Company:	Southern California Gas Company (U 904 G)/San Diego Gas & Electric Company (U 902 M)
Proceeding:	2019 General Rate Case
Application:	A.17-10-007/008 (cons.)
Exhibit:	SCG-230/SDG&E-228

SOCALGAS/SDG&E

REBUTTAL TESTIMONY OF DEBBIE S. ROBINSON (COMPENSATION AND BENEFITS)

JUNE 18, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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SOCALGAS/SDG&E REBUTTAL TESTIMONY OF DEBBIE S. ROBINSON
(COMPENSATION AND BENEFITS)

I. SUMMARY OF DIFFERENCES

Table DSR-1

Component	TY2019				
	SoCalGas Request ($M)	ORA Recommendation ($M)	Difference	TURN Recommendation	Difference - TURN vs. SCG
Non-Executive ICP	$ 75.7	$ 32.2	$ (43.5)	$ 51.8	$ (23.9)
Executive ICP	$ 3.4	$ 0.9	$ (2.5)	$ 1.7	$ (1.7)
Total ICP	$ 79.1	$ 33.1	$ (46.0)	$ 53.5	$ (25.6)
LTIP	$ 10.0	$ -	$ (10.0)	$ -	$ (10.0)
Spot Cash	$ 1.0	$ 0.4	$ (0.5)	$ 1.0	$ -
Employee Recognition	$ 0.6	$ 0.1	$ (0.5)	$ 0.1	$ (0.5)
Compensation	**$ 90.7**	**$ 33.6**	**$ (57.1)**	**$ 54.5**	**$ (36.2)**
Health Benefits	$ 105.1	$ 98.5	$ (6.6)	$ 102.4	$ (2.7)
Welfare Benefits	$ 1.9	$ 1.9	$ -	$ 1.9	$ -
Retirement Savings Plan	$ 25.4	$ 25.4	$ -	$ 25.4	$ -
NQ Savings Plan	$ 0.3	$ -	$ (0.3)	$ 0.2	$ (0.2)
Supplemental Pension	$ 1.9	$ -	$ (1.9)	$ 1.0	$ (1.0)
Other programs/fees	$ 4.5	$ 3.3	$ (1.2)	$ 3.9	$ (0.6)
Benefits	**$ 139.1**	**$ 129.1**	**$ (10.0)**	**$ 134.7**	**$ (4.4)**
Total Comp & Benefits	**$ 229.8**	**$ 162.7**	**$ (67.1)**	**$ 189.2**	**$ (40.6)**

Table DSR-2

Component	TY2019				
	SDG&E Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SDG&E	TURN Recommendation	Difference - TURN vs. SDG&E
Non-Executive ICP	$ 66.7	$ 28.4	$ (38.4)	$ 48.0	$ (18.7)
Executive ICP	$ 4.0	$ 1.1	$ (2.9)	$ 2.2	$ (1.8)
Total ICP	$ 70.7	$ 29.5	$ (41.3)	$ 50.2	$ (20.5)
LTIP	$ 8.6	$ -	$ (8.6)	$ -	$ (8.6)
Spot Cash	$ 1.0	$ 0.4	$ (0.6)	$ 1.0	$ -
Employee Recognition	$ 0.3	$ 0.1	$ (0.3)	$ 0.1	$ (0.2)
Compensation	**$ 80.6**	**$ 30.0**	**$ (50.7)**	**$ 51.3**	**$ (29.3)**
Health Benefits	$ 63.9	$ 59.3	$ (4.6)	$ 62.3	$ (1.5)
Welfare Benefits	$ 0.8	$ 0.8	$ -	$ 0.8	$ -
Retirement Savings Plan	$ 17.4	$ 17.4	$ -	$ 17.4	$ -
NQ Savings Plan	$ 0.2	$ -	$ (0.2)	$ 0.1	$ (0.1)
Supplemental Pension	$ 2.4	$ -	$ (2.4)	$ 1.2	$ (1.2)
Other programs/fees	$ 1.6	$ 1.3	$ (0.3)	$ 1.4	$ (0.2)
Benefits	**$ 86.3**	**$ 78.8**	**$ (7.4)**	**$ 83.3**	**$ (3.0)**
Total Comp & Benefits	**$ 166.9**	**$ 108.8**	**$ (58.1)**	**$ 134.6**	**$ (32.3)**

Table DSR-3

Component	TY2019			TY2019		
	SoCalGas Request ($M)	NDC Recommendation ($M)	Difference - NDC vs. SoCalGas	SDG&E Request ($M)	NDC Recommendation ($M)	Difference - NDC vs. SDG&E
Executive ICP	$ 3.4	$ -	$ (3.4)	$ 4.0	$ -	$ (4.0)
LTIP	$ 10.0	$ -	$ (10.0)	$ 8.6	$ -	$ (8.6)
Non-Executive ICP	$ 75.7	No Recommendation	N/A	$ 66.7	$ 63.5	$ (3.2)

II. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company's (SoCalGas or SCG) and San Diego Gas & Electric Company's (SDG&E) (collectively, the Companies) request for approval of their test year (TY) 2019 general rate case (GRC) cost forecasts for compensation and benefits addresses the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA) as submitted by Ms. Stacey Hunter (Exhibit ORA-22), dated April 13, 2018.
- The Office of Ratepayer Advocates (ORA) as submitted by Mr. Clayton Tang (Exhibit ORA-31), dated April 13, 2018.
- The Office of Ratepayer Advocates (ORA) as submitted by Ms. Lindsay Laserson (Exhibit ORA-21), dated April 13, 2018.
- The Utility Reform Network (TURN), as submitted by Messrs. Garrick Jones and William Marcus (Exhibit TURN-05), dated May 14, 2018.
- National Diversity Coalition (NDC) as submitted by Ms. Faith Bautista (Exhibit NDC-01), dated May 14, 2018.
- Office of the Safety Advocate (OSA) as submitted by Mss. Carolina Contreras and Jenny Au (Exhibit OSA-1), dated May 14, 2018.

Please note that the fact that I may not have responded to every issue raised by others in this rebuttal testimony does not mean or imply that SoCalGas and SDG&E agree with the proposal or contention made by these or other parties.

The differences between the amounts requested by SoCalGas and SDG&E and the amounts proposed by ORA and TURN are summarized above in Table DSR-1 for SoCalGas and Table DSR-2 for SDG&E. TURN submitted testimony covering most elements of compensation and benefits costs; for the remaining components of compensation and benefits that are not discussed in TURN's testimony, Tables DSR-1 and DSR-2 assume that TURN does not take issue with the Companies' forecasts.

The National Diversity Coalition (NDC) submitted testimony relating to executive compensation (Executive Incentive Compensation Program (ICP) and Long-Term Incentive Program (LTIP)) and, for SDG&E only, the Non-Executive ICP. NDC did not propose any changes to other components of compensation and benefits costs. OSA submitted testimony related to certain performance measures used in the ICP but did not recommend funding amounts.

SoCalGas' and SDG&E's request for compensation and benefits cost recovery is reasonable, consistent with past California Public Utilities Commission (Commission or CPUC) decisions, will benefit customers, and should be approved. The compensation and benefits programs provided to SoCalGas and SDG&E employees, retirees and their dependents reflect the impacts of the marketplace, collective bargaining and government regulation. Compensation programs are designed to focus employees on the companies' key priorities, the most important of which are safety and customer service. Benefits include health and welfare programs and retirement plans. SoCalGas' and SDG&E's compensation and benefits programs are critical to attracting, motivating, and retaining a skilled, high-performing workforce. The Total Compensation Study (TCS), which was performed by Willis Towers Watson, found SoCalGas' and SDG&E's total compensation to be in line with the competitive market.[1]

A. ORA

ORA issued its report on Compensation and Benefits on April 13, 2018.[2] ORA also provided testimony related to post-test year medical escalation in its April 13, 2018 report on

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[1] October 6, 2017, SoCalGas and SDG&E Direct Testimony of Debbie S. Robinson (Compensation and Benefits), Ex. SCG-30/SDG&E-28 at DSR-5 – DSR-8, Appendix A (SoCalGas) and Appendix B (SDG&E).

[2] April 13, 2018, Prepared Direct Testimony of Stacey Hunter, ORA Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2019 General Rate Case, Compensation & Benefits; Pension and Postretirement Benefits Other Than Pension, Ex. ORA-22.

Post Test Year Ratemaking[3] and testimony related to Corporate Center compensation and benefits allocations in its April 13, 2018 report on Corporate Center.[4] The following is a summary of ORA's positions:

- ORA recommends $162.7 million in funding for SoCalGas' compensation and benefits costs, while SoCalGas recommends $229.8 million, resulting in a difference of $67.1 million.
- ORA recommends $108.8 million in funding for SDG&E's compensation and benefits costs, while SDG&E recommends $166.9 million, resulting in a difference of $58.1 million.
- ORA recommends ratepayer funded Pension and Benefits costs of $26.2 million with $7.2 million allocated to SDG&E and $8.9 million allocated to SoCalGas. SoCalGas and SDG&E recommend $94.0 million in Pension and Benefits costs, with $16.0 million allocated to SDG&E and $19.4 million allocated to SoCalGas. The ORA's forecasts for Corporate Center ICP, LTIP, employee benefits, and supplemental retirement benefits in Exhibit ORA-21 are based on the ORA's recommendations in Exhibit ORA-22.[5] SoCalGas' and SDG&E's rebuttals to the ORA's recommendations in Exhibit ORA-22 are also applicable to Exhibit ORA-21.
- ORA's recommendations for non-executive ICP and executive ICP are based on zero funding for ICP goals related to customer service and financial measures and 50% funding for safety goals, strategic measures and individual performance.

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[3] April 13, 2018, Prepared Direct Testimony of Clayton Tang, ORA Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2019 General Rate Case, Post Test Year Ratemaking, Ex. ORA-31.

[4] April 13, 2018, Prepared Direct Testimony of Lindsay Laserson, ORA Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2019 General Rate Case, Corporate Center, Ex. ORA-21.

[5] Ex. ORA-21 (Laserson) at 37, 39, and 40.

- ORA recommends zero funding for the LTIP and reduced funding for spot cash and employee recognition, based on 2016 recorded costs.
- ORA recommends lower funding for medical and mental health benefits based on a lower medical escalation assumption of 4.25%, compared to the 7.0% escalation proposed by SoCalGas and SDG&E, and ORA recommends zero funding for wellness. ORA does not take issue with dental, vision, Employee Assistance Programs (EAP) or welfare benefit costs.
- ORA recommends zero funding for nonqualified retirement savings plan and supplemental pension costs. ORA does not take issue with retirement savings plan costs.
- ORA recommends zero funding for the following items included under Other Benefit Programs and Fees: emergency childcare, retirement activities, and special events (SoCalGas only). ORA recommends 50% funding for service recognition and does not take issue with the other costs included under Other Benefit Programs and Fees.
- ORA recommends a post-test year medical escalation rate of 4.25% rather than the medical escalation rates of 6.50% for 2020, 6.0% for 2021, and 5.50% for 2022 as proposed by SoCalGas and SDG&E.

B. TURN

The Utility Reform Network (TURN) submitted testimony on May 14, 2018.[6] The following is a summary of TURN's positions:

- TURN recommends funding of $51.8 million for SoCalGas' non-executive ICP and $1.7 million for executive ICP, while SoCalGas recommends $75.7 million and $3.4 million, respectively, resulting in a difference of $25.6 million. TURN recommends funding of $48.0 million for SDG&E's non-executive ICP and $2.2 million for executive ICP,

[6] May 14, 2018, Prepared Direct Testimony of Garrick F. Jones and William P. Marcus Addressing the Proposals of San Diego Gas & Electric Company and Southern California Gas Company in Their Test Year 2019 General Rate Case Related to Compensation and Benefits, Ex. TURN-05.

while SDG&E recommends $66.7 million and $4.0 million, respectively, resulting in a difference of $20.5 million. TURN's recommendation is based on zero funding for financial measures and most strategic goals, 90% funding for most safety and customer service goals, and funding for the individual performance component at 68% for SoCalGas and 72% for SDG&E.

- TURN recommends zero funding for LTIP and reduced funding of $0.1 million for SoCalGas and SDG&E employee recognition programs.
- TURN recommends the use of a lower medical escalation assumption of 6.0% compared to the 7.0% escalation proposed by SoCalGas and SDG&E, resulting in a recommendation of $93.4 million for SoCalGas medical benefits and $54.7 million for SDG&E. TURN's recommendation is $2.7 million lower than SoCalGas' recommendation and $1.5 million lower than SDG&E's recommendation.
- TURN recommends funding for Other Benefit Programs and Fees of $3.9 million for SoCalGas and $1.4 million for SDG&E, which is $0.6 million lower than the $4.5 million proposed by SoCalGas and $0.2 million lower than the $1.6 million proposed by SDG&E.
- TURN recommends 50% funding for nonqualified retirement savings plan and supplemental pension costs, which is $1.2 million lower than the amounts proposed by SoCalGas and $1.3 million lower than the amounts proposed by SDG&E.

C. National Diversity Coalition

The National Diversity Coalition (NDC) submitted testimony on May 14, 2018.[7] The following is a summary of NDC's positions:

- NDC recommends zero funding for Executive ICP and LTIP. NDC takes issue with certain safety goals and with the fact that there are multiple safety goals that contribute to the overall weighting of 50% for the safety

[7] May 14, 2018, Prepared Testimony of Faith Bautista on the 2019 General Rate Case Applications of San Diego Gas & Electric Company and Southern California Gas Company, Ex. NDC-01.

goals while there are fewer financial goals that contribute to the overall weighting of 35% for financial goals. NDC also disputes the merits of certain safety measures.

- NDC recommends $63.5 million for SDG&E's Non-Executive ICP, a difference of $3.2 million from the $66.7 million proposed by SDG&E. NDC's proposal is based on different headcount assumptions (including correction of an understatement of 575 administrative employees in 2013) and a different methodology for calculating ICP for union employees.

D. Office of the Safety Advocate

The Office of the Safety Advocate (OSA) submitted testimony on May 14, 2018.[8] The following is a summary of OSA's positions:

- OSA contends that certain performance measures classified as safety measures are not primarily representative of or related to safety.

III. REBUTTAL TO PARTIES' COMPENSATION PROPOSALS

A. Compensation Programs Overview

Compensation programs include Non-executive and Executive ICP, long-term incentives, and special recognition programs (spot cash and employee recognition).

Table DSR-4

Component	TY2019				
	SoCalGas Request ($M)	ORA Recommendation ($M)	Difference	TURN Recommendation	Difference - TURN vs. SCG
Non-Executive ICP	$ 75.7	$ 32.2	$ (43.5)	$ 51.8	$ (23.9)
Executive ICP	$ 3.4	$ 0.9	$ (2.5)	$ 1.7	$ (1.7)
Total ICP	$ 79.1	$ 33.1	$ (46.0)	$ 53.5	$ (25.6)
LTIP	$ 10.0	$ -	$ (10.0)	$ -	$ (10.0)
Spot Cash	$ 1.0	$ 0.4	$ (0.5)	$ 1.0	$ -
Employee Recognition	$ 0.6	$ 0.1	$ (0.5)	$ 0.1	$ (0.5)
Compensation	**$ 90.7**	**$ 33.6**	**$ (57.1)**	**$ 54.5**	**$ (36.2)**

[8] May 14, 2018, Prepared Testimony of Carolina Contreras and Jenny Au on San Diego Gas & Electric Company and Southern California Gas Company 2019 General Rate Case, Ex. OSA-1.

Table DSR-5

Component	TY2019				
	SDG&E Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SDG&E	TURN Recommendation	Difference - TURN vs. SDG&E
Non-Executive ICP	$ 66.7	$ 28.4	$ (38.4)	$ 48.0	$ (18.7)
Executive ICP	$ 4.0	$ 1.1	$ (2.9)	$ 2.2	$ (1.8)
Total ICP	$ 70.7	$ 29.5	$ (41.3)	$ 50.2	$ (20.5)
LTIP	$ 8.6	$ -	$ (8.6)	$ -	$ (8.6)
Spot Cash	$ 1.0	$ 0.4	$ (0.6)	$ 1.0	$ -
Employee Recognition	$ 0.3	$ 0.1	$ (0.3)	$ 0.1	$ (0.2)
Compensation	**$ 80.6**	**$ 30.0**	**$ (50.7)**	**$ 51.3**	**$ (29.3)**

B. Non-Executive ICP and Executive ICP

ORA's, TURN's and NDC's recommendations are based on their views of whether the specific ICP performance measures benefit ratepayers. SDG&E and SoCalGas dispute this approach as well as ORA's, TURN's, and NDC's subjective contentions that certain measures do not benefit ratepayers.

1. ORA's Position on Non-Executive ICP and Executive ICP

ORA takes issue with the Test Year 2019 (TY2019) Non-Executive ICP forecast of $75.7 million for SoCalGas and $66.7 million for SDG&E, as well as the Executive ICP forecast of $3.4 million for SoCalGas[9] and $4.0 million for SDG&E.[10] ORA states that some of the ICP metrics do not benefit and should not be funded by ratepayers. ORA proposes that measures which, in its view, benefit ratepayers be funded 50% by ratepayers and 50% by shareholders. ORA recommends funding of $28.4 million for SoCalGas' non-executive ICP and $32.2 million for SDG&E's non-executive ICP. ORA recommends $0.9 million for SoCalGas' executive ICP and $1.1 million for SDG&E's executive ICP.

2. TURN's Position on Non-Executive ICP and Executive ICP

TURN takes issue with the TY2019 Non-executive ICP forecast of $75.7 million for SoCalGas and $66.7 million for SDG&E, as well as the Executive ICP forecast of $3.4 million

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[9] *See* Ex. ORA-22 (Hunter) at 11, Table 22-7. The amounts shown in Table 22-7 "SDG&E Variable Pay/ICP – Executives" actually pertain to SoCalGas' Executive ICP.

[10] *See* Ex. ORA-22 (Hunter) at 11, Table 22-6. The amounts shown in Table 22-6 "SoCalGas Variable Pay/ICP – Executives" actually pertain to SDG&E's Executive ICP.

for SoCalGas and $4.0 million for SDG&E. TURN states that some of the ICP metrics do not benefit and should not be funded by ratepayers. TURN proposes that measures which, in its view, benefit ratepayers be funded 90% by ratepayers and 10% by shareholders. TURN recommends funding of $51.8 million for SoCalGas' non-executive ICP and $48.0 million for SDG&E's non-executive ICP. TURN recommends $1.6 million for SoCalGas' executive ICP and $2.2 million for SDG&E's executive ICP. In addition, TURN proposes funding of $0.4 million for Corporate Center ICP costs allocated to SoCalGas and $0.1 million for Corporate Center ICP costs allocated to SDG&E, while SoCalGas and SDG&E proposed $6.3 million for Corporate Center ICP costs allocated to SoCalGas and $5.0 million for Corporate Center ICP costs allocated to SDG&E. Corporate Center ICP allocations are covered in the revised direct testimony of Mia DeMontigny.[11]

3. NDC's Position on Non-Executive ICP (SDG&E Only) and Executive ICP

NDC takes issue with the Executive ICP and LTIP and recommends no funding. NDC disputes the safety goals included in the Executive ICP, asserting that these goals primarily benefit financial performance by reducing costs. NDC takes issue with the number and weighting of the safety and financial goals. The 2017 Executive ICP of both SoCalGas and SDG&E is weighted at 50% for safety measures, 10% for customer service measures, 35% for financial measures, and 5% for strategic measures. NDC points out that the safety component of the Executive ICP includes several safety measures (12 for SoCalGas and 10 for SDG&E) while the financial component includes only three measures, and for the most part, specific individual safety measures have a lesser weight than specific individual financial measures.

NDC also takes issue with the headcount forecast used for SDG&E's Non-Executive ICP and with the methodology used to forecast ICP for union employees performing non-represented duties. In responding to a data request from NDC (NDC-SEU-009 Question 7), SDG&E and NDC noted that the 2013 headcount, which was included in the five-year average used to develop the forecast of TY2019 ICP, was understated by 575 administrative employees. With the correction of this error, TY2019 non-executive ICP would be $64.5, or $2.2 lower than the $66.7 million in SDG&E's application. NDC developed an alternative forecast of TY2019 ICP

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[11] December 2017, Revised SoCalGas/SDG&E Direct Testimony of Mia L. DeMontigny (Corporate Center – General Administration), Ex. SCG-28-R/SDG&E-26-R.

that included the correction of the error, a change in the 2019 headcount assumption and a change in the methodology for forecasting ICP for union employees who receive ICP for temporary non-represented job assignments. NDC's TY2019 forecast is $63.5 million.

4. OSA's Position on Non-Executive ICP and Executive ICP Safety Measures

OSA contends that certain ICP performance measures classified as safety measures are either not primarily representative of, or related to, safety. OSA disputes SDG&E's inclusion of System Average Duration Interruption Index (SAIDI), and Worst Circuit (SAIDI and SAIFI) because such measures primarily promote reliability rather than safety. In addition, OSA cites SoCalGas' Advanced Meter Installations and Incomplete Orders Reduction as measures that do not primarily benefit safety performance.

5. SoCalGas and SDG&E Rebuttal Summary

a. Incentive compensation programs are part of a reasonable, at-market compensation package.

b. A compensation package that includes a combination of base pay and incentive compensation provides a greater benefit to ratepayers than providing the same level of compensation solely through base pay.

c. Ratepayers benefit from incentive compensation programs because incentive programs are an integral part of a competitive total compensation package.

d. ICP performance goals benefit customers and the community.

   i. Safety performance measures,

   ii. Customer and supplier diversity performance measures,

   iii. Financial performance measures.

e. Corporate center allocations should be evaluated based on whether the amount allocated to the utilities is reasonable.

a. Incentive compensation programs are part of a reasonable, at-market compensation package

Incentive compensation programs are an integral part of a reasonable and competitive total compensation package and, as such, should be treated no differently than base salary for cost recovery purposes. The Total Compensation Study, which was prepared by Willis Towers Watson, found that SoCalGas' actual total compensation (defined as base salaries, short-term incentives, long-term incentives and benefits) is within 0.7% of market based on actual total compensation (using actual ICP) and target total compensation (using target ICP) is within 1.2% of market and SDG&E's total compensation is within 0.4% of market based on actual total compensation (using actual ICP) and target total compensation (using target ICP) is within 1.5% of market.[12] In Decision (D.) 95-12-055,[13] the Commission affirmatively stated that compensation levels that fall between plus or minus five percent of the relevant market are considered to be "at market" and reasonable. Both SoCalGas' and SDG&E's compensation is clearly reasonable based on the standards set by the Commission. In D.15-11-021, the Commission acknowledged the importance of evaluating incentive compensation in the context of whether total compensation is reasonable:

> However, we do place weight on the results of the TCS and decline to adopt the deep cuts proposed by TURN and the ORA.[14]

The Commission has declined to micromanage utilities' variable compensation programs, saying that "as long as [a utility's] *total compensation levels* are appropriate [they] will not dictate how [the utility] distributes compensation among various types of employment benefits."[15] The Commission also noted:

> …it would be within [a utility's] managerial discretion to offer all cash compensation to employees in the form of base pay instead of a mix of base pay and incentive pay. In the event [the utility] were to do so, we would not take issue with ratepayer funding of the resulting compensation as long as total compensation is reasonable. If total compensation does not exceed market levels, a disallowance of reasonable expenses for the [incentive compensation] program would in effect be a substitution of our judgment for that of [utility] managers regarding the appropriate mix of base and incentive pay.[16]

In their respective testimonies, ORA, TURN and NDC inappropriately attempt to substitute their judgment for that of SoCalGas and SDG&E in determining the appropriate

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[12] Ex. SCG-30/SDG&E-28 (Robinson) at DSR-5 – DSR-8, Appendix A (SoCalGas) and Appendix B (SDG&E).

[13] D.95-12-055, 1995 Cal. PUC LEXIS 965, *29-31.

[14] D.15-11-021 at 265.

[15] D.97-07-054 at 68 (emphasis added). *See* also, *e.g.*, D.13-05-010 at 882 (declining to micromanage SDG&E and SoCalGas' variable compensation metrics).

[16] D.04-07-022 at 217.

individual components that make up its incentive compensation program. It should also be noted that ORA, TURN, and NDC each have different views of which measures benefit ratepayers, which underscores the inherent subjectivity of this approach.

ORA, TURN and NDC's arguments fail to recognize that SoCalGas' and SDG&E's total compensation is at market and as such, is reasonable and should be subject to full recovery based on cost of service principles.

b. A compensation package that includes a combination of base pay and incentive compensation provides a greater benefit to ratepayers than providing the same level of compensation solely through base pay

ORA and TURN's arguments may have the unintended consequence of encouraging SoCalGas and SDG&E to provide higher base salaries in lieu of incentive compensation, while continuing to provide at-market aggregate total compensation. D.04-07-022 for Southern California Edison acknowledges that incentive compensation could be discontinued and offset with higher base salaries:

> We also note that it would be within SCE's managerial discretion to offer all cash compensation to employees in the form of base pay instead of a mix of base pay and incentive pay. In the event SCE were to do so, we would not take issue with ratepayer funding of the resulting total compensation as long as total compensation is reasonable.[17]

Such an approach would not be beneficial to ratepayers, as these incentive programs encourage employees to continue to find opportunities to improve performance and operate efficiently. The ICP focuses employees on safety, reliability and customer service goals and provides accountability for results. In contrast, base salary is fixed and does not provide the same level of focus on key goals.

c. Ratepayers benefit from incentive compensation programs because they are an integral part of a competitive total compensation package

Ratepayers benefit from incentive compensation programs because they are critical to SoCalGas' and SDG&E's ability to attract, retain, and motivate a highly-skilled, experienced workforce. In PG&E's TY 2014 GRC decision, the Commission stated:

[17] D.04-07-022 at 217.

> We conclude that offering employee compensation in the form of incentive payments is useful for recruiting and retaining skilled professionals and improving work performance. Conditioning a portion of management employees' compensation on achievement of specific company goals is a generally accepted compensation practice.[18]

Along these lines, the Commission has recognized that "short term incentive compensation is a valuable tool for attracting and retaining skilled professionals to run and manage the companies, and to carry out and meet safety, diversity, and customer service goals."[19]

In addition, as discussed below, the performance measures in SoCalGas' and SDG&E's incentive compensation programs, including financial measures, benefit ratepayers.

d. ICP Performance Goals Benefit Customers and the Community

The SoCalGas and SDG&E Non-Executive ICP plans include a company performance component, which trains employee focus on the achievement of company goals related to safety, reliability, customer satisfaction and financial health. In addition, the plans include an individual performance component, which is based on the employee's contributions toward these company goals and their achievement of their individual performance objectives. The company performance component and individual performance component each are weighted at 50% of employees' target ICP award. SoCalGas' and SDG&E's Executive ICP plans also include company performance goals related to safety, reliability, customer satisfaction and financial health. The executive plans do not include an individual performance measure, although the SoCalGas and SDG&E boards of directors may adjust individual executive ICP awards in consideration of individual performance.

The 2017 Non-Executive ICP and Executive ICP performance measures for SoCalGas and SDG&E are shown in Table DSR-6 and Table DSR-7 below:

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[18] D.14-08-032 at 520.

[19] D.13-05-010 at 882.

Table DSR-6

2017 SoCalGas ICP Performance Measure	Weighting as a % of Target	
	Non-Executive ICP	Executive ICP
Safety and Public Safety Related Operational Measures	**35%**	**50%**
Operational Safety:		
Pipeline Safety Enhancement Program (PSEP)		
• Miles of Pipe Remediated	3%	2%
• Number of Base Valves Retrofitted	3%	2%
• Miles of Pipeline Projects Completed Close Out	2%	2%
Damage Prevention – Damages per USA ticket rate	3%	5%
Distribution System Integrity: Main and Service Replacement	3%	5%
Incomplete Orders Reduction (Customer Service Field Efficiency)	2%	5%
AMI – Advanced Meter Module Installations		
• Installations	3%	3%
• Cost-cap Variance	2%	2%
• Meters Advanced and Automated for Billing	2%	4%
Storage Integrity Management Program (SIMP)	4%	4%
Employee Safety:		
Lost Time Incident (LTI) Rate	4%	8%
Controllable Motor Vehicle Incidents (CMVI)	4%	8%
Customer Service & Stakeholders	**5%**	**10%**
Customer Insight Study (CIS)	2%	4%
Paperless Billing Increase	2%	4%
Supplier Diversity	1%	2%
Financial Health	**10%**	**35%**
SoCalGas Earnings	6%	15%
SEU Earnings	0%	5%
Sempra Energy Earnings	4%	15%
Strategic	**N/A**	**5%**
Strategic Goals	**N/A**	**5%**
Total Company Performance Component	**50%**	**100%**
Total Individual Performance Component	**50%**	**N/A**
Total ICP	**100%**	**100%**

Table DSR-7

2017 SDG&E ICP Performance Measure	Weighting as a % of Target	
	Non-Executive ICP	Executive ICP
Safety and Public Safety Related Operational Measures	**35%**	**50%**
Gas Safety:		
Pipeline Safety Enhancement Program (PSEP) • Miles of Pipe Remediated • Number of Valves Retrofitted	8%	10%
Distribution System Integrity: Miles of non-state-of-the-art pipe replaced	5%	8%
Damage Prevention	5%	8%
Electric Safety:		
System Average Duration Interruption Index (SAIFI)	2%	3%
Worst Circuit: SAIDI	2%	2.5%
Worst Circuit: SAIFI	2%	2.5%
Employee Safety:		
Zero employee electric contacts	3%	4%
Lost Time Incident (LTI) Rate	4%	6%
Controllable Motor Vehicle Incidents (CMVI)	4%	6%
Customer Service & Stakeholders	**5%**	**10%**
Customer Connection Survey	2%	4%
Overall Self-Service	2%	4%
Supplier Diversity	1%	2%
Financial Health	**10%**	**35%**
SDG&E Earnings	6%	15%
SEU Earnings	N/A	5%
Sempra Energy Earnings	4%	15%
Strategic	**N/A**	**5%**
Strategic Goals	**N/A**	**5%**
Total Company Performance Component	**50%**	**100%**
Total Individual Performance Component	**50%**	**N/A**
Total ICP	**100%**	**100%**

ORA's and TURN's proposals for funding of the SoCalGas' and SDG&E's Non-Executive ICP and the Executive ICP are summarized below.

Non-Executive ICP:

Table DSR-8

2017 SoCalGas Non-Executive ICP Performance Measures	Weight as a % of Target	SoCalGas Proposed	ORA Proposed Funding %	ORA Proposed Weighted Funding %	ORA Proposed Funding $	TURN Proposed Funding %	TURN Proposed Weighted Funding %	TURN Proposed Funding $
Safety & Operations	35%	$ 26,488	50%	17.5%	$ 13,244	85%	29.7%	$ 22,477
Customer Service/Supplier Diversity	5%	$ 3,784	0%	0.0%	$ -	90%	4.5%	$ 3,406
Financial Goals	10%	$ 7,568	0%	0.0%	$ -	0%	0.0%	$ -
Individual Performance	50%	$ 37,840	50%	25.0%	$ 18,920	68%	34.2%	$ 25,883
Total	100%	$ 75,680		42.5%	$ 32,164		68.4%	$ 51,765

Table DSR-9

2017 SDG&E Non-Executive ICP Performance Measures	Weight as a % of Target	SDG&E Proposed	ORA Proposed Funding %	ORA Proposed Weighted Funding %	ORA Proposed Funding $	TURN Proposed Funding %	TURN Proposed Weighted Funding %	TURN Proposed Funding $
Safety & Operations	35%	$ 23,351	50%	17.5%	$ 11,676	90%	31.5%	$ 21,016
Customer Service/Supplier Diversity	5%	$ 3,336	0%	0.0%	$ -	90%	4.5%	$ 3,002
Financial Goals	10%	$ 6,672	0%	0.0%	$ -	0%	0.0%	$ -
Individual Performance	50%	$ 33,359	50%	25.0%	$ 16,680	72%	36.0%	$ 24,018
Total	100%	$ 66,718		42.5%	$ 28,355		72.0%	$ 48,037

Executive ICP:

Table DSR-10

2017 SoCalGas Executive ICP Performance Measures	Weight as a % of Target	SDG&E Proposed	ORA Proposed Funding %	ORA Proposed Weighted Funding %	ORA Proposed Funding $	TURN Proposed Funding %	TURN Proposed Weighted Funding %	TURN Proposed Funding $
Safety & Operations	50%	$ 1,705	50%	25.0%	$ 853	81%	40.5%	$ 1,381
Customer Service/Supplier Diversity	10%	$ 341	0%	0.0%	$ -	90%	9.0%	$ 307
Financial Goals	35%	$ 1,194	0%	0.0%	$ -	0%	0.0%	$ -
Strategic Goals	5%	$ 171	50%	2.5%	$ 85	0%	0.0%	$ -
Total	100%	$ 3,410		27.5%	$ 938		49.5%	$ 1,688

Table DSR-11

2017 SDG&E Executive ICP Performance Measures	Weight as a % of Target	SDG&E Proposed	ORA Proposed Funding %	ORA Proposed Weighted Funding %	ORA Proposed Funding $	TURN Proposed Funding %	TURN Proposed Weighted Funding %	TURN Proposed Funding $
Safety & Operations	50%	$ 2,010	50%	25.0%	$ 1,005	90%	45.0%	$ 1,809
Customer Service/Supplier Diversity	10%	$ 402	0%	0.0%	$ -	90%	9.0%	$ 362
Financial Goals	35%	$ 1,407	0%	0.0%	$ -	0%	0.0%	$ -
Strategic Goals	5%	$ 201	50%	2.5%	$ 101	20%	1.0%	$ 40
Total	100%	$ 4,020		27.5%	$ 1,106		55.0%	$ 2,211

i. Safety performance measures

ORA and TURN do not dispute that ICP measures related to safety benefit ratepayers. ORA and TURN contend, however, that strong safety performance also benefits shareholders and, therefore, shareholders should fund a portion of ICP. ORA recommends that ratepayers and shareholders each fund 50% of the portion of ICP related to safety goals. TURN recommends that ratepayers fund 90% and shareholders fund 10%. ORA explains the rationale for its 50% funding recommendation for SoCalGas' and SDG&E's ICP safety goals:

> …because both ratepayers and shareholders may both benefit from employees being motivated to meet safety, operational and strategic business goals, the remaining portion of ICP should be shared equally.[20]

ORA's recommendation of 50% funding for safety measures is a departure from its recommendation of 100% funding for safety measures in SCE's short-term incentive plan in SCE's 2018 GRC[21]:

> ORA recommends that ratepayers fund the portions of STIP associated with safety, customer relationships and operational excellence, and 'Grid of the future' because these goals have the ability to benefit ratepayers.[22]

The differences between ORA, TURN and NDC, as well as differences in ORA's own recommendations from one GRC to the next, demonstrate that attempting to allocate incentive compensation funding based on the perceived benefits to ratepayers and shareholders is unreasonable and subjective. Because ICP is part of a competitive and reasonable total

[20] Ex. ORA-22 (Hunter) at 10.

[21] April 7, 2017, Prepared Direct Testimony of Stacey Hunter, Report on the Results of Operations for Southern California Edison Company General Rate Case Test Year 2018, Human Resources Expenses, Benefits and Other Compensation, Ex. ORA-15 at 9, Table 15-5.

[22] Ex. ORA-15 (Hunter) at 10.

compensation package, it is a reasonable cost of service and should be fully recoverable. The fact that the interests of ratepayers and shareholders are aligned should not trigger a reduction in ratepayer funding.

In addition, conditioning the funding for incentive programs on ORA's and the intervenors' retroactive and subjective assessment of the merits of each individual ICP performance measure constitutes micromanagement of the incentive plan design. The Commission has declined to manage the performance goals in incentive plans. In SoCalGas' and SDG&E's 2012 GRC decision, the Commission concluded:

> With respect to the argument of TURN and UCAN that the metrics for the ICPs of SDG&E and SoCalGas should be revised, we do not adopt that suggestion. SDG&E and SoCalGas are in the best position to decide what metrics to use to measure the performance of its employees, and to revise the metrics as UCAN has suggested would result in the Commission's micromanaging of the Applicants' variable compensation.[23]

NDC recommends zero funding for the SoCalGas and SDG&E Executive ICP. NDC takes issue with the weighting of the safety measures compared to the weighting of the financial measures. Although employee safety and public safety-related operational measures are weighted at 50% of the total Executive ICP and financial measures are weighted at 35%, because there are more safety measures than financial measures, the weight of specific, individual safety measures is, in some instances, greater than the weight of specific, individual financial measures. NDC also contends that certain measures provide more of a financial benefit than a safety benefit.

SoCalGas and SDG&E strongly disagree with NDC. SoCalGas and SDG&E include several safety measures in the ICP in order to focus employees on multiple aspects of employee safety and public safety-related operational performance. To achieve a full payout, SoCalGas and SDG&E must deliver strong performance on all fronts. Safety measures are the largest component of the Company Performance component of the Non-Executive ICP and Executive ICP. The overall weighing of the safety measures in the Non-Executive ICP is more than triple the overall weighting of the financial measures.

NDC and OSA argue that some safety measures are not primarily related to safety. SoCalGas and SDG&E disagree with this view. All of the safety measures of ICP are designed

[23] D.13-05-010 at 882.

to promote safe operations. Some of these measures also confer benefits such as promoting reliability, reducing operating costs or improving customer service.

One of the measures criticized by NDC and OSA is SoCalGas' Incomplete Orders Reduction measure. This measure focuses on reducing the number of repeat visits by Customer Service Field (CS-F) employees by reducing incomplete orders. NDC's and OSA's arguments appear not to recognize that CS-F technicians are trained to always check for unsafe or hazardous conditions in all the work they do. CS-F technicians perform various customer and company generated work at customer premises. The most common reason a field technician is unable to complete the work (i.e., incomplete order) is due to access issues, e.g., customers are not home, locked gates, unrestrained dogs, etc. This impacts safety because CS-F technicians perform safety-related work at customer's premises. For example, CS-F technicians need access to the meter set assembly (MSA) to perform work necessary to maintain company facilities such as remediating corrosion and correcting abnormal operating conditions at the MSA. Additionally, CS-F technicians provide appliance service for our customers, and part of this process includes performing safety checks for unsafe or unsatisfactory conditions. CS-F technicians check for gas leaks, proper venting operation and other safety-related items to ensure the appliance is safe to use. When necessary, CS-F technicians will issue safety notices and remove unsafe appliances from service. The incomplete order reduction measure is focused on completing the work on the first visit, and as demonstrated in the examples above, thereby promotes safety.

Evaluating each individual safety measure in isolation ignores the fact that the mix of ICP performance measures are designed to provide balance in promoting the provision of safe, reliable, cost-effective service to SoCalGas and SDG&E customers. OSA contends that goals such as SAIDI and Worst Circuit do not promote safe operations and may actually be in conflict with safety performance. SDG&E disagrees with OSA's view. Minimizing the frequency and duration of outages helps to promote operational safety. Areas of direct overlap between public safety and reliability include tracking around employee and customer contacts, wire down tracking, vehicle contacts, dig-ins, heavy equipment contacts, and foreign object contacts. There are real impacts to critical infrastructure when power is lost. Emergency services infrastructure may be knocked out. Additionally, outages may be associated with power loss at hospitals, loss of water pressure and sewage backup, and loss of traffic controls. On an individual customer level, customers may lose the ability to power medical equipment, communication tools, and charging infrastructure for electric vehicles. OSA's argument that such goals may negatively impact safety could be valid if SAIDI and Worst Circuit were the only performance measures. However, this is not the case. As discussed above, the mix of ICP goals provides balance and discourages focus on one goal to the detriment of other aspects of safety. SDG&E's ICP also includes employee safety goals such as Lost Time Incident and Zero Employee Electric Contacts. The benefit of capturing ICP goals such as these is to ensure accountability associated with employee safety at all levels. These goals also help measure our efforts toward continuous improvement. This mix of goals helps to ensure we have a holistic approach to safety, which includes not only our employees, but also the customers who live in the communities that we serve. No one component comes at the detriment of employee or public safety.

ii. Customer and supplier diversity performance measures

ORA opposes ratepayer funding for both SoCalGas' and SDG&E's customer service and supplier diversity metrics because ORA does not believe the measures benefit ratepayers. The 2017 SoCalGas and SDG&E ICP customer service and supplier diversity ICP performance measures and an overview of the ratepayer benefits are discussed below:

- Customer Connection Survey (SDG&E Only): Measures quality of service for customers who have transacted with SDG&E during the year.
    - SDG&E disagrees with ORA's assertion that the metric that measures quality of service to customers does not provide benefit to ratepayers. The Customer Connections Survey is not a measurement of overall perceptions of the utility, which may be influenced by advertising. Rather, it measures utility employees' performance in providing direct service or transactional interactions with customers, such as customer impressions with calls with Energy Service Specialists and onsite visits by field employees. Customers are asked to rate the overall quality of service they received during their most recent experience with the utility. This is an important measure to encourage employees to continue to strive toward excellence in their engagement with customers and work to positively impact our customer's experience.

- Overall self-service (SDG&E Only): Measures the percentage of customers who are able to complete their service request using the web or Interactive Voice Response (IVR) system.
    - SDG&E strongly disagrees with ORA's statement that the Customer Service metric for self-service does not provide "actual benefit to ratepayers." Increasing the self-service benefits SDG&E customers in several ways:
        1. Self-service improves customer satisfaction by providing them with automated, 24/7 service when they want it with no wait time and faster service.
        2. Self-service provides customers with more options for service and through multiple channels including phone, mobile, and web.
        3. Self-service reduces the overall cost of service by reducing the staffing needed to perform the same function. An example of this financial benefit to ratepayers can be found in the Direct Testimony of Jerry Stewart (Exhibit SDG&E-18) on page 39. Labor savings are passed on to ratepayers during the GRC proceeding.

SDG&E customers are demanding more choices and self-service options. SDG&E is committed to creating more benefits for its customers by increasing its capabilities. Since 2012, the following options were added to increase self-service: (1) start/stop service via SDGE.com, (2) schedule gas turn-on after house fumigation via IVR, (3) restart service after service disconnect via IVR, (4) report/check outages via SDGE.com. In addition, SDG&E continuously improves the self-service menus on IVR and self-service navigation on Web and My Account to enhance customers self-service experience.

- Customer Insight Study (SoCalGas Only): Measures customers' perception of SoCalGas. The ICP goal relates to the percentage of favorable ratings from residential customers.
    - The Customer Insight Study (CIS) measurement provides SoCalGas with a way to better understand what is important to its customers. Areas affecting the reputation metric include trust, value for what customers pay, value of customer service received, ease of doing business with and

responsiveness to customers' needs. It allows SoCalGas to identify improvement opportunities with its communications related to safety, and assess any gaps between customer need and preference and the customer experience, products and services SoCalGas offers.

- Paperless Billing Increase (SoCalGas Only): Focuses on increasing the percentage of customer accounts billed electronically (not receiving a paper bill).
  - The SoCalGas Paperless Billing performance measure benefits ratepayers by providing a convenient, online bill payment option for our customers and reducing SoCalGas' operational costs. Online paperless billing provides SoCalGas' customers with the ability to schedule payments (including automatic payments), receive email reminders, and avoid postage costs. The convenience, postage cost savings, and environmental benefits make online paperless billing an attractive payment option that customers have come to expect from service providers and merchants. In addition, online paperless billing reduces costs to ratepayers. For every customer that converts from paper to electronic billing, ratepayers save $4.56 per year. Including this as an ICP measure challenges employees to work together to promote paperless billing to customers through creative ideas as well as through encouraging friends and family to convert to electronic billing. In 2017, SoCalGas had 2,467,725 paperless customers which saved ratepayers $11,238,126, which otherwise would have been included in rates. ***The cost savings from achieving additional increases in the number of customers using paperless billing are included in SoCalGas' TY2019 General Rate Case forecast*****,** as discussed in the revised direct testimony of Michael Baldwin.[24]
- Supplier Diversity: Measures the Diverse Business Enterprise spend as a percentage of overall spend.

[24] December 2017, Revised SoCalGas Direct Testimony of Michael H. Baldwin (Customer Services – Office Operations), Ex. SCG-19-R.

- SoCalGas and SDG&E each submit an annual report and plan to the CPUC, due on March 1, as part of the requirements of General Order 156.[25] Within these reports, the utilities provide a detailed breakdown by diverse business groups capturing the dollars spent, number of diverse suppliers, and percentage of spend.[26] Within the last 5 years, SDG&E and SoCalGas have initiated Supplier Diversity Champion and Ambassador programs with the primary purpose of developing a supplier diversity strategy and identifying sourcing opportunities to incorporate diverse suppliers with the supply chain for products and services procured within their respective organizations. SDG&E and SoCalGas have more than 185 employees who served as supplier diversity champions and ambassadors that help firms connect with business opportunities. Additionally, these employees who are key decision makers provide guidance and mentoring to help suppliers grow their business.

iii. Financial performance measures

As previously mentioned, the Commission declined to micromanage SoCalGas' and SDG&E's ICP metrics in the TY 2012 GRC, rejecting arguments that short-term incentive compensation should not be funded unless metrics are changed.[27] ORA and TURN's similar arguments against financial metrics should be rejected in this case as well. ORA and TURN are

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[25] California Public Utilities Commission, General Order 156, Rules Governing the Development of Programs to Increase Participation of Women, Minority, Disabled Veteran and Lesbian, Gay, Bisexual, and Transgender (LGBT) Business Enterprises in Procurement of Contracts from Utilities as Required by Public Utilities Code Sections 8281-8286.

[26] San Diego Gas & Electric Company, *Supplier Diversity, Diverse Business Enterprises, 2017 Annual Report, 2018 Annual Plan* (March 1, 2018), *available at* https://www.sdge.com/sites/default/files/documents/SDG%26E%202017%20Annual%20Report%20and%202018%20Annual%20Plan_FINAL_LoRes.pdf; *see also* Southern California Gas Company, *Growing Supplier Diversity's Impact, 2017 Annual Report, 2018 Annual Plan*, *available at* https://www.socalgas.com/1443740555276/2017-DBE-Report-Final_Pages.pdf.

[27] D.13-05-010 at 882.

incorrect to assume that strong utility financial performance does not benefit ratepayers, as the Commission has correctly stated:

> The financial metric may benefit ratepayers as a result of the companies' lower borrowing costs.[28] …[A] financially strong company usually has lower borrowing costs, which benefits ratepayers by lowering costs.[29]

The linkage between utility financing costs and benefits to ratepayers was also discussed by Commissioner Ferron in his comments at an October 3, 2013, investor meeting:

> This reduction in risk has led to a direct reduction in the cost of financing capital for the utility sector in California. If you do the math, the reduction in the risk premium – the reduction in the incremental cost of capital to our utilities – when applied to the balance sheet of our utilities, is equal to several hundred million dollars every year in direct savings to rate-paying customers. In short, the ratepayer is ultimately the direct benefactor of this Commission making decisions that improve the investment climate in California.[30]

In the District of Columbia Public Utilities Commission's 2013 decision regarding short-term incentive pay (in that case, "STIP") for Washington Gas Light Company, the commission stated:

> We have not set as a requirement for STIP that each and every goal within an incentive plan must only benefit ratepayers. We recognize that a financially healthy utility company that provides quality service is beneficial to ratepayers and shareholders alike. As long as the STIP is structured to provide significant benefits to ratepayers, it can also contain a financial performance goal that benefits shareholders. For that reason, we decline to accept OPC's recommendation to reduce the STIP cost recovery by one-sixth because of the existence of the return on equity goal.[31]
>
> Consequently, we approve the Company's adjustment that increased test year expenses by $809,883 to fund the Company's at-risk STIP.[32]

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[28] *Id.*

[29] *Id*. at 883.

[30] California Public Utilities Commission, Commissioner Reports at Voting Meetings, Commissioner Ferron's Report at CPUC Voting Meeting on Meetings with Investors (October 3, 2013) at 1, *available at* http://cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/About_Us/Organization/Former_Commissioners/Peevey(1)/News_and_Announcements/CommissionerFerronsReportonMeetingswithUtilityInvestorsOctober32013.pdf.

[31] 2013 D.C. PUC LEXIS 103 at *206.

[32] *Id*. at *206-207.

In the 2012 decision by the Florida Public Utilities Commission for Gulf Power Company regarding short-term incentive pay (in that case, "PPP"), the commission stated:

> We recognize that the financial incentives that Gulf employs as part of its incentive compensation plans may benefit ratepayers if they result in Gulf having a healthy financial position that allows the Company to raise funds at a lower cost than it otherwise could.[33]
>
> We find that the short-term incentive compensation test year amounts related to the PPP shall be included in O&M expense…[34]

The Colorado Public Utilities Commission has also authorized the inclusion of financial incentives in Black Hills/Colorado Electric Utility, LP's revenue requirement. Black Hills argued that "customers directly benefit when they are being served by a financially secure utility that is able to meet their needs efficiently and economically" and the commission agreed that the incentive compensation tied to financial goals "represent[ed] a reasonable amount that directly benefits [Black Hills'] customers."[35] More recently, the Colorado Public Utilities Commission reaffirmed their position to include financial incentive compensation in revenue requirements. Black Hills offers equity compensation to employees in the form of stocks and argues that ratepayers "directly benefit from the employee's activities that are being compensated which are directed towards providing safe, reliable and efficient electric service."[36] Moreover, they argued that "there [had] been no showing that the overall level of compensation [was] excessive, compared to similarly situated utilities."[37] While the commission recognized that there was shareholder benefit, they also agreed with Black Hills that the "expense represents a reasonable amount that directly benefits [Black Hills'] customers" and as such, equity compensation benefits should be included in the test period.[38]

The Indiana Utility Regulatory Commission also "recognizes the value of incentive compensation plans as part of an overall compensation package to attract and retain qualified

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[33] 2012 Fla. PUC LEXIS 233 at *253.

[34] *Id.*

[35] 2011 Colo. PUC LEXIS 1285 at *67-68.

[36] 2014 Colo. PUC LEXIS 1508 at *138.

[37] *Id*. at *139.

[38] *Id*. at *141.

personnel."[39] They have well-established criteria for the recovery of incentive compensation plan costs in rates when "the incentive compensation plan is not a pure profit-sharing plan, but rather incorporates operational as well as financial performance goals…"[40]

e. Corporate center allocations should be evaluated based on whether the amount allocated to the utilities is reasonable.

TURN takes issue with the design of the Corporate Center ICP and recommends no funding for performance measures related to Sempra Energy's financial performance or, in the case of the Executive ICP for senior corporate officers, performance measures related to non-regulated businesses.

A portion of Corporate Center compensation and benefits costs, including Corporate Center ICP costs, is allocated to SoCalGas and SDG&E to cover the costs of the services provided to the utilities by Corporate Center. Corporate Center allocations are included in the revised direct testimony of Mia DeMontigny.[41] SoCalGas and SDG&E strongly disagree with TURN's approach. While Corporate Center employees are not employees of SoCalGas and SDG&E, they do provide services to Sempra Energy business units and their ICP is designed to be broad enough to capture performance across all businesses.

Recovery of Corporate Center allocations, including allocations for Corporate Center ICP, should be based only on whether the allocation methodology and allocation amounts are reasonable. The performance measures of the Corporate Center ICP are not relevant. Allocation methodologies and percentages (percent of a given cost allocated to each utility) are covered in Ms. DeMontigny's testimony. The remaining variable impacting the allocation amount is the compensation level for Corporate Center employees. Corporate Center jobs were included in the SoCalGas and SDG&E Total Compensation Study. The Total Compensation Study determined that total compensation, including an allocation of costs for Corporate Center jobs, was in line with the market. Actual total compensation (defined as base salaries, short-term incentives,

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[39] 2012 Ind. PUC LEXIS 178 at *195

[40] *Id*. at *196. *See also* 2011 Ind. PUC LEXIS 115 at *149-151. (Finding that incentive compensation programs that included financial goals as well as operation and individual goals incent employees to aid the utility in improving its capabilities and service through increased efficiency and reliability.)

[41] Ex. SCG-28-R/SDG&E-26-R (DeMontigny).

long-term incentives and benefits) is within 0.7% and 0.4% of market for SoCalGas and SDG&E, respectively, including Corporate Center.

D. Long-Term Incentives

ORA and TURN recommend disallowing 100% of Long-Term Incentive Plan expenses. In their view, these incentives only benefit executives and shareholders.

For SoCalGas and SDG&E, long-term incentives are a critical component of a competitive compensation and benefits package required to attract, motivate and retain executives and key management employees. These incentives have three-year performance and service periods and are a powerful tool for ensuring the retention of SoCalGas' and SDG&E's management team.

Consistent with SoCalGas' and SDG&E's compensation philosophy, a greater proportion of pay is at-risk, or performance-based, at higher levels of responsibility. Long-term incentives make up 11 percent to 51 percent of total target compensation (which includes base pay, short-term incentives, and long-term incentives) for key management and executive employees.

Like ICP, long-term incentives are part of a reasonable, competitive total compensation package and should be recoverable.

E. Recognition Programs

1. Spot Cash

The forecast for spot cash awards was based on a five-year average. Costs vary from year to year, with 2016 being the lowest year. ORA recommends funding Spot Cash based on costs for 2016, the lowest year in the five-year period. "Cherry picking" the lowest year of the five-year period is unreasonable and should be rejected.

2. Employee Recognition

Employee recognition awards were forecasted based on the budgeted amount of $75 per employee, resulting in a TY2019 cost of $646K for SoCalGas and $339K for SDG&E. TURN recommends funding based on a three-year average, resulting in $92K for SoCalGas and $119K for SDG&E. ORA recommends funding based on 2016 costs, resulting in $99K for SoCalGas and $86K for SDG&E. SoCalGas and SDG&E contend that a zero-based forecast based on the budget amounts for this program is the more appropriate forecasting methodology.

IV. REBUTTAL TO PARTIES' BENEFITS PROPOSALS

A. Benefit Programs Overview

Benefit programs are a critical component of a competitive total rewards program. SoCalGas and SDG&E offer a comprehensive and balanced employee benefits program that includes:

- Health benefits: medical, dental, vision, wellness, employee assistance program (EAP), and mental health and substance abuse benefits;
- Welfare benefits: long-term disability, workers compensation, life insurance, accidental death and dismemberment (AD&D) insurance, and business travel accident insurance;
- Retirement benefits: pension and retirement savings plans; and
- Other benefit programs.

Certain benefits are covered in other testimony volumes. I cover broad-based pension benefits and post-retirement health benefits in Exhibit SCG-31/SDG&E-29[42] and Exhibit SCG-231/SDG&E-229.[43] Long-term disability and workers compensation are covered by the direct and rebuttal testimonies of Tashonda Taylor (Ex. SDG&E-30[44] and Ex. SDG&E-230[45]) and Mary Gevorkian (Ex. SCG-32[46] and Ex. SCG-232[47]).

The differences between the amounts requested by SoCalGas and SDG&E and the amounts proposed by ORA and TURN are summarized below in Table DSR-12 for SoCalGas and Table DSR-13 for SDG&E.

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[42] October 6, 2017, SoCalGas and SDG&E Direct Testimony of Debbie Robinson (Pension and Postretirement Benefits Other Than Pension), Ex. SCG-31/SDG&E-29.

[43] June 18, 2018, SoCalGas/SDG&E Rebuttal Testimony of Debbie Robinson (Chapter 1) (Pension and Postretirement Benefits Other Than Pension), Ex. SCG-231/SDG&E-229.

[44] October 6, 2017, SDG&E Direct Testimony of Tashonda Taylor (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SDG&E-30.

[45] June 18, 2018, SDG&E Rebuttal Testimony of Tashonda Taylor (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SDG&E-230.

[46] October 6, 2017, SoCalGas Direct Testimony of Mary Gevorkian (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SCG-32.

[47] June 18, 2018, SoCalGas Rebuttal Testimony of Mary Gevorkian (Human Resources Department, Safety, Workers' Compensation & Long-Term Disability), Ex. SCG-232.

SoCalGas:

Table DSR-12

Component	TY2019				
	SoCalGas Request ($M)	ORA Recommendation ($M)	Difference	TURN Recommendation	Difference - TURN vs. SCG
Health Benefits	$ 105.1	$ 98.5	$ (6.6)	$ 102.4	$ (2.7)
Welfare Benefits	$ 1.9	$ 1.9	$ -	$ 1.9	$ -
Retirement Savings Plan	$ 25.4	$ 25.4	$ -	$ 25.4	$ -
NQ Savings Plan	$ 0.3	$ -	$ (0.3)	$ 0.2	$ (0.2)
Supplemental Pension	$ 1.9	$ -	$ (1.9)	$ 1.0	$ (1.0)
Other programs/fees	$ 4.5	$ 3.3	$ (1.2)	$ 3.9	$ (0.6)
Benefits	**$ 139.1**	**$ 129.1**	**$ (10.0)**	**$ 134.7**	**$ (4.4)**

SDG&E:

Table DSR-13

Component	TY2019				
	SDG&E Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SDG&E	TURN Recommendation	Difference - TURN vs. SDG&E
Health Benefits	$ 63.9	$ 59.3	$ (4.6)	$ 62.3	$ (1.5)
Welfare Benefits	$ 0.8	$ 0.8	$ -	$ 0.8	$ -
Retirement Savings Plan	$ 17.4	$ 17.4	$ -	$ 17.4	$ -
NQ Savings Plan	$ 0.2	$ -	$ (0.2)	$ 0.1	$ (0.1)
Supplemental Pension	$ 2.4	$ -	$ (2.4)	$ 1.2	$ (1.2)
Other programs/fees	$ 1.6	$ 1.3	$ (0.3)	$ 1.4	$ (0.2)
Benefits	**$ 86.3**	**$ 78.8**	**$ (7.4)**	**$ 83.3**	**$ (3.0)**

B. Health and Welfare

The differences between the amounts requested by SoCalGas and SDG&E and the amounts proposed by ORA and TURN for health and welfare programs are summarized below in Table DSR-14 for SoCalGas and Table DSR-15 for SDG&E.

SoCalGas:

Table DSR-14

Component	TY2019				
	SoCalGas Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SoCalGas	TURN Recommendation ($M)	Difference - TURN vs. SoCalGas
Medical	$ 96.0	$ 90.3	$ (5.7)	$ 93.4	$ (2.7)
Dental	$ 5.1	$ 5.1	$ -	$ 5.1	$ -
Vision	$ 0.6	$ 0.6	$ -	$ 0.6	$ -
Wellness	$ 0.7	$ -	$ (0.7)	$ 0.7	$ -
EAP	$ 0.8	$ 0.8	$ -	$ 0.8	$ -
Mental Health	$ 1.9	$ 1.7	$ (0.2)	$ 1.9	$ -
Health Benefits	**$ 105.1**	**$ 98.5**	**$ (6.6)**	**$ 102.4**	**$ (2.7)**
AD&D	$ 0.1	$ 0.1	$ -	$ 0.1	$ -
Business Travel Insurance	$ 0.1	$ 0.1	$ -	$ 0.1	$ -
Life Insurance	$ 1.8	$ 1.8	$ -	$ 1.8	$ -
Welfare Benefits	**$ 1.9**	**$ 1.9**	**$ -**	**$ 1.9**	**$ -**

SDG&E:

Table DSR-15

Component	TY2019				
	SDG&E Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SDG&E	TURN Recommendation ($M)	Difference - TURN vs. SoCalGas
Medical	$ 56.2	$ 52.9	$ (3.3)	$ 54.7	$ (1.5)
Dental	$ 4.0	$ 4.0	$ -	$ 4.0	$ -
Vision	$ 0.4	$ 0.4	$ -	$ 0.4	$ -
Wellness	$ 1.1	$ -	$ (1.1)	$ 1.1	$ -
EAP	$ 0.3	$ 0.3	$ -	$ 0.3	$ -
Mental Health	$ 1.9	$ 1.7	$ (0.2)	$ 1.9	$ -
Health Benefits	**$ 63.9**	**$ 59.3**	**$ (4.5)**	**$ 62.3**	**$ (1.5)**
AD&D	$ 0.1	$ 0.1	$ -	$ 0.1	$ -
Business Travel Insurance	$ 0.03	$ 0.0	$ -	$ 0.0	$ -
Life Insurance	$ 0.7	$ 0.7	$ -	$ 0.7	$ -
Welfare Benefits	**$ 0.8**	**$ 0.8**	**$ -**	**$ 0.8**	**$ -**

- ORA recommends funding for medical and mental health benefits based on a medical escalation rate assumption of 4.25%, compared to the 7.0% escalation proposed by SoCalGas and SDG&E, resulting in a recommendation of $90.3 million for SoCalGas medical benefits and $52.9 million for SDG&E. ORA's recommendation is $5.7 million lower than SoCalGas' recommendation and $3.3 million lower than SDG&E's recommendation.

- ORA (Tang) recommends a post-test year medical escalation rate of 4.25% rather than the medical escalation rates of 6.50% for 2020, 6.0% for 2021, and 5.50% for 2022 as proposed by SoCalGas and SDG&E.
- ORA recommends zero funding for wellness. ORA does not take issue with dental, vision, EAP or welfare benefit costs.
- TURN recommends the use of a lower medical escalation assumption of 6.0%, compared to the 7.0% escalation proposed by SoCalGas and SDG&E, resulting in a recommendation of $93.4 million for SoCalGas medical benefits and $54.7 million for SDG&E. TURN's recommendation is $2.7 million lower than SoCalGas' recommendation and $1.5 million lower than SDG&E's recommendation.

1. Medical (including post-test year)

ORA takes issue with the medical cost escalation rates used by SoCalGas and SDG&E and SoCalGas. SoCalGas and SDG&E recommend using an escalation rate of 8.0% for 2018 and 7.0% for 2019 and post-test year escalation rates of 6.5% for 2020, 6.0% for 2021, and 5.5% for 2022, while ORA recommends a rate of 4.25% per year for 2018 through 2022. TURN recommends a 2018 and 2019 escalation rate of 6.0%.

a. ORA

In Ex. ORA-22, Ms. Hunter proposes using an average of the Kaiser Family Foundation's 2017 Employer Health Benefits Survey and the Price Waterhouse Coopers (PWC) Health Research Institute Survey. ORA cites an expected medical cost increase of 3.0% for the Kaiser survey and 5.5% for the Price Waterhouse Coopers survey.[48] ORA's recommendation of 4.25% is based on the average of the two surveys.

b. TURN

TURN's recommended escalation rate of 6.0% is based on the assumption that the utilities will successfully achieve cost reductions through new plans or plan design changes. TURN also cites a five-year average actual increase of 5.64%.

[48] Ex. ORA-22 (Hunter) at 17-18. [Note: ORA clarified in a data request (DR) response that 5.5% was the intended citation from the PWC survey and that the 6.5% shown on page 18 of Ex. ORA-22 was a typographical error.]

c. SoCalGas' and SDG&E's Proposal and Concerns with ORA's and TURN's Proposals:

SoCalGas and SDG&E recommend using the medical escalation forecast prepared by Willis Towers Watson, which takes into account SoCalGas' and SDG&E's Southern California location, workforce demographics, and medical plan design.

- **Location:** The unit cost of health care (medical and pharmacy) and the rate of cost increases is most accurately determined by the local health care market. SoCalGas' and SDG&E's escalation rates reflect the markets where the enrolled employees and their dependents receive health care services, which is primarily Southern California. Other data sources report national trends. Projected national cost increases are not directly relevant to SoCalGas and SDG&E projected increases.
- **Workforce Demographics:** SoCalGas' and SDG&E's projected escalation rates incorporate their enrolled population's age, gender and family size makeup. The other data sources will have a wider range of demographics. Willis Towers Watson survey results indicate SoCalGas' and SDG&E's enrolled employees are, on average, slightly older than Willis Towers Watson's database average and family size (number of enrolled dependents) is slightly larger. Since demographics are a key component of how a population utilizes services and generates health care costs, any differences in demographics affect the forecast of future costs. Older age generally results in higher cost and a faster rate of increase if all else is equal.
- **Type of Plans:** Projections for SoCalGas and SDG&E are based on the majority of enrolled members being in capitated HMO plans. Capitated HMOs are very cost-effective compared to plan designs like PPOs that are based on fee for service payment models. Outside of Southern California, fully-insured capitated HMO plans are uncommon. However, the national market is moving toward innovative provider payment approaches and a shift toward consumer-driven health care designs that are expected to mitigate future cost increases to employer plans. SoCalGas and SDG&E will tend to benefit less from this trend because of the high enrollment in capitated HMOs.

2. Wellness

The objective of the SDG&E and SoCalGas wellness programs is to improve employee health and productivity. Wellness programs promote healthy lifestyle changes and illness prevention, facilitate early detection and management of illness and disease, and help ensure that employees diagnosed with health conditions receive optimal and effective treatment. Employers are uniquely positioned to reach employees with these programs. Onsite programs, in particular, provide convenient, easy access and encourage participation through peer and leadership examples.

a. ORA

ORA recommends zero funding for Wellness programs, categorizing them as duplicative of services available under the medical plans.

b. SoCalGas and SDG&E Rebuttal

SoCalGas and SDG&E strongly disagree with ORA's view. While certain onsite programs are available through the medical plans, participation is much higher when programs are offered onsite. For example, 2,648 employees received onsite flu vaccinations in 2017. Encouraging a high vaccination rate by providing the vaccine onsite is a cost-effective means of protecting employees from illness and decreasing illness-related time off and the associated impact on productivity. Onsite health screenings facilitate early detection and intervention, helping employees to work with their medical providers to manage their health and reducing the need for emergency treatment and disease progression.

Based on data provided by SoCalGas' and SDG&E's medical plan providers, a high percentage of SoCalGas' and SDG&E's employees and dependents are obese or overweight. Many of the chronic medical conditions that drive medical plan cost increases are correlated with obesity, particularly Type II diabetes. SoCalGas and SDG&E offer onsite and offsite weight management and fitness programs to encourage employees to achieve and maintain a healthy weight.

Linking wellness programs to safety programs through participation in safety stand down events further reinforces our safety culture and promotes a focus on healthy behaviors and the prevention of illnesses and injuries. Moreover, a primary goal for SoCalGas' and SDGE's comprehensive wellbeing program is to build a culture of health and safety, both at work and in personal life, that makes a positive impact on our medical plan populations' morbidities, and to create an understanding of the incremental impact that a collective wellbeing program presence can have on helping SoCalGas and SDGE continue their high performance and achievement of organizational goals. SoCalGas and SDGE's wellbeing program is designed to:

- Increase employee awareness of personal health and safety,
- Empower and educate employees about making healthy lifestyle choices,
- Improve employee and their social communities' quality of living.

Supporting a healthy workforce not only contributes to SoCalGas' and SDG&E's success it is also part of their role as a responsible employer.

3. Mental Health and Substance Abuse

The cost forecast for the mental health and substance abuse program is impacted by the medical plan escalation rate. ORA takes issue with the medical plan escalation rate, as described above, and recommends an escalation rate of 4.25% for 2018 and 2019. SoCalGas and SDG&E recommend an escalation rate of 8.0% for 2018 and 7.0% for 2019, which is based on the forecast prepared by Willis Towers Watson. The rationale for using the Willis Towers Watson forecast is discussed above in Section IV. B. 1. under "Medical (including post-test year)."

C. Retirement Benefits

SoCalGas and SDG&E retirement benefits provided to all regular employees include a defined benefit pension plan, a defined contribution (401(k)) retirement savings plan, and postretirement health and welfare benefits. Employees whose benefits or pay exceed Internal Revenue Service (IRS) limitations specified under the Internal Revenue Code (IRC) also participate in the Cash Balance Restoration Plan, which maintains participation at the same percentage level as all other employees. Certain management employees participate in a nonqualified retirement savings plan, or deferred compensation plan.

This testimony focuses on the 401(k) retirement savings plan, the nonqualified deferred compensation plan, and the supplemental pension plans. The defined benefit pension plan and postretirement health and welfare benefits are covered in Exhibit SCG-31/SDG&E-29 (Robinson) and Exhibit SCG-231/SDG&E-229 (Robinson).

1. ORA

ORA recommends zero funding for the nonqualified retirement savings plan and supplemental pension. ORA does not take issue with the forecast for the 401(k) retirement savings plan.

2. TURN

TURN recommends 50% funding for the nonqualified retirement savings plan and supplemental pension, citing the Commission's previous approach of allocating costs for these plans equally between ratepayers and shareholders.

a. Nonqualified Retirement Savings Plan

The nonqualified savings plan, or deferred compensation plan, allows pre-tax contributions for employees subject to IRS compensation and contribution limits. Company matching contributions under the plan are consistent with company matching contributions under the Retirement Savings Plan. Deferred compensation plans are a component of a competitive compensation and benefits package. Availability of these plans facilitates recruiting and retention of the best candidates for executive, director, attorney, and other key management positions.

b. Supplemental Pension

SDG&E and SoCalGas offer two supplemental pension plans: the Supplemental Executive Retirement Plan, which covers a very small number of senior executives, and the Cash Balance Restoration Plan.

The Cash Balance Restoration Plan restores benefits for employees that would otherwise be lost due to limitations on earnings and/or benefits established by the Internal Revenue Service and the Employee Retirement and Income Security Act. Benefits are accrued at the same percentage and using the same benefit formula as the broad-based retirement plan.

Supplemental pension plans are an important component of a competitive compensation and benefits package for executive and other key employees. These benefits are common in the external market, particularly among utilities.

Attracting and maintaining talented employees at all levels provides value to ratepayers. SDG&E and SoCalGas request that the Commission approve the Nonqualified Retirement Savings Plan and Supplemental Pension requests as submitted.

D. Other Benefit Programs and Fees

SoCalGas and SDG&E offer a number of benefit programs that are designed to provide opportunities to enhance employees' knowledge and skills, reduce lost time, recognize achievements and promote a collaborative, team-oriented environment. These programs and costs are outlined in Table DSR-16 and Table DSR-17 below.

SoCalGas:

Table DSR-16

Component	TY2019				
	SoCalGas Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SoCalGas	TURN Recommendation ($M)	Difference - TURN vs. SoCalGas
Benefits Administration Fees	$ 1.11	$ 1.11	$ -	$ 1.11	$ -
Educational Assistance	$ 1.09	$ 1.09	$ -	$ 1.11	$ 0.03
Emergency Childcare	$ 0.22	$ -	$ (0.22)	$ 0.18	$ (0.04)
Mass Transit Incentive	$ 1.10	$ 1.10	$ -	$ 1.37	$ 0.27
Retirement Activities	$ 0.18	$ -	$ (0.18)	$ -	$ (0.18)
Service Recognition	$ 0.25	$ 0.13	$ (0.13)	$ 0.11	$ (0.14)
Special Events	$ 0.53	$ -	$ (0.53)	$ -	$ (0.53)
Total	**$ 4.48**	**$ 3.42**	**$ (1.06)**	**$ 3.88**	**$ (0.60)**

SDG&E:

Table DSR-17

Component	TY2019				
	SDG&E Request ($M)	ORA Recommendation ($M)	Difference - ORA vs. SDG&E	TURN Recommendation ($M)	Difference - TURN vs. SDG&E
Benefits Administration Fees	$ 0.67	$ 0.67	$ -	$ 0.67	$ -
Educational Assistance	$ 0.51	$ 0.51	$ -	$ 0.46	$ (0.04)
Emergency Childcare	$ 0.16	$ -	$ (0.16)	$ 0.12	$ (0.04)
Mass Transit Incentive	$ 0.09	$ 0.09	$ -	$ 0.08	$ (0.01)
Retirement Activities	$ 0.07	$ -	$ (0.07)	$ -	$ (0.07)
Service Recognition	$ 0.11	$ 0.05	$ (0.05)	$ 0.07	$ (0.04)
Total	**$ 1.60**	**$ 1.32**	**$ (0.28)**	**$ 1.40**	**$ (0.19)**

1. ORA

ORA did not take issue with the forecasts for benefits administration fees, educational assistance, and the mass transit incentive. ORA recommends 50% funding for service recognition and zero funding for emergency childcare, retirement activities and special events (SoCalGas only).

2. TURN

TURN did not take issue with the forecast for benefits administration fees. TURN generally recommended using a five-year average for SoCalGas and a six-year average for SDG&E, with no funding for retirement activities or special events (SoCalGas only) and 50% funding for service recognition.

a. Service Recognition

Service awards provide employers with a means of recognizing and thanking employees for their service to the organization. Such awards also benefit the company, as they promote employee loyalty and longevity. Recognizing length of service is one of the most common types of employee recognition programs. Promoting the retention of long-service employees and maintaining a positive organizational culture by recognizing employee loyalty and longevity benefits ratepayers.

b. Retirement Activities

Similar to service awards, retirement activities promote an organizational culture that values the contributions of employees. Publicly recognizing and expressing appreciation for a retiring employee's career-long contributions to the organization helps to inspire loyalty and longevity among active employees.

c. SoCalGas Special Events

Special Events night is a long-standing benefit valued by employees at all levels.

d. Zero-based forecasting versus six-year or five-year average

The methodology for developing SoCalGas' and SDG&E's forecasts is described below:

- Educational Assistance and Mass Transit Incentive: Based on current levels of utilization factoring expected changes in headcount.
- Benefits Administration Fees and Retirement Activities: Based on current levels of utilization.
- Emergency Childcare: Based on fees per current contract with vendor.
- Service Recognition: Based on demographics (length of service) of current employees.

Because the methodology used by SoCalGas and SDG&E is tailored to the cost drivers of each benefit, it is preferable to the six-year or five-year averages recommended by TURN.

V. CONCLUSION

SoCalGas' and SDG&E's compensation and benefits costs are part of a reasonable, market-driven compensation package. These programs are critical to attracting, motivating and retaining the experienced, highly-skilled workforce required to operate safe and reliable utilities while providing excellent service to customers. Costs for these programs are well-supported, reasonable and should be approved as submitted.

This concludes my prepared rebuttal testimony.

APPENDIX A

SCG/SDG&E 2019 GRC Compensation Errata Table

Exhibit	Witness	Page	Line	Revision Detail
Discovery	*D. Robinson*	*Data Request NDC-SEU Data Request-009 Question 7*		*In responding to a data request from NDC, SDG&E and NDC noted that the 2013 headcount, which was included in the five-year average used to develop the forecast of TY2019 ICP, was understated by 575 administrative employees. With the correction of this error, TY2019 non-executive ICP would be $64.5, or $2.2 million lower than the $66.7 million in SDG&E's application*

APPENDIX B - Glossary of Terms

AD&D	Accidental Death and Dismemberment
CIS	Customer Insight Study
Commission or CPUC	California Public Utilities Commission
CS-F	Customer Service Field
D.	Decision
DR	Data Response
EAP	Employee Assistance Programs
GRC	General Rate Case
ICP	Executive Incentive Compensation Program
IRC	Internal Revenue Code
IRS	Internal Revenue Service
IVR	Interactive Voice Response
LTIP	Long-Term Incentive Program
MSA	Meter Set Assembly
NDC	National Diversity Coalition
OSA	Office of the Safety Advocate
ORA	Office of Ratepayer Advocates
PWC	Price Waterhouse Coopers
SDG&E	San Diego Gas & Electric Company
SoCalGas/SDG&E	(collectively, the Companies
SoCalGas or SCG	Southern California Gas Company
SAIDI	System Average Duration Interruption Index
TCS	The Total Compensation Study
TURN	The Utility Reform Network
TY/2019	Test Year