TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

SCG-22 – Pension and PBOP

1. Regarding the Summary of Results table on p. 5 of the workpapers to SCG-22:
    a. Please identify Employee Pension recorded values (in thousands of 2013$) for 2003-2008, inclusive on the same basis as the data reported in the table.
    b. Please provide a detailed explanation of why the 2015 forecast is zero.
    c. SDG&E appears to forecast an expense of zero dollars for the Employee Pension category in 2016 (Table 1 in Ex. SDG&E-23, p. DS-3). Please identify and explain each of reasons behind the difference between SCG and SDG&E's forecasts.
    d. Please reconcile the apparent differences between the forecasted values stated in the workpapers (i.e., 26.600 million in 2014, $0 in 2015, and $82.090 million in 2016, the last of which is also stated in Table 1 on p. DS-3 of the testimony),) and values included in Chart 4 of the testimony and Sheet SCG-22 in 'ORA Request 4_B summary SCG.xlsb' (i.e., $72.640 in 2014, $85.060 million in 2015, and $113.720 million in 2016). Which source, if any, has the correct values, and which has SCG included in its RO Model in its request for this case? If the information in the two sources is correct for the context in which they are presented, please explain in detail the basis for the information in each source such that TURN might understand the reason for the difference.
    e. If the values from Chart 4 of the testimony and Sheet SCG-22 in 'ORA Request 4_B summary SCG.xlsb' are those that SCG intended to include for Employee Pensions does SCG continue to believe that the forecast for 2015 and 2016 are the best estimate of the likely expenses in those years, given that the 2014 recorded value is 26.434 million? If so, why? If not, why not and what is a better estimate and why?

SoCalGas Response:

a. The Employee Pension recorded values for the years requested are presented below on the same basis as the data reported on the Summary of Results table on p. 5 of the workpapers to SCG-22 (i.e. contributions to the pension plan).

Response to Question 1a (Continued)

Recorded Pension Expense in 2013$
For Years 2003-2008
(in '$000s)

	Amounts Contributed	
Year	**Nominal**	**In 2013 $**
2003	$ 1,263	$ 1,589
2004	-	-
2005	-	-
2006	-	-
2007	-	-
2008	-	-

b. The 2015 forecasts of Employee Pension expense (minimum required contribution) for SoCalGas is zero because the forecasted PPA Funded Percentage of its pension plan in 2015 being in excess of 100%. Per page 11 of Exhibit No. SCG-22-WP, the forecasted PPA Funded Percentage in 2015 for SoCalGas' pension plan is 105%.

c. The 2016 forecasts of Employee Pension expense for SoCalGas and SDG&E are not the same due to differences in the forecasted PPA Funded Percentage for each of their pension plans in that year as calculated in accordance with federal law. The forecasted 2016 PPA Funded status per page 11 of both Exhibits No. SCG-22-WP and SDG&E-23-WP is 99% and 104%, for the SoCalGas and SDG&E pension plans, respectively. The SoCalGas pension plan has a minimum required contribution in 2016 and the SDG&E pension plan does not.

The forecasted 2016 PPA funded status for each company's plan are not the same primarily due to differences in the following components used in its calculation:

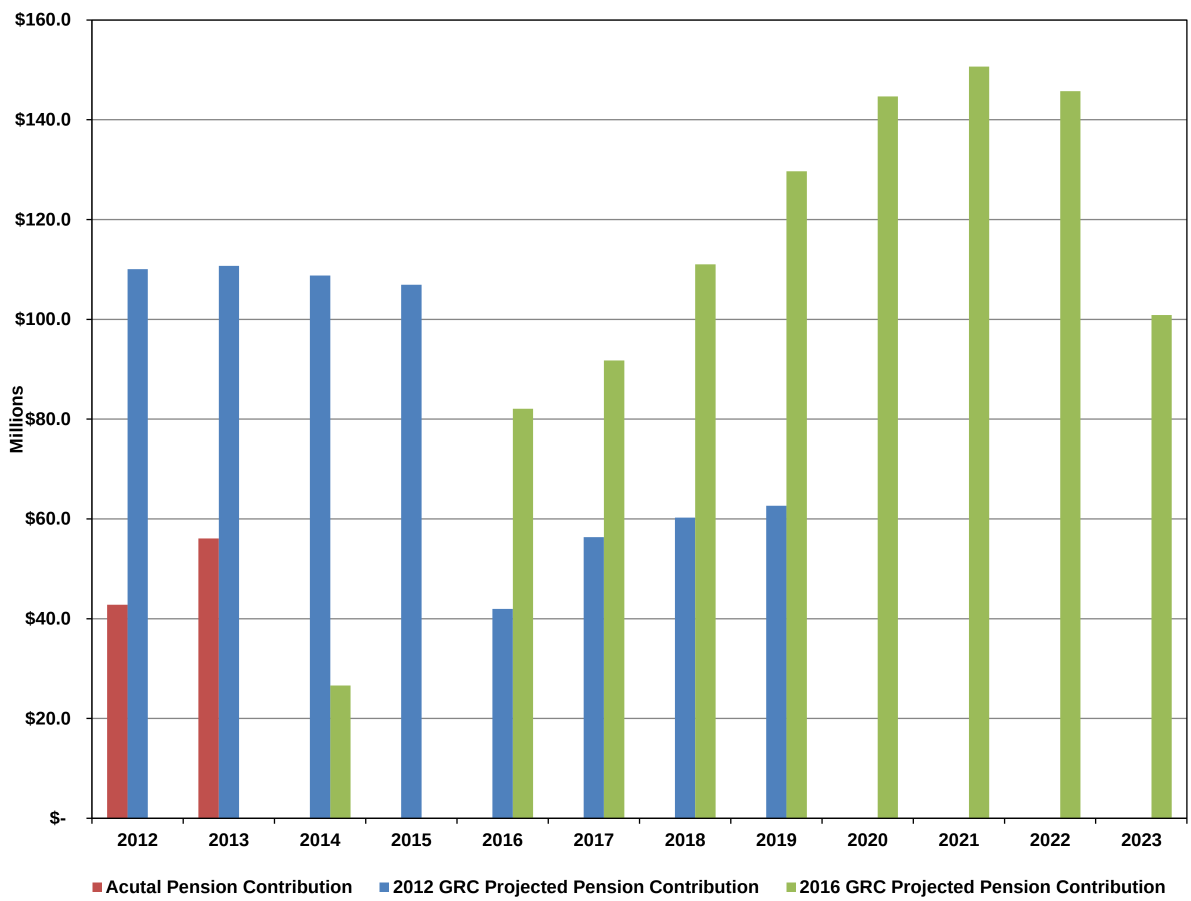
- **Effective interest rate -** 6.08% and 6.02%, for SoCalGas and SDG&E, respectively, per page 12 of Exhibits No. SCG-22-WP and SDG&E-23-WP.
- **Forecasted active participant headcount -** 8,418 and 4,795 for SoCalGas and SDG&E, respectively, ion 2016 per page 11 of Exhibits No. SCG-22-WP and SDG&E-23-WP.
- **Demographics of plan participants** – see pages DS-1 of SCG-22 and SDG&E section A1 on lines 12 to 17 for differences.
- **Defined benefit for SCG Union employees** – see Section A2, lines 19 to 28, on page DS-1 of SCG-22 for a description of this benefit.
- **Other actuarial assumptions and methods and plan provisions** – please compare differences noted in the following sections of the 2014 actuarial

Response to Question 1c (Continued)

valuations provided for SCG in question 10 below and question 10 in TURN-SDG&E-DR-11:

i. Section 2: Actuarial Exhibits
ii. Section 3: Participant Data
iii. Appendix A: Statement of Actuarial Assumptions and Methods
iv. Appendix B. Summary of Plan Provisions

d. The forecasted values on page 11 of Exhibit No. SCG-22-WP and in Table 1 in the testimony are correct. The 2016 GRC Projected Pension Contributions in Chart 4 of the testimony reflects the values from the NOI filing and were not updated to reflect the forecasted 2016 amounts in the pages referred to above. Chart 4 below has been revised with the forecasted values on Table 1 of the testimony and page 11 of Exhibit No. SCG-22-WP.



The forecasted Employee Pension costs reflected in the workpapers which are calculated by Company's actuary, Towers Watson, are not included in the RO model.

Response to Question 1e (Continued)

e. As stated above the amounts in Chart 4 and Sheet SCG-22 in 'ORA Request 4_B summary SCG.xlsb' were the amounts requested in the NOI. The amounts forecasted for 2015 and 2016 in the workpapers and the corresponding revision of Chart 4 above provides the best estimate for Employee Pension expense in those years.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

2. Please identify the recorded, 2014 values for Chart 2 on p. DS-5 of the testimony in SCG-22.

SoCalGas Response:

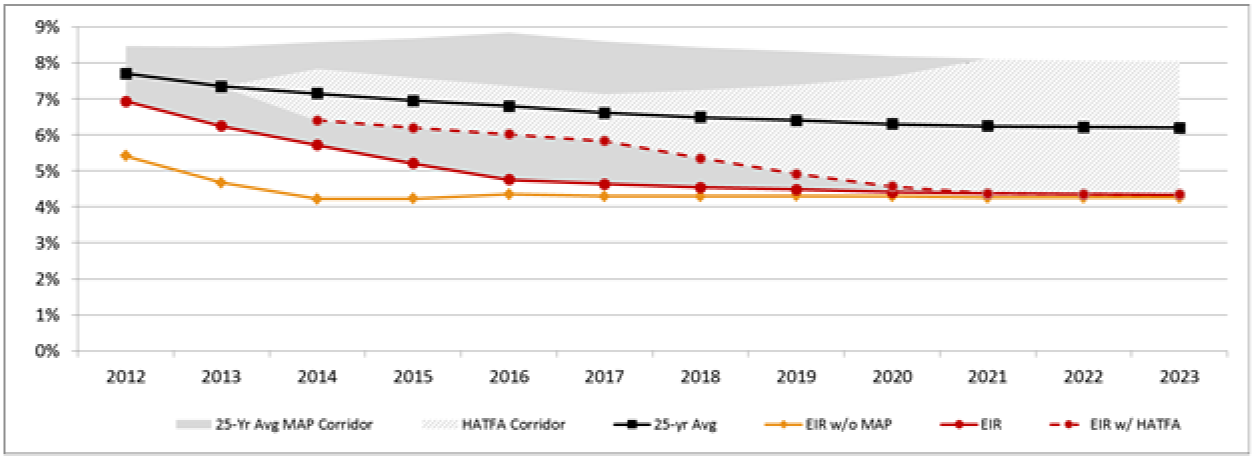
The 2014 recorded value for contributions in Chart 2 on p. DS-5 of the testimony is $26.6 million. The actual 2014 benefit payments, which are not a recorded expense, were $160.7 million. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SoCalGas' forecasts or within the scope of this case, SoCalGas is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

3. Regarding Chart 3 on p. DS-6 of SDG&E-22, please extend the chart to include SolCalGas's assumptions for 2012 and 2013 for each of the items in the chart's legend.

SDG&E Response:

Below is Chart 3 extended to include the assumptions for 2012 and 2013. Note that HAFTA was effective in 2014 and therefore there is no data for EIR w/HAFTA in 2013 and 2012 on the chart.



4. At SCG-22, p. DS-7 (lines 1-5), SoCalGas states:

"The 2013 EIR was 6.31%, which is only slightly higher than the projected 6.08% [effective interest rate (EIR)] for 2016 under HATFA. However, both are significantly higher than the 4.34% EIR projected in 2023. Higher EIRs resulted in lower required minimum contribution for 2012 and 2013 as noted in Chart 4 below. Assuming all other variables are constant, a reduction in EIR would increase minimum required contributions."

a. Does SoCalGas's 2016 Employee Pension expense forecast align with its expectations of the EIR in 2015 and 2016? If not, why not and what would be the 2016 Employee Pension expense forecast if were to align with SoCalGas's expectations for the 2015 and 2016 EIRs?
b. Is SoCalGas's 2016 Employee Pension expense based in part on the PPA funding requirement in 2021? In other words, would the forecasted expense be lower if the PPA requirement in 2021 was lower, or is the expense based solely on 2016 assumptions and requirements? Please explain.

SoCalGas Response:

a. The forecast of SoCalGas' 2016 Employee Pension expense aligns with the EIRs on page 11 of Exhibit No. SCG-22-WP for 2015 and 2016. The EIR is calculated each year according to federal law as stated on lines 6 to 10 page DS-6 of SCG-22 as follows: "Congress enacted an extension of the funding stabilization provisions of MAP-21 in 2014 under the Highway and Transportation Funding Act ("HATFA"). This subsequent legislation, signed into law on August 8, 2014, has the effect of increasing funding interest rates for the plan and lowering minimum contributions over the next few years." Lines 11 to 19 and Chart 3 on that same page further explain how MAP-21 and HATFA dictate the calculation of the EIR.

b. The SoCalGas 2016 Employee Pension expense is forecasted according to current federal law including the Employee Retirement Income Security Act of 1974 ('ERISA'), and PPA as modified by MAP-21 and HAFTA.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
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DATE RESPONDED: APRIL 30, 2015

5. Please assume for purposes of this question that neither the 21st Century Act (MAP-21) nor the Highway and Transportation Funding Act (HATFA) had been enacted.
   a. Identify the amounts that SoCalGas would have contributed to Employee Pension in each year, 2012-2014, had it faced a minimum contribution consistent with the EIRs assumed under the Pension Protection Act of 2006 (PPA).
   b. Had SoCalGas made the contributions that were consistent with the PPA, please estimate the annual contributions that would have been necessary in 2015-2023 to achieve minimum PPA funding in each year.

SoCalGas Response:

a. SoCalGas does not have these amounts that would have been contributed to Employee Pension during the period 2012-2014, had PPA not been modified by MAP-21 and HAFTA. SDG&E's actuary would have to develop a model to provide this information.

b. See the response to Question 5a. above as it applies to the amounts requested for 2015 to 2023.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

6. Please assume for purposes of this question that the Highway and Transportation Funding Act (HATFA) had <u>not</u> been enacted (but that the 21st Century Act (MAP-21) was enacted).

   a. Identify the amounts that SoCalGas would have contributed to Employee Pension in each year, 2012-2014, had it faced a minimum contribution consistent with the EIRs assumed under the MAP-21.
   b. Had SoCalGas made the contributions that were consistent with the PPA (in the hypothetical absence of the MAP-21), please estimate the annual contributions that would have been necessary in 2015-2023 to achieve minimum MAP-21 or PPA funding (i.e., whichever is relevant in the given year) in each year.

SoCalGas Response:

a. HAFTA was enacted in 2014 and the actual Recorded-Adjusted (Nominal $) amounts provided on page 7 of Exhibit No. SCG-22 for 2012 and 2013 are post MAP-21 and its enactment. SoCalGas does not have the amount that would have contributed to Employee Pension in 2014 as this is not required under current federal law. SoCalGas' actuary would have to develop a model to provide this information.

b. See the response to Question 6a. above for 2014 as it applies to the amounts requested for 2015 to 2023.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
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7. Please provide a copy of the Towers Watson's analysis that supports SoCalGas's forecasts.

SoCalGas Response:

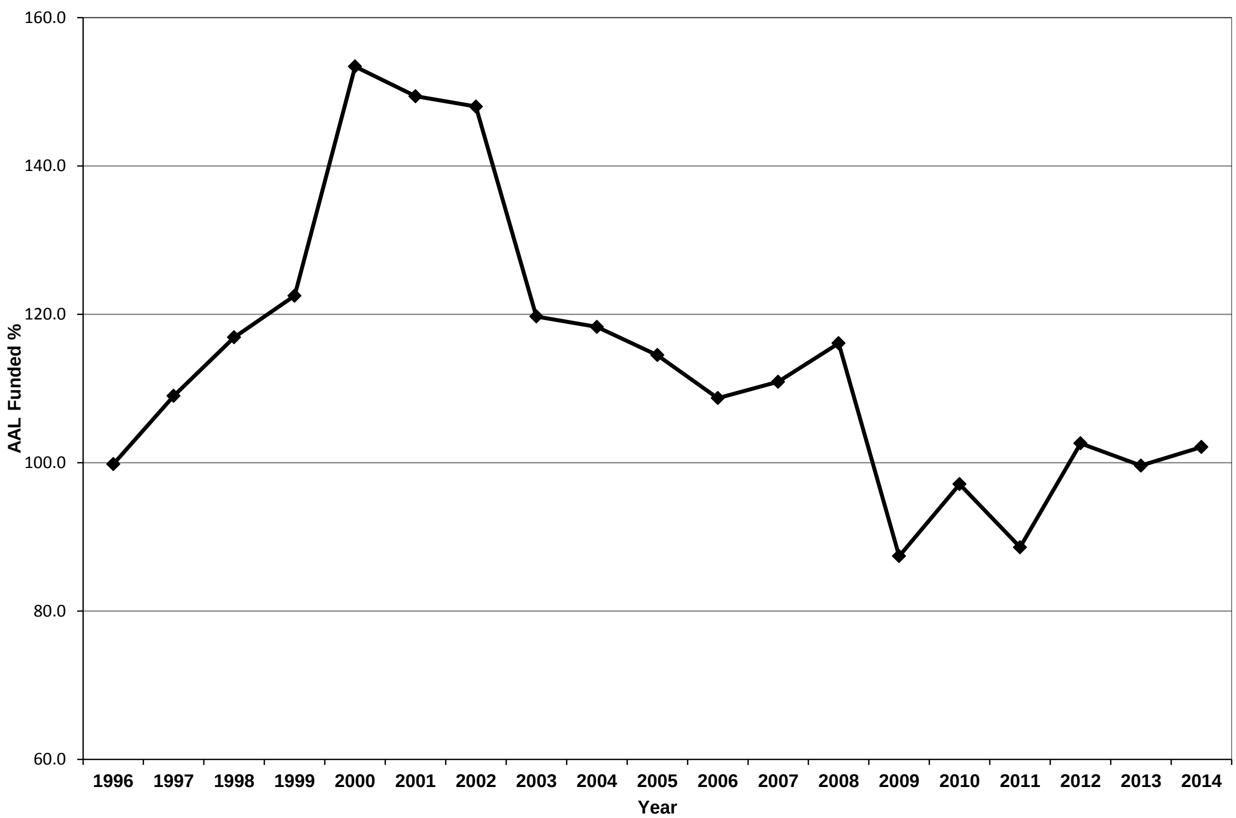
Towers Watson, the Company's actuary, uses a proprietary model to calculate the forecast and therefore this cannot be provided. The assumptions used in their model to calculate the forecast can be found on pages 11 and 12 of Exhibit No. SCG-22-WP.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

8. Regarding Chart 5 on p. DS-8 of SCG-22, please update it to include the 2014 value (based on recorded data).

SoCalGas Response:

Below is the updated version of Chart 5 that includes the 2014 recorded value. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SoCalGas' forecasts or within the scope of this case, SoCalGas is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.



TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
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9. Regarding Table 2 on p. DS-9 of SCG-22, please provide the actual values for 2014 (i.e., the entire year).

SoCalGas Response:

The 2014 actual values for the elements in Table 2 are provided below. The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SoCalGas' forecasts or within the scope of this case, SoCalGas is providing 2014 data in the spirit of cooperation without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.

Table 2 – Pension Plan Investment Returns: 2014

Year	Investment Policy Benchmark	Master Trust Actual	S&P 500	Barclay's Aggregate Bond
2014	7.6%	8.3%	13.7%	6.0%

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
DATE RESPONDED: APRIL 30, 2015

10. Please provide a copy of the Actuarial Valuation Reports for both the Pension and PBOP plans for the plan year beginning January 1, 2014.

SoCalGas Response:

See attachments: "Attachment TURN SCG-DR-13 Question 10 a.pdf" and "Attachment TURN SCG-DR-13 Question 10 b.pdf".

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 16, 2015
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11. Please provide updated versions of the tables found on pages 11, 12, 20, and 21 of SCG-22-WP.

SoCalGas Response:

Please see "Attachment TURN SCG-DR-13 Question 11.pdf". The GRC forecast was developed according to the Rate Case Plan, which does not contemplate the use of 2014 recorded data and the forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although SoCalGas provided that data in the spirit of cooperation, the utility is not permitted to revise its forecasts, either up or down, once the application is filed.

TURN DATA REQUEST
TURN-SCG-DR-13
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
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12. Assume for purposes of this question that for purposes of the development of the authorized revenue requirement for the 2016 test year the Commission adopts a lower employee count for 2016 than is assumed by SoCalGas for purposes of its pension-related actuarial analysis. Please describe the process that SoCalGas will use to adjust the Employee Pension forecast to reflect the lower forecast of employee count. If SoCalGas has no such process in place, please explain why it does not.

SoCalGas Response:

SoCalGas would use Towers Watson, its outside actuary, to reforecast the Employee Pension expense through their proprietary model to adjust for changes in headcount.