A Sempra Energy utility℠

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May 28, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: San Diego Gas & Electric Company's Annual Filing of Revised Costs and Accruals for Post-Employment Benefits Other than Pensions, Docket No. ER15-___

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act[1] and San Diego Gas & Electric Company's fourth Transmission Owner ("TO") rate formula ("TO4 Formula"),[2] SDG&E submits this filing to the Federal Energy Regulatory Commission ("Commission" or "FERC") to recover the costs of Post-Employment Benefits Other Than Pensions ("PBOP") recorded in 2014.

As discussed in greater detail below, SDG&E submits this filing for approval of its 2014 costs and accruals for PBOP, as recorded in FERC Uniform System of Accounts No. 926 ("Employee Pensions and Benefits") ("Account No. 926").[3] These costs and accruals have been booked in accordance with Accounting Standards Codification ("ASC") 715-60 (formerly known as Statement of Financial Accounting Standards No. 106) and the FERC's PBOP Statement of Policy.[4]

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[1] Federal Power Act, 16 U.S.C. §824d.

[2] The Commission approved the Offer of Settlement ("Settlement") embodying the TO 4 Formula by Letter Order dated May 27, 2014 in *San Diego Gas & Electric Company,* 147 FERC ¶61,150 (2014). The PBOP provisions are contained in the Settlement, Article I, Section 1.8., and the TO4 Formula (Appendix VIII, Section B.57. and the Formula Rate Protocols, Section D.1).

[3] Account No. 926 costs are included within the definition of Administrative and General Expenses ("A&G") used to calculate End-Use Customer Base Transmission Revenue Requirements and California Independent System Operator ("CAISO") Base Transmission Revenue Requirements under the TO4 Formula. *See* Appendix VIII, Section B. 57. Acceptance of the instant filing will result in the reflection of the updated PBOP costs in those revenue requirements and, accordingly, in the charges derived under the TO4 Formula rate.

[4] PBOP Statement of Policy, 61 FERC ¶61,330 (1992); *order on reh'g*, 65 FERC ¶61,035 (1993).

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The 2014 PBOP costs and accruals reflect changes from the 2013 expense levels contained in the TO4 Cycle 2 Informational Filing.

I. NATURE AND PURPOSE OF FILING

SDG&E is making this single-issue filing in accordance with Section D.1. of the TO4 Formula Rate Protocols, which provide:

> If the expense levels for SDG&E's Post-Employment Benefits Other than Pensions ("PBOP"), as recorded in FERC Account No. 926, Employee Pensions and Benefits, change from those expense levels contained in SDG&E's TO4 Filing submitted in Docket No. ER13-941, then:
>
> a. SDG&E may make a single-issue filing under Section 205 of the FPA, to recover such changed PBOP expense pursuant to the TO4 Formula; or
>
> b. Any person may exercise its rights under Section 206 of the FPA to request that the Commission direct SDG&E to reflect any changed PBOP expense pursuant to the TO4 Formula.
>
> c. SDG&E and/or any other person shall retain full rights to oppose such filings under the FPA and in accordance with the Commission's Rules of Practice and Procedure.
>
> d. If there is a change from the PBOP expense levels contained in SDG&E's TO4 Filing and SDG&E elects not to make a filing, SDG&E will provide notice of the change to the Service List as part of its Draft Informational Filing.

This PBOP treatment is consistent with earlier FERC orders requiring utilities that provide service under formulaic "cost of service" rates to file PBOP costs, accrual estimates and funding commitments for Commission review prior to including such amounts in the formula rates.[5] The PBOP costs will be reflected in SDG&E's TO4 Cycle 3 Informational Filing, which will be filed on December 1, 2015.

II. LIST OF DOCUMENTS SUBMITTED

Pursuant to 18 C.F.R. §35.7 of the Commission's regulations, this filing consists of an original and six copies of the following documents:

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[5] *See Boston Edison Co.*, 70 FERC ¶61,222 (1995), and *Maine Yankee Atomic Power Co.*, 68 FERC ¶61,375, pp. 62,252-53, *Order on Clarification*, 68 FERC ¶61,190, pp. 61,958-59 (1994).

1. Transmittal Letter;

2. Exhibit No. SDG-1 - Towers Watson Actuarial Report dated February 2015 for 2014 recorded PBOP costs;

3. Exhibit No. SDG-1-1 - Change in Postretirement Welfare Cost and Funded Position (from 2013 to 2014) - excerpt from Exhibit No. SDG-1;

4. Exhibit No. SDG-2 - Derivation of 2014 Costs Used in the Transmittal Letter to Support Annual FERC PBOP Costs for the TO4 Cycle 3 Informational Filing for the 12-Month Base Period and True-Up Period (January 2014-December 2014); and

5. Work papers for Exhibit SDG-2.

III. PBOP ACCOUNTING AND RECORDED PBOP EXPENSE

For fiscal years beginning after December 15, 1992, ASC 715-60 required employers to reflect in current expenses an estimate for PBOP "pay-as-you-go" costs expected to be paid to or on behalf of employees who retired before July 1, 1992 and an amount reflecting an amortization of the fair value of assets that did not qualify as plan assets at the beginning of the transition period, which for SDG&E was July 1, 1992. Pursuant to Decision 92-12-015, dated December 3, 1992, the California Public Utilities Commission ("CPUC") further required that, for retail rate purposes, utilities subject to its jurisdiction reflect in current expenses an estimate of post-employment benefits up to the maximum tax deductible amount for employees who retired after June 30, 1992, to be paid into an irrevocable trust for the benefit of former or inactive employees after employment but before retirement. This payment to a trust is consistent with the FERC's PBOP Policy Statement.

Towers Watson annually prepares an Actuarial Report for SDG&E analyzing PBOP expenses in accordance with ASC 715-60 ("Report") and calculates the maximum tax deductible amounts in accordance with Internal Revenue Service ("IRS") Code and Regulations.

IV. SDG&E'S 2014 PBOP FILING

The Towers Watson annual Actuarial Report, dated February 2015, reflects recorded PBOP costs for 2014. The Actuarial Report is attached as Exhibit No. SDG-1. These costs are relevant to the TO4 2014 Base Period and True-Up Period (January 2014 through December 2014).

More particularly, for 2014, SDG&E's total year-end PBOP expense calculated under ASC 715-60 per the actuarial valuation is $13,882,705 as shown in Exhibit No. SDG-1-1. This amount compares to the 2013 costs of $11,622,238, not including a one-time cost of $2,570,964 for the 2013 Voluntary Retirement Enhancement Program ("VREP") health reimbursement account offerings. The sum of the fiscal 2013 amount and the one-time cost of VREP equates to $14,193,202, which was the as-filed starting basis of costs in last year's PBOP filing in Docket No. ER14-2139-000. As noted in Exhibit SDG-1-1, the net increase in cost from $11,622,238 in 2013 to $13,882,705 in 2014 was due primarily to $5,404,300 in an additional VREP window, in which employees participating in the VREP were each given a health reimbursement account in the amount of $50,000. This increase was partially offset by decreases of: (1) $1,529,858, due to plan provision updates, and (2) $1,089,540, due to other changes in assumptions. Exhibit No. SDG-1-1 provides a listing and explanation of the factors contributing to the net increase from 2013 to 2014.

Exhibit No. SDG-2, demonstrates how total PBOP costs are derived and assigned to various Sempra Energy affiliates and ultimately to SDG&E's Electric Transmission Division for the Base Period and True-Up Period (January through December 2014). Recently, SDG&E discovered that its 2014 recorded costs for Total Company Contribution to PBOP were overstated by $261,571. To correct the error, SDG&E will credit 2015 recorded costs for Total Company Contribution to PBOP by that amount. The correction will be reflected in SDG&E's TO4 Cycle 4 Informational Filing, consistent with the TO4 Formula Rate Protocols.

After adjusting for capitalized costs and billings to others, $7,378,890 remains in Account No. 926 (line 15). This amount supports both SDG&E's Electric and Natural Gas operations. The amount of this expense that is allocated to the Electric Division is $5,520,885 (line 17). This expense will be included in SDG&E's A&G expenses as part of Account No. 926 expenses, and reflected in the TO4 Cycle 3 Informational Filing for the 2014 Base Period and True-Up Period (January 2014 through December 2014).

For the TO4 2014 Base Period and True-Up Period (January 2014 through December 2014), the $5,520,885 (line 17) is then allocated on the basis of SDG&E's Transmission Wages and Salary ratio of 17.11% to arrive at approximately $944,623 (line 21), which is the amount allocated to transmission service.

V. INCOME TAXES

SDG&E makes PBOP cost payments for benefits of post-June 1992 retirees only to irrevocable trusts that are currently deductible. Therefore, no deferred income tax accounting is necessary. These payments are made quarterly in accordance with the Commission's PBOP Policy Statement.

VI. NO REGULATORY ASSET AMORTIZATION

When SDG&E records its ASC 715-60 liability, it also simultaneously records an equal regulatory asset. Each year, SDG&E adjusts the recorded liability and related asset based on new actuarial calculations. The expense is based on the payments that are made to or for the retirees and an equal amount of revenue is recorded. Therefore, SDG&E does not need to amortize a regulatory asset or regulatory liability related to ASC 715-60 as part of its PBOP expense.

VII. REQUEST FOR WAIVER OF FILING AND NOTICE REQUIREMENTS

SDG&E submits this filing for the limited purpose of securing Commission approval of funded and projected PBOP costs and does not propose, by this filing, to amend, supersede or, in any manner, change the provisions of SDG&E's TO4 Formula. This filing does not in and of itself change, in any respect, SDG&E's transmission rates. Given the limited scope of this filing, SDG&E does not believe Part 35 of the Commission's regulations,[6] including Section 35.13,[7] is applicable to this filing. In the event the Commission disagrees, however, SDG&E respectfully requests waiver of such requirements and other relief as may be necessary.

VIII. COMMUNICATIONS

Correspondence and other communications concerning this filing should be addressed to the following individuals:

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SDG&E requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure,[8] to the extent necessary to permit each of the individuals identified above to be placed on the Commission's official service list in this proceeding.

A copy of this letter has been served on all parties to Docket No. ER13-941. In addition, this letter and enclosures have been served on the CPUC, the CAISO and CAISO Participating Transmission Owners.

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[6] 18 C.F.R. Part 35 (2013).

[7] *Id.*, §35.13.

[8] 18 C.F.R. §385.203 (b)(3) (2013).

VIII. CONCLUSION

SDG&E respectfully requests that the Commission review and approve the funded and projected PBOP costs reflected in this filing, consistent with the terms of SDG&E's TO4 Formula. SDG&E will include the approved 2014 PBOP costs in the TO4 Cycle 3 Informational Filing on December 1, 2015, to become effective January 1, 2016.

Respectfully submitted,

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gjb/Enclosures

ATTESTATION REGARDING SAN DIEGO GAS & ELECTRIC COMPANY'S
2014 Annual Post-Employment Benefits Other Than Pensions (PBOP) Filing
(18 CFR § 35.13 (d)(7))

I, Lee Schavrien, attest that I am Senior Vice President – Regulatory Affairs and Operations Support of San Diego Gas & Electric Company ("SDG&E"), and to the best of my knowledge and belief, the cost of service statements and supporting data submitted as part of this filing are true, accurate, and current representations of SDG&E's books and other corporate documents.

May 27, 2015

Lee Schavrien

California All-Purpose Acknowledgement

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
)
County of San Diego)

On May 27, 2015 before me, Annie V. Ruiz, Notary Public, personally appeared **Lee Schavrien**, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Annie V. Ruiz, Notary Public

ANNIE V. RUIZ
COMM. #2052917
NOTARY PUBLIC • CALIFORNIA
SAN DIEGO COUNTY
Commission Expires Jan 18, 2018

San Diego Gas & Electric Company

Exhibit No. SDG-1

2014 Actuarial Valuation Report

Exhibit No. SDG-1

San Diego Gas & Electric Company
Postretirement Health and Life Plans

Actuarial Valuation Report
Postretirement Welfare Cost for Fiscal Year Ending December 31, 2014
Employer Contributions for Plan Year Beginning January 1, 2014

February 2015

TOWERS WATSON

This report is confidential and intended solely for the information and benefit of the intended recipient thereof It may not be distributed to a third party unless expressly allowed under the "Actuarial Certification" section herein.

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Purposes of valuation

Sempra Energy retained Towers Watson Delaware Inc. ("Towers Watson") to perform an actuarial valuation of its postretirement welfare programs for the purpose of determining the following:

(1) The value of benefit obligations as of January 1, 2014 and Sempra Energy's postretirement welfare cost for the San Diego Gas & Electric Company Postretirement Health and Life Plans for the fiscal year ending December 31, 2014 in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715-60). It is anticipated that a separate report will be prepared for year-end financial reporting and disclosure purposes.

(2) Plan reporting information in accordance with FASB Accounting Standards Codification Topic 965 (ASC 965).

(3) Expected contributions under the plan sponsor's funding policy for the 2014 plan year.

(4) The estimated maximum tax-deductible contribution for the tax year in which the 2014 plan year ends as allowed by the Internal Revenue Code. The maximum tax deductible contribution should be finalized in consultation with Sempra Energy's tax advisor.

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Section 1: Summary of results

Summary of valuation results

All monetary amounts shown in US Dollars

Fiscal Year Ending		December 31, 2014		December 31, 2013	
Benefit Cost/ (Income)	Postretirement Welfare Cost/(Income)	8,478,405		11,622,238	
	Immediate Recognition of Benefit Cost/(Income) due to Special Events[1]	5,404,300[2]		2,570,964	
	Total Benefit Cost/(Income)	13,882,705		14,193,202	
Measurement Date		**January 1, 2014**		**January 1, 2013**	
Plan Assets	Fair Value of Assets (FVA)	145,773,523		125,057,468	
	Market Related Value of Assets (MRVA)	145,773,523		125,057,468	
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	175,850,177		190,734,649	
Funded Status	Funded Status	(30,076,654)		(65,677,181)	
Accumulated Other Comprehensive (Income)/Loss (AOCI)	Net Prior Service Cost/(Credit)	21,501,986		28,555,458	
	Net Loss/(Gain)	(13,883,612)		13,670,852	
	Net Transition Obligation	0		0	
	Total AOCI	7,618,374		42,226,310	
Assumptions	Discount Rate	5 00%		4.10%	
	Expected Rate of Return on Plan Assets:				
	► Non-Union & pre-08 Union VEBA	4 00%		4.00%	
	► 401(h) & post-08 Union VEBA	7 00%		7.00%	
		Pre-65	Post-65	Pre-65	Post-65
	Current Health Care Cost Trend Rate	8 25%	5 50%	10.00%	8.25%
	Ultimate Health Care Cost Trend Rate	5 00%	4 50%	5 00%	4.75%
	Year of Ultimate Trend Rate	2020	2020	2020	2020
Census Date		January 1, 2014		January 1, 2013	
Plan reporting (ASC 965) for Plan Year Ending		**December 31, 2013**		**December 31, 2012**	
	Present value of accumulated benefits	175,850,177		190,734,649	
	Market value of assets	145,773,523		125,057,468	
	Plan reporting discount rate	5 00%		4 10%	
Employer Contributions		**Plan Year 2014**		**Plan Year 2013**	
Cash Flow[3]	Funding policy contributions	13,882,705		14,193,202	
	Maximum tax deductible contributions[4]				
	Non-Union VEBA	1,534,593		1,455,766	
	Union VEBA (pre 7/1/2008)	0		0	
	Union VEBA (post 7/1/2008)	1,789,842		4,000,577	
	401(h)	11,434,433		12,558,112	
	Total	14,758,868		18,014,455	
	Expected benefit payments and expenses, net of participant contributions[5]	7,172,140		6,081,805	

[1] A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2013 & 2014 VREP windows.
[2] Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4.40%
[3] 401(h) trust designated to pre-fund Non-Union retiree health benefits from 2015 onward (Non-Union VEBA prior to 2015) and Union health benefits from 2017 onward for pre 7/1/2008 retirees (Union VEBA pre 7/1/2008 prior to 2017 for all union retirees).
[4] Based on an expected pension contribution of $48,656,352 for 2014
[5] Includes expected benefit payments to be paid out of corporate assets for key employees and Non-Union retiree life insurance.

Employer contributions

Employer contributions are the amounts paid by Sempra Energy to provide for postretirement benefits, net of participant contributions. Sempra Energy's funding policy is to contribute the lesser of the postretirement benefit cost or maximum tax deductible contribution less contributions made on behalf of key employees and Non-Union retiree life insurance. For Fiscal 2014, the expected contribution under the funding policy is $13,882,705, less the amounts paid from Company assets for key employees and Non-Union retiree life insurance.

Sempra Energy maximizes its contribution to the 401(h) account and contributes the remainder, if any, to the post-7/1/2008 represented VEBA and HRA accounts. Sempra Energy may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations.

Postretirement welfare cost and funded position

The cost of the Postretirement Health and Life Plans is determined in accordance with generally accepted accounting principles in the U.S. ("U.S GAAP"). The fiscal 2014 postretirement welfare benefit cost for the plan is $13,882,705.

Under U.S. GAAP, the funded position (fair value of plan assets less the projected benefit obligation, or "APBO") of the Postretirement Health and Life Plans at the plan sponsor's fiscal year-end (measurement date) is required to be reported as a liability. The APBO is the actuarial present value of benefits attributed to service rendered prior to the measurement date, taking into consideration expected future pay increases for pay-related plans. The plans' overfunded (underfunded) APBO as of January 1, 2014 was $(30,076,654), based on the fair value of plan assets of $145,773,523 and the APBO of $175,850,177.

Fiscal year-end financial reporting information and disclosures are prepared before detailed participant data and full valuation results are available. Therefore, the postretirement benefit asset (liability) at December 31, 2013 was derived from a roll forward of the January 1, 2013 valuation results, adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population. The next fiscal year financial reporting information will be developed based on the results of the January 1, 2014 valuation, projected to the end of the year and similarly adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Change in postretirement welfare cost and funded position

The postretirement welfare cost increased from $11,622,238 (not including one-time cost of $2,570,964) in fiscal 2013 to $13,882,705 in fiscal 2014 and the funded position improved from $(65,677,181) on January 1, 2013 to $(30,076,654) on January 1, 2014, as set forth below:

All monetary amounts shown in US Dollars

	Postretirement Welfare Cost	Funded Position
Prior year	11,622,238	(65,677,181)
Change due to		
▸ Impact of plan-to-plan obligation/asset transfers due to business-as-usual transfers	(18,629)	1,051,579
▸ Expected based on prior valuation and contributions during prior year	(580,180)	6,636,936
▸ Unexpected noninvestment experience, other than claims	(845,619)	3,667,762
▸ Plan provision updates	(1,529,858)	2,876,977
▸ Unexpected investment experience	(526,453)	9,302,032
▸ Unexpected claims experience	1,294,563	(7,058,057)
▸ VREP 2013	107,174	(2,570,964)
▸ Plan change due to Anthem HealthCare Plus+	44,709	(247,837)
▸ Other assumption changes	(1,089,540)	21,942,099
▸ Changes in substantive plan	0	0
Current year	8,478,405	(30,076,654)
▸ Benefit cost/(income) due to special events – HRA establishment for 2014 VREP participants	5,404,300	N/A
Total current year	13,882,705	(30,076,654)

Significant reasons for these changes include the following:

- Actual pre-65 and post-65 claims costs as compared to expected, increased the postretirement welfare cost and deteriorated the funded position.
- Post-65 trend rates were lowered from the prior year (see Appendix A for details). This change resulted in a decrease in postretirement welfare cost and an improvement in the funded status.
- The return on the fair value of plan assets was greater than expected which decreased the postretirement welfare cost and improved the funded position.
- The discount rate increased 90 basis points as of January 1, 2014 compared to the prior year which decreased the postretirement welfare cost and improved the funded position.
- A health reimbursement account in the amount of $50,000 was offered to employees who accepted the VREP window in 2013. The associated increase in liability increased the postretirement welfare cost.
- A health reimbursement account in the amount of $50,000 was offered to an additional group of employees as part of the 2014 VREP window.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plans being valued. The most recent plan change reflected in this valuation was effective on January 1, 2014.

Economic Assumptions

The discount rate for postretirement welfare cost purposes is the rate at which the postretirement welfare obligation could be effectively settled. The rate is developed from yields on available high-quality bonds and reflects the plans' expected cash flows.

The assumed rate of return on assets reflects long-term expectations. The rate of return for postretirement welfare cost purposes is the weighted average of expected asset returns, net of taxes. The assumptions selected by Sempra Energy for postretirement welfare cost purposes are:

	December 31, 2013	December 31, 2012
▸ Discount rate for obligations	5.00%	4.10%
▸ Rate of return on assets	7.00%/4.00%	7.00%/4.00%

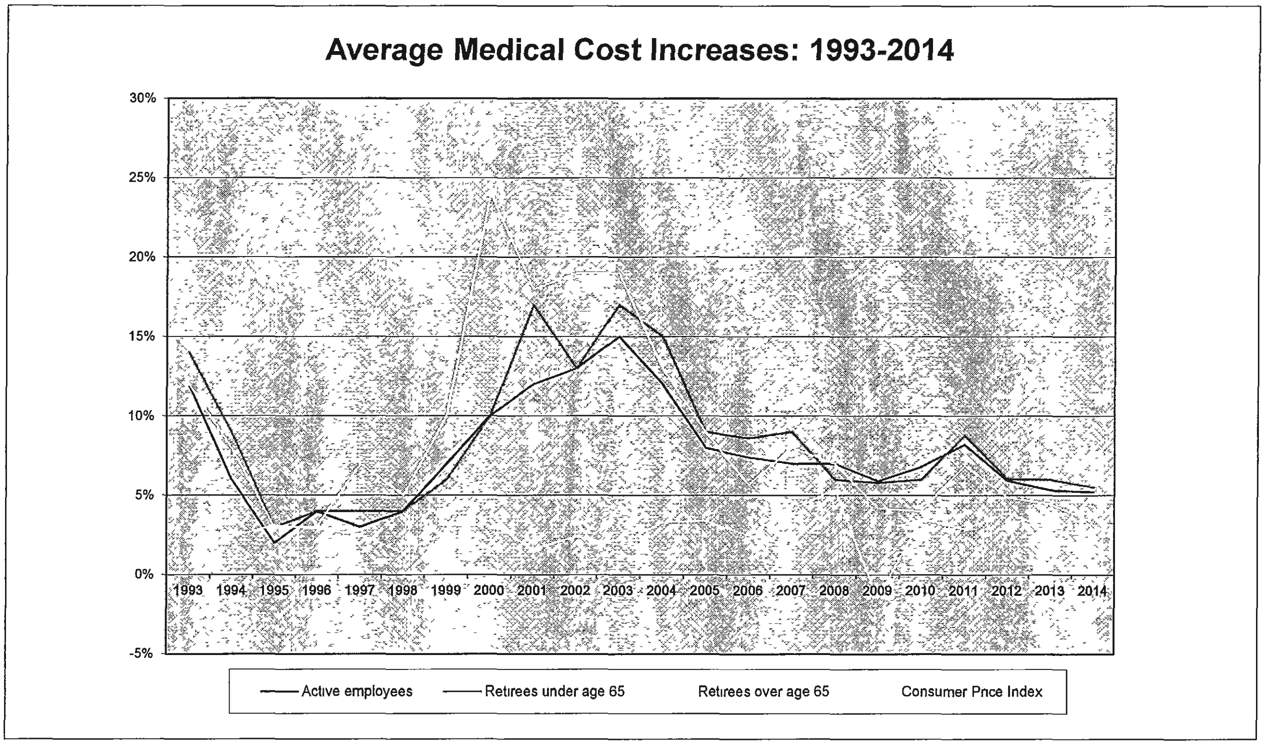
Assumptions used to determine the statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. The discount rate used to determine the normal cost and postretirement benefit obligation is based on the long-term expected return on assets, net of taxes. The assumptions for contribution purposes are:

	December 31, 2013	December 31, 2012
▸ Discount rate – Non-union and Union pre 7/1/2008 retiree VEBA funding	4.00%	4.00%
▸ Discount rate – 401(h) and Union post 7/1/2008 retiree VEBA funding	7.00%	7.00%

Health Care Cost Assumptions

Health care cost trend rates are the assumed rate of increase in per capita health care charges. They are disclosed in Sempra Energy's financial statements

As reported by the Towers Watson Health Care Cost Survey, trend rates have historically shown a cyclical pattern, rising in some years and falling in others, and have been sensitive to a plan's demographics, mix of benefits offered and utilization of procedures.



The survey results indicate that health care cost trends vary considerably among survey participants.

Retiree Health Care Trend Rates – Non-union and Union Pre 7/1/2008 Retiree VEBA Contribution Purposes

None

Retiree Health Care Trend Rates Postretirement Welfare Cost and APBO, Union Post 7/1/2008 Retiree VEBA and 401(h) Contribution Purposes

Employer cap (fixed employer contribution) for active participants and participants who retired on or after January 1, 1987:

	Under Age 65	Age 65 and Over
	Anthem and HMO Plans	Senior Supplement and HMO Plans
2014 trend	0 00%	0.00%
Year ultimate trend reached	N/A	N/A

All Other Medical Benefits:

	Under Age 65	Age 65 and Over
	Anthem and HMO Plans	Senior Supplement and HMO Plans
2014	8.25%	5.50%
2015	7.75%	5.25%
2016	7.00%	4.75%
2017	7.00%	5.25%
2018	6.50%	5.00%
2019	5.50%	4.75%
2020	5.00%	4.50%
Ultimate trend	5.00%	4.50%
Year ultimate trend reached	2020	2020

Changes in Assumptions

- The discount rate changed from 4.10% as of January 1, 2013 to 5.00% as of January 1, 2014.
- The post-65 medical trend decreased from 6.75% to 5.50% in 2014, 6.00% to 5.25% in 2015, 5.75% to 4.75% in 2016, 5.75% to 5.25% in 2017, 5.75% to 5.00% in 2018, 5.00% to 4.75% in 2019, and 4 75% to 4.50% in 2020 and beyond.
- Pre-retirement mortality was changed from the RP 2000 table with improvements through 2028, to the RP 2000 table with improvements through 2029.
- Post-retirement mortality was changed from the RP 2000 table with improvements through 2020, to the RP 2000 table with improvements through 2021.
- The crediting interest rate for Healthcare Reimbursement Accounts was changed from 2.80% as of January 1, 2013 to 3.80% as of January 1, 2014.
- The salary increase rate changed from 4 50% to 5.00% for ages 40 – 44 and from 4.00% to 4.50% for ages 45 – 49.

Changes in Methods

No such changes have occurred.

Changes in Benefits Valued

Effective January 1, 2014 a new high deductible medical plan called Anthem Health Care Plus was introduced for participants under 65.

Plan-to-plan Transfers

Consistent with Sempra's past practices and based on our understanding of Sempra's threshold for "significance", obligations, assets and a portion of a plan's amortization bases are transferred if the percentage of the plan's benefit obligations being transferred to another plan is greater than 1%. During 2013 the benefit obligation transferred from SDG&E to SoCal Gas exceeded Sempra's 1% threshold and amortization bases were transferred. In connection with these transfers, as well as transfers into this plan, Sempra is transferring assets between the plans. The amount of assets transferred is based on the funded status of the transferring plan as of December 31, 2013.

Special Events

A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Sempra Energy and, based on that review, is not aware of any significant benefits required to be valued that were not.

Subsequent Events

To our knowledge, no material events occurred after the valuation.

Additional Information – Plan Provision Updates

There are two SDG&E PBOP plan provisions which were being valued differently than the benefits described in the 2014 premium rate sheet. The updates are as follows;

- Non-Union: A low-cap option (55-59 & 5) was eliminated effective December 31, 2010 and a plan change prior service cost base should have been established. Because this would result in a reduction in APBO, the reduction in APBO would first reduce any existing cost bases then the excess, if any, would be amortized over future service. This update resulted in a one-time reduction in Amortization Base 1 of $964,262 as of January 1, 2014. Additionally, there will be a one-time 2014 amortization credit of $506,657 reflecting a cumulative adjustment to the amortization amounts for 2011-2013.

- Union: A 3-Tier design structure was implemented effective July 1, 2008 as a result of a collective bargaining agreement. A plan change base was set up as of December 31, 2007 reflecting the changes. Based on the 2014 premium rate sheet, the change in APBO at December 31, 2007 was overstated. This update resulted in a one-time reduction in Amortization Base 2 of $465,432 as of January 1, 2014. Additionally, there will be a one-time 2014 amortization credit of $354,564 reflecting a cumulative adjustment to the amortization amounts for 2008-2013.

The results shown in this report reflect these plan provision updates.

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Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, contributions and assets provided by Sempra Energy and other persons or organizations designated by Sempra Energy. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by Sempra Energy, may produce materially different results that could require that a revised report be issued.

Assumptions and methods under the Internal Revenue Code for contribution limit purposes

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by the plan sponsor, with the concurrence of Towers Watson. The Internal Revenue Code requires the use of reasonable assumptions (taking into account the experience of the plan and reasonable expectations). We believe that the assumptions used in our valuation are reasonable and appropriate for the purposes for which they have been used.

Assumptions and Methods under ASC 715-60

As required by ASC 715-60 the actuarial assumptions and methods employed in the development of the postretirement welfare cost have been selected by the plan sponsor. Towers Watson has concurred with these assumptions and methods. ASC 715-60 requires that each significant assumption “individually represent the best estimate of a particular future event”.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with Sempra Energy’s tax advisors and auditors.

Effects of Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act (PPACA) and Health Care and Education Reconciliation Act (HCERA) were enacted. The key aspects of the Acts affecting Sempra Energy's benefit obligation and cost of providing retiree medical benefits are:

- Elimination of lifetime maximums in 2011 and a phase-out of annual maximums by 2014
- Preventive care benefits covered at 100% beginning in 2011 for non-grandfathered plans
- Mandatory coverage for adult children until age 26 beginning in 2011
- Changes to the Prescription Drug Plan and Medicare Advantage Programs beginning in 2011, and extending through 2020.
- Availability of coverage through health care exchanges beginning in 2014
- Excise ("Cadillac") tax on high-cost plans beginning in 2018
- Minimum requirements to maintain grandfathered status of existing medical plans

Mandatory coverage for adult children and availability of health care exchanges were taken into consideration in the development of future claims costs and healthcare trend rates as of December 31, 2010.

Sempra provides most of its employer subsidy in the form of a defined dollar benefit. Once the premium exceeds Sempra's stated benefit level, the retirees pay the difference between the premium amount and the subsidy. Under this arrangement, Sempra's obligation doesn't change with the excise tax under health care reform on high-cost plans beginning in 2018, since in 2018 the premium both before and after inclusion of the excise tax will exceed Sempra's defined dollar benefit.

This valuation reflects our understanding of the relevant provisions of PPACA and HCERA. The IRS has yet to issue final guidance with respect to many aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report.

Nature of Actuarial Calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with San Diego Gas & Electric Company, about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded. This is for convenience only and should not imply precision; by their nature, actuarial calculations are not precise.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; increases or reductions expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postretirement welfare contributions, but we can do so upon request.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on Use

This report is provided subject to the terms set out herein and in our engagement letter dated March 18, 2014 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of Sempra Energy and its auditors in connection with our actuarial valuation of the postretirement welfare plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. Sempra Energy may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Sempra Energy to provide them this report, in which case Sempra Energy will use best efforts to notify Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement welfare plans Our objectivity is not impaired by any relationship between Sempra Energy and our employer, Towers Watson Delaware Inc

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Towers Watson Delaware Inc.

February 2015

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Section 2: Actuarial exhibits

2.1 Balance sheet asset / (liability)

All monetary amounts shown in US Dollars

Measurement Date			January 1, 2014		January 1, 2013	
A	**Development of Balance Sheet Asset/(Liability)[1]**					
	1	Accumulated postretirement benefit obligation (APBO)	175,850,177		190,734,649	
	2	Fair value of assets (FVA)	145,773,523		125,057,468	
	3	Net balance sheet asset/(liability)	(30,076,654)		(65,677,181)	
B	**Current and Noncurrent Allocation**					
	1	Noncurrent assets	0		0	
	2	Current liabilities	0		0	
	3	Noncurrent liabilities	(30,076,654)		(65,677,181)	
	4	Net balance sheet asset/(liability)	(30,076,654)		(65,677,181)	
C	**Accumulated Other Comprehensive (Income)/Loss**					
	1	Net prior service cost/(credit)	21,501,986		28,555,458	
	2	Net loss/(gain)	(13,883,612)		13,670,852	
	3	Net transition obligation	0		0	
	4	Accumulated other comprehensive (income)/loss[2]	7,618,374		42,226,310	
D	**Assumptions**					
	1	Discount rate	5 00%		4.10%	
			Pre-65	Post-65	Pre-65	Post-65
	2	Current health care cost trend rate	8.25%	5.50%	10.00%	8.25 %
	3	Ultimate health care cost trend rate	5 00%	4 50%	5.0%	4.75 %
	4	Year of ultimate trend rate	2020	2020	2020	2020
E	**Census date**		January 1, 2014		January 1, 2013	

1 If the amounts in this table differ materially from those disclosed at year-end, consideration should be given to disclosing the true-up in the quarterly financial statements

2 Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Summary and comparison of postretirement benefit cost and cash flows

Fiscal Year Ending			December 31, 2014	December 31, 2013
A	**Total Postretirement Benefit Cost**			
	1	Employer service cost	6,585,331	8,254,352
	2	Interest cost	9,078,119	8,035,124
	3	Expected return on assets	(10,088,855)	(8,796,322)
	4	Subtotal	5,574,595	7,493,154
	5	Transition obligation amortization	0	0
	6a	Net prior service cost/(credit) amortization	3,765,031	4,129,084
	6b	One-time cumulative cost/(credit) amortization adjustment	(861,221)	0
	7	Net loss/(gain) amortization	0	0
	8	Amortization subtotal	2,903,810	4,129,084
	9	Net periodic postretirement benefit cost/(income)	8,478,405	11,622,238
	10	Cost of curtailments	0	0
	11	Cost of settlements	0	0
	12	Immediate Recognition of Benefit Cost/(Income) due to Special Events	5,404,300[1]	2,570,964
	13	Total Postretirement Benefit Cost	13,882,705	14,193,202
B	**Assumptions**[2]			
	1	Discount rate	5.00 %	4.10 %
	2	Long-term rate of return on assets	4.00%/7 00 %	4.00%/7 00 %
			Pre - 65 / Post - 65	Pre - 65 / Post - 65
	3	Current health care cost trend rate	8 25% / 5 50 %	10 0% / 8 25 %
	4	Ultimate health care cost trend rate	5 0% / 4.50 %	5 0% / 4.75 %
	5	Year ultimate trend rate is expected	2020 / 2020	2020 / 2020
C	**Census Date**		January 1, 2014	January 1, 2013
D	**Assets at Beginning of Year**			
	1	Fair market value	145,773,523	125,057,468
	2	Market-related value	145,773,523	125,057,468
E	**Cash Flow**		**Expected**	**Actual**
	1	Employer contributions	13,882,705	14,193,202
	2	Benefits paid by the Employer (for Key employees and Non-Union retiree life insurance)	535,000[3]	399,376
	3	Benefits paid from plan assets, net of participant contributions	6,637,140	5,442,941

[1] Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4 40%.

[2] These assumptions were used to calculate the Net Postretirement Benefit Cost/ (Income) as of the beginning of the year Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

[3] Contributions from general assets attributable to key employees and Non-Union retiree life insurance totaled $267,627 through June 30, 2014. Annual 2014 amount estimated to be $535,000

2.3 Development of assets for postretirement welfare cost

All monetary amounts shown in US Dollars

		Fair Value	Market-Related Value
A	**Reconciliation of Assets**		
1	Plan assets at January 1, 2013	125,057,468	125,057,468
2	Investment return, net of taxes	18,098,354	18,098,354
3	Employer contributions	14,193,202	14,193,202
4	Plan participants' contributions	6,097,813	6,097,813
5	Benefits paid	(11,540,754)	(11,540,754)
6	Receivable for transfers (to)/from other plans during 2013	(6,132,560)	(6,132,560)
7	Acquisitions	0	0
8	Divestitures	0	0
9	Settlements	0	0
10	Plan assets at January 1, 2014	145,773,523	145,773,523
B	**Rate of Return on Invested Assets**		
1	Weighted invested assets		127,354,886
2	Rate of return		14.2 %

2.4 Detailed results for postretirement welfare cost and funded position

All monetary amounts shown in US Dollars

Detailed results			January 1,2014	January 1, 2013
A	**Service Cost**			
	1	Medical and dental	6,323,320	7,853,704
	2	Life insurance	262,011	400,648
	3	Total	6,585,331	8,254,352
B	**Accumulated Postretirement Benefit Obligation [APBO]**			
	1	Medical and dental		
	a	Participants currently receiving benefits	45,035,786	42,767,029
	b	Fully eligible active participants	42,091,170	46,655,536
	c	Other participants	76,376,434	87,173,267
	d	Total	163,503,390	176,595,832
	2	Life insurance		
	a	Participants currently receiving benefits	5,487,963	4,565,958
	b	Fully eligible active participants	3,645,036	4,979,941
	c	Other participants	3,213,788	4,592,918
	d	Total	12,346,787	14,138,817
	3	All benefits		
	a	Participants currently receiving benefits	50,523,749	47,332,987
	b	Fully eligible active participants	45,736,206	51,635,477
	c	Other participants	79,590,222	91,766,185
	d	Total	175,850,177	190,734,649
C	**Assets**			
	1	Fair value [FV]	145,773,523	125,057,468
	2	Investment losses (gains) not yet in market-related value	0	0
	3	Market-related value	145,773,523	125,057,468
D	**Funded Position**			
	1	Overfunded (underfunded) APBO	(30,076,654)	(65,677,181)
	2	APBO funded percentage	82.9%	65.5%
E	**Amounts in Accumulated Other Comprehensive Income**			
	1	Prior service cost (credit)	21,501,986	28,555,458
	2	Net actuarial loss (gain)	(13,883,612)	13,670,852
	3	Net transition obligation	0	0
	4	Total	7,618,374	42,226,310

Detailed results			January 1,2014	January 1, 2013
F	**Effect of Change in Health Care Cost Trend Rate**			
	1	One-percentage-point increase:		
		a Sum of service cost and interest cost	1,011,979	1,087,942
		b APBO	7,748,311	8,799,789
	2	One-percentage-point decrease:		
		a Sum of service cost and interest cost	(824,414)	(865,686)
		b APBO	(6,488,757)	(7,209,046)

The results above may differ from the amounts disclosed in Sempra Energy's 2013 financial statements because disclosures are prepared before the corresponding valuation results are available.

2.5 Postretirement welfare cost

All monetary amounts shown in US Dollars

Detailed results		January 1,2014	January 1, 2013
A	**Service Cost**	6,585,331	8,254,352
B	**Interest Cost**	9,078,119	8,035,124
C	**Expected Return on Assets**	(10,088,855)	(8,796,322)
D	**Amortization of:**		
	1 Transition Obligation	0	0
	2 Prior Service Cost	2,903,810	4,129,084
	3 Losses (gains)	0	0
	4 Total	2,903,810	4,129,084
E	**Postretirement Welfare Cost**	8,478,405	11,622,238
F	**Immediate Recognition of Benefit Cost/(Income) due to Special Events**	5,404,300[1]	2,570,964
G	**Total Postretirement Welfare Cost**	13,882,705	14,193,202
H	**Per Covered Employee**	2,973	2,805

[1] Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4.40%.

2.6 ASC 965 (plan reporting) information

All monetary amounts shown in US Dollars

Plan Year Ending			December 31, 2013
A	**Present Value of Benefit Obligations and Funded Status**		
	1	Present value of benefit obligations	
		a Participants currently receiving benefits	50,523,749
		b Other fully eligible participants	45,736,206
		c Other participants	79,590,222
		d Total (Med + Life)	175,850,177
	2	Fair value of assets	145,773,523
	3	Effect on obligation of one-percentage-point increase in health care cost trend rate	7,748,311
B	**Changes in Benefit Obligations**		
	1	Postretirement Benefit Obligation	
		a Amount as of December 31, 2012	190,734,649
		b Additional benefits accumulated	8,313,577
		c Effect of time value of money	7,709,661
		d Net benefits paid	(5,442,941)
		e Actuarial (gain) loss on claims	7,058,057
		f Actuarial (gain)/loss on other experience	(3,338,412)
		g Change in actuarial assumptions	(21,942,099)
		h Plan to Plan transfers	(7,184,139)
		i Plan provisions update[1]	(2,876,977)
		j Plan amendments	247,837
		k 2013 VREP	2,570,964
		l Amount as of December 31, 2013	175,850,177
C	**Change in Plan Assets**		
	1	Fair value of plan assets as of December 31, 2012	125,057,468
	2	Actual return on plan assets	18,098,354
	3	Employer contributions	14,193,202
	4	Participant contributions	6,097,813
	5	Benefits paid	(11,540,754)
	6	Transfers from/(to) other plans	(6,132,560)
	7	Fair value of plan assets as of December 31, 2013	145,773,523

See postretirement cost sharing provisions in Appendix B for retirees' relative share of the plan's estimated cost of providing postretirement benefits

Actuarial assumptions and methods

The key actuarial assumptions used for plan reporting calculations as of December 31, 2013 are the same as those used to measure benefit obligations for Sempra Energy's year-end 2013 financial reporting The same plan provisions shown in Appendix B were used to determine the present value of accumulated benefits

[1] Correction due to actual health provisions being different from the provision communicated to Towers Watson at the time the changes occurred.

2.7 Maximum deductible employer contributions

All monetary amounts shown in US Dollars

Non-Union 401(h)[1]		January 1, 2014
A	**Section 401(h) Deduction Limit – Aggregate Normal Cost - Preliminary**	
1	Present Value of Projected Benefits (PVB) excluding key employees	123,658,803
2	Market value of assets	94,998,052
3	Present value of future normal costs: [(1)-(2)]	28,660,751
4	Present value future service	25,042
5	Normal cost accrual rate. [(3)÷(4)]	1,145
6	Number of employees, excluding key employees	3,230
7	Aggregate normal cost BOY [(5)x(6)]	3,696,832
8	Aggregate normal cost with interest to the end of the fiscal year [(7) x 1.07]	3,955,610
9	10% of PVB as of the end of the fiscal year	13,231,492
10	Greater of 10% of PVB or normal cost, but not greater than the end of year unfunded PVB	13,231,492
B	**Section 401(h) Subordination Test - Preliminary**	
1	Preliminary cumulative subordination limit[2]	72,341,487
2	Cumulative 401(h) contributions through prior year	60,907,054
3	Maximum employer contribution to satisfy subordination test [(1)-(2)]	11,434,433
C	**Maximum employer contribution - Preliminary**	
1	Amount – lesser of IRC Section 401(h) Deduction Limit and Subordination Test	11,434,433

[1] 401(h) trust designated to pre-fund Non-Union retiree health benefits from 2015 onward, and Union Pre 7/1/2008 retiree health benefits from 2017 onward These amounts are preliminary and subject to final pension contributions.

[2] Consists of cumulative subordination limit as of the end of the 2013 plan year, plus one third of the lesser of 2014 pension plan target normal cost, excluding load for administrative expenses, and actual pension contributions for the 2014 plan year. The cumulative subordination limit reflects the impact of plan-to-plan transfers and is based on an expected pension contribution of $48,656,352 for 2014. The 2014 target normal cost and pension contributions reflect the funding provisions of the Highway and Transportation Funding Act

All monetary amounts shown in US Dollars

VEBAs[1]		Non-Union	Union prior to 7/1/2008
A	**Present Value of Projected Benefits (PVB) excluding key employees**		
	1 PVB at January 1, 2014	13,421,773	7,668,032
	2 Expected disbursements during 2014	346,508	2,058,998
	3 PVB less expected benefit disbursements	13,075,265	5,609,034
B	**Actuarial value of plan assets**		
	1 Market value of plan assets at January 1, 2014	2,998	5,769,532
	2 Expected disbursements from trust for benefit payments	0	0
	3 Expected reimbursement to trust for overpayment of benefit payments	0	0
	4 Non tax-deductible contributions from 2013	0	0
	5 Assets for 2014 funding. [(1)-(2)+(3)+(4)]	2,998	5,769,532
C	**Present value of future normal costs: [(A)-(B)]**	13,072,267	0
D	**Present value of future service**	28,615	14,843
E	**Normal cost accrual rate: [(C)÷(D)]**	457	0
F	**Number of employees, excluding key employees**	3,230	1,427
G	**Aggregate normal cost BOY: [(E)x(F)]**	1,475,570	0
H	**VEBA funding discount rate**	4 00%	4.00%
I	**Maximum deductible VEBA contribution EOY: [(G)x(1+H)]**	1,534,593	0

VEBAs[2]		Union post 7/1/2008
A	**Present Value of Projected Benefits (PVB) excluding key employees - Preliminary**	46,792,783
B	**Market value of plan assets**	45,002,941
C	**Unfunded PVB – Maximum tax deductible contribution: [(A)-(B)]**	1,789,842
D	**VEBA funding discount rate**	7 00%

[1] Non-Union VEBA designated to pre-fund Non-Union retiree medical benefits up to and including 2014
Pre 7/1/2008 Union VEBA designated to pre-fund Union retiree medical benefits up to and including 2016.
[2] Post 7/1/2008 Union VEBA designated to pre-fund HRA benefits from 12/1/2009 and later and Union retiree medical benefits after 2016 for union employees retiring 7/1/2008 and later Represented VEBA includes the annual contribution made to the HRA sub-account

Section 3: Participant data

3.1 Summary of plan participants

All monetary amounts shown in US Dollars

Census Date				January 1, 2014	January 1, 2013
A	**Participating Employees**				
	1	Union			
		a	Fully eligible	159	172
		b	Other	1,269	1,311
		c	Total participating employees	1,428	1,483
	2	Non-Union			
		a	Fully eligible	761	831
		b	Other	2,481	2,746
		c	Total participating employees	3,242	3,577
	3	Total			
		a	Fully eligible	920	1,003
		b	Other	3,750	4,057
		c	Total participating employees	4,670	5,060
	4	Average age			
		a	Union	45 5	45 3
		b	Non-Union	47 0	47 0
		c	Total	46.5	46.5
	5	Average credited service			
		a	Union	17 4	17.1
		b	Non-Union	13.5	13.2
		c	Total	14 7	14 3
	6	Average future working life			
		a	to expected retirement age		
			1. Union	15 6	16.1
			2 Non-Union	14 1	14 0
			3. Total	14 6	14 5
		b	to full eligibility age		
			1. Union	15.4	16 1
			2 Non-Union	12 5	12 4
			3. Total	13.5	13.4

Census Date			January 1, 2014	January 1, 2013
B	Retirees and Surviving Spouses[1]			
	1	Union		
		a Number under 65	55	51
		b Number 65 and older	386	377
		c Total	441	428
		d Number with married/family health care coverage	235	219
		e Number with single health care coverage	206	209
		f Average age	74.7	75.2
	2	Non-Union		
		a Number under 65	238	222
		b Number 65 and older	724	665
		c Total	962	887
		d Number with married/family health care coverage	509	470
		e Number with single health care coverage	453	417
		f Average age	72.0	72.5
	3	Total		
		a Number under 65	293	273
		b Number 65 and older	1,110	1,042
		c Total	1,403	1,315
		d Number with married/family health care coverage	744	689
		e Number with single health care coverage	659	626
		f Average age	72 9	73 4

Employee data was supplied by the employer as of the census date. Data on persons receiving benefits was supplied by the plan administrator.

[1] Excludes 197 participants entitled to life benefits only (no medical/dental coverage) as of January 1, 2014.

3.2 Age and service distribution of participating employees

SDG&E Company Postretirement Health and Life Plans
Age and Service Table for Active Participants as of 1/1/2014

		Completed Years of Service								
Age Nearest Birthday		**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**Over 34**	**Total**
15 to 24	Count	48	1	0	0	0	0	0	0	49
25 to 29	Count	149	133	4	0	0	0	0	0	286
30 to 34	Count	167	268	95	2	0	0	0	0	532
35 to 39	Count	124	232	241	20	0	0	0	0	617
40 to 44	Count	105	170	220	60	13	0	0	0	568
45 to 49	Count	59	128	164	73	62	21	0	0	507
50 to 54	Count	79	122	174	63	87	84	82	8	699
55 to 59	Count	45	90	118	66	56	70	167	162	774
60 to 64	Count	23	60	62	47	32	34	89	158	505
65 to 69	Count	5	10	26	5	4	3	10	52	115
Over 69	Count	1	1	1	6	2	1	2	4	18
Total	Count	805	1,215	1,105	342	256	213	350	384	4,670

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Appendix A: Statement of actuarial assumptions and methods

Actuarial Assumptions and Methods — Postretirement Welfare Cost for Fiscal 2014 Plan Reporting based on Calendar year

Economic Assumptions

Discount rate for post-retirement benefit cost	5.00 % as of 1/1/2014	
Discount rate for VREP special termination cost	4.40 % as of 6/30/2014	
Discount rate for VEBA funding	4.00 %	
Discount rate for 401(h) and collectively bargained VEBA funding	7 00 %	
Expected long-term rate of return on plan assets (before-tax)	7.00 %	
Expected long-term rate of return on plan assets (after-tax)	4.00 %	
Healthcare reimbursement account interest crediting rate	3.80 %	
Salary increase rate	Age	Rate
	Below 25	9.50%
	25-29	8.00%
	30-34	6.50%
	35-39	5.50%
	40-44	5.00%
	45-49	4.50%
	Above 49	3.50%

Participation Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee is hired (employees not yet eligible for active medical coverage are excluded).	
New or rehired employees	It was assumed there will be no new or rehired employees.	
	Current Retirees	*Future Retirees*
Participation:	Based on valuation census data	Percentages of eligible individuals electing coverage

	Pre-65	*Post-65*
▸ Medical/Dental/Mental Health	▸ 85%	▸ 75%
▸ Life Insurance / HRA	▸ 100%	▸ 100%

	Current Retirees	*Future Retirees*
Percent married (medical/dental)	Based on valuation census data	Non-represented future retirees: If retires after age 55 with at least 10 years of service or age 62 with at least 5 years of service: 85% of males; 60% of females Otherwise: 70% of males; 30% of females Represented future retirees: Tier 1: 85% of males; 60% of females Tier 2: 85% of males; 40% of females Tier 3: 70% of males; 30% of females
Spouse age	Based on valuation census data	Wife three years younger than husband
Non-spouse dependent coverage	None assumed	0% of participants are assumed to elect coverage for non-spouse dependents in retirement.
Medical Plan Elections	Assumption for current actives and pre-65 retirees regarding their medical plan election upon attainment of age 65 and forward.	

Current pre-65 medical plan	Assumed post-65 medical plan
Anthem HMO	Blended 70% F / 30% N
Anthem HMO with Scripps	Blended 70% F / 30% N
Anthem Point-of-Service (POS)	Blended 70% F / 30% N
Anthem Out-of-Area (OOA)	Blended 70% F / 30% N
Anthem Health Care Plus	Blended 70% F / 30% N
Kaiser HMO	Kaiser Senior Advantage

Demographic Assumptions

Mortality (healthy and disabled)	Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2029 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2021 using Scale AA). Sample rates per 1,000:

Non-Annuitants:

Age	Males	Females
25	0.281	0.138
40	0.855	0.455
55	1.737	2.001

Annuitants:

Age	Males	Females
55	3.947	2.983
60	5.841	5.581
65	9.980	9.329

Same tables for disabled lives.

Disability

10% of the 1987 Commissioner's Group Disability Table with 12 month elimination period. Participants on disability are assumed to retire at age 65. Sample rates per 1,000.

Age	Males	Females
25	0.0593	0.0978
40	0.1594	0.3347
55	1.0100	0.9510

Termination

Based on years of service. Rates per 1,000:

Rate leaving during the year	
Years of Service	Rate
0	150
1	135
2	95
3	50
4	26
5	24
6	22
7	20
8	18
9	16
10-14	15
15-19	5
20 and over	0

Retirement

The following rates apply for:

(1) Participants with grandfathered SoCal benefits – with 20 years of service as of January 1, 2007 – who are expected to have 90 points prior to age 62. Rates shown are for decrement prior to age 62, on or after age 62 are the same as rate table (3) below. Rates per 1,000:

Rate retiring during the year	
Points[1]	Rate
Below 90	50
90-91	280
Above 91	220

(2) Other participants with grandfathered SoCal or SDG&E benefits with 20 years of service as of January 1, 2007. Rates per 1,000:

Rate retiring during the year	
Age	Rate
55-59	80
60-61	150
62	250
63	170
64	150
65	500
66	500
67+	1,000

(3) All other participants. Rates per 1,000:

Rate retiring during the year	
Age	Rate
55-59	70
60-61	150
62	250
63	170
64	200
65	500
66	500
67+	1,000

Weighted average retirement age — Age 61

Benefit commencement dates:

- Preretirement death benefit — None
- Deferred vested benefit — None
- Retirement benefit — Upon termination of employment

[1] Points are equal to age plus service

Trend Rates

Basis for trend assumptions — Best estimate assumptions developed based on a review of recent and expected future claims experience.

Health care cost trend rate:

	Under Age 65	Age 65 and Over
► Medical Benefits	Anthem and HMO Plans	Senior Supplement and HMO Plans
2014	8.25%	5.50%
2015	7.75%	5.25%
2016	7.00%	4.75%
2017	7.00%	5.25%
2018	6.50%	5.00%
2019	5.50%	4.75%
Ultimate trend	5.00%	4.50%
Year ultimate trend reached	2020	2020

- Mental Health Benefits — Same as medical benefits above
- Employer cap (fixed employer contribution) for active participants and participants who retired on or after January 1, 1987 — 0.00%
- Non-Union and Union Pre 7/1/2008 VEBA Contribution Purpose — 0.00%

Participant contribution trend rates — Same as applicable medical plan trend rate

Per Capita Claims Costs

Basis for Per Capita Claim Cost Assumptions — The claim costs are developed based on participant demographics and the 2014 calendar year premiums for the respective medical plans.

See Appendix C for more details.

Additional Assumptions

Administrative expenses — Included in fully insured premiums

Timing of benefit payments — Benefit payments are assumed to be made uniformly throughout the year and on average at mid-year.

Methods – Postretirement Welfare Cost and Funded Position

Census date — January 1, 2014

Measurement date — January 1, 2014

Service cost and accumulated post-retirement benefit obligation	Projected unit credit actuarial cost method, allocated in equal amounts, from the first valuation date on or after date of hire to full eligibility date. Participant data is collected as of January 1 and benefit obligations are determined as of this date.
Market-related value of assets	Equals fair value of assets
Amortization of unamortized amounts:	
Prior service cost (credit)	Increase in APBO resulting from a change in benefits valued is amortized on a straight-line basis over the expected average remaining service until full eligibility date of active participants. Reduction in APBO first reduces any unrecognized prior service cost, then any unrecognized transition obligation. Any remaining amount is amortized on a straight-line basis as described above.
Net loss (gain)	Net loss (gain) in excess of 10% of the greater of APBO and market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants.
Present Value of Projected Benefits for Maximum Tax Deductible Purposes	Aggregate cost method.
Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. We are not aware of any other significant benefits required to be valued that were not.
Change in Assumptions and Methods Since Prior Valuation	The discount rate for APBO was changed from 4.10% to 5.00% The post-65 medical trend decreased from 6.75% to 5.50% in 2014, 6.00% to 5.25% in 2015, 5.75% to 4.75% in 2016, 5.75% to 5.25% in 2017, 5.75% to 5.00% in 2018, 5.00% to 4.75% in 2019, and 4.75% to 4.50% in 2020 and beyond. Dental trend rate for Indemnity Dental (Delta) was changed from 4.50% to 4.00%. The mortality table used to calculate the postretirement welfare cost was updated to include one additional year of projected mortality improvements. The HRA crediting rate was changed from 2.80% to 3.80%. Salary increase rate updated to better reflect anticipated plan experience.

Data Sources

Sempra Energy furnished participant data and premium and retiree contribution amounts as of January 1, 2014. Sempra Energy also provided the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2013 fiscal year, and amounts recognized in other comprehensive income in 2013. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Appendix B: Summary of substantive plan provisions reflected in valuation

Substantive Plan Provisions for Participants Who Retired Prior to January 1, 2006

Medical Benefits

Eligibility	Retirement on or after age 55 with at least 5 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 55 with at least 5 years of service, coverage continues after the retiree or active employee's death. The Company contributes 50% of the cost except for the two Medicare Advantage plans where there is a monthly fixed $145 employer contribution. Coverage ceases on the earlier of the surviving spouse's date of remarriage or death.
Postretirement contributions	
▸ Pre-1987 Retirees	Retirees are not required to make monthly contributions except for Plan F where they pay the difference in premiums between UHC Plan F and UHC Plan N. Dependents are required to make monthly contributions of $35 for any of the Anthem medical plans and UHC Plan N, $5 for United Healthcare Advantage, and pay the difference in premiums between UHC Plan F and UHC Plan N for UHC Plan F.
▸ Post-1986 Retirees	For employees who retire on or after January 1, 1987, SDG&E has capped the company contribution at $90/month for pre-65 and $50/month for post-65 medical coverage ($30 for the Medicare Advantage plans). However, since SDG&E's postretirement medical pricing for pre-65 retirees is based on a blend of lower active and higher retiree claim experience, it was assumed that SDG&E had a substantive commitment to provide increasing pre-65 retiree contributions Thus, the valuation assumes an additional pre-65 cost for postretirement welfare purposes in order to reflect the increase in SDG&E's subsidy.

Life Insurance Benefits

Eligibility	Retirement on or after age 55 with at least 5 years of service.
Postretirement Contributions	Retirees pay the full cost unless retired prior to January 1, 1987
Benefits	Employees who retired prior to January 1, 1987 received a postretirement life benefit of $2,500. Retirees were eligible to purchase supplemental postretirement life coverage at a subsidized rate of $0.50 per thousand dollars of coverage.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2014, a new high deductible health plan called Anthem HealthCare Plus+ was introduced for participants under age 65 and the Safety Net plan was removed.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Nonrepresented Participants Who Retire On or After January 1, 2006[1]

Medical Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 55 with at least 10 years of continuous service or age 62 with at least 5 years of service, coverage continues after the retiree or active employee's death. The Company contributes an amount as described in the next paragraph.
Postretirement contributions	Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation.

Healthcare Reimbursement Account (HRA) under 2013 Voluntary Retirement Enhancement Program (2013 VREP)

Eligibility for VREP	Regular full time employees, including those on a leave of absence; and age 62 with at least 5 years of continuous service as August 31, 2013; subject to eligible job title and functional area.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

Healthcare Reimbursement Account (HRA) under 2014 Voluntary Retirement Enhancement Program (2014 VREP)

Eligibility for VREP	Employees who retired under the 2014 Voluntary Retirement Enhancement Program.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

[1] Participants who do not satisfy the eligibility conditions above, but are at least age 55 with 5 or more years of service (and retired prior to December 31, 2010) will be eligible for the benefits described in the section "Substantive Plan Provisions for Participants who Retired Prior to January 1, 2006".

Dental Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Benefits	Retirees can elect coverage under the Safeguard Dental plan or the Delta Dental plan. The company will contribute a flat dollar amount of up to $24.50/month for a retiree and up to $45/month for a retiree with one or more dependents.

Life Insurance Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Postretirement Contributions	None, benefit is solely paid by the Company.
Benefits	$10,000 flat amount or $25,000 flat amount for SoCal Gas grandfathered nonrepresented participants.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company.
	Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2014, a new high deductible health plan called Anthem HealthCare Plus+ was introduced for participants under age 65 and the Safety Net plan was removed.

A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Represented Participants Who Retired Between January 1, 2006 and June 30, 2008[1]

Medical Benefits

Eligibility	Retirement after age 60 with at least 10 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan.
	Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 60 with at least 10 years of service, coverage continues after the retiree or active employee's death. The Company contributes an amount as described in the next paragraph.
Postretirement contributions	Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation.

Dental Benefits

None.

Life Insurance Benefits

None.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company.
	Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan These benefits for all retirees in other medical plans are covered under their medical plan.

[1] Participants who do not satisfy the eligibility conditions above, but are at least age 55 with 5 or more years of service at retirement will be eligible for the benefits described in the section "Substantive Plan Provisions for Participants who Retired Prior to January 1, 2006".

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2014, a new high deductible health plan called Anthem HealthCare Plus+ was introduced for participants under age 65 and the Safety Net plan was removed.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Represented Participants Who Retire On or After July 1, 2008

Medical Benefits

Eligibility	Tier 1 (high): Retirement after age 60 with at least 10 years of continuous service. Tier 1 (low): Retirement after age 62 with at least 5 years of continuous service. Tier 2: Retirement after age 55 with at least 10 years of continuous service. Tier 3: Retirement after age 55 with at least 5 years of continuous service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees, coverage continues after the retiree or active employee's death. For Tier 1 (high), the Company contributes an amount as described in the next paragraph. For Tier 1 (low), Tier 2 and Tier 3, the Company contributes 50% of the pre-65 and post-65 cost except for the two Medicare Advantage plans where there is a monthly fixed $145 employer contribution.
Postretirement contributions	Tier 1 (high): Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation. Tier 1 (low): Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans). Tier 2: Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $150 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans). Tier 3: Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $90 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans).

Healthcare Reimbursement Account Plan (HRA)

Eligibility	Represented active full-time employees retiring on or after December 1, 2009.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their qualified medical expenses.
Benefits	Upon retirement, the Company will contribute to the retiree's HRA an amount determined by adding a percent of unused extended sick hours and all unused vacation hours, and multiplying those hours by the employee's straight-time hourly wage rate on his last day of work.

Age at Retirement	Percent of unused sick time
55-59	10%
60-63	15%
64-65	25%

Postretirement contributions	None.

Healthcare Reimbursement Account (HRA) under 2014 Voluntary Retirement Enhancement Program (2014 VREP)

Eligibility for VREP	Employees who retired under the 2014 Voluntary Retirement Enhancement Program.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

Dental Benefits

Eligibility	Same as for medical benefits.
Benefits	Tier 1 (high) & Tier 1 (low): Retirees can elect coverage under the Safeguard Dental plan or the Delta Dental plan. The company will contribute a flat dollar amount of up to $24.50/month for a retiree and up to $45/month for a retiree with one or more dependents. Tiers 2 & 3: None.

Life Insurance Benefits

Eligibility	Same as for medical benefits.
Postretirement Contributions	None, benefit is solely paid by the Company.
Benefits	Tier 1 (high) & Tier 1 (low): $10,000 flat amount. Tiers 2 & 3: None.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2014, a new high deductible health plan called Anthem HealthCare Plus+ was introduced for participants under age 65 and the Safety Net plan was removed.

A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window.

Temporary Deviations

We are not aware of any temporary deviations.

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Appendix C: Claims cost tables

Average Per Life Gross Medical Claim Cost (Before Retiree Contribution)

All monetary amounts shown in US Dollars

		Annual Amount	
Plan	Age	Retiree	Spouse
Anthem POS	55–59	10,110	10,110
	60-64	13,755	13,755
	>=65	N/A	N/A
Anthem Out-of-Area	55–59	10,944	10,944
	60-64	14,889	14,889
	>=65	N/A	N/A
Anthem HMO	55–59	7,549	7,549
	60-64	10,270	10,270
	>=65	N/A	N/A
Anthem HMO with Scripps	55–59	9,483	9,483
	60-64	12,902	12,902
	>=65	N/A	N/A
Kaiser HMO	55–59	6,534	6,534
	60-64	8,890	8,890
	>=65	N/A	N/A
Anthem HealthCare Plus+	55–59	7,019	7,019
	60-64	9,549	9,549
	>=65	N/A	N/A
United Healthcare Plan F	65–69	4,754	4,754
	70–74	5,562	5,562
	75–79	6,038	6,038
	80–84	6,276	6,276
	85-89	6,513	6,513
	90-94	6,418	6,418
	>=95	5,943	5,943

Plan	Age	Annual Amount Retiree	Spouse
United Healthcare Plan N	65–69	4,104	4,104
	70–74	4,802	4,802
	75–79	5,213	5,213
	80–84	5,418	5,418
	85–89	5,623	5,623
	90-94	5,541	5,541
	>=95	5,130	5,130
Kaiser – Senior Advantage	65–69	3,086	3,086
	70–74	3,611	3,611
	75–79	3,919	3,919
	80–84	4,073	4,073
	85–89	4,228	4,228
	90-94	4,166	4,166
	>=95	3,857	3,857
United Healthcare – Medicare Advantage	65–69	3,058	3,058
	70–74	3,577	3,577
	75–79	3,883	3,883
	80–84	4,036	4,036
	85-89	4,189	4,189
	90-94	4,128	4,128
	>=95	3,822	3,822

Average Per Life Mental Health Claim Cost

All monetary amounts shown in US Dollars

Age	Annual Amount Retiree	Spouse
All ages	158.09	158.09

Appendix D: Development of unamortized net (gain)/loss

A. APBO (Gain)/Loss for 2013	
1. APBO at January 1, 2013	190,734,649
2. Service cost for 2013	8,254,352
3. Benefit payments for 2013	5,379,829
4. Interest cost for 2013	8,035,124
5. Plan amendment	247,837
6. Adjustment to UPSC due to provisions update	(1,429,694)
7. 2013 VREP	2,570,964
8. Expected APBO at December 31, 2013: [(1)+(2)-(3)+(4)+(5)+(6)+(7)]	203,033,403
9. APBO at January 1, 2014	175,850,177
10. APBO adjustment for transfers	(7,234,334)
11. APBO adjustment for one-time reversal of PSC	(861,221)
12. APBO (gain)/loss for 2013: [(9)-(8)-(10)-(11)]	(19,087,671)

B. Asset (Gain)/Loss for 2013	
1. Market value of assets at January 1, 2013	125,057,468
2. Actual VEBA and 401(h) contribution plus pay-as-you-go benefit payments for 2013	14,193,202
3. Actual benefit payments for 2013	5,442,941
4. Expected return on assets for 2013	8,796,322
5. Expected market value of assets at December 31, 2013. [(1)+(2)-(3)+(4)]	142,604,051
6. Market value of assets at January 1, 2014	145,773,523
7. Adjustment for Asset Transfer January 1, 2014	(6,138,252)
8. Assets (gain)/loss for 2013: [(5)-(6)+(7)]	(9,307,724)

C. (Gain)/Loss Amortization for 2014

1.	Net (gain)/loss at January 1, 2013		13,670,852
2.	Total (gain)/loss for 2013: [(A)(12)+(B)(8)]		(28,395,395)
3.	Net (gain)/loss amortized in 2013		0
4.	Net (gain)/loss transferred in 2013		840,931
5.	Net (gain)/loss at January 1, 2014: [(1)+(2)–(3)+(4)+(5)]		(13,883,612)
6.	The greater of January 1, 2014 APBO and assets		175,850,177
7.	Corridor = 10% of (6)		17,585,018
8.	Net (gain)/loss to be amortized		0
9.	Amortization period		13.527
10.	2014 (gain)/loss amortization amount	$	0

Appendix E: Bases for unamortized transition obligation and unamortized prior service cost

Bases for Unamortized Prior Service Cost

	Health	Life Insurance	Total
Amortization Base 1[1]			
1. Unamortized prior service cost at January 1, 2014	18,347,513	1,019,519	19,367,032
2. Remaining amortization period for 2014	5.709	4.496	
3. 2014 prior service cost amortization amount	3,213,555	226,783	3,440,338
Amortization Base 2[2]			
1. Unamortized prior service cost at January 1, 2014	160,477	762,958	923,435
2. Remaining amortization period for 2014	7.876	8.483	
3. 2014 prior service cost amortization amount	20,374	89,941	110,315
Amortization Base 3[3]			
1. Unamortized prior service cost at January 1, 2014	1,220,189	-	1,220,189
2. Remaining amortization period for 2014	8.770	N/A	
3. 2014 prior service cost amortization amount	139,132	-	139,132
Amortization Base 4[4]			
1. Unamortized prior service cost at January 1, 2014	15,153	-	15,153
2. Remaining amortization period for 2014	7.704	N/A	
3. 2014 prior service cost amortization amount	1,968	-	1,968
Amortization Base 5[5]			

[1] Reflects $(964,262) health adjustment to 1/1/2014 unamortized prior service cost due to actual non-union health plan provisions being different from provisions communicated to Towers Watson at the time prior service cost was established. A portion of unamortized prior service cost was spun off to SoCalGas due to participant transfers during 2013 reflects $(813,043) health adjustment and $(42,923) life adjustment.

[2] Plan design effective July 1, 2008 for Represented participants. Reflects $(465,432) health adjustment to 1/1/2014 unamortized prior service cost due to actual union health plan provisions being different from provisions communicated to Towers Watson at the time prior service cost was established

[3] Health Reimbursement Account effective March 1, 2010 for represented active participants that retired on or after December 1, 2010.

[4] New bases due to transfers from Sempra.

[5] New bases due to transfer from Sempra

	Health	Life Insurance	Total
1. Unamortized prior service cost at January 1, 2014	(18,203)	-	(18,203)
2. Remaining amortization period for 2014	4.838	N/A	
3. 2014 prior service cost amortization amount	(3,762)	-	(3,762)
Amortization Base 6[1]			
1. Unamortized prior service cost at January 1, 2014	601,985	-	601,985
2. Remaining amortization period for 2014	10.366	N/A	
3. 2014 prior service cost amortization amount	58,073	-	58,073
Amortization Base 7[2]			
1. Unamortized prior service cost at January 1, 2014	5,779	-	5,779
2. Remaining amortization period for 2014	8.957	N/A	
3. 2014 prior service cost amortization amount	645	-	645
Amortization Base 8[3]			
1. Unamortized prior service cost at January 1, 2014	247,837	-	247,837
2. Remaining amortization period for 2014	13.527	N/A	
3. 2014 Prior service cost amortization amount	18,322	-	18,322
Amortization Base 9[4]			
1. Unamortized prior service cost at January 1, 2014	(861,221)	-	(861,221)
2. Remaining amortization period for 2014	N/A	N/A	
3. 2014 Prior service cost amortization amount	(861,221)	-	(861,221)

[1] Effective January 1, 2011, the employer contribution was increased to maintain grandfathered retiree plan status under health care reform Effective January 1, 2012, the employer contribution was changed back to the original DDB. The original prior service cost was offset for this change. A portion of unamortized prior service cost was spun off to SoCalGas due to participant transfers during 2013, reflects $(25,344) health adjustment

[2] New bases due to transfer from Sempra.

[3] Effective January 1, 2014 a new high deductible medical plan called Anthem Health Care Plus was introduced for participants under age 65.

[4] One-time reversal of prior service cost previously expensed due to actual health plan provisions being different from provisions communicated to Towers Watson at the time prior service cost was established

Total

1. Total unamortized prior service cost at January 1, 2014	19,719,509	1,782,477	21,501,986
2. Total 2014 prior service cost amortization amount	2,587,086	316,724	2,903,810

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Appendix F: Regulatory versus GAAP accounting

Postretirement Welfare Cost for Fiscal Year 2014	Regulatory Accounting	GAAP Accounting
Service cost	6,585,331	6,585,331
Interest cost	9,078,119	9,078,119
Expected return on assets	(10,088,855)	(10,088,855)
Amortization of:		
▸ Transition obligation	0	0
▸ Prior service cost	2,903,810	2,456,632
▸ Losses (gains)	0	0
Total	2,903,810	2,456,632
Postretirement welfare cost	8,478,405	8,031,227
Est. Immediate Recognition of Benefit Cost/(Income) due to Special Events[1]	5,404,300	5,404,300
Total postretirement welfare cost	13,882,705	13,435,527
Funded Position as of January 1, 2014		
Overfunded (Underfunded) APBO	(30,076,654)	(30,076,654)
Amounts Not Yet Amortized in Net Periodic Cost		
Unamortized net actuarial loss (gain)	(13,883,612)	(14,061,165)
Unamortized prior service cost (credit)	21,501,986	18,947,720
Unamortized transition obligation	0	0
	7,618,374	4,886,555

[1] Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4 40%

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Appendix G: History of funded position

The following table shows the history of the plan's accumulated postretirement benefit obligation (APBO), fair value of assets and funded position.

Five-Year History of Funded Status

Fiscal year	*APBO*	*Fair value of assets*	*APBO Funded percentage*
2014	175,850,177	145,773,523	82.9%
2013	190,734,649	125,057,468	65.5%
2012	166,151,127	105,409,596	63.4%
2011	166,354,810	98,749,445	59.4%
2010	154,120,924	81,075,291	52 6%

San Diego Gas & Electric Company

Exhibit No. SDG-1-1

Change in Postretirement Welfare Cost and Funded Position (from 2013 to 2014) – Excerpt from Exhibit No. SDG-1

Change in postretirement welfare cost and funded position

The postretirement welfare cost increased from $11,622,238 (not including one-time cost of $2,570,964) in fiscal 2013 to $13,882,705 in fiscal 2014 and the funded position improved from $(65,677,181) on January 1, 2013 to $(30,076,654) on January 1, 2014, as set forth below:

All monetary amounts shown in US Dollars

	Postretirement Welfare Cost	Funded Position
Prior year	11,622,238	(65,677,181)
Change due to.		
▸ Impact of plan-to-plan obligation/asset transfers due to business-as-usual transfers	(18,629)	1,051,579
▸ Expected based on prior valuation and contributions during prior year	(580,180)	6,636,936
▸ Unexpected noninvestment experience, other than claims	(845,619)	3,667,762
▸ Plan provision updates	(1,529,858)	2,876,977
▸ Unexpected investment experience	(526,453)	9,302,032
▸ Unexpected claims experience	1,294,563	(7,058,057)
▸ VREP 2013	107,174	(2,570,964)
▸ Plan change due to Anthem HealthCare Plus+	44,709	(247,837)
▸ Other assumption changes	(1,089,540)	21,942,099
▸ Changes in substantive plan	0	0
Current year	8,478,405	(30,076,654)
▸ Benefit cost/(income) due to special events – HRA establishment for 2014 VREP participants	5,404,300	N/A
Total current year	13,882,705	(30,076,654)

Significant reasons for these changes include the following:

- Actual pre-65 and post-65 claims costs as compared to expected, increased the postretirement welfare cost and deteriorated the funded position.
- Post-65 trend rates were lowered from the prior year (see Appendix A for details). This change resulted in a decrease in postretirement welfare cost and an improvement in the funded status.
- The return on the fair value of plan assets was greater than expected which decreased the postretirement welfare cost and improved the funded position.
- The discount rate increased 90 basis points as of January 1, 2014 compared to the prior year which decreased the postretirement welfare cost and improved the funded position
- A health reimbursement account in the amount of $50,000 was offered to employees who accepted the VREP window in 2013. The associated increase in liability increased the postretirement welfare cost.
- A health reimbursement account in the amount of $50,000 was offered to an additional group of employees as part of the 2014 VREP window.

San Diego Gas & Electric Company

Exhibit No. SDG-2

Derivation of 2014 Costs Used in the Transmittal Letter to Support Annual FERC PBOP's Filing for the TO4 Cycle 3 – Base Period and 12-Months True-Up Period (Jan – Dec 2014)

San Diego Gas & Electric Company
Derivation of 2014 Costs Used in the Transmittal Letter to Support
Annual FERC PBOP's Filing for the TO4 Cycle 3 12-Months Base Period and True-Up Period (Jan - Dec 2014)

Line No.	Amounts Embedded in Account 926 - Employee Pension & Benefits	A Reference	B Base Period / True-Up Period 2014	Line No.
1				1
2	PBOP ASC 715-60 (formerly known as SFAS 106) Cost Per Exhibit No. SDG-1, Section 2.5, Page 20		$ 13,882,705	2
3				3
4	Company Contribution Difference to PBOP Cost to be Corrected in 2015 **(1)**		261,571	4
5				5
6	Total Company Contribution to PBOP	L2 to L4	14,144,276	6
7				7
8	Adjustments:			8
9	Capitalized Costs (reflects SDG&E's electric and gas capital costs)	L6 * 41.26 %	(5,835,928)	9
10	Billings to SCG for Shared Services - (Capital & O&M)	L6 * 6.00 %	(848,657)	10
11	Billings to Others for Shared Services - Unregulated Affiliates	L6 * 0.61 %	(86,280)	11
12	Billings from SCG for Shared Services - (O&M) **(2)**		5,479	12
13	Net Adjustments	L9 to L12	(6,765,386)	13
14				14
15	Net PBOP Cost after Capital & Billings - Electric & Gas	L6 + L13	7,378,890	15
16				16
17	SDG&E Account 926 for PBOP Expense - Electric Portion **(3)**	L15 * 74.82%	$ 5,520,885	17
18				18
19	Transmission Wage and Salary Factor **(4)**		17.11%	19
20				20
21	Allocated to SDG&E's Electric Transmission Cost of Service	L17* L19	$ 944,623	21
22				22

(1) SDG&E's 2014 Total Company Contribution to PBOP, as shown on line 6, differs from the Actuarial Report's Post Retirement Welfare Cost, as shown on line 2. This difference is due to a $261,571 error, as shown on line 4. SDG&E will correct this error in next year's PBOP filing and in the TO4 Cycle 4 Informational Filing, consistent with the TO4 Formula Rate Protocols.

(2) The O&M billings from Southern California Gas Company (SCG) is based on SCG's PBOP cost. The allocated expense is derived based on SCG's O&M ratio factor over its total billing to SDG&E.

(3) The total PBOP cost shown on Columns B, Line 17 will be the amount reflected in the TO4 Cycle 3 Informational Filing for A&G expenses line for FERC account 926 in the 2014 Base Period and the 12-months True-up Period (Jan - Dec 2014). See details in Workpaper for Exhibit SDG-2.

(4) The transmission wage & salary allocation factor for the 2014 base period and 12-months true-up period from Jan - Dec 2014 was at 17.11%.

San Diego Gas & Electric Company

Work papers for
Exhibit SDG-2

San Diego Gas & Electric Company
2014 Monthly Electric PBOP Cost
Used to Derive Account 926 for PBOP Expense - Electric Portion
For the TO4 Cycle 3 - 2014 Base Period and
True-Up Period (Jan to Dec 2014)

Line No	Period	Recorded 2014 Base Period / True-Up Period **(1)**	Line No
1	January	$ 22,667	1
2	February	18,692	2
3	March	57,344	3
4	April	17,652	4
5	May	18,033	5
6	June	54,503	6
7	July	16,527	7
8	August	13,262	8
9	September **(2)**	4,372,383	9
10	October	113,146	10
11	November	16,301	11
12	December	800,375	12
13			13
14	Total	$ 5,520,885	14

(1) The monthly recorded 2014 PBOP costs vary by month based upon PBOP activities such as:
(1) monthly premium payments for key retirees that cannot be paid by the trust which generally does not change much.
(2) monthly amounts deposited into the Health Reimbursement Account (HRA) for retired employees which can vary monthly based on the number of retirees per month and the amounts contributed per retiree.
(3) contributions to the employee benefit trusts that occurs in the last month of each quarter and can vary each quarter.
The first two occur monthly and the third occur in the last month of each quarter.

(2) In September 2014, an additional one-time charge was recorded for costs related to the SDG&E Voluntary Retirement Enhancement Program (VREP) in which employees that accepted the program were given a health reimbursement account in the amount of $50,000.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served an electronic copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket No. ER13-941-000. In addition, I certify that I have also caused the foregoing to be served upon the following:

Arocles Aguilar ***(via Overnight Mail)***
General Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Roger Collanton ***(via Overnight Mail)***
General Counsel
California Independent System Operator Corporation
250 Outcropping Way
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Dated at San Diego, California, this 28th day of May, 2015.

/s/ Tamara Grabowski
Tamara Grabowski
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