Commission, the Office of
2 Federal Contract Compliance, and the National Labor Relations Board.

- 3 • Legal Operations: Consists of non-lawyer professionals that provide
4 administrative support services to the legal groups at Sempra, SDG&E,
5 and SoCalGas, including document management, billing, budgeting,
6 management of legal news and research subscription services, and filings
7 with courts and other authorities.

8 ***C-2 Corporate Governance***

9 Corporate Governance supports the Boards of Directors of Sempra, SDG&E, and
10 SoCalGas and their committees by coordinating board and committee meetings; preparing
11 agendas, written consents and minutes; providing guidance regarding the documentation and
12 implementation of board and committee actions; and overseeing compliance with applicable
13 federal and state corporate governance requirements, including those arising under the California
14 Corporations Codes, federal securities laws, and applicable internal governance policies.

15 Corporate Governance also includes the Executive Projects and Events group, which supports
16 formal board and committee meeting logistics and materials coordination that are necessary for
17 the Boards and committees to effectively conduct required meetings and take formal actions.

18 These governance activities are centralized at Corporate Center to promote consistent
19 governance practices among the operating companies, maintain compliance with evolving legal
20 and regulatory requirements, and avoid the unnecessary duplication of support functions at the
21 Utilities. This centralized structure is cost-effective for ratepayers because it reduces duplicative
22 resources and associated costs while supporting the effective oversight of matters that directly
23 affect utility operations, including safety, reliability, and risk management.

24 ***C-3 Board of Directors***

25 Under the California Corporations Code, the business and affairs of a California
26 corporation, including Sempra, SDG&E, and SoCalGas, are managed by or under the direction
27 of their respective boards of directors. As a publicly traded company, Sempra is also subject to
28 federal securities laws and Sarbanes-Oxley Act of 2002 (SOX) requirements, which establish
29 governance standards applicable to Sempra's Board of Directors (Board) and its committees,
30 including requirements related to director independence, committee composition, and financial

1 oversight. These governance requirements provide the framework through which board-level
2 oversight is exercised for Sempra and its regulated utility subsidiaries.

3 Board-related costs included in this testimony primarily consist of cash and equity
4 retainer fees for non-employee directors and committee service. The Compensation and Talent
5 Development Committee of Sempra's Board annually engages an independent consultant to
6 review director compensation relative to peer practices to maintain reasonable and market-
7 competitive director compensation. The committee reviews this analysis and recommends any
8 compensation changes to the full Board for approval.

9 SDG&E and SoCalGas benefit from Sempra's Board-level governance structure because
10 it provides centralized oversight, governance, compliance, and risk management at the enterprise
11 level. Since the SDG&E and SoCalGas Boards consist of Sempra employee members only, they
12 rely on the Sempra Board to meet many of the federal securities laws and Sarbanes-Oxley Act of
13 2002 (SOX) requirements on their behalf. This approach is cost effective and supports consistent
14 oversight of matters affecting utility safety, reliability, and affordability for ratepayers.

15 ***C-4 Litigation, Compliance, and Sustainability***

16 Litigation, Compliance, and Sustainability is an enterprise-wide function that supports
17 litigation matters, regulatory compliance, safety oversight, risk management, and sustainability
18 reporting obligations. These functions include the following:

19 Litigation and Environmental Law advises and/or represents Sempra, SDG&E and
20 SoCalGas, in litigation matters arising primarily from disputes in the areas of commercial law
21 and tort law. This group also provides legal advice and counsel on environmental matters such as
22 air quality, water quality, waste management, site assessment and mitigation, endangered species
23 protection, and project review under the National Environmental Policy Act and the California
24 Environmental Quality Act. Non-lawyers in this group also support the legal hold and
25 eDiscovery processes for the legal matters that impact Sempra, SDG&E, and SoCalGas.

26 Corporate Compliance manages enterprise-wide compliance programs, policies, and
27 training designed to promote adherence to a culture of ethics and applicable legal and regulatory
28 requirements across operating companies. Centralized compliance oversight promotes
29 consistency, enables early identification and remediation of issues, and reduces the likelihood of
30 costly non-compliance events.

1 Corporate Compliance establishes and oversees enterprise-wide safety, emergency
2 preparedness and business resumption policies and frameworks that support employee and public
3 safety and continuity of essential utility services. This centralized governance allows SDG&E
4 and SoCalGas to leverage shared expertise and best practices in a cost-effective manner.

5 Corporate Sustainability provides sustainability governance across Sempra, SDG&E, and
6 SoCalGas. Centralizing this governance function helps promote consistency, accuracy, and
7 compliance with evolving reporting requirements.

8 Litigation, Compliance, and Sustainability supports the Utilities' compliance with
9 applicable laws, regulations, and reporting requirements, while mitigating risks that could
10 otherwise result in service disruptions, penalties, or increased costs to ratepayers. SDG&E and
11 SoCalGas benefit from a centralized function that would otherwise need to be replicated at each
12 of the Utilities, thereby avoiding duplicative costs while supporting efficient and consistent
13 oversight of these areas and affordability goals for ratepayers.

14 ***C-5 Corporate Security***

15 Corporate Security develops and oversees enterprise-wide physical security policies and
16 programs that protect SDG&E's and SoCalGas's employees, assets, information, and operations
17 from physical threats. These activities support employee and public safety, protect critical
18 infrastructure, and assist in the continuity of essential utility services.

19 Services provided by Corporate Security include the following:

- 20 • Risk management to identify, assess, control, and monitor potential
21 physical security risks across the operating companies;
- 22 • Intelligence analysis to continually assess potential threats, such as to
23 physical assets, operational systems, customer, company and employee
24 data, and develop actionable plans for risk mitigation, infrastructure
25 protection, and customer and employee safety;
- 26 • Management of physical security operations, including internal and
27 contracted security guard services and implementing, maintaining, and
28 testing physical security systems (e.g., access control, surveillance,
29 intrusion detection, and perimeter control systems), including performance
30 of site security reviews;

- Management and investigation of security incidents to determine and assist with responsive activities, corrective actions, coordination between public safety agencies and other bodies, and potential litigation activity;
- Facilitation of background checks for access to critical facilities at SDG&E and that comply with mandatory standards and regulations, such as by the North American Electric Reliability Corporation Critical Infrastructure Protection agency;
- Maintaining ongoing relationships with local, state, and federal law enforcement and other government agencies on issues of importance to Sempra, SDG&E, and SoCalGas;
- Training exercises and drills involving employees, public safety agencies, and other bodies to help improve security awareness and response; and
- Establishment and enforcement of security policies, plans, procedures, and regulations.

Centralizing physical security functions at Corporate Center allows SDG&E and SoCalGas to leverage shared expertise, standardized security policies, and coordinated threat monitoring in a cost-effective manner. Corporate Security supports risk identification and mitigation, incident response, and coordination with law enforcement and public safety agencies, helping to reduce the likelihood and impact of security incidents that could disrupt utility operations or increase costs to ratepayers.

C-6 Cybersecurity

Cybersecurity is responsible for the development and management of enterprise-wide cybersecurity policies and programs designed to protect SDG&E's and SoCalGas's digital infrastructure, data, and systems from cyber threats. It is a critical function which helps to maintain the security and safety of SDG&E's and SoCalGas's operations and mitigates disruption in business operations and essential services for SDG&E and SoCalGas ratepayers. Maintaining a strong Cybersecurity governance function also helps reduce the impact of cyber incidents which could result in increased costs to ratepayers, including cyber incident response and containment, financial impacts of unauthorized data exfiltration, cyber insurance premiums and restoration of affected infrastructure and systems. Services provided by Cybersecurity include the following:

- 1 • Development of policies and standards outlining minimum requirements
- 2 for managing cybersecurity;
- 3 • Risk reporting and cybersecurity maturity assessments to identify, assess,
- 4 and prioritize potential areas needing improvement;
- 5 • Oversight and management of tools to track policy exceptions, issues and
- 6 risks to enable closure of identified gaps;
- 7 • Facilitation of cybersecurity tabletops across the companies to practice
- 8 incident response and test plans to mitigate, contain and recover from a
- 9 cyber incident; and
- 10 • Training and awareness initiatives to educate employees and vendors on
- 11 cyber safety best practices including how to recognize threats such as
- 12 cyber social engineering and deep fakes, how to protect digital footprints
- 13 to deter attacks, and what to do when a cyber threat is identified.

14 **2. Forecast Methodology**

15 The TY 2028 forecasts for Legal, Compliance, and Governance are based on BY 2025
16 representative activity, with direct labor costs being adjusted beginning in 2026 to reflect the
17 impact of the Compensation Modernization initiative, which is further covered in the
18 Compensation and Benefits testimony (Ex. SCG-16/SDGE-20) and anticipated FTE levels in TY
19 2028. This forecast methodology is appropriate because costs are anticipated to remain relatively
20 stable for Legal, Compliance, and Governance.

21 Allocation of Legal, Compliance, and Governance Costs

22 Board of Directors, Corporate Compliance, Emergency Management and Business
23 Resumption, and Corporate Sustainability are primarily enterprise-wide groups that benefit
24 Sempra, SDG&E, and SoCalGas but cannot be directly assigned or attributed to an operating
25 company relative to specific cost driver(s); therefore, the costs are allocated to SDG&E and
26 SoCalGas using the Multi-Factor Basic methodology.

27 Corporate and Securities Law, Labor and Employment Law, Legal Operations (beginning
28 in 2026), Corporate Governance, Litigation and Environmental Law, Corporate Security, and
29 Cybersecurity costs are allocated to SDG&E and SoCalGas using CB allocation methodologies
30 because these groups support multiple Sempra operating companies, including SDG&E and
31 SoCalGas, at levels that can be attributed to each relative to specific cost drivers. Further details

1 of the CB allocation methodologies used for each of these groups, including specific cost drivers,
2 are included in the workpapers supporting this testimony.

3 **3. Cost Drivers**

4 Legal, Compliance, and Governance costs are driven by different factors based on the
5 groups and cost allocation methodologies described above. The primary cost drivers from BY
6 2025 to TY 2028 include the following:

7 Direct labor costs within Legal, Compliance, and Governance are forecasted to decrease
8 overall due to the retirement of an executive in 2026 that is not being backfilled, the attrition of
9 three employees in 2025 and 2026 that are not being backfilled, and the transfer of two
10 employees from this group to another Sempra operating company (non-Utilities) in 2026, as the
11 substantial majority of work and costs associated with the transferred employees can be directly
12 attributed to that operating company.

13 Direct labor costs are also forecasted to decrease in TY 2028 due to severance, retention,
14 employee recognition, and other similar one-time costs that were incurred in 2025. Severance,
15 retention and employee recognition are highly variable from year to year and unable to be
16 accurately forecasted. This decrease is partially offset by increases in base salary costs resulting
17 from the Compensation Modernization initiative, which is further covered in the Compensation
18 and Benefits testimony (Ex. SCG-16/SDGE-20).

19 Additionally, the operating company allocations to SDG&E and SoCalGas are forecasted
20 to increase from BY 2025 to TY 2028, as a result of the realignment of Corporate Center
21 services which is further discussed in Section III.B., and offset the overall decrease in direct
22 labor costs within this group. Consequently, Legal, Compliance, and Governance costs allocated
23 to SDG&E and SoCalGas are forecasted to increase from BY 2025 to TY 2028 as presented in
24 the table at the start of this section.

1 **D. Treasury Fees**

2 **TABLE LG-10**
 3 **Treasury Fees Summary of Costs**
 4 **(\$000's)**

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
D-1 Trustee & Rating Agency Fees	10,237	(101)	10,136	10,136
Total	10,237	(101)	10,136	10,136

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	5,598	617	6,215	6,215
SoCalGas	4,639	(718)	3,921	3,921
Total	10,237	(101)	10,136	10,136

5

6 Treasury Fees allocated to SDG&E and SoCalGas are forecasted to decrease \$0.1 million
 7 from BY 2025 to TY 2028. This is primarily due to consistent BY 2025 activity with slightly
 8 fewer bond issuances and higher revolving credit facility fees at SoCalGas, offset by slightly
 9 increased bond issuances at SDG&E. This is summarized below and the significant components
 10 of these changes are discussed in Section IV.D.3. below.

11 **TABLE LG-11**
 12 **Summary of Adjustments to Forecast – Treasury Fees**

Cost Category	Amount (\$ in millions)	Commentary
SoCalGas financing costs	(\$0.7)	Fewer bond issuances, offset by higher revolving credit facility fees
SDG&E financing costs	0.6	Increased bond issuances
2025-2028 Incr/(Decr)	(\$0.1)	

1 **1. Description of Costs and Underlying Activities**

2 Treasury Fees are managed by the Treasury group; however, they are being requested
3 separately from the costs included in Section IV.A. because they are directly assignable to
4 SDG&E and SoCalGas based on each utility’s specific financing activities and transactional
5 volumes, such as debt issuances and credit facility usage. Treasury Fees consist of the Trustee
6 and Rating Agency Fees category which includes amounts paid to the following:

- 7 • Trustees;
- 8 • Rating agencies; and
- 9 • Financial institutions for revolving credit facilities and letters of credit.

10 Fees are paid to trustees, such as bank or trust companies that manage and administer
11 financial instruments issued by SDG&E and SoCalGas, including bonds, as well as fees paid to
12 financial institutions to open, maintain and utilize revolving credit facilities and letters of credit.
13 This category also includes fees paid to credit rating agencies (i.e., Moody’s Investors Service,
14 Inc., S&P Global Ratings, and Fitch Ratings, Inc.) to evaluate the creditworthiness of SDG&E
15 and SoCalGas and financial obligations they issue, typically done through the assignment of a
16 “credit rating.” Credit ratings are generally required to execute financing transactions, including
17 debt issuances, and materially influence borrowing costs, such as the interest rates at which debt
18 is issued and the costs associated with revolving credit facilities.

19 The Treasury group centrally manages relationships with the rating agencies, trustees and
20 financial institutions and negotiates the rating agency, trustee and credit fees on behalf of
21 SDG&E and SoCalGas. With a centralized process, fewer staff are required than if SDG&E and
22 SoCalGas were to maintain their own staff for this function, supporting lower costs for
23 ratepayers. Consolidated negotiations and uniform expert personnel oversight increases
24 purchasing power and generally produces more favorable fee levels than SDG&E and SoCalGas
25 would likely achieve on their own. Centralized coordination also supports strong and stable
26 credit outcomes by aligning information and market interactions across both Utilities, reducing
27 the risk of adverse rating agency actions that would increase borrowing costs for utility projects.
28 Lower fees and a lower cost of debt reduce costs to ratepayers, directly supporting affordability
29 goals.

1 **2. Forecast Methodology**

2 The TY 2028 forecasts for Treasury Fees are based on BY 2025 representative activity,
3 with costs being adjusted to reflect slight changes to financing and credit activities in the test
4 year and the associated known fee structures. Forecasted costs in TY 2028 reflect a modest
5 reduction in Treasury Fees relative to BY 2025, and do not include any escalation.

6 Allocation of Treasury Fees Costs

7 Treasury Fees are assigned directly to the operating companies for which they are
8 contracted, thus the costs charged to ratepayers in this section exclusively relate to services
9 received by SDG&E or SoCalGas, and do not include services for other Sempra entities.

10 **3. Cost Drivers**

11 Treasury Fees are primarily driven by the level, size, and complexity of financing-related
12 transactions required to support SDG&E’s and SoCalGas’s capital structures and liquidity needs.
13 These costs include fees paid to credit rating agencies for ongoing evaluations of
14 creditworthiness and to trustees for administering debt issuances, both of which are required to
15 support cost-effective access to capital for the Utilities for the benefit of ratepayers.

16 SDG&E’s and SoCalGas’s capital structures include both long-term debt, such as
17 first-mortgage bonds, and short-term debt, such as commercial paper, which is supported by
18 revolving credit facilities. Accordingly, the primary drivers of financing-related fees are the
19 dollar value of debt issued or outstanding, and the number of issuances or transactions executed.
20 Certain rating agency and trustee fees are incurred on a recurring basis for the monitoring of
21 existing debt issuances and are driven by the total amount of debt outstanding in a given year.

22 Treasury Fees also include commitment and renewal (extension or refinancing) fees
23 associated with revolving credit facilities and letters of credit. Commitment fees are paid
24 annually and are determined based on an agreed-upon rate applied to the size of the credit facility
25 under the applicable credit agreement. Renewal fees are incurred as credit instruments approach
26 the end of their terms and are likewise based on agreed-upon rates tied to the size of the facility.
27 In general, renewals or extensions of existing credit facilities require fewer transactional steps
28 and less legal, trustee, and rating agency effort than the extinguishment and re-issuance of new
29 financing instruments, and therefore generally result in lower associated Treasury Fees, helping
30 to moderate financing costs and support affordability for SDG&E’s and SoCalGas’s ratepayers.

From BY 2025 to TY 2028, forecasted Treasury Fees are consistent with BY 2025 activity, with slightly reduced levels of bond issuances offsetting higher revolving credit facility fees, as presented in the table at the start of this section.

E. Outside Legal Services

**TABLE LG-12
Outside Legal Services Summary of Costs
(\$000's)**

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
E-1 Outside Legal Services	2,891	-	2,891	3,047
Total	2,891	-	2,891	3,047

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	1,243	-	1,243	1,310
SoCalGas	1,648	-	1,648	1,737
Total	2,891	-	2,891	3,047

1. Description of Costs and Underlying Activities

Outside Legal Services are used to provide legal counsel when the level of resources, skills, subject-matter expertise or overall capacity required to address a specific matter are not sufficiently available within the Legal groups at Sempra, SDG&E and SoCalGas. Outside legal counsel is also used for sensitive matters such as internal investigations or employee misconduct issues where independence or specialized experience may be needed.

This section consists solely of costs related to procuring third-party legal services; there are no FTEs and therefore no associated direct or indirect labor costs in this section. Additionally, this section only includes Outside Legal Services costs associated with Corporate Center legal matters that benefit SDG&E and SoCalGas but are not directly assignable to the Utilities. Outside Legal Services costs that can be directly assigned by legal matter to SDG&E

1 and SoCalGas are included in the SoCalGas and SDG&E Administrative & General testimonies
2 (Ex. SCG-19) and (Ex. SDGE-23).

3 Corporate Legal maintains a list of preferred law firms, ranging in size, selected to
4 represent Sempra, SDG&E, and SoCalGas across different subject matters. The list of preferred
5 firms is referred to as the “Community of Counsel.” Corporate Legal reviews the outside law
6 firms utilized, considering a number of different attributes including work product,
7 responsiveness, and cost effectiveness, among others. The objective is to reduce the overall
8 number of law firms used and concentrate work with a smaller number of firms to increase
9 Sempra’s purchasing power with them, thereby increasing efficiencies and reducing costs. The
10 selection process includes interviews with key lawyers and personnel within Sempra, SDG&E,
11 and SoCalGas that use outside counsel, as well as consideration of outside research concerning
12 billing practices, ethics, diversity, skill sets, and product offerings for each firm. This list is
13 reviewed at least annually, as business needs arise, and/or as law firms are proposed for addition
14 or removal. When evaluating and selecting outside legal counsel for particular matters, Corporate
15 Legal seeks to achieve efficiency and cost-effectiveness relative to the associated level of risk,
16 complexity, and scope of the legal matter at hand.

17 Certain Outside Legal Services costs are allocated to SDG&E and SoCalGas but are
18 excluded in accordance with applicable regulations or based on prior CPUC rulings, including:

- 19 • Costs not directly benefiting SDG&E and SoCalGas ratepayers, such as
20 shareholder disputes or corporate restructurings are excluded; and
- 21 • Costs associated with utility misconduct, safety violations, or other
22 enforcement actions taken by the CPUC or other regulatory bodies are
23 excluded.

24 Information required from D.24-12-074, Ordering Paragraph 53, is contained in the
25 Compliance testimony (Ex. SCG-30/SDGE-36).

26 **2. Forecast Methodology**

27 The TY 2028 forecasts for Outside Legal Services are based on BY 2025 activity. Legal
28 matters requiring the engagement of outside legal counsel are generally unique and can vary
29 from year to year, as outside legal counsel is typically used when the internal legal groups at
30 Sempra, SDG&E and SoCalGas are not available or are not of sufficient expertise to address a
31 specific legal matter. BY 2025 Outside Legal Services costs are considered representative of the

1 expected activity involving outside legal counsel for TY 2028, given BY 2025 costs are the most
 2 recently incurred annual costs and they include realignment of Corporate Center services
 3 considerations as discussed in Section III.B.

4 Allocation of Outside Legal Services Costs

5 The Outside Legal Services costs included in this group are allocated to SDG&E and
 6 SoCalGas using the Multi-Factor Basic methodology, as they are associated with Corporate
 7 Center legal matters that benefit SDG&E and SoCalGas but are not directly assignable to the
 8 Utilities.

9 **3. Cost Drivers**

10 Outside legal counsel is required to provide support when the level of resources, skills,
 11 subject-matter expertise, or overall capacity required to address a specific matter are not
 12 efficiently available within the Legal groups at Sempra, SDG&E and SoCalGas. Outside legal
 13 counsel is also used for sensitive matters such as internal investigations or employee misconduct
 14 issues where independence or specialized experience may be needed. Utilizing outside legal
 15 counsel allows these matters to be addressed without the need to permanently increase internal
 16 FTEs, thereby helping contain legal costs at SDG&E and SoCalGas.

17 **F. Facilities and Assets**

18 **TABLE LG-13**
 19 **Facilities and Assets Summary of Costs**
 20 **(\$000's)**

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
F-1 Depreciation Amortization	3,216	223	3,439	3,439
F-2 Property Taxes	1,039	1,664	2,703	2,703
F-3 Other Facilities and Assets	10,146	5,472	15,617	16,394
Total	14,400	7,360	21,760	22,535

21

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	8,292	7,179	15,471	16,043
SoCalGas	6,108	181	6,289	6,493
Total	14,400	7,360	21,760	22,535

1 Facilities and Assets costs allocated to SDG&E and SoCalGas are forecasted to increase
2 by \$7.4 million from BY 2025 to TY 2028. The change in costs is driven primarily by allocation
3 changes associated with the realignment of Corporate Center services which is further discussed
4 in Section III.B., as well as changes in government fees and taxes. These changes are
5 summarized below, with additional discussion of the significant drivers provided in Section
6 IV.F.3.

7 **TABLE LG-14**
8 **Summary of Adjustments to Forecast – Facilities and Assets**

Cost Category	Amount (\$ in millions)	Commentary
Non-labor	1.2	Primarily government fees and taxes due to potential expiring Proposition 8 ⁷ property tax reduction.
Operating company allocations	6.2	Realignment of Corporate Center services
2025-2028 Incr/(Decr)	\$7.4	

9 **1. Description of Costs and Underlying Activities**

10 Facilities and Assets include the costs associated with the assets at Corporate Center
11 headquarters, specifically asset depreciation and amortization, property taxes, and other facilities
12 expenses which primarily include rent and ongoing maintenance costs for the Corporate Center
13 office space. Corporate Center houses many shared service departments and critical control
14 functions that SDG&E and SoCalGas rely on, such as Cash Management, Payroll Services,
15 Employee Benefits Administration, and Cybersecurity.

⁷ Proposition 8 (1978) is a California rule providing temporary property tax relief when a property's market value on January 1 falls below its factored base year value (Proposition 13 value). It allows the county assessor to reduce the property's assessed value, resulting in lower property taxes. This reduction is temporary, and the assessed value may later increase by more than 2% annually until the original Proposition 13 assessed value is restored.

1 Certain Facilities and Assets costs are fully retained by Corporate Center and are not
2 allocated to SDG&E and SoCalGas on a voluntary basis. These include Corporate Center
3 headquarters costs for:

- 4 • Space occupied by Sempra Chairman, President, and CEO; Group
5 President, California Utilities; Executive Vice President (EVP); Chief
6 Financial Officer (CFO); VP, Controller and Chief Accounting Officer
7 (CAO); Sempra’s Senior Vice President, Corporate Affairs and Human
8 Resources; and Sempra’s Chief Legal Counsel are excluded on a voluntary
9 basis; and
- 10 • Space occupied by the Corporate Development, Investor Relations,
11 Corporate Citizenship, Corporate Communications, and Branding and
12 Marketing groups are excluded on a voluntary basis.

13 ***F-1 Depreciation Amortization***

14 Corporate Center utilizes the “following month convention” to record depreciation and
15 amortization. Any asset capitalized and/or placed in service in the current month will start being
16 depreciated or amortized in the following month. Corporate Center utilizes the straight-line
17 methodology to calculate depreciation and amortization whereby assets are depreciated or
18 amortized evenly and ratably over a period of time based on their asset classes and expected
19 useful lives following Sempra’s accounting policies. For example, most computer hardware is
20 depreciated over five years and most leasehold improvements are depreciated over twenty-five
21 years.

22 Depreciation Amortization also includes an asset carrying charge, or a Rate of Return
23 (ROR) on the asset net book value (NBV). NBV equals the asset acquisition cost less
24 accumulated depreciation, and the Corporate Center asset base is the aggregate NBV of all its
25 fixed assets. The ROR charge is applied so that corporate assets earn the same authorized return
26 as utility assets when included in cost of service. The rate is set annually by computing the
27 average NBV on a book basis and a tax basis (simple average of prior year ended 12/31 actual
28 and current year ended 12/31 projected), then converting their difference to an average deferred
29 tax balance using the combined federal and state tax rates. The calculated average deferred tax

1 balance is multiplied by the lower of the two authorized RORs for SDG&E and SoCalGas.⁸ The
2 calculation of the annual ROR charge is divided by twelve to derive monthly amounts which
3 remain constant throughout the year to comply with CPUC requirements.

4 The following discussion provides additional information on the primary categories of
5 facilities and assets at Corporate Center for which depreciation and amortization are calculated
6 and allocated to SDG&E and SoCalGas:

7 1. Sempra Corporate Headquarters

8 This category includes the Sempra corporate headquarters building at 488 8th Avenue in
9 San Diego, California 92101, together with its leasehold improvements, furniture and fixtures,
10 and information technology (IT) and other equipment used by employees and other building
11 occupants.

12 2. Hardware and Software

13 The hardware category consists primarily of network servers. The software category
14 consists of desktop and server-based applications, including information systems that have been
15 modified or developed to support shared services functions. Examples include systems for
16 human resources management, timekeeping, accounting and financial reporting, tax accounting
17 and reporting, and information security.

18 3. Other Equipment

19 Other Equipment includes miscellaneous assets such as signage, security-related
20 equipment, and employee health and wellness equipment.

21 ***F-2 Property Taxes***

22 Property Taxes include the annual taxes that Sempra, as a property owner, is required to
23 pay to local governments. Property Taxes are typically calculated based on the assessed value of
24 the property in accordance with the laws and regulations of the local governments. Property
25 Taxes include amounts paid at Corporate Center for assets owned by the Sempra parent
26 company, and not for assets owned by SDG&E, SoCalGas, or any other Sempra operating
27 company.

⁸ The asset carrying charge rates charged to SoCalGas and SDG&E are based on a 7.49% ROR for SoCalGas and a 7.45% ROR for SDG&E, as set forth in Energy Division Resolution E-5306. As SoCalGas's rate was the lower of the two, the 7.45% was used in the Corporate Center ROR calculation.

1 ***F-3 Other Facilities and Assets***

2 Other Facilities and Assets expenses include the following:

- 3 • Rent and ongoing maintenance expenses for the Sempra Corporate
4 headquarters building including items like structural, mechanical,
5 electrical, interior and exterior maintenance;
- 6 • Management and operation of the Corporate IT Help Desk, which
7 provides technical support to all Sempra, SDG&E and SoCalGas
8 employees for issues related to computers and equipment, including
9 applications and software, system access, and IT security; and
- 10 • Lease and ongoing maintenance expenses for rented assets, such as multi-
11 use copiers/printers.

12 **2. Forecast Methodology**

13 The TY 2028 forecasts for Facilities and Assets are based on BY 2025 representative
14 activity. The BY 2025 forecast methodology is appropriate because Facilities and Assets costs
15 are largely driven by existing assets, contractual arrangements, and routine operating activities
16 that remain relatively stable over time. Depreciation and amortization are forecasted based on the
17 existing Corporate Center headquarters asset base and changes in NBV, while property taxes
18 reflect BY 2025 assessed values with adjustments for known items. Although the underlying
19 cost structure remains stable, the TY 2028 forecast reflects higher allocations to SDG&E and
20 SoCalGas due to the realignment of Corporate Center services, as discussed in Section III.B.

21 Allocation of Facilities and Assets Costs

22 Depreciation and amortization for the Sempra Corporate headquarters assets is allocated
23 first based on direct occupancy, which reflects the relative square footage occupied by SDG&E
24 and SoCalGas. This methodology reasonably reflects the level of use of the Sempra Corporate
25 headquarters facility by each of the Utilities.

26 To the extent the Sempra Corporate headquarters is used by shared Corporate Center
27 functions that benefit multiple operating companies collectively and cannot be directly attributed
28 to a specific utility, such costs are allocated using the Multi-Factor Basic methodology.

29 Depreciation and amortization for hardware and software is allocated using direct
30 assignment or CB methodologies where usage can be reasonably identified, such as based on the

1 number of users or employees served at each utility. These allocation methodologies reflect the
2 relationship between system usage and associated costs.

3 Any remaining hardware and software costs associated with systems that support
4 Corporate Center functions benefiting multiple operating companies collectively are allocated
5 using the Multi-Factor Basic methodology, reflecting the enterprise-wide nature of these
6 systems.

7 Depreciation and amortization for other equipment is allocated primarily using the
8 Multi-Factor Basic methodology because these assets support Corporate Center operations
9 broadly and do not have a direct causal relationship to a single operating company.

10 Property Taxes associated with the Sempra Corporate headquarters are allocated to
11 SDG&E and SoCalGas based on direct occupancy, consistent with the allocation methodology
12 used for depreciation and amortization of those assets. This approach reflects the relationship
13 between property usage and tax obligations.

14 Property Taxes associated with assets that support Corporate Center operations more
15 broadly and are not directly attributable to specific occupancy are allocated using the
16 Multi-Factor Basic methodology.

17 Rent and ongoing maintenance expenses for the Sempra Corporate headquarters are
18 allocated first to SDG&E and SoCalGas based on direct occupancy, reflecting each utility's use
19 of the facility. Remaining costs associated with common areas that support shared Corporate
20 Center functions are allocated using the Multi-Factor Basic methodology.

21 Sublease income from leased floors or portions of the Sempra Corporate headquarters,
22 where applicable, is credited against Facilities and Assets costs and allocated using the same
23 methodology as the associated expenses.

24 The Corporate IT Help Desk, which provides technical support to Sempra, SDG&E, and
25 SoCalGas employees for computers, applications, system access, and information security, is a
26 shared resource that benefits all operating companies. Because the IT Help Desk services are
27 shared and do not have a direct causal relationship to a single utility, related costs are allocated to
28 SDG&E and SoCalGas using the Multi-Factor Basic methodology.

29 Leased equipment and other miscellaneous facilities-related operating costs are allocated
30 using direct assignment or CB methodologies where usage can be identified, with remaining
31 shared costs allocated using the Multi-Factor Basic methodology.

1 **3. Cost Drivers**

2 Facilities and Assets costs are driven by different factors based on the cost categories and
3 cost allocation methodologies described above. The primary cost drivers from BY 2025 to TY
4 2028 include the following.

5 Depreciation and ROR within Facilities and Assets are forecasted to slightly decrease due
6 to lower depreciation associated with the Sempra Corporate headquarters and certain financial
7 system assets that are largely depreciated over the forecast period. As assets reach the end of
8 their depreciable lives, both depreciation expense and the associated ROR decline, resulting in
9 lower forecasted costs in TY 2028.

10 Government fees and taxes within Facilities and Assets are forecasted to change from BY
11 2025 to TY 2028 primarily due to assumptions related to property tax treatment, including the
12 potential expiration of the Proposition 8 assessment reduction. Changes in assessed values and
13 applicable tax assumptions drive differences in property tax expense over the forecasted period.
14 These changes reflect allocation impacts and unavoidable facility-related costs and do not reflect
15 expansion of corporate real estate or facilities.

16 The operating company allocations to SDG&E and SoCalGas are forecasted to increase
17 from BY 2025 to TY 2028 as a result of the realignment of Corporate Center services, which is
18 further discussed in Section III.B. While it is anticipated that SDG&E will ultimately occupy
19 four additional floors at the Sempra Corporate headquarters facility, the specific groups, FTEs,
20 and timing of such occupancy have not yet been finalized. Detailed space planning decisions are
21 in process, and organizational needs, space availability and timing will become clearer upon
22 completion of the realignment of Corporate Center services. This allocation impact more than
23 offsets the decreases associated with depreciation and ROR, as well as changes in government
24 fees and taxes.

1 **G. Compensation and Benefits**

2 **TABLE LG-15**
 3 **Compensation and Benefits Summary of Costs**
 4 **(\$000's)**

Services Provided	Utility Allocations			
	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
G-1 Employee Benefits	8,863	1,572	10,436	11,456
G-2 Payroll Taxes	4,287	(938)	3,349	3,676
G-3 Incentive Compensation	11,370	(4,068)	7,302	8,014
Total	24,519	(3,433)	21,086	23,145

Utility Billed Costs	Base Year 2025	2025-2028 Incr/(Decr)	Test Year Forecast Constant 2025 \$'s 2028	Test Year Forecast Escalated 2028
SDG&E	11,210	(1,260)	9,951	10,921
SoCalGas	13,310	(2,173)	11,136	12,224
Total	24,519	(3,433)	21,086	23,145

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6 Compensation and Benefits costs allocated to SDG&E and SoCalGas are forecasted to
 7 decrease by \$3.4 million from BY 2025 to TY 2028. This is primarily due to overall decreases in
 8 Employee Benefits, Payroll Taxes, and Incentive Compensation, partially offset by increases in
 9 operating company allocations associated with the realignment of Corporate Center services
 10 which is further discussed in Section III.B.. This is summarized below and the significant
 11 components of these changes are discussed in Section IV.G.3. below.

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TABLE LG-16
Summary of Adjustments to Forecast – Compensation and Benefits

Cost Category	Amount <i>(\$ in millions)</i>	Commentary
Employee Benefits	(\$0.5)	Includes FTE reductions, partially offset by benefit cost increases
Payroll Taxes	(2.0)	Exclusion of payroll taxes related to FTE reductions
Incentive Compensation	(5.6)	Exclusion of above target awards in BY 2025 and inclusion of FTE reductions
Compensation Modernization	(1.1)	Reflects changes in connection with the Compensation Modernization initiative
Operating company allocations	5.8	Realignment of Corporate Center services
2025-2028 Incr/(Decr)	(\$3.4)	

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1. Description of Costs and Underlying Activities

Compensation and Benefits includes Employee Benefits, Payroll Taxes, and Incentive Compensation for Corporate Center employees who support SDG&E and SoCalGas, often referred to as “labor overhead costs.” Labor overhead costs are not part of the labor costs included in the amounts presented in Sections IV.A. through IV.C. above.

Note that all Compensation and Benefits costs associated with the Sempra Chairman, President, and CEO; Executive Vice President (EVP), California Utilities; Executive Vice President, Sempra; Chief Financial Officer (CFO); VP, Controller and Chief Accounting Officer (CAO); Sempra’s Senior Vice President, Corporate Affairs and Human Resources; Sempra’s Chief Legal Counsel; and the Corporate Development group are excluded on a voluntary basis. Also, the Investor Relations, Corporate Citizenship, Corporate Communications, and Branding and Marketing groups are excluded in accordance with AB 1167 or on a voluntary basis.

In addition, all long-term incentive compensation and supplemental executive retirement costs for Corporate Center employees are allocated to SDG&E and SoCalGas but are excluded from amounts above on a voluntary basis.

G-1 Employee Benefits

Employee Benefits include the costs associated with the employee benefits programs offered to Corporate Center employees and its retirees:

- 1 • Health benefits: medical, dental, vision, wellness, and EAP benefits;
- 2 • Welfare benefits: long-term disability, workers' compensation, life
- 3 insurance, AD&D insurance, and business travel accident insurance;
- 4 • Retirement benefits: pension, post-retirement benefits, and retirement
- 5 savings plan; and
- 6 • Other benefit programs.

7 The employee benefit programs provided to Corporate Center employees are comparable
8 to those provided to SDG&E and SoCalGas employees and are described in the Compensation &
9 Benefits testimony (Ex. SCG-16/SDGE-20). Additionally, the pension and postretirement
10 benefit plans at Corporate Center are comparable to certain of those provided to SDG&E and
11 SoCalGas employees and are described in the Pension & Postretirement Benefits Other Than
12 Pension testimony (Ex. SCG-17/SDGE-21).

13 ***G-2 Payroll Taxes***

14 Payroll Taxes include taxes that employers are required to pay to federal and state
15 governments in accordance with applicable laws and regulations, such as the employer share of
16 Social Security and Medicare, federal and state unemployment taxes, and other state-specific
17 taxes like disability insurance in California.

18 ***G-3 Incentive Compensation***

19 Incentive Compensation is the variable compensation paid to Corporate Center
20 employees on an annual basis as part of their reasonable and “at market” total compensation,
21 which is subject to the achievement of individual employee and company performance measures.
22 Incentive Compensation benefits ratepayers because employees are incentivized to meet
23 company goals, including those for safety, affordability and financial health, by placing a portion
24 of employee compensation at-risk. The incentive compensation programs provided to Corporate
25 Center employees are comparable to those provided to SDG&E and SoCalGas employees as
26 described in the Compensation & Benefits testimony (Ex. SCG-16/SDGE-20).

27 **2. Forecast Methodology**

28 The TY 2028 forecasts for Compensation and Benefits are based on BY 2025
29 representative activity. Compensation and Benefits costs are derived by applying overhead rates
30 to base salary costs as adjusted for the realignment of Corporate Center services beginning in
31 2025 as discussed in Section III.B. and the increases in base salary costs resulting from the

1 Compensation Modernization initiative, which is further covered in the Compensation and
2 Benefits testimony (Ex. SCG-16/SDGE-20). Because these Corporate Center overhead rates are
3 anticipated to remain stable with minimal fluctuations, applying the BY 2025 forecasting
4 methodology is an appropriate approach to reasonably project the expected costs for TY 2028.

5 Allocation of Compensation and Benefits Costs

6 Compensation and Benefits costs are allocated to SDG&E and SoCalGas using the same
7 methodologies as the direct labor costs to which they relate and from which they are generated,
8 which are discussed for each group in Sections IV.A. through IV.C. above.

9 **3. Cost Drivers**

10 Cost drivers related to the projected overhead rates that are used to forecast Employee
11 Benefits costs include known or expected changes in benefits offered, program participants,
12 benefit costs, and liability projections, including information provided by third-party actuaries as
13 covered by the Compensation & Benefits testimony (Ex. SCG-16/SDGE-20) and Pension &
14 Postretirement Benefits Other Than Pension testimony (Ex. SCG-17/SDGE-21).

15 Cost drivers related to the projected overhead rates that are used to forecast Payroll Taxes
16 include changes in federal and state laws and regulations that could impact tax rates or taxes
17 required to be paid. Also, TY 2028 forecasts exclude payroll taxes related to FTE reductions.

18 Cost drivers related to Incentive Compensation include employee base salaries and
19 employee and company performance programs at the target level. These were impacted by the
20 Compensation Modernization initiative, which is further covered in the Compensation and
21 Benefits testimony (Ex. SCG-16/SDGE-20) as employee base salaries increased and employee
22 incentive compensation program targets decreased, resulting in an overall decrease in TY 2028
23 Incentive Compensation costs. Additionally, TY 2028 Incentive Compensation forecasts are
24 based on the assumption of payout at target performance levels which may differ from actual
25 results. The details of Corporate Center's incentive compensation programs are covered in the
26 Compensation & Benefits testimony (Ex. SCG-16/SDGE-20).

27 Additionally, cost drivers from BY 2025 to TY 2028 for Employee Benefits, Payroll
28 Taxes, and Incentive Compensation include changes in Corporate Center FTEs related to
29 retirements and employee attrition that are not being backfilled and transfers of employees from
30 Corporate Center to the Utilities or another Sempra operating company which are disclosed for
31 each group in Sections IV.A. through IV.C.

1 Also, the operating company allocations to SDG&E and SoCalGas are forecasted to
 2 increase from BY 2025 to TY 2028 as a result of the realignment of Corporate Center services,
 3 which is further discussed in Section III.B., and partially offset the overall decreases in
 4 Compensation and Benefits costs that are discussed above.

5 **V. CONCLUSION**

6 The Corporate Center services described in this testimony are functions that are essential
 7 to large-scale public utilities. Through the centralized Corporate Center, SDG&E and SoCalGas
 8 receive efficient and cost-effective services. SDG&E and SoCalGas benefit from this approach
 9 by sharing, and thus reducing, the overall costs of the services provided by Corporate Center
 10 functions that they would otherwise likely perform on a standalone basis. By centralizing these
 11 functions and leveraging economies of scale, specialized expertise, and consistent
 12 enterprise-wide oversight, the Corporate Center structure reduces total costs and supports
 13 ratepayer affordability.

14 Below is a summary of the Corporate Center O&M costs allocated to SDG&E and
 15 SoCalGas for TY 2028. The Summary of Earnings testimonies Ex. SCG-27 and Ex. SDGE-32
 16 shows the Corporate Center allocations as non-standard charges under A&G Combined (Non-
 17 Shared Services).

18 **TABLE LG-17**
 19 **Test Year 2028 Summary of Utility Billed Costs (Escalated \$000's)**

Services Provided	Test Year 2028 Utility Billed Costs		
	SDG&E	SoCalGas	Total Utilities
A. Finance	18,732	20,166	38,898
B. Corporate Affairs and Human Resources	4,869	7,129	11,998
C. Legal, Compliance, and Governance	10,899	12,698	23,597
D. Treasury Fees	6,215	3,921	10,136
E. Outside Legal Services	1,310	1,737	3,047
F. Facilities and Assets	16,043	6,493	22,535
G. Compensation and Benefits	10,921	12,224	23,145
Total	68,989	64,367	133,356

Services by FERC Account	SDG&E	SoCalGas	Total Utilities
F923.1 – Outside Services Employed	66,910	63,007	129,917
F923.4 – Depreciation & ROR	2,079	1,360	3,439
Total	68,989	64,367	133,356

1 This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Lisa A. Gigliotti. My business address is 488 8th Avenue, San Diego,
3 California, 92101. My current position is Director, Corporate Accounting for Sempra. My
4 present responsibilities are to direct the accounting department for Corporate Center which
5 includes the Parent & Other segment, the Sempra Texas segment, and employee benefit plan
6 accounting and financial reporting for Sempra, SDG&E, and SoCalGas. I received my Bachelor
7 of Science Degree in Business Administration with an emphasis in Accounting from San Diego
8 State University, and I am a Certified Public Accountant in the State of California. I have
9 worked at Sempra since 2002, and have held various accounting roles over the years, including
10 Parent & Other Accounting Manager, Sempra Generation Accounting Manager and Sempra
11 Renewables Controller. I have been in my current role since 2019. I have not previously
12 testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

APPENDIX A

Glossary of Terms

ACRONYM	DEFINITION
A&G	Administrative and General
AD&D	Accidental Death and Dismemberment
AB 1167	California Assembly Bill 1167
AD&D	Accidental Death and Dismemberment
Board	Sempra's Board of Directors
BY	Base Year
Cal/OSHA	California Division of Occupational Safety and Health
CAO	Chief Accounting Officer
CB	Causal/Beneficial
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Commission	California Public Utilities Commission
CPUC	California Public Utilities Commission
CSS	Corporate Shared Services
D.	Decision
DOL	Department of Labor
EAP	Employee Assistance Program
eDiscovery	Process of identifying, collecting, and preserving electronic information for use as evidence in legal investigations and cases
ERISA	Employee Retirement Income Security Act of 1974
EVP	Executive Vice President
Ex.	Exhibit
FERC	Federal Energy Regulatory Commission
FLP	Financial Rotation Leadership Program
FTE	Full-Time Employee or Equivalent
GAAP	U.S. Generally Accepted Accounting Principles
GRC	General Rate Case
HR	Human Resources
Helpline	Ethics & Compliance Helpline
IRS	Internal Revenue Service
IT	Information Technology
NBV	Net Book Value
O&M	Operations and Maintenance
ROR	Rate of Return
SDG&E	San Diego Gas & Electric Company
SEC	Securities and Exchange Commission
SoCalGas	Southern California Gas Company
SOX	Sarbanes-Oxley Act of 2002
TAAP	Technical Accounting, Advisory and Policies
TY	Test Year

Utilities	SDG&E and SoCalGas
USS	Utility Shared Services
VP	Vice President