UCAN DATA REQUEST-04
SDG&E-SOCALGAS 2016 GRC – A.14-11-003-004
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 21, 2015
DATE RESPONDED: MAY 5, 2015

Testimony of Katherine Carbon:

1. Please provide copies of all calculations and workpapers used or prepared by SDG&E and So. Cal. Gas regarding insurance issues in this proceeding.

Utility Response:

The attached documents have been identified as ***CONFIDENTIAL PROTECTED INFORMATION PURSUANT TO THE SIGNED NDA IN THIS PROCEEDING***

REMOVED DUE TO CONFIDENTIALITY

2. On Page KC-1 Ms. Carbon comments as follows: "With few exceptions, Risk Management procures insurance on a corporate-wide basis for all Sempra business units (regulated and unregulated). This structure provides maximum efficiencies in obtaining insurance, ensures regulatory and legal compliance, and eliminates potential insurance program deficiencies (i.e. gaps and duplication). In her Summary of Requests on Page KC-iii Ms. Carbon observes that an increase of $260,000 is attributed to the "net allocation rate shift, including Multi-Factor allocations. Please provide copies of all calculations and workpapers supporting the rate shift.

Utility Response:

The $260,000 is the sum of all policy increases or decreases attributable to a change in allocation rate from 2013 to test year 2016. Allocation rate calculations for 2013-2016 can be found in K. Carbon's workpapers (Exhibit SDG&E-21-WP, pages 81-89). The impact by policy of any rate changes are shown in that workpaper on page 6 ($179K for Property) and page 33 ($81K for Liability), which total $260K.

Most of the allocation change relates to Excess Property ($169K) and Excess Liability ($94K).

- Excess Property is allocated based on reported asset values for covered business units in the program. Joint ventures have reduced the asset values for Global businesses and resulted in a minor shift of premiums to the Utilities. The overall result is still extremely reasonable given the utility benefit from this policy's California earthquake coverage.
- Excess Liability is allocated based on the Multifactor Basic and reflects a slight increase of 0.4% in allocations to SDG&E due to its growth trend.

3. On Page KC-14, Ms. Carbon makes the following statement with respect to Wildfire Property Damage Reinsurance: “Actual premium expense has been used for 2013 and projected premiums are expected to remain flat.” However, the “Summary of Requests” on Page KC-iii refers to a Liability increase of $6,548,000 “of which $2,158,000 relates to fire insurance.” It would appear that the “fire insurance” reference pertains to Wildfire Property Damage Reinsurance. Please explain the discrepancy between the statement on Page KC-14 and the increase noted on Page KC-iii.

Utility Response:

Wildfire Liability coverage contains two components – Excess Fire (B-2.1) and Wildfire Damage Reinsurance (B-2.2). While the Reinsurance premiums remain unescalated through 2016 as shown in workpapers (Exhibit SDG&E-21-WP pages 40-41), the Excess Fire premiums are expected to grow at a rate of 3% (Exhibit SDG&E-21-WP, pages 38-39).

In reviewing this data request, we noted the narrative statement on KC-iii is in error and not consistent with the escalation forecast for Fire Liability. The $2,158,000 amount should have been $4,797,000, which corresponds to the escalation amount noted in workpapers (Exhibit SDG&E-21-WP, page 37). Thus the testimony on KC-iii should have read:

- *The primary factor impacting this increase is a modest escalation assumption to account for increases in property values associated with company growth, as well as the uncertainty, unpredictability of the insurance market and limited insurance capacity available for the utility industry – $352,000 for Property and $6,548,000 for Liability, of which $4,797,000 relates to fire insurance.*

This error will be corrected in testimony at hearings.