

ORA DATA REQUEST
ORA-SDG&E-DR-020-STA
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: DECEMBER 10, 2014
DATE RESPONDED: DECEMBER 29, 2014

Exhibit Reference: SDG&E-22 and workpapers

Subject: Compensation, Health, and Welfare

Please provide the following:

1. Actual 2014 adjusted recorded expenses, in a format that matches the workpapers as closely as possible. If this information is not currently available, please state when it can be expected.

SDG&E Response:

2014 financial information will not be available until after SDG&E makes its 10-K filing with the SEC in early 2015.

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2. The performance measures for the Incentive Compensation Plan (ICP) for each job category (executive, managerial, professional/technical, physical/technical, and clerical) or major sub-category (senior director, director, senior manager, manager, etc.) for each of the last ten years through 2014.

SDG&E Response:

For the performance measures for the ICP, for Plan Years 2006 – 2009, please refer to the plan documents in the DRA Master Data Request for SDGE 2012 GRC, Chapter 20, Question #3.

For Plan Years 2009 – 2013, please refer to the plan documents in the ORA Master Data Request for SDGE 2016 GRC, Chapter 18, Question #3.

Please see attachments below for the 2014 ICP Plan Documents for SDGE:

SDG&E-DR-ORA-STA-020 Question 2a.docx
SDG&E-DR-ORA-STA-020 Question 2b.docx
SDG&E-DR-ORA-STA-020 Question 2c.docx
ORA-SDG&E-DR-020-STA Question 2.pdf

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3. Detailed explanations of:
- a. How it is determined that the performance measures are reasonable;
 - b. How it is determined that the performance measures have been met;
 - c. The procedures in place to ensure that the performance measures are met;
 - d. The results of any internal or external audit or investigation of the ICP, its reasonableness, and/or its payouts in the last ten years through 2014.

SDG&E Response:

The following process illustrates how performance measures are set and met.

ICP performance measures are identified over the course of various discussions and meetings about the company objectives. The Human Resources Department contacts each management employee responsible for the function to develop the metrics for each measure. Final approval of the performance measures and metrics are approved by the SDG&E Board of Directors.

To determine whether or not the company met its goals, SDG&E evaluates the success for each performance measure by comparing the quantified goal to the actual results. Award potentials are linearly interpolated between the minimum and target, or target and maximum goals.

After the end of the plan year, Internal Auditors review and verify results and performance against incentive goals. Audited company financial and operating results are presented to the SDG&E Board of Directors for approval.

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4. The target data for the ICP for each job category (executive, managerial, professional/technical, physical/technical, and clerical) or major sub-category (senior director, director, senior manager, manager, etc.) for each of the last ten years through 2014.

SDG&E Response:

See attachment, SDG&E-DR-ORA-STA-020 Question 4.xlsx, for the target ICP levels for the clerical/associate, management, and executives groups for SDGE.

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5. Detailed explanations for any year where any target does not meet or exceed the prior year's target.

SDG&E Response:

Please refer to the 2014 ICP Plan attachment in Question 2 above as well as attachment ORA-SDG&E-DR-020-STA Question 5.pdf attached for this question.

There are several goals that make up the ICP financial and operational goals. The targets on those goals change year to year. Also, new goals are added and old goals are removed based on the current business/industry/company environment. Several of these goals are weighted at five percent or less. It would be administratively burdensome to identify the year over year changes and even more difficult to track down the "owner" of that goal to get an explanation on why that particular goal was lower from the previous year in that particular year. SDG&E has no need for this type of report in its ongoing operations and therefore has not created this report nor is this report available. Creation of this report would be unduly burdensome.

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6. The actual payout data for the ICP for each job category (executive, managerial, professional/technical, physical/technical, and clerical) or major sub-category (senior director, director, senior manager, manager, etc.) for each of the last ten years through 2014.

SDG&E Response:

For the actual payout data for the ICP for each job category, for Plan Years 2005 – 2009, please refer to the DRA Master Data Request for SDGE 2012 GRC, Chapter 20, Question #1.

For Plan Years 2009 – 2013, please refer to the ORA Master Data Request for SDGE 2016 GRC, Chapter 18, Question 1.

Payouts for Plan Year 2014 will not be available until after SDG&E makes its 10-K filing with the SEC in early 2015.

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7. Detailed explanation of how an employee might earn a higher-than-target payout.

SDG&E Response:

All eligible employees receive the “company” share of the award (financial and operating measures) which is 50 % of the total ICP. The “company” share can produce a higher-than-target payout if performance for the financial and operating measures exceeds the financial and operating target performance measures in the plan.

The remaining 50% of the award is based on each individual’s performance and their contribution toward meeting company, department, and individual goals. The Individual Performance Measure has a range for distribution from 0-200% of each employee’s individual performance target. Therefore, the higher performing individuals receive awards close to the upper end of the range for their individual performance while the lower performing individuals receive awards toward the lower end of the range.

However, since there is an established budget for the individual performance component, managers must stay within budget while ensuring equitable distribution to their employees based on each employee’s performance.

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8. Detailed explanation of the consequences if an employee does not meet the performance measures outlined in the ICP.

SDG&E Response:

The ICP plan states that to be eligible, an “employee has met minimum job expectations and performed satisfactorily, as determined by his/her supervisor in conjunction with Human Resources.”

If the employee does not meet the performance measures, the employee will not receive an ICP payout for that year.

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9. A list of every employee who did not earn an ICP payout for each of the last ten years through 2014. Please exclude any employees who were not eligible for ICP for any reason.

SDG&E Response:

It would be administratively burdensome to identify every employee who did not receive a payout for the last 10 years. SDG&E has no report available and therefore cannot answer this question for the full time period requested. However, as referenced below, SDG&E provided data for a sample plan year in the Master Data Request.

As shown below, the number of employees who are eligible for but do not received ICP generally is a very small percentage of the total number of eligible employees. In the ORA Master Data Request for SDGE 2016, GRC, Chapter 18, Question #8 (A.14-11-003), SDG&E answered:

The ICP plan states that to be eligible, an “employee has met minimum job expectations and performed satisfactorily, as determined by his/her supervisor in conjunction with Human Resources.” For the 2013 plan year paid on 3/15/14, six employees in the SDG&E ICP plan had their awards significantly reduced due to poor performance. Furthermore, five additional employees in the SDGE ICP plan had their awards eliminated due to poor performance.

For the remaining employees, all eligible employees receive the “company” share of the award (financial and operating measures) which is 50 % of the total ICP. The remaining 50% of the award is a fixed budget and is distributed based on each individual’s performance and their contribution toward meeting company goals. The Individual Performance Measure has a range for distribution from 0-200% of their individual performance target. Therefore the higher performing individuals receive awards close to the upper end of the range for their individual performance while the lower performing individuals receive awards toward the lower end of the range.

However, since there is an established budget for the individual performance component, managers must stay within budget while ensuring equitable distribution to their employees based on each employee’s performance.

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10. For each employee identified in #9, please state the resultant consequences for each employee for failing to meet the performance measures.

SDG&E Response:

The resultant consequence for employees for failing to meet the performance measures is that they did not receive an ICP payout for that year. Any disciplinary actions are separate from ICP payouts.