TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #2
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 31, 2018

Data Request No: TURN SEU DR 005
Exhibit Reference: Exhibit SCG-31/SDGE-29
Witnesses: Debbie Robinson
Subject: Pension & PBOP

1. Please complete the tables in the attached files "SCG PBOP Worksheet Q1" and "SDG&E PBOP Worksheet Q1" separately for each utility.

Utility Response 01:

1) SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that the additional analysis requested does not exist and the burden, expense and intrusiveness of this request outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. The Companies also object to this request to the extent that it is vague and ambiguous, seeks information that falls outside the scope of the case and would be unduly burdensome to produce, and/or would require the Companies to search their files for matters of public record in regulatory proceedings (filings, testimony, transcripts, decisions, orders, etc.), as this information is equally available to TURN. Subject to and without waiving the foregoing objection, SoCalGas/SDG&E responds as follows:

   Despite the worksheet filenames being labeled 'PBOP', it appears the request refers to pension. Therefore our response is based on pension information.

   As part of this proceeding, the Companies have commissioned the plan actuary to prepare a 10-year projection (through 2026) of the financial measures relevant to this request. This inquiry requests projections for the next 30 years, which have not been prepared and would be unduly burdensome to prepare and produce. This response is limited to providing existing information.

   In addition, the Companies recover pension costs on a cash contribution basis. Several of the requested items relate to GAAP measures (such as net periodic pension costs, prepaid pension assets, etc.) and those metrics have no impact on the amounts of reimbursements for pension costs. The Companies are not providing this information because it is irrelevant to the testimony and issues and would be burdensome to produce.

   a) Historical information: The attached files request information dating back to 1987 (30 years). Relevant historical information can be found in the documentation already filed as follows:

Utility Response 01 Continued:

- Historical contributions dating back to 1999 can be found in Charts DSR-1 and DSR-2 for SDG&E and SCG respectively. Earlier information can be found in previous rate case filings.
- Funded status information dating back to 2002 can be found in Charts DSR-4 and DSR-5 for SDG&E and SCG respectively. Earlier information can be found in previous rate case filings.
- Asset return information dating back to 2002 can be found in Tables DSR-2. Earlier information can be found in previous rate case filings.
- The remaining information relates to financial statements (GAAP information). This information is publicly available on the Sempra Energy website at ***http://investor.sempra.com/sec.cfm.***

b) Projections: A 10-year projection of all relevant financial metrics (PBO, ASC Service Cost, asset values, Funding Target Liabilities, minimum required contributions, prefunding balances, etc.) are provided in the workpapers filed with this rate request. Please refer to pages 12 to 16 of SCG-31-WP and SDGE-29-WP for detailed information.

c) Additional Information: The attached files also request information about the value of "non-pension retirement plans." The Companies object to this request because it is vague, ambiguous, overbroad, and not reasonably tailored to lead to the discovery of admissible evidence. To the extent that this request seeks information regarding 401(k) matching contributions, please see pages DSR-41, lines 5 to page DSR-42, line 17 in Exhibit SCG-28/SDGE-30, which discusses that benefit.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
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2. Re: SCG-31/SDG&E-29 p. DSR-3, please confirm that for SCG, the Company's pension plan is open to all new employees. If not, please explain which, if any, new hires the plan is open to. Provide dates of any changes in plan that closed the plan to new employees.

Utility Response 02:

Confirmed.

3. Re: SCG-31/SDG&E-29 p. DSR-3, please confirm that for SDG&E, the Company's pension plan is open to all new employees. If not, please explain which, if any new hires the plan is open to. Provide dates of any changes in plan that closed the plan to new employees.

Utility Response 03:

Confirmed.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
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DATE RESPONDED: JANUARY 29, 2018

4. Regarding the Company's SCG-31/SDG&E-29 p. DSR iv, please explain the rationale behind recovering the "greater of" the three identified amounts. Please explain whether there are any legal requirements concerning this choice. If this is a discretionary choice, please explain fully the rationale and provide any supporting documents or analyses. The response should at a minimum answer the following questions with supporting documentation:

a) What statute or rule requires the Company to fund at a 85% AFTAP level to be in compliance?

b) Does 100% PBO attainment amount to full insurance on the pension plan against market fluctuations?

c) If the pension plan reaches 100% PBO, and the pension investments outperform forecasts, what does the Company do in the following years when the pension is over-funded?

Utility Response 04:

As discussed in SCG-31/SDG&E-29 at page DSR-29, lines 20-23, "The Companies' proposal is consistent with prior Commission decisions, including SDG&E and SoCalGas D.16-06-054, PG&E D.09-09-020 and SCE D.15-11-021, and is meant to protect the ratepayers from potential variability in funded status due to multiple external factors." A full discussion of the rationale for the new Funding Policy can be found in SCG-31/SDGE-29 III-E-2, on pages DSR-12 to DSR-14. In addition, the Companies have provided to the Office of Ratepayer Advocates (ORA) in a data request in this proceeding (we refer you to our response to ORA-SDGE-034-STA Q3b and ORA-SCG-020-STA Q3b and their attachments), which includes the study used to support the recommended Funding Policy change. Those data responses are available online here: https://www.sdge.com/regulatory-filing/22261/sdge-2019-general-rate-case and here: https://www.socalgas.com/regulatory/A17-10-008.shtml

a) Please see SCG-31/SDG&E-29 III.F, starting on page DSR-18 for a full discussion of this issue.
b) Not by itself, but combined with changes to how plan assets are invested to better match the liabilities, it could result in elimination of most of the market fluctuation risk.
c) Every three years, contributions are recalculated for purposes of the next GRC filing. In accordance with the new Funding Policy, contributions would be set equal to the ASC Service Cost, plus a 7-year amortization of the unfunded PBO. If the plan is overfunded, the amortization would be negative, resulting in a *reduction* to the contributions (i.e., final contribution would be lower than the ASC service cost). These calculation are included as part of Workpapers SDG&E-29-WP and SCG-31-WP (page 12 in both instances).

5. Please provide the citation for the original Commission decision or action authorizing the balancing account treatment referenced in SCG-31/SDG&E-29 p. DSR iv.

Utility Response 05:

SoCalGas and SDG&E object to the request as unduly burdensome, to the extent it requires SoCalGas and SDG&E to research information that is of public record in CPUC proceedings and is equally available to TURN. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

The Pension Balancing Account was first authorized in an approved settlement in the 2004 Cost of Service proceeding. The Commission issued D.04-12-015 regarding the revenue requirements phase (Phase I) of SDG&E's Cost of Service (COS) for Test Year 2004. As part of D.04-12-015, the Commission adopted, among other things, a new balancing account for Pensions. The account was established in Advice Letter 1652-E / 1502-G.

6. Please provide the relevant tariff and explain how the pension balancing account functions for the Company and the ratepayers. In particular, please explain:

a) Is the forecasted contribution referenced in the PBA identical to the amount that the Company records in the excel spreadsheet in response to Question 1 above?

b) Does the Company earn a return on the balance of the balancing account? If so, what is the rate?

c) If the net difference between accumulated forecasted contributions and accumulated actual contributions is positive, do ratepayers earn interest on the PBA? If, so, is it inherently the same rate as that earned by the Company if the amount were negative?

Utility Response 06:
SoCalGas and SDG&E object to the request to the extent it requires SoCalGas and SDG&E to research information that is of public record and is equally available to TURN. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

The approved tariff for the Pension Balancing Account is found on line here: http://regarchive.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_PBA.pdf and explains what is allowed to be booked to the account.

The balancing account, as shown in the tariff, earns interest on the balance calculated on the average of the balance at the beginning of the month and the balance after entries have been made, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication. Both ratepayers (if over-collected) and shareholders (if undercollected) earn the same interest on the account.

7. Please explain the following statement: SCG-31/SDG&E-29 p. DSR-v: This funding shortfall increases long-term costs to ratepayers due to higher Pension Benefit Guaranty Corporation premiums and higher accrued interest costs. In this explanation, please provide all relevant assumptions.

Utility Response 07:

PBGC premiums include a variable portion, which is calculated as a percentage of unfunded liabilities (subject to a cap set equal to a flat dollar amount times the number of participants). This percentage is 3.8% in 2018, and increases every year. This is akin to a 3.8% 'tax' on any pension deficit, which must be paid by the plan.

In addition, pension liabilities represent the present value (discounted to the valuation date) of future pension benefits expected to be paid. Each year, the liability increases with interest, which can be offset by asset returns. However, the unfunded liability does not have a corresponding asset to generate such return.

8. Re: SCG-31/SDG&E-29 p. DSR-2: "Subsequent legislation lowered the minimum required contributions." Please identify the "subsequent legislation," explain the current minimum contribution requirements, and provide relevant citations and documentation. If there has been more than one legislative change since 2006 please explain the relevant requirements under each separate legislative change.

Utility Response 08:

SoCalGas and SDG&E object to the request to the extent it requires SoCalGas and SDG&E to research information that is of public record and is equally available to TURN. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

Please see the discussion in testimony. The 'subsequent legislation' refers to the Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act (HATFA) and the Bipartisan Budget Act of 2015 (BBA), as discussed in SCG-31/SDGE-29, from page DSR-9 line 3 through DSR-10. A description of the minimum required annual contribution is included in SCG-31/SDG&E-29, on page DSR-7, lines 20-26.

9. Re: SCG-31/SDG&E-29 p. DSR-2. Please explain the rationale for the Company asking for at a minimum "the annual service cost plus a seven-year amortization of the Projected Benefit Obligation (PBO) shortfall" when this is the result of expired legislation.

Utility Response 09:

Please see the discussion in testimony. This approach is intended to provide stabilization against the natural volatility associated with defined benefit plans, and parallels many of the features underlying the minimum required annual contribution as discussed starting on line 5 of page DSR-7 of SCG-31/SDG&E-29, while reducing undesirable effects from the legislation referenced in question 8 above. Please also refer to our response to question 4.

10. Please provide the rationale for this component of the request: Annual contributions will be limited so that the contribution does not result in pension assets exceeding 110% of the PBO.

a) In particular, how did the Company arrive at 110%? Why was 109% or 111% not more appropriate?
b) Does 110% of the PBO constitute over-funding?
c) How will the Company treat the over-funding (amount beyond 100%) concerning ratepayers, considering that the Company is not allowed to withdraw from the Pension or PBOP account to refund ratepayers, or for any other matter?

Utility Response 10:

a) The 110% threshold is established as a safety valve to make sure that ratepayers are not grossly overfunding the plan between GRC filings if experience is significantly more favorable than projected.

Defining the appropriate threshold within which natural fluctuations in funded status might be reasonably expected to fall is somewhat subjective. That said, a corridor of 10% of the greater of assets and liabilities is often used under ASC 715 (former FAS 87) to determine gains/losses which are subject to amortization. In other words, GAAP standards implicitly state that a +/- 10% deviation is somewhat 'normal experience'.

Another instance of the use of a 10% threshold is that the 'smoothed' Actuarial Value of Assets (used by many companies that sponsor pension plans in the determination of minimum required contributions) must reside within a 10% corridor around the Market Value of Assets, as required by federal legislation.

b) While a funded status of over 100% on a PBO basis means that assets exceed the value of benefits earned for prior service, it does not include any provision for future benefit accruals. In effect, any surplus is inherently earmarked towards the cost of the continued ongoing accruals (next year's ASC Service Cost). Furthermore, it acts as protection against the natural variations associated with defined benefit plans due to less favorable experience than expected.

The mechanics of the Funding Policy are designed to protect the accrued benefit interests of plan participants with respect to past service. Every three years, contributions are recalculated for purposes of the next GRC filing. In accordance with the new Funding Policy, contributions would be set equal to the ASC Service Cost plus a 7-year amortization of the unfunded PBO. If the plan is overfunded, the amortization would be negative, resulting in a *reduction* to the contributions (i.e., final contribution would be lower than the ASC service cost). These calculations are shown as part of Workpapers SDG&E-29-WP and SCG-31-WP (page 12 in both instances).

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 29, 2018

11. Please provide a copy of the entire FASB 715.

Utility Response 11:

SoCalGas and SDG&E object to the request as unduly burdensome, to the extent it requires SoCalGas and SDG&E to research information that is of public record and is equally available to TURN, and/or is third-party proprietary information. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

The full text of ASC 715, Compensation — Retirement Benefits, can be found in the FASB Accounting Standards Codification at https://asc.fasb.org/ (registration may be required but is free of charge for basic functionality).

12. Please explain the lack of symmetry in the proposed funding plan, where the Company, at a minimum, requests amounts to eliminate funding below 100% within seven years but allows for 10% overfunding indefinitely.

Utility Response 12:

SoCalGas and SDG&E objects to this request on the grounds that it is unintelligible in that it assumes facts that do not exist. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

SoCalGas and SDG&E disagree with TURN's characterization of the proposal. SoCalGas and SDG&E note that the duration of their current (TY 2016) general rate case cycle is three years, and the duration of their proposed (TY 2019) general rate case cycle is four years. The 110% of PBO is established as a safety valve to make sure that ratepayers are not grossly overfunding the plan between GRC filings if the plan experience is significantly more favorable than projected, and is not a target to be maintained indefinitely. Each time the contributions are recalculated, any excess over PBO will be amortized over 7 years and used to offset future ASC Service Costs.

Considering the 85% AFTAP floor, the proposed Funding Policy is indeed symmetrical in that it has both a ceiling and a floor to protect from significant variations between GRCs.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #3
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: FEBRUARY 6, 2018

Data Request No: TURN SEU DR 005
Exhibit Reference: Exhibit SCG-31/SDGE-29
Witnesses: Debbie Robinson
Subject: Pension & PBOP

13. SCG-31/SDG&E-29 p. DSR-7 states: "Chart DSR-1 for SDG&E and DSR-2 for SoCalGas show contributions and benefit payments during the period 1999 through 2016. Over the 18-year period, benefit payments exceeded contributions by over $690 million and $1,820 million for SDG&E and SoCalGas, respectively."

a) Please provide the excel spreadsheet data for Chart DSR-1.

b) Additionally, for each of those years, please provide:

i) the forecasted annual benefit payments for the forward 7 years;

ii) the actual benefit payments for each year.

Utility Response 13:

a) Attachment "TURN-SEU-DR-005_Q13a_Data for Chart DSR-1 Pension Fund vs Benefit Pmts.xlsx" provides the excel spreadsheet data for Chart DSR-1.

b)

i) Forecasted Benefit Payments are included as part of the Workpapers SDG&E-29-WP and SCG-31-WP, specifically as part of the Fair Value of Assets reconciliations contained in Exhibit 3 (page 14) and Exhibit 5 (page 16). Below is a table summarizing the amounts presented there.

	SDG&E-29-WP; SCG-31-WP	
	Benefit payments ($thousand)	
	SDG&E	SoCalGas
2017	84,265	186,883
2018	80,068	183,017
2019	76,436	177,869
2020	74,319	167,957
2021	70,484	169,779
2022	68,151	165,839
2023	64,486	159,512
2024	62,287	153,415
2025	60,194	148,367
2026	57,984	143,841

Utility Response 13 Continued:

ii) The benefit payments shown in Charts DSR-1 and DSR-2 are the actual benefit payments for each year.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #2
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 31, 2018

14. Over the past 30 years (since FASB 87 was adopted) has the Company been party to any black box settlements that allowed the Company to collect amount in rates, which were not designated for specific purposes and not subject to a true up? If yes, please provide documentation and details.

Utility Response 14:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that it is vague, ambiguous, overbroad, unduly burdensome, and not reasonably tailored to lead to the discovery of admissible evidence. SDG&E and SoCalGas also object to this request as it seeks information that falls outside the scope of the case and/or would require the Companies to search their files for matters of public record in regulatory proceedings (filings, testimony, transcripts, decisions, orders, etc.), as this information is equally available to TURN.

15. Is it correct to interpret SCG-31/SDG&E-29 DSR 1 and DSR 2 to read that between 1999-2002 SDG&E made no contributions to its pension plan, and between 1999-2008 SoCal made almost no contributions to its pension plan? Please explain the rationale for this?

Utility Response 15:

Correct. Contributions were made in accordance with the Commission-authorized Funding Policy in effect during that period, which was essentially the minimum amount required under Federal law (ERISA and PPA).

16. Do ratepayers currently pay interest on the unfunded portion of the PBO? Is this a result of the balancing account mechanism?

Utility Response 16:

Ratepayers are not subject to an additional interest charge on the unfunded PBO outside of the pension contribution.

That said, the PBO represents the present value (discounted to the valuation date) of future pension benefits expected to be paid. Each year, the liability increases with interest, which can be offset by asset returns. However, the unfunded liability does not have a corresponding asset to generate such return, and future contributions will have to make up for that difference. This effectively results in "paying interest" (via higher future contributions) on the unfunded PBO.

17. The Company states that "The PBO is the best estimate of the plan's liability under current market conditions. It reflects current interest rate levels as well as any updated expectations about participants' longevity." Please explain over what time horizon the PBO is calculated. Is it correct that, the PBO does not represent the Company's pension liability to be paid out for the current year, or expected current benefit payments? If so, please explain what it represents.

Utility Response 17:

The PBO liability is the present value of all expected future benefit payments that are expected to be made by the plan with respect to years of service rendered to date. Because it reflects benefits payable for the life of participants, and in certain cases their beneficiaries, it accounts for benefit payments that may be made more than 70 years in the future.

18. SCG-31/SDG&E-29 p. DSR 14: *While the Society of Actuaries published its update of mortality assumption in 2014, nearly three years later the IRS has yet to finalize regulations that would incorporate the new life expectancies in the PPA funding liability.*

a. Please verify that at the time of this DR, this statement remains accurate.

b. Please provide the new published updated mortality tables, including any relevant legends and assumptions.

c. Please provide the prior (before the 2014 update) published mortality tables, including any relevant legends and assumptions.

d. Please provide the mortality tables that the Company used in its showing, with all legends and assumptions.

Utility Response 18:

SoCalGas and SDG&E object to the request to the extent it requires SoCalGas and SDG&E to research information that is of public record and is equally available to TURN. Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

a) In October 2017 (after this filing was made), the IRS released final regulations for determining present values under IRC Section 430 for defined benefit pension plans with an effective date of plan years beginning on or after January 1, 2018. IRS Notice 2017-60 can be located at https://www.irs.gov/pub/irs-drop/n-17-60.pdf

b) There are static mortality tables included as an Appendix to IRS Notice 2017-60, which can be located at https://www.irs.gov/pub/irs-drop/n-17-60.pdf

c) There are static mortality tables included as an Appendix to IRS Notice 2016-50, which can be located at https://www.irs.gov/pub/irs-drop/n-16-50.pdf

d) A summary of the various assumptions underlying the projections are included as part of Workpapers SDG&E-29-WP and SCG-31-WP (page 25 in both instances).

19. SCG-31/SDG&E-29 RE: p. DSR 15 - "While key assumptions are selected by the Companies' management." Please provide the key assumptions used by management.

Utility Response 19:

Key assumptions include discount rate, interest crediting rate on cash balance accounts, inflation, mortality, salary increases, as well as termination and retirement rates. A summary of the various assumptions underlying the projections are included as part of Workpapers SDG&E-29-WP and SCG-31-WP (page 25 in both instances).

20. Please provide the minimum and maximum funding levels that discretion, allowed by ERISA, gives the Company.

Utility Response 20:

A description of the minimum required annual contribution is included starting at line 20 of page DSR-7 of SCG-31/SDG&E-29.

A description of the maximum contribution is included starting at line 4 of page DSR-23 of SCG-31/SDG&E-29.

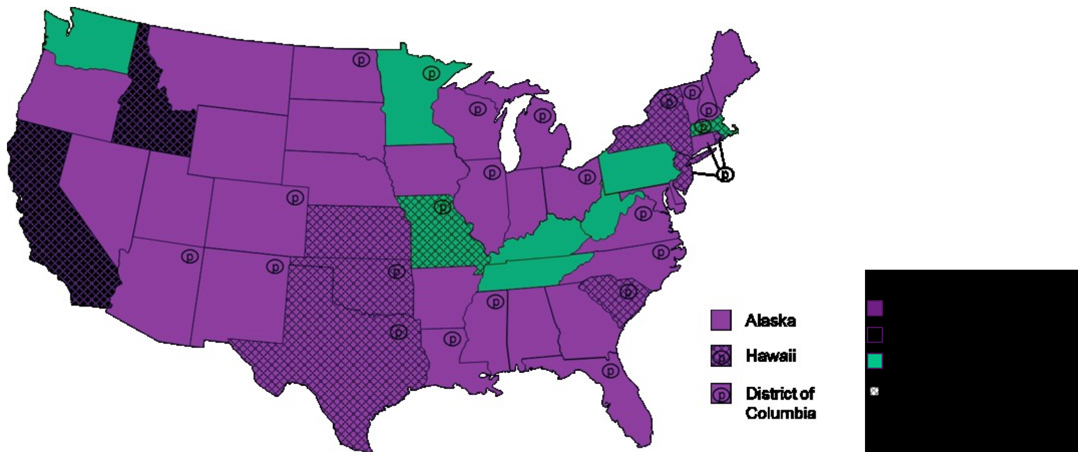
TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 29, 2018

21. Re: SCG-31/SDG&E-29 p. DSR 15: Please provide all benchmarking analyses the Companies have conducted or reviewed, relating to the following statement about PBO's: It is also the most common basis for determining recovery of pension costs in jurisdictions outside of California.

Utility Response 21:

SoCalGas and SDG&E object to the request as overly broad and unduly burdensome, with respect to the request for "all benchmarking analyses." Subject to and without waiving this objection, SoCalGas and SDG&E respond as follows:

The map below, prepared by Willis Towers Watson, illustrates the various pension recovery mechanisms across the US:



22. RE: SCG-31/SDG&E-29 p. DSR 17. If, within the 3-year rate case effectiveness period, the Companies' actuary determines that the plan is overfunded, explain what happens to ratepayer rates.

Utility Response 22:

If the 110% of PBO threshold is reached, contributions will be limited. As outlined in SCG-31/SDGE-29 starting at line 1 of page DSR-14, to the extent that the contribution is lower than the amount included in rates, the difference will flow through the Balancing Account, and will be returned to ratepayers in accordance with the mechanics of the Balancing Account.

23. Please explain the relationship between the discount rate and the interest rate on the balancing account, inherently, or historically. Please provide the current interest rate on the balancing account and the current discount rate assumed by the Companies' actuary.

Utility Response 23:

The discount rate is tied to high quality corporate bond yields, reflecting the expected timing of projected benefit payments from the plan as of the valuation date.

As stated in SoCalGas' and SDG&E's tariffs, the interest rate on the Balancing Account is calculated on the average of the balance at the beginning of the month and the balance after entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

The average rate used in 2016 on balancing accounts was 0.4925%. The current discount rate assumed by the Companies' actuary in projecting the GAAP-funded status of the pension plans (used to determine the amount of the contributions under the proposed Funding Policy) was 4.10% for both Companies, per page 11 of Exhibits SDGE-29-WP_PNPB and SCG-31-WP_PNPB.

24. RE: SDG&E 41 NGJ 6 - The Company states The purpose of the PBOPBA is to balance the annual PBOP costs embedded in authorized rates with the lesser of the PBOP costs calculated in accordance with Accounting Standards Codification 715 or based on actual tax-deductible contributions to the PBOP trust.

Given this language, please explain what would be added to (or removed from) the balancing account in a particular year, if for instance, the amount embedded in authorized rates for that year was 20 million, the Company elected to make a contribution of 35 million and the PBOP costs calculated in accordance with ASC 715 was 18 million dollars?

Utility Response 24:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure to the extent that it is unintelligible in that it assumes facts that do not exist. Subject to and without waiving this objection, SoCalGas and SDG&E state as follows:

Instead of using the words "added to" or "removed from," which do not accurately reflect the way Balancing Accounts work, this reply will use the term "undercollect" to mean expenses or contributions that are above what was authorized in revenue requirement collections and the term "overcollect" to mean expenses or contribution that are below what was authorized in revenue requirement collections. The amount shown in the Balancing Account is simply the difference between the amount included in rates (based on a projection at the time of the GRC filing and approved in a final GRC decision) and the actual amount that is calculated or contributed.

Given the hypothetical proposed in the question, if the actual PBOP cost is $18 million, the Company contribution would be $18 million and the balancing account would show a $2 million overcollection that would be disposed of in accordance with the approved tariff for the PBOPBA. If instead the Company calculated a need to contribute $35 million, then the balancing account would show a $15 million undercollection that would be disposed of in accordance with the approved tariff for the PBOPBA. It is not clear based on the question why the company would make a contribution of $35 million if the calculated costs are $18 million. The Companies do not "elect to make" contributions "in a particular year."

25. Please provide year and case numbers for each time since 1987 that the Companies filed to adjust recovery, funding, or balancing account mechanisms for Pensions or PBOPs.

Utility Response 25:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that it is vague, ambiguous, overbroad, unduly burdensome, and not reasonably tailored to lead to the discovery of admissible evidence. SDG&E and SoCalGas also object to this request as it seeks information that falls outside the scope of the case and/or would require the Companies to search their files for matters of public record in regulatory proceedings (filings, testimony, transcripts, decisions, orders, etc.), as this information is equally available to TURN.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #2
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 31, 2018

26. Re: SDG&E-41 p. NGJ -6 *The capital component reflects* pension/PBOP costs recovered through depreciation, including the return associated with the unamortized balance of pension/PBOP costs capitalized to utility rate base.

Please explain in what way the unamortized balance of pension/PBOP costs are capital? Does the Company consider them intangible capital, or physical capital? What depreciation curves does the *capital* follow? If the unamortized balance is capital, is there a date at which the asset is paid off? Please provide all data to support this claim.

Utility Response 26:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that it is unintelligible in that it assumes facts that do not exist. Subject to and without waiving this objection, SoCalGas and SDG&E state as follows:

Unamortized balances in the pension/PBOP accounts are not capital. The questioner appears to be misunderstanding the phrase issued on SDG&E-41, P. NGJ-6. In the "Regulatory Accounts" testimony, Norma Jasso describes the two components of the Pension costs inside the balancing account. The question appears to be asking whether the account itself is capital. That answer is no. As an illustration, if an employee were working on a capital project, the labor and non-labor expenses associated with the time that employee spends on the capital project would be considered capital. Because that employee would be accruing pension benefits, that pension expense is likewise capitalized. That is the capital component being discussed. Therefore, the remaining sub-questions in this request are unintelligible.

27. Re: SCG-31/SDG&E-29 p. DSR 7. The Company states "The current plan funding policy (used to determine the expense allowed by the settlement of the 2016 General Rate Case and the decision by the CPUC in the 2012 General Rate Case for both SDG&E and SoCalGas) **is based on** the minimum required contributions in accordance with ERISA and as allowed by the Internal Revenue Code (IRC), but no less than the amount sufficient to maintain an 85% Adjusted Funding Target Attainment Percentage." (emphasis added)

    Please provide the formulas and policies for calculating expenses that the Companies use to effectuate the statement that the funding policy "is based on the minimum required contributions."

Utility Response 27:

The calculation of the minimum required contributions and the amount needed to maintain an 85% AFTAP is included as part of Workpapers SDG&E-29-WP and SCG-31-WP (pages 13 and 15 in both instances).

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #2
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 31, 2018

28. RE: SCG-31/SDG&E-29 p. DSR 15 - A *7-year period is also* consistent with the period approved for Pacific Gas and Electric Company (PG&E) under an All-Party Settlement Agreement approved by the Commission on September 15, 2009 and effective January 1, 2011 (Decision (D.) 09-09-020).

For what period was this amount approved in rates? What were those amounts for that period of time? What contributions did PG&E make during that period?

Utility Response 28:
SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that it calls for a legal conclusion, seeks information that is not within the Companies' knowledge and control and/or would require the Companies to search their files for matters of public record in regulatory proceedings (filings, testimony, transcripts, decisions, orders, etc.), as this information is equally available to TURN. SDG&E and SoCalGas also object to this request as it is vague, ambiguous, and unduly burdensome.

29. RE: SCG-31/SDG&E-29 p. DSR 26 - This ASU requires employers to disaggregate and present separately the current service cost component from the other components of net pension and PBOP benefit costs within the consolidated statement of operations. It also requires that only the service cost component of net benefit (income) cost be eligible for capitalization. We do not believe that this change impacts the requested recovery of the cash contributions to the Pension Plans covered under this testimony as they are determined using the methodology described above which is based on the funded status of these plans.

Given that the Company is basing its recovery on service cost plus a forecasted 7 year paydown of the PBO, please explain how this change does not impact the requested recovery of the cash contributions, especially given that the annual recovery mechanism proposed by the Companies, includes service cost plus other amounts which may accrue into a balancing account, earning interest, akin to capitalization.

Utility Response 29:

SoCalGas and SDG&E object to this request under Rule 10.1 of the Commission's Rules of Practice and Procedure to the extent that it assumes facts that do not exist. Subject to and without waiving this objection, SoCalGas and SDG&E state as follows:

To clarify the statement above, the requested recovery of Pension contributions is no different than what was approved in the last few GRC decisions, in that the balancing account will capture the difference between what is authorized in revenue requirement and what is contributed to the fund. The level of contributions may change from one GRC cycle to the other and that is normal in the course of projecting future expenses. In this GRC, the Company is proposing a change in the level of contributions made (and reflected in the balancing account), such that the new ASU effect on how pensions and PBOPs costs are classified in the Income Statement is properly captured. Nothing in the interest rate applied to a balancing account is "akin to capitalization." Balancing Accounts receive interest on either the net-undercollections or the net-overcollections, whichever applies such that the party (ratepayer or Company) is made whole for the time value of their money tied up between the event (contribution or collection) and the true up of the account (or disposition).

30. Are any executive retirement plans included in the Pension PBO? If so, please provide amounts, annually from 1987 to present. In addition, please describe, how, if at all, the executive Pension or PBOP plan differs from other employee plans.

Utility Response 30:

SCG-31/SDGE-29 do not include any non-qualified executive retirement plans.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 29, 2018

31. Re: SCG-31/SDG&E-29 p. DSR 17 – By funding the pension shortfall faster, the proposed funding policy reduces long term costs, hence benefiting ratepayers in the long run. Over the next seven years, we estimate that the new funding policy will reduce plan costs by $27 million and $110 million for SDG&E and SoCalGas, respectively, when adjusting for the funded position at the end of the period.

    Please provide the all supporting workpapers and calculations in working excel format, including all relevant assumptions.

Utility Response 31:

The amounts above, which compare the cost of the proposed Funding Policy to the current Funding Policy over a period of 7 years, can be arrived at from the information contained in the Workpapers SDG&E-29-WP and SCG-31-WP, as described and summarized in the tables below.

The first step is to take the sum of contributions under the proposed Funding Policy from 2019 (the first year the proposed Funding Policy is effective) through to 2025 (the seventh year). This information can be found in Exhibit 1, page 12 of the Workpapers.

The next step is to determine the sum of contributions under the current Funding Policy from 2019 through to 2025. This information can be found in Exhibit 4, page 15 of the Workpapers.

We then need to adjust the difference in contributions for differences in the funded position of the Plan at the end of the comparison period (in this case as of January 1, 2026). The rationale for this adjustment is that if there is a smaller deficit (or larger surplus) under one Funding Policy, then this will translate to lower contributions in future periods (i.e., there is value beyond the seven year period examined that must also be captured). Given that the PBO liability is the same under each (i.e., the Funding Policy has no impact on the Plan's liabilities), this is akin to comparing the projected January 1, 2026 Fair Value of Assets for each policy, which is included as Exhibit 3 (page 14 of the Workpapers) under the proposed Funding Policy and Exhibit 5 (page 16 of the Workpapers) under the current Funding Policy.

This information is based on a proprietary actuarial model owned by the actuarial firm retained by the Companies and is therefore not available as a MS Excel spreadsheet.

Utility Response 31 Continued:

$ in Thousands	SoCal Gas		
	per Exhibit SCG-31-WP		
	Proposed Funding Policy	Current Min Reg. Contribution	Increase (Decrease)
Projected Contributions	*p. 12, L E3*	*p. 15, L C6*	
Year			
2019	$ 202,833	$ 124,670	
2020	$ 202,833	$ 132,800	
2021	$ 202,833	$ 152,600	
2022	$ 185,104	$ 171,090	
2023	$ 185,104	$ 185,180	
2024	$ 185,104	$ 177,210	
2025	$ 147,912	$ 147,990	
Total Contributions over 7-Years	$ 1,311,723	$1,091,540	$ 220,183
	p.14, L A1	*p.16, L C6*	
FV of Assets @ 1/1/2026	$ 2,674,440	$2,343,934	$ 330,506
Savings to Rate Payers (i.e. Net Increase in FV of Assets)			**$ 110,323**

$ in Thousands	SDG&E		
	per Exhibit SDGE-29-WP		
	Proposed Funding Policy	Current Min Reg. Contribution	Increase (Decrease)
Projected Contributions	*p. 12, L E3*	*p. 15, L C6*	
Year			
2019	$ 63,974	$ 43,410	
2020	$ 63,974	$ 45,880	
2021	$ 63,974	$ 51,570	
2022	$ 56,880	$ 56,530	
2023	$ 56,880	$ 60,400	
2024	$ 56,880	$ 59,140	
2025	$ 35,976	$ 41,040	
Total Contributions over 7-Years	$ 398,538	$ 357,970	$ 40,568
	p.14, L A1	*p.16, L C6*	
FV of Assets @ 1/1/2026	$ 981,013	$ 913,840	$ 67,173
Savings to Rate Payers (i.e. Net Increase in FV of Assets)			**$ 26,605**

32. Re SCG-31/SDG&E-29 DSR 18 - If the pension plan's AFTAP falls below 80% (i.e., the ratio of pension plan assets to the funding target equals is less than 0.8), the pension plan would be subject to certain benefit restrictions, and potentially higher required minimum contributions and PBGC premiums. Is the AFTAP the same as (pension plan assets)/(Pension benefit Obligation)? If not, please explain the calculation, and how the funding target is set.

Utility Response 32:

The calculation of the AFTAP is included as part of Workpapers SDG&E-29-WP and SCG-31-WP, and is based on the Actuarial Value of Assets (which has inherent mechanisms to smooth investment gains/losses) and the Funding Target Liability (which represents the Present Value of benefit obligations that have accrued as of the valuation date). The Funding Target Liability is different from the PBO. As discussed in SCG-31/SDGE-29, from page DSR-12 line 3 through DSR-13 line 6, the effect that stabilization legislation has on this liability measure creates issues, which the Companies are seeking to mitigate by modifying the Funding Policy.

33. Re: SCG-31/SDG&E-29 p. DSR 18. Given that SoCalGas' pension plan was at 116% funding level until 2008, please explain the ratepayer treatment that the Company conducted while the plan was over funded. Did the Company refund customers? Did customer receive a ratepayer credit, or earn interest on related amounts in a balancing account? During that period, did the Company collect in rates for pension expenses?

Utility Response 33:

The overfunded nature of the plan during that period, driven by favorable experience, resulted in contributions not being required for a period of several years, as discussed in Question 15. The Balancing Account treatment means that ratepayers also paid nothing when contributions to the plan were not made (given they were not required). Additional benefits were accrued by employees over that period, and the surplus was effectively used to cover the cost of such accruals for several years. Therefore ratepayers enjoyed the full benefit of that surplus.

TURN DATA REQUEST-05
SDG&E-SOCALGAS 2019 GRC – A.17-10-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
DATE RECEIVED: JANUARY 11, 2018
DATE RESPONDED: JANUARY 29, 2018

34. Re: SCG-31/SDG&E-29 p. DSR 24 - Please explain the basis for the assumed investment returns of 6.5%?

a) Please provide any data, studies or analyses used to support this expected return.

b) Is this a long term forecast? Over what time horizon is this forecast effective?

c) Is 6.5% the expected return that the Company has always used? If not, please explain why it changes.

d) If the Company has changed its expected investment returns, has it also re-allocated its assets within the plan? If so, please explain the analysis that the Company or consultant uses to determine the optimal investment strategy, and how the estimated returns are calculated accordingly.

Utility Response 34:

a) The Companies consider various sources of information in formulating return expectations for the portfolio. One such data point is Willis Towers Watson's proprietary Expected Return Estimator tool, which generates Monte Carlo simulations of expected arithmetic and geometric average returns. The table below presents results from the tool, which were prepared based on the asset allocation, economic environment and expected long-term economic environment in effect at October 1, 2017.

Asset allocation: 38% US Equity/26% Foreign Equity/18% Long Quality/8% Zeroes/5% High Yield/5% Other						
Projected Portfolio Return	*Average*	*10th percentile*	*25th percentile*	*50th percentile*	*75th percentile*	*90th percentile*
1 year*	7.4%	-9.6%	-1.8%	7.1%	16.2%	24.7%
5 years	5.5%	-0.3%	2.5%	5.5%	8.6%	11.1%
10 years	6.1%	2.7%	4.3%	6.1%	7.9%	9.3%
15 years	6.4%	4.1%	5.3%	6.4%	7.7%	8.9%
20 years	6.6%	4.5%	5.6%	6.5%	7.6%	8.7%

b) Given that the plans continue to be treated as a going concern (consistent with ASC 715), the 6.5% is intended to be reasonable for the purpose of long term forecasting, which is often defined as 20 years or longer.

c) A suitable expected return assumption considers the asset allocation and expected returns, risks and correlations for each asset class, reflective of the current and anticipated economic environment. Many of these factors have varied historically, and

Utility Response 34 Continued:

the Companies consider these factors each time an assumption is reviewed and/or refined.

d) The Pension and Benefits Committee for the Sempra Energy Defined Benefit Master Trust meets with investment consultants and other advisors quarterly, and frequently reviews the Investment Policy through the study of the returns and risks associated with the investment strategies in relation to the current and projected liabilities of each of the Trusts, in order to determine the most appropriate policy for achieving the financial objectives of the Trusts. The assets are invested in a manner that provides the safeguards and diversity that a prudent investor would adhere to, in a manner consistent with fiduciary best practices, and compliant with all applicable rules and regulations.