TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

SDG&E-23 – Pension and PBOP

1. Regarding the Summary of Results table on p. 5 of the workpapers for SDG&E-23:
    a. Please identify Employee Pension recorded values (in thousands of 2013$) for 2003-2008, inclusive on the same basis as the data reported in the table.
    b. Please provide a detailed explanation of why the 2015 and 2016 forecasts are zero.
    c. SoCalGas appears to forecast an expense of $82.090 million for the Employee Pension category in 2016 (Table 1 in Ex. SCG-22, p. DS-3). Please identify and explain each of reasons behind the difference between SoCalGas's and SDG&E's forecasts.
    d. Please reconcile the apparent differences between the forecasted values stated in the workpapers (i.e., 48.660 million in 2014, $0 in 2015, and $0 million in 2016, the last of which is also stated in Table 1 on p. DS-3 of the testimony), and values included in Chart 4 of the testimony and Sheet SDG&E-23 in 'ORA Request 4_B summary SDG&E.xlsb' (i.e., $58.410 in 2014, $24.010 million in 2015, and $42.440 million in 2016). Which source, if any, has the correct values, and which has SDG&E included in its RO Model in its request for this case? If the information in the two sources is correct for the context in which they are presented, please explain in detail the basis for the information in each source such that TURN might understand the reason for the difference.
    e. If the values from Chart 4 of the testimony and Sheet SDG&E-23 in 'ORA Request 4_B summary SDG&E.xlsb' are those that SDG&E intended to include for Employee Pensions does SDG&E continue to believe that the forecast for 2015 and 2016 are the best estimate of the likely expenses in those years, given that the 2014 recorded value is 47.848 million? If so, why? If not, why not and what is a better estimate and why?

SDG&E Response:

a. The Employee Pension recorded values for the years requested are presented below on the same basis as the data reported on the Summary of Results table on p. 5 of the workpapers to SDG&E-23 (i.e. contributions to the pension plan).

Response to Question 1a (Continued)

Recorded Pension Expense in 2013$ [1]
For Years 2003-2008
(in '$000s)

Year	Amounts Contributed: Nominal	Amounts Contributed: In 2013 $
2003	$ 17,577	$ 22,476 [1]
2004	18,260	22,864
2005	20,117	24,433
2006	29,302	34,523
2007	35,708	40,982
2008	36,452	39,946

[1] The 2003 expense above is not the recorded amount but the contributions to the penson plan. The actual recorded amount was as follows:

Year	Recorded Values: Nominal	Recorded Values: In 2013 $
2003	$ 23,891	$ 30,550

b. The 2015 and 2016 forecasts of Employee Pension expense (minimum required contribution) for SDG&E are zero due to the forecasted PPA Funded Percentage of its pension plan in those year being in excess of 100%. Per page 11 of Exhibit No. SDG&E-23-WP the forecasted PPA Funded Percentage for SDG&E's pension plan in 2015 and 2016 is, 108% and 104%, respectively.

c. The 2016 forecasts of Employee Pension expense for SCG and SDG&E are not the same due to differences in the forecasted PPA Funded Percentage for each of their pension plans in that year as calculated in accordance with federal law. The forecasted 2016 PPA Funded status per page 11 of both Exhibits No. SCG-22-WP and SDG&E-23-WP is 99% and 104%, for the SoCal Gas and SDG&E pension plans, respectively. Give the SoCal Gas pension plan has a minimum required contribution in 2016 and the SDG&E pension plan does not.

The forecasted 2016 PPA funded status for each company's plan are not the same primarily due to differences in the following components used in its calculation:

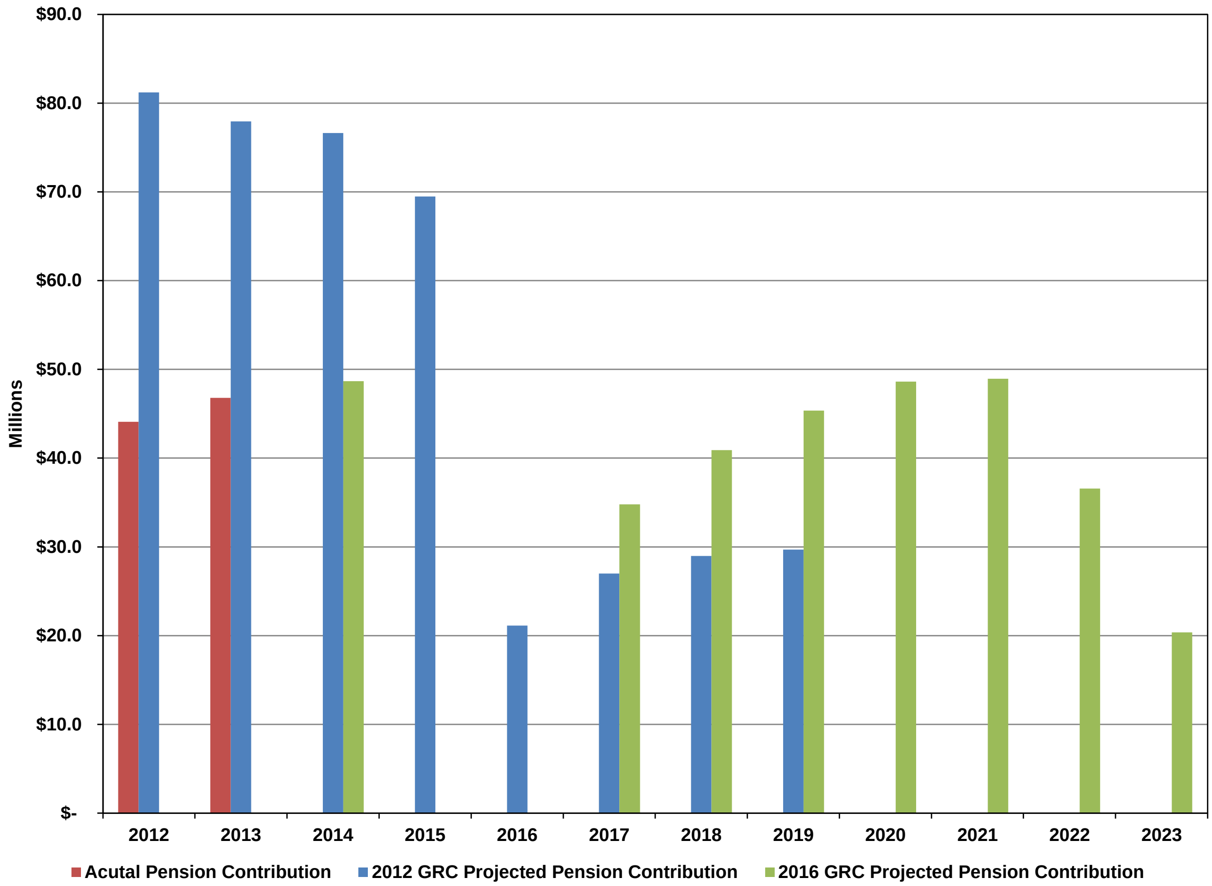
- **Effective interest rate -** 6.08% and 6.02%, for SoCal Gas and SDG&E, respectively, per page 12 of Exhibits No. SCG-22-WP and SDG&E-23-WP.
- **Forecasted active participant headcount -** 8,418 and 4,795 for SoCal Gas and SDG&E, respectively, ion 2016 per page 11 of Exhibits No. SCG-22-WP and SDG&E-23-WP.

Response to Question 1c (Continued)

- **Demographics of plan participants** – see pages DS-1 of SCG-22 and SDG&E section A1 on lines 12 to 17 for differences.
- **Defined benefit for SCG Union employees** – see Section A2, lines 19 to 28 on page DS-1 of SCG-22 for a description of this benefit.
- **Other actuarial assumptions and methods and plan provisions** – please compare differences noted in the following sections of the 2014 actuarial valuations provided for SCG in question 10 below and question 10 in TURN-SCG-DR-11:
    i. Section 2: Actuarial Exhibits
    ii. Section 3: Participant Data
    iii. Appendix A: Statement of Actuarial Assumptions and Methods
    iv. Appendix B. Summary of Plan Provisions

d. The forecasted values on page 11 of Exhibit No. SDG&E-23-WP and in Table 1 in the testimony are correct. The 2016 GRC Projected Pension Contributions in Chart 4 of the testimony reflects the values from the NOI filing and was not updated to reflect the forecasted 2016 in the pages referred to above. Chart 4 below has been revised with the forecasted values on Table 1 of the testimony and page 11 of Exhibit No. SDG&E-23-WP.

Response to Question 1d (Continued)



The forecasted Employee Pension costs reflected in the workpapers which are calculated by Company's actuary, Towers Watson, are not included in the RO model.

e. As stated above the amounts in Chart 4 and Sheet SDGE-23 in 'ORA Request 4_B summary SDG&E.xlsb' were the amounts requested in the NOI. The amounts forecasted for 2015 and 2016 in the workpapers and the corresponding revision of Chart 4 above provides the best estimate for Employee Pension expense in those years.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

2. Please identify the recorded, 2014 values for Chart 2 on p. DS-5 of the testimony at SDG&E-23.

SDG&E Response:

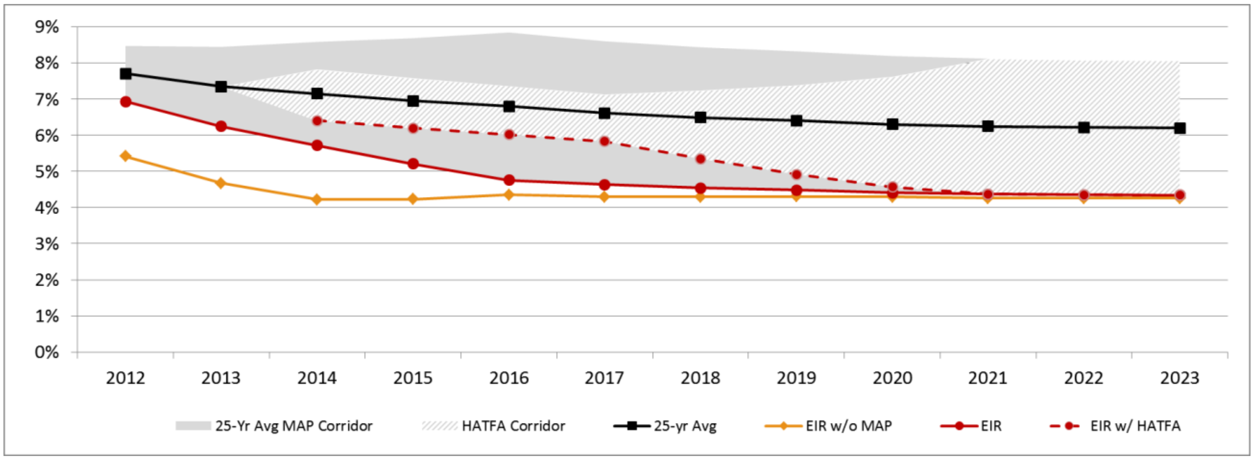
The 2014 recorded value for contributions in Chart 2 on p. DS-5 of the testimony is $48.7 million. The actual 2014 benefit payments, which are not a recorded expense, were $22.5 million. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SDG&E's forecasts or within the scope of this case, SDG&E is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

3. Regarding Chart 3 on p. DS-6 of SDG&E-23, please extend the chart to include SDG&E's assumptions for 2012 and 2013 for each of the items in the chart's legend.

SDG&E Response:

Below is Chart 3 extended to include the assumptions for 2012 and 2013. Note that HAFTA was effective in 2014 and therefore there is no data for EIR w/HAFTA in 2013 and 2012 the chart.



TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

4. At p. DS-7 (lines 1-5) of SDG&E-23, SDG&E states:

"The 2013 EIR was 6.24%, which is only slightly higher than the projected 6.02% [effective interest rate (EIR)] for 2016 under HATFA. However, both are significantly higher than the 4.34% EIR projected in 2023. Higher EIRs resulted in lower required minimum contribution for 2012 and 2013 as noted in Chart 4 below. Assuming all other variables are constant, a reduction in EIR would increase minimum required contributions."

a. Does SDG&E's 2016 Employee Pension expense forecast align with its expectations of the EIR in 2015 and 2016? If not, why not and what would be the 2016 Employee Pension expense expectation if were to align with SDG&E's expectations for the 2015 and 2016 EIRs?
b. Is SDG&E's 2016 Employee Pension expense based in part on the PPA funding requirement in 2021? In other words, would the forecasted expense be higher if the PPA requirement in 2021 was higher, or is the expense based solely on 2016 assumptions and requirements? Please explain.

SDG&E Response:

a. The forecast of SDG&E's 2016 Employee Pension expense aligns with the EIRs on page 11 of Exhibit No. SDG&E-23-WP for 2015 and 2016. The EIR is calculated each year according to federal law as stated on lines 2 to 6 of page DS-6 of SDG&E-23 as follows: "Congress enacted an extension of the funding stabilization provisions of MAP-21 in 2014 under the Highway and Transportation Funding Act ("HATFA"). This subsequent legislation, signed into law on August 8, 2014, has the effect of increasing funding interest rates for the plan and lowering minimum contributions over the next few years." Lines 7 to 17 and Chart 3 on that same page further explain how MAP-21 and HATFA dictate the calculation of the EIR.

b. The SDG&E 2016 Employee Pension expense is forecasted according to current federal law including the Employee Retirement Income Security Act of 1974 ('ERISA'), and PPA as modified by MAP-21 and HAFTA.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

5. Please assume for purposes of this question that <u>neither</u> the 21st Century Act (MAP-21) nor the Highway and Transportation Funding Act (HATFA) had been enacted.
   a. Identify the amounts that SDG&E would have contributed to Employee Pension in each year, 2012-2014, had it faced a minimum contribution consistent with the EIRs assumed under the Pension Protection Act of 2006 (PPA).
   b. Had SDG&E made the contributions that were consistent with the PPA, please estimate the annual contributions that would have been necessary in 2015-2023 to achieve minimum PPA funding in each year.

SDG&E Response:

a. SDG&E does not have the amounts that would have contributed to Employee Pension in each year, 2012-2014, had PPA not been modified by MAP-21 and HAFTA. SDG&E's actuary would have to develop a model to provide this information.

b. See the response to Question 5a. above as it applies to the amounts requested for 2015 to 2023.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

6. Please assume for purposes of this question that the Highway and Transportation Funding Act (HATFA) had <u>not</u> been enacted (but that the 21st Century Act (MAP-21) was enacted).
   a. Identify the amounts that SDG&E would have contributed to Employee Pension in each year, 2012-2014, had it faced a minimum contribution consistent with the EIRs assumed under the MAP-21.
   b. Had SDG&E made the contributions that were consistent with the PPA (in the hypothetical absence of the MAP-21), please estimate the annual contributions that would have been necessary in 2015-2023 to achieve minimum MAP-21 or PPA funding (i.e., whichever is relevant in the given year) in each year.

SDG&E Response:

a. HAFTA was enacted in 2014 and the actual Recorded-Adjusted (Nominal $) amounts provided on page 7 of Exhibit No. SDG&E-23 for 2012 and 2013 are post MAP-21 and pre HAFTA enactment. SDG&E does not have the amounts that would have contributed to Employee Pension in 2014 as this is not required under current federal law. SDG&E's actuary would have to develop a model to provide this information.

b. See the response to Question 6a. above for 2014 as it applies to the amounts requested for 2015 to 2023.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

7. Please provide a copy of the Towers Watson's analysis that supports SDG&E's forecasts.

SDG&E Response:

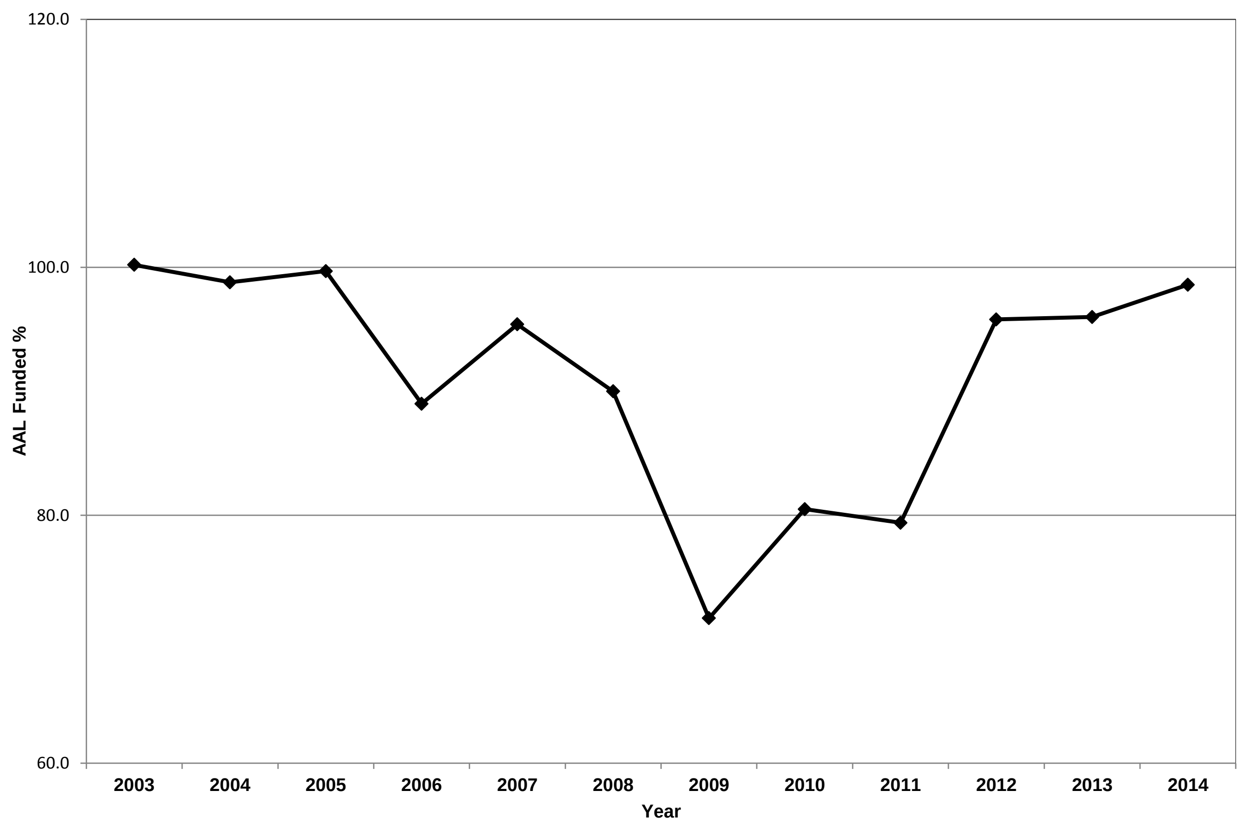
Towers Watson, the Company's actuary, uses a proprietary model to calculate the forecast and therefore this cannot be provided. The assumptions used in their model to calculate the forecast can be found on 11 and 12 of Exhibit No. SDG&E-23-WP.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

8. Regarding Chart 5 on p. DS-8 of SDG&E-23, please update it to include the 2014 value (based on recorded data).

SDG&E Response:

Below is updated version of Chart 5 that includes the 2014 recorded value. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SDG&E's forecasts or within the scope of this case, SDG&E is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.



9. Regarding Table 2 on p. DS-9 of SDG&E-23, please provide the actual values for 2014 (i.e., the entire year).

SDG&E Response:

The 2014 actual values for the elements in Table 2 are provided below. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SDG&E's forecasts or within the scope of this case, SDG&E is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.

Table 2 – Pension Plan Investment Returns: 2014

Year	Investment Policy Benchmark	Master Trust Actual	S&P 500	Barclay's Aggregate Bond
2014	7.6%	8.3%	13.7%	6.0%

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

10. Please provide a copy of the Actuarial Valuation Reports for both the Pension and PBOP plans for the plan year beginning January 1, 2014.

SDG&E Response:

See attachments: “Attachment TURN SDG&E-DR-11 Question 10a.pdf” and “Attachment TURN SDG&E-DR-11 Question 10b.pdf”.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

11. Please provide updated versions of the tables found on pages 11, 12, 21, and 22 of SDG&E-23-WP.

SDG&E Response:

Please see attachment "Attachment TURN SDG&E-DR-11 Question 11.pdf". The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although SDG&E provided that data in the spirit of cooperation, the utility is not permitted to revise its forecasts, either up or down, once the application is filed.

TURN DATA REQUEST
TURN-SDG&E-DR-11
SDG&E 2016 GRC – A.14-11-003
SDG&E RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

12. Assume for purposes of this question that for purposes of the development of the authorized revenue requirement for the 2016 test year the Commission adopts a lower employee count for 2016 than is assumed by SDG&E for purposes of its pension-related actuarial analysis. Please describe the process that SDG&E will use to adjust the Employee Pension forecast to reflect the lower forecast of employee count. If SDG&E has no such process in place, please explain why it does not.

SDG&E Response:

SDG&E would use Towers Watson, its outside actuary, to reforecast the Employee Pension expense through their proprietary model to adjust for changes in headcount.