TURN DATA REQUEST-065
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS SUPPLEMENTAL RESPONSE
DATE RECEIVED: APRIL 26, 2018
DATE RESPONDED: MAY 10, 2018
SUPPLEMENTAL RESPONSE: MAY 11, 2018

Data Requests: Regarding Pensions (Exh. SCG-31/SDG&E-29)

1. Re. p. DSR-12, lines 10-12 and Response to DR 005-07:
    a. Please explain what is meant by "up to a dollar limit," providing specific numerical limits where appropriate.
    b. Please calculate the "cap" for SDG&E and SCG for 2017, 2018 and 2019, based on the actual and forecast number of participants.
    c. Is the "unfunded liability" (DR 005-07) equal to the "shortfall." If not, please explain what is the "unfunded liability" and provide the numbers for SDG&E and SoCalGas for 2019.
    d. Please provide the 2019 payment to the PBGC due to "premiums and higher accrued interest costs" for SoCalGas and SDG&E (separately) given the forecasts potential level of unfunded liability and/or or the number of participants presented in the applicants' proposals. Please explain which cap would apply – the cap based on the unfunded liability or the number of participants, for calculating the premiums.
    e. Please provide the approximate PBGC premiums (dollar amount) for 2019-2023, separately for SDG&E and SCG, assuming i) the proposed 7-year amortization of the shortfall; and 2) assuming no amortization of the shortfall.

Utility Supplemental Response 1:

The following information is intended to answer all items above.

PBGC premium rates are set by statute (most recent change from the Bipartisan Budget Act of 2015). Annual PBGC premiums are equal to sum of 1. and 2.:

1. A per participant flat rate premium. For example, for 2017, the flat rate premium is $69 per participant. The flat premium rate increases every year (it is $74 for 2018).
2. A variable rate premium ("VRP"). VRP is equal to the lesser of a. and b.:
    a. A percentage of unfunded liabilities (where liabilities are based on PBGC statutory assumptions). For 2017, the percentage was 3.40%, and it increases every year (it is 3.8% for 2018)
    b. A per participant VRP dollar cap. For 2017, the per participant VRP cap is $517, and it also increases every year (it is $523 for 2018).

The table in attachment "TURN-DR-SEU-Q1 PBGC Premium Estimate.xlsx" shows detailed premium estimates based on new funding policy and prior funding policy. 2017 amounts are actual, 2018 – 2023 are projected. Shaded cells indicate years in which the VRP cap is projected to apply.

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3. Please provide, for the years 2019-2021 forecasted pension expense with the same actuarial assumptions that WTW used to prepare the forecasts on page 12 of 26 workpapers DSR 29/31, with the exception that the expected rate of return on plan assets is 10%.

Utility Supplemental Response 3:

Forecasts under alternative assumption sets are not presently available. That said, we are providing TURN with an electronic version of the existing forecast results in Attachments "TURN-SEU-065-Q3 SDGE GRC Pension WP" and "TURN-SEU-065-Q3 SCG GRC Pension WP," which may assist in estimating the impact of the above assumption change on the forecasts.

SDG&E and SoCalGas are supplementing the original response sent on May 10, 2018 with two new attachments: GRC Workpapers – SCG pension – TURN with formulas May 2018.xlsx and GRC Workpapers – SDGE pension – TURN with formulas May 2018.xlsx. These Excel attachments include only "working formulas" needed to prepare the workpapers exhibits. Changing or altering cells in these attachments would not update all information, and therefore the forecast will not be properly updated. It is important to note that Excel software is only used to format and prepare the exhibits. Cells shaded in green represent inputs from the Willis Towers Watson projection software and will not be updated even if anything else in the spreadsheet is manually changed.

Please note that our response to question 34 of Data Request TURN-SEU-005 provided the basis for the assumed investment returns of 6.5%. Per the table included in that response, and given the asset allocation and current/ expected long-term economic environment, an annual return of 10% over a period of 10 years falls well above the 90th percentile (which renders a return of 9.3%). This means that the probability of such an outcome is less than 10%, and is therefore very unlikely.