

ORA DATA REQUEST
ORA-SDGE-034-STA
SDG&E 2019 GRC – A.17-10-007
SDG&E RESPONSE, PARTIAL #2
DATE RECEIVED: NOVEMBER 29, 2017
DATE RESPONDED: JANUARY 2, 2018

Data Request No: ORA-SDGE-034-STA

Exhibit Reference: SDG&E-28 and SDG&E-29

SDG&E Witness: Debbie Robinson

Subject: Compensation and Benefits, Pension, and PBOP

3. Regarding the proposed change to SDG&E's Pension Plan funding policy, which amortizes a funding shortfall over a seven-year period to achieve full funding:

- b. If SDG&E considered such a policy, please provide copies of any actuarial reports or other documents created for the company's decision-making process.
- c. If SDG&E considered such a policy, why was it not adopted?

SDG&E Response 3:

- b. See the attached document "ORA-SDGE-34-STA Q3b Sempra Funding Policy" for the report prepared by the Willis Towers Watson, SDG&E's actuary proposing various funding methodologies and their final recommendation.
- c. As you will see in the attached document, in arriving at the proposed funding policy, SDG&E considered a number of different factors, including:
 - Accelerating funding to achieve full funding over a reasonable period of time
 - Amount funded should be sufficient to meet all legal obligations
 - Minimizing long term costs of providing the benefit
 - Provide rate stability, as appropriate
 - Promote intergenerational equity for ratepayers

In weighing those objectives, SDG&E ultimately decided not to propose an annual re-measurement to promote rate stability. The potential for significant changes in market conditions that could result in an excessive over or under funding of the pension plan during the 3-year rate case period. The proposed funding policy addressed this by placing a floor and a ceiling on actual contributions (as described in Exhibit SDG&E-29 SCG-31, page DSR-13, lines 24 to 31). The ceiling limits contributions to 110% of the funded status and ensures that ratepayers do not significantly overfund the plan in the case of a positive economic environment during the rate case period. The floor requires contributions equal to the greater of the minimum required contribution or the amount required to maintaining an 85% AFTAP and ensures that in the case of negative economic conditions the plan remains adequately funded according to current legislation. The Company believes that the proposed funding policy funding strikes the right balance between adequate funding and rate stability.