Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2016 General Rate Case
Application: A.14-11-___
Exhibit: SDG&E-17

SDG&E

DIRECT TESTIMONY OF JAMES CARL SEIFERT

(REAL ESTATE, LAND SERVICES AND FACILITIES)

November 2014

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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(REAL ESTATE, LAND SERVICES AND FACILITIES)

SUMMARY

(Thousands of 2013 dollars)

O&M	2013 ($000)	2016 ($000)	Change
Total Non-Shared	20,212	24,021	3,809
Total Shared Services (Incurred)	13,447	16,280	2,833
Total O&M	**33,659**	**40,301**	**6,642**

Capital	2014 ($000)	2015 ($000)	2016 ($000)
	19,460	**38,452**	**42,930**

Summary of Requests

Real Estate, Land & Facilities ("REL&F") forecasts SDG&E expenses for Rents and Operating Expenses, Corporate Real Estate, Real Estate Planning, Facility Operations, Land Services, Real Estate Resources and associated Capital Programs. Notable factors that influence costs in REL&F are:

- Rents reflect continued current escalation rates on leases.
- Facility Operations maintenance costs have been kept to a minimum due to cost efficiencies which are reflected in the forecast.
- Resources & Planning cost efficiencies are reflected in forecast by using a 5 year average.
- Capital Programs reflect increased compliance related maintenance and aging infrastructure.

SDG&E DIRECT TESTIMONY OF JAMES CARL SEIFERT
(REAL ESTATE, LAND SERVICES AND FACILITIES)

I. INTRODUCTION

A. Purpose of Testimony

The purpose of this testimony is to describe the Shared and Non-Shared Services performed by the REL&F organization for San Diego Gas & Electric Company ("SDG&E"), and to discuss why the forecasted 2016 Test Year ("TY") operating and maintenance ("O&M") and capital costs are reasonable. Accordingly, my testimony provides a breakdown of the functional activities of the REL&F organization by category (activity) for both the Shared and Non-Shared Services portion of operating costs. REL&F activities consist of the following seven major cost categories, which include 65 FTE's:

- Rents and Operating Expenses
- Corporate Real Estate
- Real Estate Planning
- Capital Programs
- Facility Operations
- Land Services
- Real Estate Resources

B. Summary of Request

Table JCS-1 below shows REL&F's total forecasted O&M and Capital costs.

TABLE JCS-1

(Thousands of 2013 dollars)

O&M	2013 ($000)	2016 ($000)	Change
Total Non-Shared	20,212	24,021	3,809
Total Shared Services (Incurred)	13,447	16,280	2,833
Total O&M	**33,659**	**40,301**	**6,642**

Capital	2014 ($000)	2015 ($000)	2016 ($000)
	19,460	**38,452**	**42,930**

In addition to this testimony, please also refer to my workpapers, Ex. SDG&E-17-WP (for O&M) and SDG&E-17-CWP (for capital) for additional information on the activities described herein.

C. Overview of the Operations

The following provides a breakdown of the major costs and functional activities of the REL&F organization by category (activity) for both the Shared and Non-Shared Services portion of operating costs. REL&F is a Utility Shared Services organization headed by a Manager who oversees activities performed at both SDG&E and Southern California Gas Company ("SCG") (collectively referred to as "Utilities"). REL&F provides services for the benefit of the Utilities as well as Sempra Energy's Corporate Center and non-utility affiliates. The scope of this testimony covers REL&F's costs for SDG&E and Corporate Center only. The real estate costs for SoCalGas are filed separately.

REL&F is responsible for the administration of real estate, facilities, and land services for a combined building footprint portfolio of 1.5 million square feet separated by the following companies:

SDG&E: 1.20 million sq. ft.

Corporate Center: 0.30 million sq. ft.

REL&F plans, acquires, builds, and maintains the operating and non-operating real estate and facility assets in support of the delivery of gas and electric energy and services to our customers.

D. Goals

REL&F supports SDG&E's goals primarily in the area of achieving efficiencies. The REL&F organization works closely with internal customers to maximize the use of the real property portfolio. For instance, we use typical industry standard metrics in the areas of square feet per person in conjunction with headcount forecasts from operations to forecast office space requirements. We also engage third parties to provide property values as needed for SDG&E's leased and owned properties.

E. Support To/From Other Witnesses

In addition to sponsoring my own organization's costs, I also provide cost estimates for Scott Pearson, witness for Environmental Services (Ex. SDG&E-18), supporting the regulatory driver for water quality-related Municipal Separate Storm Sewer System ("MS4") permit capital costs. Please see my capital workpapers Ex. SDG&E-17-CWP, Budget Code 703 for details.

Rents and Operating Expenses - are split between shared and non-shared costs. The shared service portion of rents is associated with Sempra Energy Headquarters rent and maintenance. The non-shared service portion of rents is associated with rent for telecom sites, branch offices, an environmental laboratory, office, multi-use, and customer service facilities, trailers, and right of way easements. The forecast method is zero based for all rents. This is most appropriate as the rents are contractual with escalation built in.

Corporate Real Estate - provides transaction management for leased / owned real property and other real estate asset management activities.

Real Estate Planning - provides short term planning (move management) and long range planning. Costs for labor and non-labor are estimated based upon 5-year averages. The reason for using this methodology is that it provides the most accurate snapshot in time to reflect peaks and valleys in recorded spend which can vary considerably depending upon workload. By example, during the 5-year period between 2009 and 2013 the number of moves ranged from low of 1,900 in 2010 to a maximum of 3,700 in 2009. Had a 3-year average been used the dramatic swing would not have been part of the analysis.

Facility Operations - provides operations and maintenance support for facilities such as general offices, bases, multi-use sites, telecommunication sites and branch offices, which support the reliable delivery of electricity and gas to SDG&E customers. The forecast method used for this category is the 5-year historical average. This method was selected as being the most representative of the types of costs experienced for this activity, incorporating the multi-year variability that is inherent in this type of work.

Land Services - acquires, inspects, maintains and protects right of ways which are land assets, including: permanent easements, licenses, and leases that contain electric and gas infrastructure. It also records all legal documents pertaining to the utility's land rights and provides land survey activity. Land Services costs are based on the 5-year historical average, and incorporates the yearly variations in non-fixed costs and most accurately reflects our expectations of future costs.

Capital Projects - includes the costs for 4 FTEs plus: base dollars required to replace current and future building; support infrastructure and system integrity to meet operational needs; install upgrades to offset maintenance costs and support sustainability practices as described in further detail below and capital work papers.

Real Estate Resources – includes 6 FTE's that provide Land Services, Real Estate, Capital Projects & Facilities support by designing and implementing technology tools through an integrated work management system known as Archibus. This system is used by employees to capture support requests as well as the management of real estate assets and facilities preventative maintenance. The team supports the Land Services group and their GIS system. Updating land layers for easements and right of ways and a variety of other real estate assets are an ongoing support item.

II. NON-SHARED COSTS

The summary of my non-shared O&M requested costs is shown in Table JCS-2:

TABLE JCS-2

Non-Shared O&M Summary of Costs

	2013 Adjusted-Recorded	TY2016 Estimated	Change
A. Facility Operations	5,563	5,782	219
B. Land Services	522	608	86
C. Rents and Operating Expenses	14,127	17,631	3,504
Total	**20,212**	**24,021**	**3,809**

Facility Operations

The summary of my request for non-shared Facility Operations is shown in Table JCS-3:

TABLE JCS-3

A. Non-Shared Facility Operations

Shown in Thousands of 2013 Dollars			
A. Facility Operations	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Facility Operations	5,563	5,782	219

Facility Operations provides O&M support (described in more detail below) for utility facilities including general offices, construction and operations centers, telecommunications sites, warehouse, and branch/bill payment offices. Maintenance support is either done by company employees or by contracted services. Contracted services account for approximately 65% of the costs and are typically done at leased facilities where the property owner has some level of contractual control over the maintenance obligations. The organization provides facility operations services to SDG&E and the Sempra Energy Corporate Center. The costs reflected

above represent only the Non-Shared activities.

SDG&E Facility Operations consists of 4 regions, each managed by a facility manager and a team of mechanics. Approximately half of the facility resources are allocated towards shared service activities, as SDG&E Facility Operations is the primary resource for Corporate Center facility management.

Facility services include the negotiation and management of contracted services such as janitorial, landscaping, trash and pest control. In addition to these contracted services, the utility hires contractors for services such as electrical, mechanical, structural, conveyance systems (elevators), HVAC systems, roofs, parking lot asphalt and concrete, fire safety systems, security and access control systems, back-up emergency generators, uninterruptable power systems, underground fuel storage tanks, fuel pumps and garage equipment including hoists and cranes.

In addition to contractors, an in-house staff of 12 union represented maintenance personnel provides a wide range of building maintenance, repair and other services. An equipment inventory and preventative maintenance schedule has been completed for most SDG&E facility equipment and entered into a work management system (Maximo). Work management systems are a standard industry technology tool that provides more efficient work management and timely preventative maintenance work.

Facility Operations cost changes from 2013 through 2016 are driven primarily by the increase in maintenance costs associated with increased commodity and labor costs. Labor cost increases are primarily due to increases in contracted union labor and benefits and increases in the statutory minimum wage. As SDG&E's infrastructure ages, costs for typical repairs increases, especially when there are new requirements for the maintenance of systems to meet new environmental standards. Specific drivers for cost increases are as follows:

- Facility Maintenance costs increases due to commodity cost increases, minimum wage increases and increased costs for medical insurance.
- Maintenance on and increased capacity of security and access control systems to meet the North American Electric Reliability Corporation – Critical Infrastructure Protection ("NERC-CIP") requirements.
- Cost increases due to maintenance of new additional back-up emergency generators and uninterruptable power systems at NERC-CIP Sites and the Rancho Bernardo Data Center.

- Cost increases relative to storm water management as a result of environmental requirements at sites with Storm Water Protection Plans ("SWPP") and Storm Water Management Plans (Ex. SDG&E-18). As shown in my capital workpapers (Ex. SDG&E- 17-CWP), the costs to comply with the new requirements are approximately $9.5 million of capital ($3.2 million in 2015 and $6.3 million in 2016) to comply with the Municipal Separate Storm Sewer System "MS4" regulation requirements.
- Cost increases of aging infrastructure such as asphalt, concrete, flooring, equipment and painted structures due to the requirement to test all materials for lead and asbestos prior to conducting work that will disturb the material.
- Moderate increase in the number of owned or SDG&E maintained sites such as the Escondido Alpine Way and expansion at Lightwave.

Key Non-Shared Facilities

(1) Construction and Operating ("C&O") Centers/Customer Service Operations

These facilities are the operating bases for SDG&E distribution, transmission, and customer service crews that provide energy delivery to customers and customer operations sites for meter reading. The 9 locations are the following sites:

a) Beach Cities
b) Eastern
c) North Coast
d) North East
e) Metro
f) Orange County
g) Kearny
h) Mt. Empire
i) Ramona

(2) Branch Offices

This category represents 4 separately leased payment offices and 2 owned locations for customer service to provide bill payment and customer walk-in inquiries.

(3) Multi-use or Special Purpose

This category consists of:

a) Miramar facility provides storage capacity for electric and gas distribution equipment, houses various meter shops and office space for gas distribution, fleet operations, and environmental operations.

b) Mission Control and Skills Training Center is a key facility that provides both classroom and field training for SDG&E personnel and the control center for the distribution system operations, transmission system operations and telecommunications.

c) Palomar generation is a combined cycle power plant with a combination of office, warehouse, shop, maintenance, and water treatment facility.

d) Kearny is a multi-use electric construction and maintenance facility and long term hazardous waste (e.g., polychlorinated biphenyl or "PCB") storage.

e) Nancy Ridge Laboratory is the SDG&E Environmental Laboratory. The environmental laboratory supports operational compliance with environmental laws and regulations.

f) Greencraig is currently being used to house a variety of administrative functions and overflow space to accommodate short term projects and temporary facilities during major facility remodels.

g) Kearny Offsite Asset Warehouse is used primarily for indoor storage in support of Kearny and administrative office space for a variety of administrative and field employees.

(4) Office Space

Most leased and owned sites fall under the non-shared service category; however there are a few shared facilities, including the Sempra Energy Headquarters, the Data Center and Rancho Bernardo Annex facilities which house SDG&E employees that provide services across the organization in compliance with the Affiliate Transaction Rules.

Forecast Method

A 5-year historical average was selected as the basis for our TY 2016 forecast.

The 5-year historical average is most appropriate because recorded costs for this activity have fluctuated in the past five years. In addition, this methodology accurately reflects recent economic trends.

Cost Drivers

The cost drivers include: labor required to manage the infrastructure; non-labor costs for maintenance, repairs, materials, electricity and water costs; contracted services for janitorial, landscaping; and yard sweeping costs for the facilities.

Land Services Right of Way

The summary of my request for non-shared Land Services Right of Way is shown in Table JCS-4:

TABLE JCS-4

B. Non Shared Land Services

Shown in Thousands of 2013 Dollars			
B. Land Services	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Land Services	522	608	86

Land Services is responsible for the acquisition and negotiation of land rights in the form of easements, licenses and leases for electric and gas distribution and transmission operating asset requirements, including overhead and underground gas and electric facilities, electric substations, switching facilities, gas regulator stations, etc. New or expiring land rights for distribution and gas or electric capacity/reliability projects generate a need to acquire land rights from property owners. License or lease agreements that are not in perpetuity are secured and re-negotiated when facility installations traverse Bureau of Land Management, U.S. Forest Service, and Native American reservation lands/Bureau of Indian Affairs, military bases, ports, and, in some cases, railroads.

Land Management

Land Management responds to infractions (e.g., vehicle removal, gate/lock installation or relocation of propane tanks under lines) of operating standards as described in the CPUC General Orders and standards developed by the utility related to land rights in the form of fee ownership, easements, licenses and leases for electric and gas distribution and transmission operating asset requirements, including overhead and underground gas and electric facilities, electric substations, switching facilities, gas regulator stations, etc. Land Management also ensures and maintains the necessary access to those facilities. Full and unrestricted access ensures the Company's ability to properly maintain gas and electric distribution and transmission corridors,

electric substations, gas regulator stations, as well as perimeter and security fencing to these sites. Land Managers also assist in communicating with customers when maintenance activity will be occurring on or near their property, and address the infractions that relate to permanent or non- permanent structures that encroach the easement or access of utility vehicles to infrastructure.

Land Services Records and Survey

The Records department conducts all records research for new business activity. This research is utilized to interpret the existing land rights and to determine if new land rights need to be acquired. Land Survey support is responsible for the management, service delivery and quality assurance oversight of survey contractors. The Land Survey Department coordinates survey crews for many SDG&E departments and projects, reviews project designs to ensure adequate land rights are in place for projects, and ensures that the quality of the deliverables meets the utility and industry standards. Land Survey also provides training for vendors, other SDG&E departments, including Engineering groups and Project Management customer extension planners. Surveyors and new business right of way agents provide assistance to customer planners by locating property lines, governmental locations and franchise areas, and generally instructing new planners and right of way agents on the basics of encumbering property with easements for customer extensions.

Forecast Method

The forecast method developed for this cost category is the 5-year historical average. This method is most appropriate because historical costs have been steadily increasing over the last five years and is consistent with the methodology in the last General Rate Case.

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources and materials required to effectively manage Land Service operations.

Rents

The summary of my request for non-shared Rents is shown in Table JCS-5:

TABLE JCS-4

C. Non-Shared Rents

Shown in Thousands of 2013 Dollars			
C. Rents - SDGE	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Rents - SDGE	14,127	17,631	3,504

The non-shared service portion of rents is associated with rent for administrative offices, telecom sites, branch offices, an environmental laboratory, office, multi-use, and customer service facilities, trailers, and right of way easements. All rents with the exception of right of way easements are expected to increase by an average of 5% per year based on a combination of contractual increases and landlord estimates for operating expense increases. Right of way easements are expected to increase by an average of 10% per year based upon estimates received recent escalations for such large properties as BLM land and the railroads. The rent escalation increases for 2014-2016 are associated with the following non-shared sites:

- o Environmental lab;
- o Greencraig;
- o Miramar;
- o Branch offices (National City, Oceanside, Southeast, Escondido);
- o Kearny multi-use facilities;
- o Right of Way easements; and
- o Various office trailers.

Forecast Method

The forecast method developed for this cost category is the zero based method because it is based upon the contractual provisions of the lease agreements and the historical operating expense cost increases passed through by the landlords. Based upon the actual expenses for 2009 through 2013, this is a reasonable forecast method and better than using a 3 year average because there is a greater likelihood to have a "spike" adjustment in a given year based upon an agency deciding to change rates based upon a policy decision. If a 3 year average is used, there is a chance that the adjustment could skew the results significantly. In the last General Rate Case, the Commission supported SDG&E's position and disagreed with the Office of Ratepayer Advocates ("ORA") and The Utility Reform Network ("TURN") that rents are likely to likely to

increase and supported the 5 year methodology as reasonable based upon the actual expenses incurred from 2009 through 2013.

Cost Drivers

The cost drivers are contractual escalation in rents along with costs for labor, contracted services and materials associated with leased facilities that are completed by the owners of leased properties and charged to SDG&E through operating expense billings.

III. SHARED COSTS

A. Introduction

The Shared Services portion of REL&F includes the support that the organization provides for its shared facilities and services. The organizations within REL&F that provide Shared Services include the following:

Rents and Operating Expenses
SDG&E shared sites
Corporate Center shared sites

Facility Operations
Facility Operations
Work Management

Corporate Real Estate
Transaction Management
Lease Administration

Capital Programs
Capital Programs Support
Capital Programs – Corporate Center Projects

Real Estate – Planning
Facility Advisors
Move Management

Real Estate – Resources

Integrated Work Management Systems (CAFM)

The summary of my request for shared O&M costs is shown in Table JCS-6:

TABLE JCS-6

Shared O&M Summary of Costs

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
Categories of Management	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
A. Facility Operations	2,561	2,807	246
B. Real Estate - Administration	1,324	856	-468
C. Capital Programs	233	656	423
D. Real Estate - Planning	1,063	600	-463
E. Real Estate - Resources	791	738	-53
F. Corporate Rents	7,475	10,623	3,148
Total Shared Services (Incurred)	**13,447**	**16,280**	**2,833**

I am sponsoring the forecasts on a total incurred basis, as well as the shared services allocation percentages related to those costs. Those percentages are presented in my shared services workpapers, along with a description explaining the activities being allocated. (See Ex. SDG&E-17-WP.) The dollar amounts allocated to affiliates are presented in our Shared Services Policy and Procedures testimony. (See Ex. SDG&E-26 [Diancin])

Facility Operations

The summary of my request for shared Facility Operations is shown in Table JCS-7:

TABLE JCS-7

A. Facility Operations

A. Facility Operations	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Facilities Corp Center Utilities	1,110	1,384	274
2. Facilities - Manager	795	795	0
3. RB Data Center & Annex	656	628	-28
Incurred Costs Total	**2,561**	**2,807**	**246**

This is the shared service testimony for Facility Operations. This portion covers the HQ utilities, facilities manager operation and administrative costs and the Rancho Bernardo Data Center and Annex.

The Facilities Corporate Center utilities increase is related to higher electric and water costs. The Facilities – Manager includes the section manager, two management and one associate employee's labor, related non-labor expense and departmental support expense items.

The RB Data Center & Annex costs include all maintenance expense items for the Rancho Bernardo Data Center & Annex facilities. Both are historical averages and there are no significant discrete activities to increase costs.

Key SDG&E Shared Facilities

(1) RB Data Center & Annex This site consists of facilities at the Rancho Bernardo Data Center. The Rancho Bernardo Data Center is a shared information technology facility of approximately 90,000 square feet housing over 250 employees that serves SDG&E, SCG, Corporate Center, and certain affiliates. Maintenance Costs are shared based upon usage studies provided by the IT department.

Forecast Method

The 3-year historical average is most appropriate because recorded costs for this activity have varied considerably in the past three years. In addition, this methodology accurately reflects recent economic trends. The only exception is for the Facilities Manager costs which are base year with no incremental adjustment.

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources and materials required to effectively manage Facility operations.

Corporate Real Estate

The summary of my request for shared Corporate Real Estate is shown in Table JCS-8:

TABLE JCS-8

B. Corporate Real Estate

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
B. Real Estate - Administration	2013 Adjusted-Recorded	TY2016 Estimated	Change
1. Real Estate - Administration	182	247	65
2. Real Estate & Land Service Manager	1,142	609	-533
Incurred Costs Total	**1,324**	**856**	**-468**

The Corporate Real Estate Manager provides strategic asset management, transaction management, lease negotiation and administration services for SDG&E, Corporate Center, and other affiliates upon request. Through the Real Estate Advisor and Business Analyst, any real property that needs transaction support or due diligence to insure the utility is acquiring leased or owned property at the best possible terms and conditions is the primary responsibility of Corporate Real Estate. The utility facility portfolio includes low and high-rise office buildings, construction and operating centers, bases, telecommunications sites, data centers, fleet garages and warehouses, and branch bill payment offices.

Forecast Method

The forecast method used for this category is the 5-year historical average. This method was selected as being the most representative of the types of costs experienced for this activity, incorporating the multi-year variability that is inherent in this type of work. This methodology was also used for this activity in the last GRC (A.10-12-005/D.13-05-010).

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources, services and materials required to effectively manage Real Estate Administration.

Capital Programs

The summary of my request for shared O&M related to Capital Programs is shown in Table JCS-9:

TABLE JCS-9

C. Capital Programs

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
C. Capital Programs	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Capital Programs	233	656	423
Incurred Costs Total	**233**	**656**	**423**

This organization is centralized at SDG&E, and is responsible for managing the overall design, build-out, and reconfiguration process for utility office and support facilities. The organization manages projects to replace or improve infrastructure and physical plant. Facility and capital programs provide services to SDG&E as well as the corporate center and affiliates upon request. Specifically, this activity includes:

- Overall budgeting, scheduling, tracking, and implementation planning for the annual Facilities Capital Project Plan.
- Project management of capital projects, including the evaluation of facility requirements, formation of design and planning teams and customer interfaces, formation of construction team, and implementation and administration of construction (including contractor selection and management).

The Capital Programs department manages all facilities capital and select O&M projects. The management cost center is split between companies based upon the current year's capital budget allocations.

Forecast Method

The forecast method used for this category is the 5-year historical average. This method was selected as being the most representative of the types of costs experienced for this activity, incorporating the multi-year variability that is inherent in this type of work. This methodology was also used for this activity in the last GRC (A.10-12-005/D.13-05-010). Differences between repair and replacement of major equipment cause fluctuations in costs between years. Therefore a 5-year average is appropriate forecasting methodology over the base year.

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources, services and materials required to effectively manage Capital Programs.

Real Estate Planning

The summary of my request for shared Real Estate Planning is shown in Table JCS-10:

TABLE JCS-10

D. Real Estate Planning

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
D. Real Estate - Planning	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Real Estate - Planning	1,063	600	-463
Incurred Costs Total	**1,063**	**600**	**-463**

This group is located at SDG&E and consists of a manager and 8 FTE's. This group provides space planning services to SDG&E and Corporate Center. Long-term facility space

plans are developed with operating and support departments and alternatives explored with respect to property acquisitions and facility expansions or upgrades, as well as surplus property assessment and disposition. This function also coordinates employee moves involving furniture and equipment. In addition, this group works with business unit leaders to develop an annual Facilities Capital Project Plan based on current business priorities.

Forecast Method

The forecast method used for this category is the 5-year historical average. This method was selected as being the most representative of the types of costs experienced for this activity, incorporating the multi-year variability that is inherent in this type of work.

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources and materials required to effectively manage RE Planning.

Real Estate Resources

The summary of my request for shared Real Estate Resources is shown in Table JCS-11:

TABLE JCS-11

E. Real Estate Resources

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
E. Real Estate - Resources	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. Real Estate - Resources	791	738	-53
Incurred Costs Total	**791**	**738**	**-53**

This cost supports the workplace technology tools known as Integrated Work Management Software. Integrated Workplace Management Software (IWMS) enables an integrated approach towards effectively managing all aspects of Corporate Real Estate: Project Management, Maintenance Management, Sustainability Management, Space Planning, Portfolio Management, Lease Management, Work Order Management, Transactions Management and Reporting that support the building portfolio and specific project based activities.

Forecast Method

The forecast method used for this category is the 5-year historical average. This method was selected as being the most representative of the types of costs experienced for this activity, incorporating the multi-year variability that is inherent in this type of work.

Cost Drivers

The cost drivers behind this forecast are driven primarily by labor resources and materials required to effectively manage Real Estate Resources.

Corporate Rents

The summary of my request for shared Corporate Rents is shown in Table JCS-12:

TABLE JCS-12

F. Corporate Rents

Shown in Thousands of 2013 Dollars Incurred Costs (100% Level)			
F. Corporate Rents	**2013 Adjusted-Recorded**	**TY2016 Estimated**	**Change**
1. HQ Rent & Maintenance	6,382	10,523	4,141
2. Additional Corporate Rents	1,093	100	-993
Incurred Costs Total	**7,475**	**10,623**	**3,148**

Corporate Real Estate administers the lease payments and manages the Sempra Energy Headquarters building ("HQ") on behalf of Sempra Energy. Through affiliate billing orders, all rents and associated costs are directly charged to the Corporate Center and affiliates that occupy the building. For TY 2016, Corporate Rents include the lease for Sempra Energy's new building at 488 8th Avenue, San Diego, CA, where it will move in July of 2015.

The justification for the new Corporate HQ is discussed in detail below. The allocation of the total incurred Corporate Rents is based on expected occupancy, including one floor for SDG&E staff. SDG&E's share of Corporate Rents is also itemized below.

Forecast Method

The forecast method developed for this cost category is zero based. This method is most appropriate because it is a contractual cost for each year.

Cost Drivers

The cost drivers behind this forecast are driven primarily by contractual obligations, services and materials required to effectively manage Corporate Rents.

Corporate Headquarters

The lease for the Sempra Energy HQ building at 101 Ash Street in San Diego will expire in mid-2015. Sempra Energy will be moving its headquarters to a new building in the East Village area of downtown San Diego at 488 8th Avenue. Starting in late 2011, Sempra Energy evaluated a number of alternatives with respect to the location of its headquarters. A number of factors contributed to its decision to move, which are discussed below.

SDG&E is allocated a fraction of the HQ rent for their occupancy, as well as a share of Corporate Center's, through the Corporate Re-Allocation process (per testimony of Mark Diancin, Ex. SDG&E-26). In addition, since the HQ leasehold improvements are recorded as assets of Sempra Energy, the Corporate Center allocation to SDG&E includes related depreciation and property taxes (see testimony of Peter Wall, Ex. SDG&E-20). The following table brings all these costs together in order to evaluate the total impact to SDG&E of Sempra Energy's move to the new building:

TABLE JCS-13

Corporate HQ Allocations to SDG&E

Corporate HQ Allocations	2013 Adjusted-Recorded	TY2016 Estimated	Change	Change (%)
Direct Occupancy	930	880	(50)	(5%)
Corporate Center Re-Allocation	1,001	1,704	703	70%
Leasehold Improvements: Depreciation and Property Taxes	2,485	2,805	320	13%
Total SDG&E	**4,416**	**5,330**	**914**	**21%**

Background

Sempra Energy assumed the lease for the former SDG&E headquarters following approval of the merger in 1998. The original lease by SDG&E was a "sale – leaseback" entered into in 1975 with a term of 30 years. When the original term was expiring in 2005 an assessment of alternatives was completed and the decision was adopted to extend the term of the existing lease for an additional 10 years, through July 17, 2015.

At the time of the last extension, the market was very landlord favorable as there were few options for Sempra Energy to consider. Since that time, the market for most types of office space in San Diego has continued to decline, especially in downtown San Diego. When Sempra Energy first began assessing the alternatives for the upcoming expiration a study was done by a

consultant, Jones Lang LaSalle ("JLL"), who indicated that based upon current market conditions, the base rent for the existing building would likely decrease.

In addition, a Building Condition Assessment ("BCA") was also prepared. That report indicated there was likely a minimum of $3 million of building infrastructure capital repairs that would be required to keep the building operational for an additional 10 years. The report also addressed earthquake remediation issues and indicated that the costs to make repairs in the event of a moderate earthquake could be up to 21% of replacement value, compared to an estimate of 5% of replacement value in a new building. Thus, the potential impact of a moderate earthquake could be in the range of $12 to $15 million. The functional obsolescence of the HQ building, originally built in 1966, generated additional concerns, including remaining asbestos abatement. To remove the existing asbestos and rebuild the impacted space was estimated to cost $16 to $25 million.

These costs and concerns were evaluated against relocation to a new modern facility. As the projected cost increases were significant and a move would be potentially disruptive, the decision was made to attempt to negotiate with the existing landlord to obtain a long-term extension of the lease at favorable terms. However, after several months of negotiations the landlord was not willing to offer terms that Sempra Energy could accept, based upon the market conditions and issues noted above. Accordingly, Sempra Energy elected to formally evaluate other alternatives and hired a brokerage firm, CBRE, to perform an extensive study of existing buildings as well as projects that could be built to Sempra Energy's specifications. Ultimately, over 20 alternatives throughout San Diego County were assessed.

Evaluation of Alternatives

The list of viable alternatives were reviewed and assessed, and based upon Sempra Energy's requirements, the list was reduced to 11 properties, from which proposals were requested. Using both economic and non-economic criteria, including suitability to purpose, tenant requirements, flexibility of reconfiguration, employee impacts, mass transit and other factors, the list of alternatives was further reduced to 3 sites in downtown San Diego that included: (1) the existing 101 Ash Street location, (2) an existing building (One America Plaza), and (3) a build-to-suit location (Cisterra) in the East Village area of downtown San Diego. Analysis also suggested that due to very favorable market conditions in downtown San Diego, coupled with historically low interest rates, either a long term lease (25 years) in a new building

or a minimum of 15 years in an existing building with favorable options were the best choices for Sempra Energy to secure a stable rent expense into the future. Based on this information, Sempra Energy pursued both options.

Regarding the first option (staying at the existing 101 Ash Street location), negotiations with the landlord continued to be difficult and there were risks associated with simply extending the lease for another 10 years or exercising the contractual option to extend for another 5 years rather than obtaining a 15-20 year extension. Regarding the second option (build-to-suit), Sempra Energy pursed extensive and thorough due diligence, including evaluation of the developer (Cisterra) who was determined to be very well qualified. Finally, the financing terms were favorable for a long term lease.

Summary and Conclusion

Although Table JCS-13, above, shows a $914,000 overall increase from 2013 recorded costs, the analysis compared the likely scenarios Sempra Energy would face in 2016, and all of them showed a likely increase in lease costs over the existing lease. The following Table JCS-14 illustrates an overview of the cost-benefit analysis of anticipated future costs over a 25-year period. While a more detailed summary of that cost-benefit analysis appears in Appendix B, it should be noted that despite an increase in costs in the short term, the overall long term costs of moving to either a new building built to Sempra Energy's specifications or an existing building were less expensive than staying at the current facility. The most significant drivers that cause this result were the rent increases at the current building and the substantial cost over time to replace its aging infrastructure and asbestos remediation that would be triggered by such replacements.

TABLE JCS-14

Sempra Energy Corporate HQ Cost Benefit Summary

Factor/Project	2016 Base Rent & Parking $MM	Base Rent Annual Escalations*	2016 Estimated Operating Expenses $MM	2016 Estimated Total Recurring Costs $MM	2015 Estimated Sempra Net Capital $MM***	Total Estimated Pre-Tax Costs through 2040 in $MM	Estimated NPV in $MM 5.3% WACC Discount Rate
101 Ash Street ~300,000 square feet	6.8	4.0%	4.5	11.3 $38 psf	24.0	$579 $77 psf/year	$271
One America Plaza ~267,000 square feet	5.5	5.6%	4.0	9.5 $36 psf	28.0	$543 $81 psf/year	$256
Cisterra Tower** ~300,000 square feet	8.9	2.0%	4.4	13.3 $44 psf	36.0	$547 $72 psf/year	$269

In sum, based on due diligence of prudent alternatives and extensive negotiations with multiple parties, Sempra Energy made the best long term decision for the company. That is, by taking advantage of the favorable market conditions for financing a long term commitment for a new building, Sempra Energy is choosing the most cost effective solution over the longer term. The actual costs and benefits to SDG&E's customers will be borne out over time by fixing the base rent (the most volatile component in the cost of building) along with efficiencies in operating costs and avoidance of having to maintain and replace an aging building that was soon to be over 50 years old.

IV. CAPITAL

The summary of my request for Facilities capital is shown in Table JCS-15:

TABLE JCS-15

Facilities Capital

FACILITIES/OTHER			
Shown in Thousands of 2013 Dollars	**Estimated 2014**	**Estimated 2015**	**Estimated 2016**
Total CAPITAL	**19,460**	**38,452**	**42,930**

FACILITIES/OTHER			
Shown in Thousands of 2013 Dollars			
Categories of Management	**Estimated 2014**	**Estimated 2015**	**Estimated 2016**
A. Land Blanket	335	1,565	335
B. Structures & Improvement Blanket	368	4,306	4,000
C. Environmental/Safety Blanket	1,911	6,166	8,848
D. Misc. Equipment Blanket	300	600	600
E. Security Blanket	100	400	400
F. Infrastructure/Reliability Blanket	1,300	3,805	4,000
G. Remodel/Relocate/Reconfig Blanket	4,996	3,860	7,640
H. Business Unit Expansion Blanket	3,800	9,450	4,460
I. Alternative Energy System Allowance	2,300	4,400	7,000
J. NGV Upgrades	298	1,900	1,647
K. RBDC UPS Electrical	752	2,000	4,000
L. Land Svc Archibus System	1,400	0	0
M. Mission Control Emergency Generator Replacement	1,600	0	0
Total	**19,460**	**38,452**	**42,930**

Introduction

The SDG&E Capital summary forecast for 2014, 2015, and 2016 are $17.160 million, $34.332 million, and $35.863 million, respectively. The capital summary includes blanket projects (individual project cost <$1 million) and specific projects over $1 million. The table only includes those facility projects in the Commission's jurisdiction and excludes projects with in-service dates beyond the 2016 TY. Costs shown are direct cost only (without loaders). The key drivers for SDG&E facility capital projects are:

(1) The impact of historical and forecasted growth and the increasing age of facilities at construction and operating centers;
(2) Increased number of security, safety and environmental projects to meet regulatory requirements, provide for operational security of key facilities, and provide a safe work environment for employees;
(3) Upgrades for facility energy efficiency and improvements to existing office sites;
(4) Improvements to aging infrastructure for HVAC, plumbing, electrical, repaving, and other structural upgrades.

A breakdown of the costs contained in each of the budget codes shown is contained in the associated capital workpapers (Ex. SDG&E-17-CWP). Detailed discussion of each of these budget codes follows.

A. Land Blanket (Budget Code: 700)

TABLE JCS-16

A. Land Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Land Blanket	335	1,565	335
Total	**335**	**1,565**	**335**

Project Description

This budget funds minor maintenance and landscape projects on fee owned unoccupied property in order to adequately support Company Operations, manage and protect Company property, and maintain or improve the value of Company real property. The funding provides the opportunity to maintain and/or improve the opportunity to obtain highest rate of return on

rental, lease or sale of Company property, thereby increasing revenue and reducing customer rates.

Forecast Method

The forecast method developed for this cost category is a combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment, new code requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on many factors; the main ones include the scopes of the individual projects. The projects in this blanket are used to replace fencing and landscaping at electric substations. Due to the increased water shortages in Southern California, the typical project has evolved from removal of diseased plants and fencing to complete removal existing planting materials and irrigation systems and replacement with drought tolerant plants and drip irrigation systems. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

B. Structures & Improvements Blanket (Budget Code: 701)

TABLE JCS-17

B. Structures & Improvement Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Structures & Improvement Blanket	368	4,306	4,000
Total	**368**	**4,306**	**4,000**

Project Description

This budget funds minor building modifications, upgrades and facility improvements to adequately support corporate business initiatives, to extend the life of the asset, or increase the functionality of a building or site. Small projects under $1 million are bundled when possible for economies of scale in sourcing. These projects vary year to year based on need, but address the capital replacement or addition of basic, individual interior and exterior facilities construction components, including lighting, fencing, gates, paving, roofing, flooring, windows and storage sheds. Each year's requirements are prioritized to manage and protect the facility assets, keep the employees safe and optimize real estate value. Scope of work may include modernization projects and/or offer best alternatives for cost avoidance compared to other scenarios.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements or changing conditions such as leaking roofs, cracked or settling paving, frayed or torn carpet, failing gate motors or need for increased storage capacity, new code requirements such as lighting efficiency, and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment, new code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

C. Safety/Environmental blanket (Budget Code: 703)

TABLE JCS-18

C. Environmental/Safety Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Environmental/Safety Blanket	1,911	6,166	8,848
Total	**1,911**	**6,166**	**8,848**

Project Description

This budget funds building and system modifications, site upgrades, and other facility improvements necessary to comply with safety and environmental code or regulations, or implement best practices towards mitigating risk to ether the environment or safety of employees or the public. Small projects under $1 million are bundled when possible for economies of scale in sourcing. These projects vary year to year based on changes to existing or proposed new regulations. Common project types covered in this budget code are improvements to meet storm water management regulations. Storm water compliance includes physical changes to the site including drainage control, curbs and berms, coverings to manage the flow of storm water and other best management practices. Concrete pads, hazardous waste storage and other requirements to mitigate environmental risk are covered in this blanket. Safety projects vary in nature, but can include communication systems, fall protection, or other improvements to reduce employee risk. Underground storage tank compliance issues and enhanced vapor recovery system upgrades to the fueling systems are included.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements, internal risk assessments, changing site conditions , new code requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance requirements, internal risk assessments, changing site conditions, new code requirements and vendor estimates. (See Ex. SDG&E-17-CWP).

D. Miscellaneous Equipment blanket (Budget Code: 705)

TABLE JCS-19

D. Misc. Equipment Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Misc. Equipment Blanket	300	600	600
Total	**300**	**600**	**600**

Project Description

This budget funds the purchase and installation of miscellaneous equipment, which does not fall under the scope of any other capital project. This equipment supports the effective operations of the requesting department. The blanket benefits numerous departments throughout the company by funding equipment purchases, both planned and unplanned due to breakdowns, which enable employees to work efficiently and effectively. Included in this budget code are replacements of small equipment such as kitchen, audio visual, specialized mechanical equipment used in the fleet garages (reels, jacks or hoists, lab equipment for sampling of soils and wastewater, and the like.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment, new code requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing

conditions and reliability of equipment, new code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

E. Security blanket (Budget Code: 707)

TABLE JCS-20

E. Security Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Security Blanket	100	400	400
Total	**100**	**400**	**400**

Project Description

This budget funds minor building modifications, upgrades, and facility improvements to safeguard SDG&E occupied facilities and sites, protect employees and company property, and reduce corporate liability. Small projects under $1M are bundled when possible for economies of scale in sourcing. Project requirements are prioritized based on corporate security recommendations. Scope of work may vary year to year, based on identification of risks, but all address the security of the company employees, operations, and assets. Common project types covered in this budget code are card readers, cameras, video recorders, and controlled automated gates.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

F. Infrastructure & Reliability (Budget Code: 708)

TABLE JCS-21

F. Infrastructure/Reliability Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Infrastructure/Reliability Blanket	1,300	3,805	4,000
Total	**1,300**	**3,805**	**4,000**

Project Description

This budget funds building facility infrastructure to support basic building operations, as well as requirements specific to the business unit operations and initiatives. Projects include replacement of systems and major equipment affecting reliability, comfort and safety of employees at numerous sites throughout the portfolio. Small projects under $1 million are bundled when possible for economies of scale in sourcing. These projects vary year to year based on need, but address replacement of basic building infrastructure and systems. Each year requirements are prioritized to manage the facility assets, keep the employees safe and optimize real estate value. Common project types covered in this budget code are: Chillers, Boilers, Air Handlers, HVAC Replacements, Generators, UPS systems, Electrical Distribution Systems and Computer Room Infrastructure. Scope of work may include modernization projects, improvements to implement best practices, and/or offer best alternatives for cost avoidance compared to other scenarios.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment, new code requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance requirements, internal customer business requirements (planned and unplanned), changing conditions and reliability of equipment, new code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

G. Remodels and Reconfigurations (Budget Code: 709)

TABLE JCS-22

G. Remodel/Relocate/Reconfig Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Remodel/Relocate/Reconfig Blanket	4,996	3,860	7,640
Total	**4,996**	**3,860**	**7,640**

Project Description

This budget funds work station moves and changes needed to provide adequate and efficient office space and work environments for employees. Requirements are based on business needs and functionality needed to meet business and resource objectives. Space standards and guidelines are used to manage space allocations and modifications effectively in reconfigurations. Ergonomics are considered in the upgrades to provide improved working conditions and safety for employees.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on internal customer business requirements (planned and unplanned), changing employment conditions and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on internal customer business requirements (planned and unplanned), changing employment conditions and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

H. Business Unit Expansions (Budget Code: 710)

TABLE JCS-23

H. Business Unit Expansion Blanket	Estimated 2014	Estimated 2015	Estimated 2016
1. Business Unit Expansion Blanket	3,800	9,450	4,460
Total	**3,800**	**9,450**	**4,460**

Project Description

The purpose of this blanket is to fund building and facility expansions and improvements that adequately support corporate business objectives and initiatives. The projects identified

include Master Planning, Expansion and Relocation projects at various company buildings/facilities. These projects would satisfy current and future space requirements to appropriately house employees and provide expanded workspace and storage capacities to keep pace with company growth.

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on internal customer business requirements (planned and unplanned), changing employment conditions and

Cost Drivers

The underlying cost drivers for these capital projects depend on internal customer business requirements (planned and unplanned), changing employment conditions and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

I. Alternative Energy System Allowance (Budget Code: 08729)

TABLE JCS-24

I. Alternative Energy System Allowance	Estimated 2014	Estimated 2015	Estimated 2016
1. Alternative Energy System Allowance	2,300	4,400	7,000
Total	**2,300**	**4,400**	**7,000**

Project Description

Install rooftop photo-voltaic systems at various sites to support federal, state and company renewable energy initiatives, as well as save electric demand. Implement program-based installations of electric vehicle chargers at occupied facilities across the SDG&E territory, both fee owned and leased, for use by fleet and employee vehicles (energy cost at employee expense).

Forecast Method

The forecast method developed for this cost category is combination of zero and historical-based. This method is most appropriate because it depends on evolving maintenance and operational requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on evolving maintenance and operational requirements, and vendor estimates. Documentation of these cost drivers is included as supplemental capital work papers. (See Ex. SDG&E-17-CWP).

J. NGV Upgrades (Budget Code: 8734)

TABLE JCS-25

J. NGV Upgrades	Estimated 2014	Estimated 2015	Estimated 2016
1. NGV Upgrades	298	1,900	1,647
Total	**298**	**1,900**	**1,647**

Project Description

Provide planning, design, permitting, and construction for new Natural Gas Vehicle ("NGV") stations or expanded capacity of existing stations for the benefit of the public or SDG&E fleet. The budget will fund expanded stations for the public and SDG&E fleet at two properties accessible to the public, and new installations for SDG&E fleet, only, at three secured properties.

Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because it depends on equipment requirements, associated historical costs of implementation and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on requirements for equipment, code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital workpapers. (See Ex. SDG&E-17-CWP).

K. RBDC UPS Electrical (Budget Code: 8735)

TABLE JCS-26

K. RBDC UPS Electrical	Estimated 2014	Estimated 2015	Estimated 2016
1. RBDC UPS Electrical	752	2,000	4,000
Total	**752**	**2,000**	**4,000**

Project Descriptions

At the main server room to the company's primary data center, this project will fund the replacement of existing computer room air conditioning units ("CRACs") that are beyond their useful life with new units that will operate from the facility's chilled water plant, thereby decreasing the facility's energy usage. The budget will also fund the addition of redundant uninterruptible power systems ("UPS") modules to keep pace with the anticipated server growth in the data center facility.

Business Purpose

The purpose of these projects is to ensure that the critical information processing that occurs within the facility is not compromised by unreliable cooling equipment or data loss from unexpected power outages. It will ensure UPS capacity to protect anticipated server growth from data loss and replace air conditioning units in the main server room that are 15+ years old.

Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because it depends on equipment requirements, associated historical costs of implementation and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on requirements for equipment, code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital workpapers. (See Ex. SDG&E-17-CWP.)

L. Land Services Archibus System (Budget Code: 13746)

TABLE JCS-27

L. Land Svc Archibus System	Estimated 2014	Estimated 2015	Estimated 2016
1. Land Svc Archibus System	1,400	0	0
Total	**1,400**	**0**	**0**

Project Description

The Archibus Project will automate and develop best management practices around several of the shared services support systems used within the Corporate Real Estate and Planning group. Steps in the project include document scanning of legacy information, update, revise or develop new work tracking systems, including document management, financial, scheduling and work flow processes to identify project specifics. The design of each system

includes the ability to prepare extracts and reports used for metrics and other key performance indicators as necessary. Lastly, the project includes the development of a new GIS tool specific to land management.

Business Purpose

Integrated systems facilitate cost avoidance returns in the long term. Legacy systems need to be updated and processes need to be re-engineered to meet increased demand on existing and new information. Data increases knowledge which drives efficiency and allows for better management of tools and resources. New systems enhance best practices and compliment "good work habits" which supports such change. Engineering new business tools and controls supports our customer needs but we must also manage real property assets and commodities. The primary focus on design and requirements was to support the processes of the Real Estate and Planning staff but also share the new systems along with the relevant information with our customers. By creating systems that allow our customers access to the information empowers them to make more informed decisions and work at their own pace.

Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because it depends on equipment, software requirements and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on requirements for equipment, software requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital workpapers. See SDG&E-17-CWP.

M. Mission Control Emergency Generator Replacement (Budget Code: 13749)

TABLE JCS-28

M. Mission Control Emergency Generator Replacement	Estimated 2014	Estimated 2015	Estimated 2016
1. Mission Control Emergency Generator Replacement	1,600	0	0
Total	**1,600**	**0**	**0**

Project Description

Provide (2) redundant 1MW emergency generators for emergency power back-up at Mission Control.

Business Purpose

The existing 500KW emergency generator unit at the Mission Control facility is 32 years old and approaching the end of its expected life. The objective of this project is to replace the current emergency generator and add a redundant generator to support critical systems at the facility in the event of an outage. Additionally, the transfer switches will be replaced and the generation system reconfigured to eliminate a single point of failure.

Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because it depends on equipment requirements, associated historical costs of implementation and vendor estimates.

Cost Drivers

The underlying cost drivers for these capital projects depend on requirements for equipment, code requirements and vendor estimates. Documentation of these cost drivers is included as supplemental capital workpapers. See SDG&E-17-CWP.

V. CONCLUSION

This testimony describes the activities of SDG&E's Real Estate, Land and Facilities functions, and presents the forecast for both existing and reasonably anticipated new expenses for the GRC test year 2016. This testimony and my work papers demonstrate the justification for the requested funding so that SDG&E can continue to meet its obligations to acquire, operate and maintain its properties and facilities in a reasonable manner. The forecast methods used to develop the O&M forecasts are based predominantly on the same 5-year average methodology used in the previous GRC. Capital forecasts largely use either a zero-based approach, or are founded on actual contractual obligations or incorporate historically-experienced increases for their respective functions. I request the Commission to approve funding for the expenses presented here.

This concludes my prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is James C. Seifert, Manager of Corporate Real Estate, Land Services and Facilities for SDG&E. The combined departments of my organization are responsible for managing the entire real estate portfolio including acquisition and disposition of property, rents, move management and forward planning of space. I have a Bachelor's Degree (BA) from the University of Colorado, Boulder majoring in Economics. I have a broad background in real estate and asset management, including 18 years of experience with SDG&E and Sempra Energy, five years with CB Richard Ellis, and seven years with Rancon Real Estate. At Sempra Energy, I have held a number of key technical and managerial positions with increasing responsibility in Corporate Real Estate. In these positions, I was responsible for acquisitions, dispositions and other roles with respect to the real property portfolio. I have held my current position as the Manager of Corporate Real Estate and Planning since January, 2011.

I have previously testified before the Commission.

APPENDIX A
GLOSSARY OF ACRONYMS

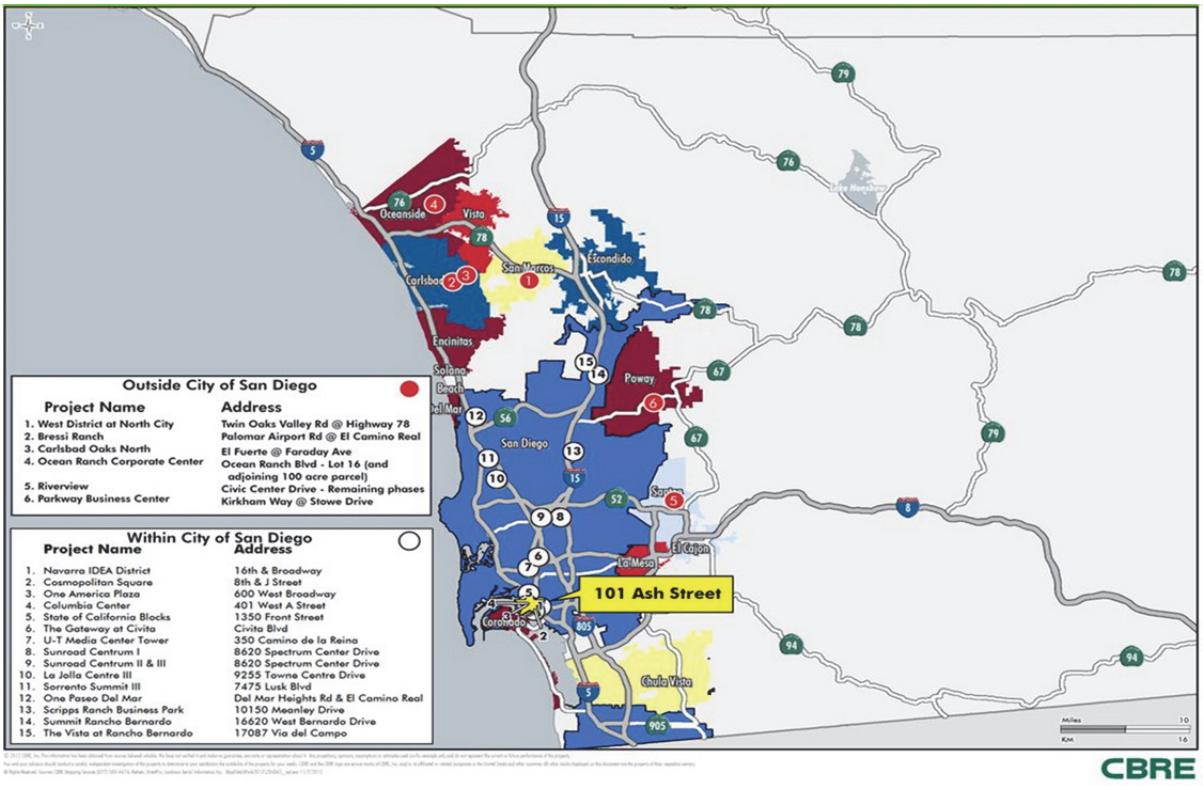
BLM	U.S. Bureau of Land Management
C&O	Construction and Operating
CAFM	Computer Aided Facility Management
CRAC	computer room air conditioning
DX	direct expansion
FTE	Full-time equivalent
HVAC	Heating, ventilation and air conditioning
KW	Kilowatt
MS4	(From MSSSS) Municipal Separate Storm Sewer System
NERC/CIP	North American Electric Reliability Corporation, Critical Infrastructure Protection
NGV	Natural Gas Vehicle
PCB	Poly-Chlorinated Biphenols
RB	Rancho Bernardo
REL&F	Real Estate, Land and Facilities
ROW	Right of Way
SWPP	Storm Water Pollution Prevention Plan
UPS	uninterruptable power systems

APPENDIX B

Sempra Energy Corporate Headquarters Cost Benefit Summary

As described above, in late 2012, Sempra Energy engaged CBRE, an international real estate services firm, to provide a comprehensive list of suitable existing or "build to suit" alternatives for Sempra Energy's headquarters in San Diego County. The list of properties and their relative locations are shown below in Figure 1.

Figure 1



Sempra Energy used objective and subjective criteria to evaluate the alternatives including, including Office Cost, Employee Impact, Labor Pools, Business Growth, Political Issues and Travel Access. Based on this review, the evaluation team requested 11 proposals (including the existing building at 101 Ash Street) from within the City of San Diego. Locations outside the city limits were considered unfavorable due to the expected negative impact to the employee base and were not considered. The costs for the proposals were for 15 year terms and ranged as follows:

Location	Total Cost (Millions)	NPV (Millions)	Comments
Suburban Build to Suit	$203 – Low $392 – High	$79 – Low $134 – High	Low was in Rancho Bernardo, High was in Del Mar Heights. Neither location was preferable from an employee impact perspective.
Downtown Existing	$245 – Low $260 – High	$94 – Low $99 – High	None of the existing buildings were outstanding, but the low was preferable. The existing building was not the low cost alternative.
Downtown Build to Suit	$276 – Low $284 – High	$107 – Low $110 – High	The low amount was for less space and inferior location

There were no existing buildings in the suburban markets that met the criteria for size and location.

Based upon the criteria discussed above, two alternatives to the existing location, both in downtown San Diego, were determined to provide the greatest value from an economic and employee impact perspective. However, the buildings were difficult to analyze from and "apples to apples" perspective because of the distinct differences in building age, ownership and other factors.

Factor	Cisterra (488 8th Avenue)	One America Plaza
Space Efficiency	More efficient than One America, due to smaller core area (88%)	More efficient than 101 Ash, not as efficient as Cisterra (86%)
Cost to modify building	Similar to One America, better cost efficiency due to no demolition costs and working hours	Significantly less than 101 Ash; built in 1991 (23 years newer)
Parking in Building • Employees • Reserved visitor and pool car	488 spaces available (included in lease cost) •Space for 60% of employees •Sufficient	520 Spaces available •Space for 65% of employees •Sufficient
Offsite Parking	Currently 2 blocks away •Some impact from ballpark use •Controlled by Civic San Diego and Private	Across the street •Safer than current 101 Ash •Owned by landlord
Airport Access	Good	Excellent •Dedicated shuttle included in lease cost
Mass Transit Access	Good - 3 blocks to trolley stop; on bus line; possible shuttle from trolley stops and to core area, similar to Diamond View project	Superior - next to train station and on bus line
Access to Fitness Center	Built to suit in building	Recently upgraded facility across street with discounts offered to building occupants

Restaurants and Hotels	Very Good	Very Good
Access to Child Care and Urgent Care	No child care on site, urgent care being researched	No child care on site, urgent care being researched

Ultimately, Sempra Energy could not reach favorable terms with either its current landlord at 101 Ash Street or the owner of One America Plaza. However, in order to justify the move to a new building, Sempra Energy would have to make a long term (25 year) commitment to take advantage of the economic conditions, primarily low interest rates and construction costs, versus the short term lower cost alternatives of either moving to an existing building (One America) or staying at 101 Ash. Thus, while the new building alternative represented higher cost initially, as time went on the project benefits were substantial and could not be overlooked. For example, the developer was willing to structure a lease that provided for fixed rent, with modest annual increases, over a long (25 year) term. The design provided for a single tenant building with a high degree of flexibility and scalability which meant the number of people that the building could accommodate could grow by up to 20% by changing out furniture systems versus leasing additional space.

Before making its final decision, Sempra Energy did a cost benefit analysis over a 25 year period. The terms of the existing proposals were analyzed, and then assumptions were made about the other buildings as to what were the reasonable outcomes for the long term. Using this methodology, Sempra Energy determined that over this period of time the costs for a new modern building were less than any other option based upon three major components: (1) certainty of base rent, including annual escalations; (2) costs to improve and maintain the facility; and (3) employee amenities and security. Given these parameters, and the relative indifference to costs over the long term, Sempra Energy concluded that the new building provided the most cost effective solution for the long term.

Factor/Project	2016 Base Rent & Parking $MM	Base Rent Annual Escalations*	2016 Estimated Operating Expenses $MM	2016 Estimated Total Recurring Costs $MM	2015 Estimated Sempra Net Capital $MM***	Total Estimated Pre-Tax Costs through 2040 in $MM	Estimated NPV in $MM 5.3% WACC Discount Rate
101 Ash Street ~300,000 square feet	6.8	4.0%	4.5	11.3 $38 psf	24.0	$579 $77 psf/year	$271
One America Plaza ~267,000 square feet	5.5	5.6%	4.0	9.5 $36 psf	28.0	$543 $81 psf/year	$256
Cisterra Tower** ~300,000 square feet	8.9	2.0%	4.4	13.3 $44 psf	36.0	$547 $72 psf/year	$269