Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2016 General Rate Case
Application: A.14-11-003
Exhibit: SDG&E-41-R

REVISED

SDG&E

DIRECT TESTIMONY OF JEFF STEIN

(SEGMENTATION & REASSIGNMENT RATES)

April 2015

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SDGE
A Sempra Energy utility®

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SDG&E DIRECT TESTIMONY OF JEFF STEIN
(SEGMENTATION & REASSIGNMENT RATES)

I. INTRODUCTION

A. Summary of Proposals

I sponsor the Test Year ("TY") 2016 Segmentation and Reassignment Rates subject area. The purpose of this testimony is to describe how San Diego Gas & Electric Company ("SDG&E") proposes to allocate common costs to its Electric, Electric Generation, and Gas Services Departments (collectively "Business Segments") for rate recovery (also referred to as "segmentation") and to describe the reassignment of certain costs to capital to recognize that those costs are incurred in support of construction efforts. "Common costs" are defined as those costs that have not been directly assigned to a particular Business Segment, but instead have been charged to a common account of the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts, pending an allocation to the various Business Segments. The range of common accounts expenses includes Customer Accounts (account numbers 901-905), Customer Service & Information (account numbers 907-910), Administrative & General ("A&G") expenses (account numbers 920-935) and Clearing Accounts (account numbers 163 and 184). Common plant expenses include FERC Account Nos. 303, 389, 390, 391, 392, 393, 394, 395, 396, 397 and 398. The segmentation of these costs is addressed in Section II.B of my testimony.

In this General Rate Case ("GRC"), the TY2016 operations and maintenance ("O&M") costs are forecasted by cost center. This was ordered in the 2008 GRC Decision ("D.") 08-07-046 at Ordering Paragraph 22. In order to segment the costs and utilize the reassignment rates, which are prepared by FERC accounts, the 2013 recorded O&M cost center data was mapped to FERC accounts. The Results of Operations Model ("RO Model") applies the segmentation rates proposed in this testimony to the costs associated with the FERC accounts. For a detailed discussion about the mapping process, see the Summary of Earnings testimony of Khai Nguyen (Exhibit SDG&E-36-R). The RO model also applies the reassignment rates as described in my testimony to the costs associated with the FERC accounts, which is in compliance with the Electric and Gas Plant Instruction in Parts 101 and 201 of the Federal Regulations adopted by the California Public Utilities Commission ("CPUC"). The total forecasted O&M to be reassigned to capital from each FERC account has been combined and shown in aggregate. The calculation and derivation of the various reassignment rates for each category are discussed in Section III of my testimony.

B. Organization of Testimony

For this proceeding, SDG&E engages in four steps to categorize its common costs for rate setting purposes.

1. The first step in allocating costs to the Business Segments is to determine the segmentation percentages for each FERC account for the Electric, Electric Generation, and Gas Departments.
2. The second step is to determine the reassignment to capital percentages for certain O&M, A&G and clearing expenses (e.g., warehousing, purchasing, fleet costs) to recognize they are incurred in support of construction efforts.
3. The third step is to determine the allocation percentages for the Electric Department costs further between the Electric Distribution and Electric Transmission service functions for both O&M and capital.
4. Finally, in the RO Model, the above factors are applied to the forecasted costs that are mapped from the cost centers to the O&M, A&G and clearing FERC accounts to determine the segmentation and reassignment amounts.

The above segmentation and reassignment process and steps are illustrated in Appendix I.

The Electric Distribution, Electric Generation and Gas Service Departments costs are subject to CPUC jurisdiction and presented for approval pursuant to this proceeding. The Electric Transmission Department costs are subject to FERC jurisdiction, and are identified separately because such charges are removed from SDG&E's revenue requirement proposal for consideration in this proceeding.

All calculations and studies were performed using 2013 actual data, except where noted.

II. BUSINESS SEGMENTATION ALLOCATION

A. General Discussion

For SDG&E, the FERC series of Clearing Accounts, Customer Accounts, Customer Service and Information, and A&G expenses that are specifically related to the Electric, Electric Generation, or Gas Departments are directly assigned to the appropriate department. The general expenses that are not directly chargeable to the departments are common costs that must be allocated between the three operating functions for rate setting purposes.

In addition, only the Electric Department expenses attributable to Electric Distribution and Generation are recoverable in customer rates authorized by the CPUC. Therefore, Electric Department expenses were further allocated to Distribution and Transmission, as discussed below. The summary of segmentation rates is shown in Appendix II.

B. Allocation to Electric, Electric Generation & Gas Departments

The first step in the business segmentation is to separate common expenses between the Electric, Electric Generation, and Gas Departments. The methods used to calculate the allocation percentages are determined according to the nature (i.e., type of costs) inherent to each FERC Account.

1. Clearing Accounts

The Electric, Electric Generation and Gas segmentation for Clearing Account costs, which include Accounts 163.1 - Warehouse, 163.2 - Purchasing, 184.2 - Fleet, 184.3 – Shop Order, 184.6 - Exempt Material, and 184.7 - Small Tools, were calculated based on the 2013 actual recorded costs and by determining what percentages are booked to Electric, Electric Generation, and Gas accounts. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-4.

2. Customer Accounts

Common Customer Accounts costs are booked to FERC Accounts 901 - 905. These charges are allocated between Electric and Gas based on the number of customers because these costs are incurred to support our customer base. These costs include activities such as meter reading and billings. See Exhibit SDG&E-41-WP-5 for line number references. This process first uses the number of 2013 average annual Electric customers and Gas customers (Ex. SDG&E-41-WP-5 at Line 2). The number of total Gas customers is then subtracted from total Electric customers to determine the number of Electric-only customers (Ex. SDG&E-41-WP-5 at Line 4). To properly weight the services customers receive, combined service customers are given a weight of 2, (Ex. SDG&E-41-WP-5 at Line 8), and Electric-only customers are given a 1-1/3 weighting, (Ex. SDG&E-41-WP-5 at Line 10).

The allocation of costs to Electric is determined using one combined service customer weighting plus the Electric-only service weighting (Ex. SDG&E-41-WP-5 at Lines 15 & 16).

The Gas customers in the allocation are based on the one weighting of combined service customers (Ex. SDG&E-41-WP-5 at Line 15). The resulting weighted customer counts determine the final allocation percentages (Ex. SDG&E-41-WP-5 at Line 20). This methodology has been accepted in the prior GRCs by the Commission, including the 2012 GRC decision (D.13-05-010).

3. Customer Services & Information

Customer Services & Information costs are booked in the 907-910 range of FERC Accounts. Most Customer Services & Information costs are either directly charged 100% to Electric or Gas or are allocated based on a specific percentage, depending on the nature of the program/activity that is incurring the costs. Some costs are charged to common accounts, however, and must be segmented. The common Customer Services & Information accounts are allocated between Electric and Gas based on the level of directly assigned Electric and Gas costs for the entire series of accounts, as reported for 2013 in SDG&E's FERC Form 1 and 2 Annual Reports to the CPUC. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-6.

4. A&G and Common Plant

i. FERC Accounts 920 (in part) 921-923, 928-935 and Common Plant

SDG&E charges common A&G to FERC Account Nos. 920 (in part), 921-923, and 928-935. SDG&E charges common plant primarily to FERC Account Nos. 303, 389, 390, 391, 392, 393, 394, 395, 396, 397, and 398. Common A&G and common plant are costs that are shared between SDG&E’s Electric and Gas functions. SDG&E uses labor ratios to segment these costs between the Electric and Gas functions. Use of the labor ratio to segment common costs was previously accepted by the Commission in the 2012 GRC for SDG&E and has also been accepted as applicable to Pacific Gas and Electric Company in its GRCs.[1]

The labor ratios are prepared based on payroll. Total payroll is retrieved from the 2013 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages, which is provided in Exhibit SDG&E-41-WP-18 and 19. The amount of A&G labor is then excluded from the Electric, Electric Generation and Gas totals that make up the denominator of the ratio calculation. Account 931- Rents is allocated between the Electric and Gas departments only because SDG&E

[1] See, e.g., Exhibit PG&E-2 submitted in A.12-11-009.

does not have any rent expense relating to its Electric Generation facilities. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-8.

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

ii. FERC Account 924- Property Insurance

FERC Account 924 – Property Insurance costs are dependent on plant balances since the company is insuring its plant assets. The allocation of property insurance is based on the plant-in-service balances of Electric, Electric Generation and Gas plant excluding Miscellaneous Intangible Plant as these are non-insurable under property insurance policy. In addition, the San Onofre Nuclear Generating Station ("SONGS") is excluded from this GRC and recovery for SONGS property insurance will be addressed in other regulatory forums before the CPUC. The segmentation percentages for FERC Account 924 are derived by plant ratios[2] that have been adopted by FERC and the CPUC for rate setting purposes in prior GRCs, including SDG&E's 2012 GRC decision.[3] The adoption of this method by SDG&E ensures consistency between state and federal regulatory jurisdictions for the allocation of common expenses and is consistent with SDG&E's 2012 decision. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-9.

iii. FERC Accounts 920.4 / 925 (in part) / 926 – Variable Pay Plan / Injuries & Damages / Pension & Benefits

Account 920.4 – Variable Pay Plan,[4] Account 925 - Injuries and Damages and Account 926 - Pension and Benefits ("P&B"), are allocated based on labor ratios. Total payroll is retrieved from the 2013 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages (Exhibit SDG&E-41-18 to 19). The amount of A&G labor is excluded from the Electric, Electric Generation and Gas totals. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-8.

[2] ER13-941-000, ER13941-001 and ER13-941-002 at 1.3.2.
[3] D.13-05-010.
[4] Variable pay plans are commonly referred to as the Incentive Compensation Plan ("ICP").

iv. FERC Account 184.8 - Wildfire Insurance

This account was created for the sole purpose of facilitating the allocation of wildfire liability insurance premium costs between Electric and Gas segments. Once the Electric and Gas allocation factors were determined, a portion of the electric cost is further assigned to the FERC jurisdiction that is excluded from this GRC. Wildfire insurance is charged 100% to the Electric Department and 0% to the Gas Department because the recent wildfire claims and the reason for the increase in the insurance premiums have been related to electric lines rather than natural gas facilities. Based on this historical experience, the risk associated with providing natural gas service was not deemed by SDG&E to be a material factor in the current wildfire liability premium increases. Total Wildfire Insurance Premiums costs are sponsored by Corporate Insurance witness Katherine Carbon (Ex. SDG&E-21).

III. REASSIGNMENT TO CAPITAL

A. General Discussion

Some Clearing Account, A&G, and Labor Overhead costs support the construction efforts of SDG&E. After SDG&E has determined the portion of costs associated with Electric, Electric Generation and Gas services, it begins the capital reassignment process, which is in compliance with the Plant Instructions of the Code of Federal Regulations.[5] The costs that are reassigned to capital become part of the rate base. The total amounts to be reassigned to capital from each category are discussed in aggregate, as opposed to being deducted from each applicable Clearing or A&G FERC Account.

For TY2016, the Electric Distribution Department O&M reassignment is a credit of approximately $94,497,000, the Electric Generation Department O&M reassignment is a credit of approximately $3,354,000, and the Gas Department O&M reassignment is a credit of approximately $30,107,000, all three consisting of expenses that are being transferred to construction projects. Expense categories that are reassigned and capitalized are indicated below, in Section III.B.

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[5] 18 C.F.R. § 101 (Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act).

B. Categories / Accounts Subject to Reassignment

The following categories displayed in Table SDG&E-JS-1 of costs are subject to capitalization via a reassignment from Labor Overheads, O&M or the Clearing Accounts, and further discussed in detail below.

TABLE SDG&E-JS-1

Summary of Reassignments to Capital

Category	Reassignment %
Labor Overheads	38.0%
A&G Costs	10.6%
Warehousing	89.8%
Purchasing	66.1%
Fleet	48.9%
Shop	42.2%
Exempt Material	89.1%
Small Tools	41.8%

C. Discussion of Reassignment Percentage Derivation

1. Labor Overheads

Labor Overheads subject to capitalization are variable pay costs,[4] public liability and property damage ("PLPD") costs, workers' compensation costs, and P&B costs. These are considered indirect costs related to company labor, and accumulated each month in individual Clearing Accounts and then dispersed through overhead loading rates applied on company labor.

In deriving the percentage of Labor Overheads that should be reassigned to capital, labor cost data from 2013 base year was used from 2013 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages (Exhibit SDG&E-41-18 & 19). The total labor charged to Electric and Gas plant and to Electric and Gas plant removal was divided by the total salaries and wages as retrieved from the Distribution of Salaries & Wages resulting in a capital reassignment rate of 38.0%. For the derivation of the rate, see Exhibit SDG&E-41-WP-10.

2. A&G Costs

A percentage of certain A&G direct costs in FERC Accounts 920 - A&G Salaries, and 921 - Office Supplies & Expenses, and shared service costs in FERC Account 923 - Outside Services Employed, are reassigned to construction each year in accordance with the Electric Plant Instructions (Part 101) and Gas Plant Instructions (Part 201) of the Code of Federal Regulations. In SDG&E's previous filings, the reassignment rate to construction projects was determined by an A&G effort study.[6] In the A&G effort studies, various A&G cost center managers were surveyed to provide an allocation percentage for their work that should be applied to construction jobs.

In this GRC, SDG&E proposes to derive the A&G reassignment rate by utilizing the actual 2013 A&G costs assigned to capital instead of the A&G effort study. To use this method, the applicable A&G costs are mapped from Cost Centers to FERC Accounts 920, 921, and 923. Utilizing the subset of A&G FERC Accounts, the capital reassignment rate of 10.6% was calculated by taking the actual 2013 A&G costs assigned to capital projects and dividing it by actual 2013 total A&G costs.

Adopting the use of actual costs reassigned to capital to derive the reassignment rate to capital will provide consistency with other categories (Warehousing, Purchasing, Shop, Exempt Materials, Small Tools) discussed in my testimony because those categories also use actual costs for the derivation of the reassignment to capital. This actual cost method is a more inclusive and complete method of reassignment rate derivation in comparison to the former A&G effort study method as it is predicated on actual recorded amounts rather than estimates. SCG is also proposing this approach to ensure consistency between SCG and SDG&E utilities (Exhibit SCG-38). For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-11.

3. Warehousing

Warehousing costs are charged to a Clearing Account that is mapped from the cost center to FERC account 163.1. See Appendix B to testimony of Summary of Earnings witness Khai Nguyen, Exhibit SDG&E-36-R. These costs are dispersed as an overhead loading applied on warehouse issues. The capital reassignment rate of 89.8% was calculated by taking the actual 2013 warehouse issuance costs assigned to capital projects and dividing it by actual 2013 total warehouse issuance costs. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

4. Purchasing

Purchasing costs are charged to a Clearing Account that is mapped from the cost centers to FERC Account 163.2 (see Appendix B to Khai Nguyen's Summary of Earnings testimony at Exhibit SDG&E-36-R). These costs are dispersed as an overhead loading applied on all material

[6] *See* A.10-12-005, Ex. SDG&E-43-R (TY2012 GRC Segmentation and Reassignment testimony of SDG&E witness Rajan Agarwal).

and services costs. The capital reassignment rate of 66.1% was calculated by taking the actual 2013 purchasing overheads assigned to capital projects and dividing it by actual 2013 total purchasing overheads. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

5. Fleet

Fleet expenditures are posted to a Clearing Account by specific vehicle class based on vehicle type. Fleet expenditures are mapped from the cost centers to FERC account 184.2 (see Appendix B to Khai Nguyen's Summary of Earnings testimony at Exhibit SDG&E-36-R). The costs in the Clearing Account are then allocated based on an hourly utilization rate recorded against each vehicle in the fleet. Vehicle utilization can be recorded based on hourly usage or a 100% assignment as stated in the Fleet organization's transportation system for vehicles assigned to an individual or a department. The utilization is charged to various O&M accounts and capital jobs. The capital reassignment rate for TY2016 in this GRC is 48.9%, and was calculated by taking the actual 2013 Fleet overheads assigned to capital projects and dividing it by actual 2013 total fleet overheads. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

6. Shop

Shop costs are charged to a Clearing Account and dispersed as an overhead loading applied on all labor costs. Shop costs are mapped from the Cost Centers to FERC account 184.3 (see Appendix B to Khai Nguyen's Summary of Earnings testimony at Exhibit SDG&E-36-R). The capital reassignment rate of 42.2% was calculated by taking the actual 2013 shop overheads assigned to capital projects and dividing it by actual 2013 total shop overheads. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

7. Exempt Material

Exempt Material costs are also charged to a Clearing Account. These costs are for bulk type materials, such as nuts and bolts, that are not individually inventoried or managed by the warehouses and are restocked onto service trucks as needed. Exempt Material costs are dispersed as an overhead loading applied to warehouse issuances. Exempt Materials costs are mapped from the Cost Centers to FERC account 184.6 (see Appendix B to Khai Nguyen's Summary of Earnings testimony at Exhibit SDG&E-36-R). The capital reassignment rate of 89.1% was calculated by taking the actual 2013 exempt material costs assigned to capital projects and dividing it by actual 2013 total exempt material costs. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

8. Small Tools

Small Tools costs are charged to a Clearing Account and dispersed as an overhead loading applied on all labor costs. Small Tools costs are mapped from the Cost Centers to FERC account 184.7 (see Appendix B to Khai Nguyen's Summary of Earnings testimony at Exhibit SDG&E-36-R). The capital reassignment rate of 41.8% was calculated by taking the actual 2013 small tools overheads assigned to capital projects and dividing it by actual 2013 total small tools overheads. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-12.

9. Wildfire Insurance

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

IV. ALLOCATION TO ELECTRIC FUNCTIONS

A. General Discussion

Electric Transmission costs are under the jurisdiction of the FERC, and thus the costs allocated to Electric Transmission are excluded from this GRC. This section discusses the process used to allocate Electric Transmission costs to be excluded from this GRC. To allocate Electric Department expenses between the Electric Distribution and Transmission functions, SDG&E used an allocation method based on labor charges for all O&M accounts other than Account 924 - Property Insurance. For capital reassignment and Clearing Accounts, SDG&E used actual 2013 data as described below.

The labor ratio method has been adopted by FERC and the CPUC for rate setting purposes in prior GRCs, including SDG&E's 2012 GRC Decision D.13-05-010. The adoption of this method by SDG&E ensures consistency between state and federal regulatory jurisdictions for the allocation of common Electric Department expenses.

The 2013 SDG&E Annual FERC Form 1, Distribution of Salaries & Wages pages 354-355 (see Exhibit SDG&E-41-WP-18 to 19) are used for the labor ratio calculations, since this is also filed with the FERC as part of SDG&E's FERC Form 1. The information presented on the

Distribution of Salaries & Wages pages is based on detailed analysis of how labor costs were charged to the various functional areas for 2013.

B. Electric Transmission Allocation

Costs that have been allocated to Electric Transmission have been excluded from this GRC. The summary of Electric Transmission related factors are reflected on Exhibit SDG&E-41-WP-3. For TY2016, the total O&M amount that is allocated to Electric Transmission and excluded from this GRC is approximately $60,695,000. The different categories and process are described below.

1. A&G Costs and Common Plant

All Electric A&G accounts, including labor overheads (except for Account 924 - Property Insurance, Account 184.8 - Wildfire Insurance) and Common Plant are allocated based on the labor ratio method. The labor ratio is calculated by taking the transmission function direct labor divided by the net of total direct Electric excluding (1) Electric Generation O&M labor and (2) A&G labor for 2013. The resulting rate of 17.4% is applied to all Electric A&G (except Accounts 924 and 184.8) and Common Plant with the result being excluded from this GRC. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-15.

2. FERC Account 924 – Property Insurance

For Account 924 - Property Insurance, the FERC has established a different allocation methodology for setting Electric Transmission customer rates. This methodology is based on the ratio of total Electric Transmission Plant to Electric Plant excluding Miscellaneous Intangible Plant because intangible assets are non-insurable under property insurance policy. In addition, SONGS property insurance is now excluded from the GRC and recovery of SONGS' property insurance will now be addressed in other regulatory forums before the CPUC. The resulting rate is 40.3%. This rate has been applied to the Electric Account 924 expenses with the result being excluded from this GRC. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-16.

3. FERC Account 184.8 - Wildfire Insurance

As stated above, this account was created for the sole purpose of facilitating the allocation of costs between the electric and gas segments and then a portion of the electric cost is allocated to the FERC jurisdiction. On October 8, 2010, FERC issued an Order[7] in SDG&E's

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

Transmission Owner3 ("TO3") Cycle 4 proceeding requiring the allocation of Wildfire insurance costs using labor ratios. As such, in compliance with the FERC Order, the SDG&E wildfire-related insurance costs allocation factors are based upon the labor ratio method. The labor ratio is calculated by taking the transmission function direct labor divided by the net of total direct Electric O&M labor and A&G labor for 2013. This results in a FERC allocation factor of 16.5% of wildfire premium costs. Costs allocated to FERC jurisdiction are excluded from this filing. For the derivation of the rate pertaining to this account, see Exhibit SDG&E-41-WP-15.

4. A&G Reassignment to Capital

Once the reassignment of Electric A&G to capital is determined, a portion is allocated to Electric Transmission. This Electric Transmission capital allocation rate is calculated by taking the actual 2013 direct Electric Transmission labor assigned to capital projects and dividing it by actual 2013 total direct Electric labor for capital projects and removal costs excluding Electric Generation assigned to capital. The resulting rate is 32.0%. This rate has been applied to Electric A&G reassigned to capital with the result being excluded from this GRC. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-17.

5. Clearing Account Costs

Direct Electric O&M and capital related to Electric Transmission has been excluded from this GRC. It is also necessary to exclude a portion of the O&M associated with Clearing Accounts, and also for the O&M reassigned to capital.

The O&M exclusion rates for the various Clearing Accounts have all been calculated by dividing actual Electric Transmission O&M by total Electric O&M costs excluding Electric Generation. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-13.

TABLE SDG&E-JS-2

Summary of Electric Transmission O&M Allocation Rates

Category	%
Warehousing	3.3%
Purchasing	13.0%
Fleet	22.8%
Shop	17.3%
Exempt Material	9.0%
Small Tools	17.2%

The capital exclusion rates for the various Clearing Accounts have all been calculated by dividing actual Electric Transmission capital by total Electric capital costs excluding generation. For the derivation of the rates pertaining to these accounts, see Exhibit SDG&E-41-WP-14.

TABLE SDG&E-JS-3

Summary of Electric Transmission Capital Allocation Rates

Category	%
Warehousing	3.5%
Purchasing	62.4%
Fleet	21.4%
Shop	26.8%
Exempt Material	60.5%
Small Tools	27.5%

V. CONCLUSION

The methods described above for the allocation of common costs between Electric, Electric Generation, and Gas services, and the reassignment of costs to capital are appropriate and reasonable. SDG&E believes that the concept of segmenting and reassigning of the common costs is consistent with FERC guidelines. SDG&E also believes the methods and process proposed in this testimony accurately reflect the nature of SDG&E's business practices. Accordingly, these methods should be adopted by the Commission to determine SDG&E's TY2016 revenue requirement.

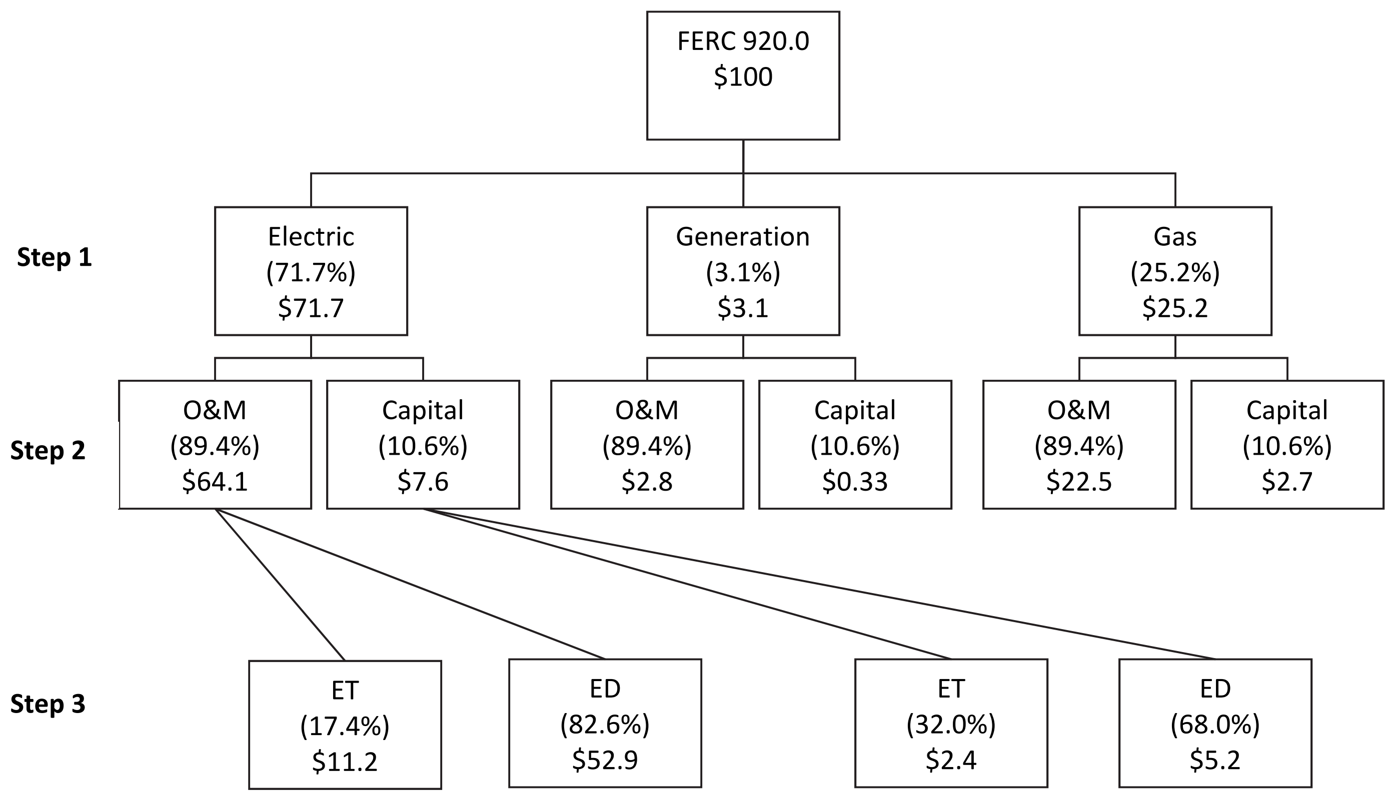
This concludes my revised prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Jeff Stein and I am currently employed by SDG&E as the Transmission Revenue Manager and I am responsible for the oversight of the annual FERC transmission revenue filings. My business address is 8315 Century Park Ct., San Diego, CA 92123.

I received a Bachelor of Science degree in Business Administration with an emphasis in Accounting from San Diego State University. Upon receiving my Bachelor's degree, I was employed by KPMG, advisory services firm, as an auditor. After 2 years of public accounting, I joined Sempra Energy in 2006 and have held various positions of increasing responsibilities in Sempra Energy's Internal Audit Department, SDG&E's Business Controls Department, and SDG&E Plant Accounting. I am a Certified Public Accountant in the state of California and I continue to maintain an active status license with practice rights by fulfilling the continuing professional education requirements. I have not previously testified before the Commission.

Appendix I
TABLE SDG&E-JS-4
San Diego Gas and Electric Company
2016 General Rate Case
Segmentation, Capital Reassignment and Electric Transmission Carve Out Process
For Illustrative Purposes Only – Uses Example of FERC 920



<u>Steps</u>:
1. Segmentation
2. Reassignments
3. O&M and Capital Electric Transmission Carve out

APPENDIX II

TABLE SDGE-JS-5

2016 General Rate Case
San Diego Gas & Electric
Segmentation, Capital Reassignment and Electric Transmission Carve Out Rates
Based on January - December 2013 Data

			Segmentation				ET Carve Out	
Line #	FERC Account	Account Description	Electric	Electric Generation	Gas	Capital	O&M	Capital
1	Clearing:							
2	163.1	Warehousing	80.2%	4.7%	15.1%	89.8%	3.3%	3.5%
3	163.2	Purchasing	81.2%	6.1%	12.7%	66.1%	13.0%	62.4%
4	184.2	Fleet	78.2%	0.3%	21.5%	48.9%	22.8%	21.4%
5	184.3	Shop Order	76.5%	0.1%	23.4%	42.2%	17.3%	26.8%
6	184.6	Exempt Materials	75.5%	2.0%	22.5%	89.1%	9.0%	60.5%
7	184.7	Small Tools	76.7%	0.1%	23.2%	41.8%	17.2%	27.5%
8								
9	Wildfire Insurance							
10	184.8	Wildfire Insurance	100.0%	0.0%	0.0%	0.0%	16.5%	0.0%
11								
12	Customer Accounts and Collections							
13	901.0	Supervision	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
14	902.0	MRDG - General Exp	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
15	902.1	MRDG - Training & Other Exp	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
16	902.2	MRDG - Meas Data Ops Exp	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
17	902.5	Meter Reading Exp	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
18	903.0	Customer Records & Collection Exp	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
19	903.1	Customer Records & Collection Exp- Customer Contac	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
20	903.3	Customer Records & Collection Exp - Collections	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
21	903.4	Customer Records & Collection Exp - Pymt Processin	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
22	903.5	Customer Records & Collection Exp - Cust Billing &	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
23	903.7	Customer Records & Collection Exp - Postage	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
24	903.8	Customer Records & Collection Exp - Energy Theft	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
25	905.0	Miscellaneous Customer Accounts Expenses	64.8%	0.0%	35.2%	0.0%	0.0%	0.0%
26	907.0	Supervision	85.0%	0.0%	15.0%	0.0%	0.0%	0.0%
27	908.0	Customer Assistance Exp	85.0%	0.0%	15.0%	0.0%	0.0%	0.0%
28	909.0	Informational & Instructional Exp	85.0%	0.0%	15.0%	0.0%	0.0%	0.0%
29	910.0	Misc Customer Svc & Info Exp	85.0%	0.0%	15.0%	0.0%	0.0%	0.0%
30								
31	A&G:							
32	920.0	Admin & General Salaries - Non-Sr. Management	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
33	920.1	Admin & General Salaries - Sr. Management	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
34	920.2	Administrative & General - HR	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
35	920.4	Administrative & General - ICP	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
36	920.5	Admin & General Salaries - RPA	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
37	921.0	Office Supplies & Exp - Non-Sr. Management	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
38	921.2	Administrative & General - HR	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
39	921.5	Admin Expenses Transferred - Credit	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
40	923.0	Outside Services Employed - Outside Vendors	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
41	923.1	Outside Services Employed - SECC	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
42	923.2	Outside Services Employed - BUCU's	71.7%	3.1%	25.2%	10.6%	17.4%	32.0%
43	923.3	Outside Services Employed - Shared Assets	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
44	923.4	Outside Services Employed - Depreciation/ROR	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
45	924.0	Property Insurance	78.8%	8.5%	12.7%	0.0%	40.3%	0.0%
46	925.0	Injuries & Damages PLPD Claims	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
47	925.1	Injuries & Damages - Workers Comp	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
48	925.2	Safety & Emergency Services & EMF	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
49	925.3	Injuries & Damages - Liability Insurance	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
50	926.0	Employee Pensions & Benefits - Other	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
51	926.1	Employee Pensions & Benefits - Pension	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
52	926.2	Employee Pensions & Benefits - PBOPs	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
53	926.3	Employee Pensions & Benefits -Medical	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
54	926.4	Employee Pensions & Benefits - Retirement Savings	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
55	926.5	Employee Pensions & Benefits - Benefit Fees, Educ, Transport, Etc.	71.7%	3.1%	25.2%	38.0%	17.4%	32.0%
56	928.0	Regulatory Commission Exp	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
57	930.1	General Advertising Expenses	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
58	930.2	Miscellaneous General Expenses	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
59	931.0	Rents	74.8%	0.0%	25.2%	0.0%	17.4%	0.0%
60	931.6	Rents	74.8%	0.0%	25.2%	0.0%	17.4%	0.0%
61	935.0	Maintenance of General Plant	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
62	935.1	Maintenance of General Plant	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%
63	935.6	Maintenance of General Plant	71.7%	3.1%	25.2%	0.0%	17.4%	0.0%

SDG&E 2016 GRC Testimony Errata Log – April 2015

Exhibit	Witness	Page	Line	Errata Item
SDG&E-41-R	*Jeff Stein*	*JS-6*	*22*	*Reassignment to Capital, Electric Distribution O&M reassignment, change from $94,689,000 to $94,497,000*
SDG&E-41-R	*Jeff Stein*	*JS-6*	*23*	*Reassignment to Capital, Electric Generation O&M reassignment, change from $3,357,000 to $3,354,000*
SDG&E-41-R	*Jeff Stein*	*JS-6*	*24*	*Reassignment to Capital, Gas O&M reassignment, change from $30,165,000 to $30,107,000*
SDG&E-41-R	*Jeff Stein*	*JS-11*	*7*	*Allocation to Electric Functions, total O&M allocation to Electric Transmission, change from $60,767,000 to $60,695,000*