

CFC DATA REQUEST
CFC-Sempra-2019 #16
SOCALGAS 2019 GRC – A.17-10-008
SDG&E 2019 GRC – A.17-10-007
DATE RECEIVED: APRIL 26, 2018
DATE RESPONDED: MAY 10, 2018

1. SCG-29, Appendix 'E,' page 32, features a table listing Sample Large Losses for Industry - 10 Year:

Utilities Sector - Energy

Companies engaged in the generation, transmission and distribution of electricity including the transmission or distribution of gas.

Sample Large Losses for Industry - 10 year

Date of Loss	Loss Details	Location	Incurred Amount
2007	Water from hydroelectric power plant damaged nearby property	USA	\$173 million
2007	Wildfire	USA	\$2.2 billion
2007	Utility company vessel crashed into anchored oil tanker causing oil spill	China	\$142 million
2007	Wildfire	USA	\$370 million
2008	Impoundment failure	USA	\$1.1 billion ¹
2015	Wildfire	USA	\$750 million ¹
2015	Gas leak caused explosion at residence resulting in third party property damage and several injuries	USA	Pending
2015	Natural gas leak resulted in alleged illnesses and mandatory evacuation of a few thousand families	USA	\$717 million ⁴
2016	Gas build up in apartment basement lead to explosion and fatalities	USA	Pending
2016	Dam/Reservoir spillway release alleged to contribute to the flooding damage of hundreds of homes	USA	Pending

¹Inclusive of 1st Party Property Damage ²Civil Claims Pending ³Inclusive of 1st Party Property Damage and or Economic Loss

⁴Estimate

- a. Please explain whether the \$717 million for Aliso Canyon included the cost of lost gas.
- b. Please explain whether lost gas is fully, partially, or not covered by company property insurance. If not, how is it covered?

SDG&E and SoCalGas Response 01:

- a. The companies do not have access to the detailed Chubb loss data. Please refer to our latest SEC filing for current loss estimates for the Aliso Canyon incident. (<http://investor.sempra.com/sec.cfm>)

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SDG&E and SoCalGas Response 01:-CONTINUED

- b. Lost gas is generally covered under our Primary and Excess property insurance program.

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2. SCG-29, page NKC-1 states that...

"...our 2019 estimates are based on our loss history, input from our primary insurance broker Marsh, and expected insurance market conditions."

a. What were the most significant loss events (in terms of affecting loss history) endured by each of i) SoCalGas, ii) SDG&E, over the past 10 years? Please explain.

SDG&E and SoCalGas Response 02:

a. Property and Liability insurance premiums are generally influenced by several factors, which include Sempra-specific factors, insurer concerns with the CA legal environment (e.g. inverse condemnation), the global insurance marketplace, and changes in available insurance capacity. Significant worldwide insurance losses can negatively impact premiums. Notable events in the last five years (a typical period of time to consider loss events) included the Aliso Canyon incident for SoCalGas and none for SDG&E. Generally, each insurance carrier uses proprietary models to calculate their required premiums for each specific insured. Insurers typically do not disclose premium impacts associated with specific insured losses.

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3. SCG-29, Table NKC-2, shows proposed Property Insurance increases for each of SCG and SDG&E:

TABLE NKC-2						
Property Insurance						
Test Year 2019 General Rate Case						
Testimony Table						
<i>(2016 \$ - 000's)</i>						
Services Provided	Corporate Center			Utility Allocations		
	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019	Base Year 2016	2016-2019 Incr/(Decr)	Forecast 2019
A-1 Primary	6,082	3,075	9,157	4,796	1,612	6,409
A-2 Excess	4,941	5,253	10,194	4,359	4,549	8,908
A-3 Other Property	1,136	(184)	953	961	(202)	759
Total	\$12,160	\$8,144	\$20,304	\$10,117	\$5,959	\$16,076
Allocations						
SDG&E	6,199	3,710	9,910			
So Cal Gas	3,918	2,249	6,166			
Total Utility	10,117	5,959	16,076			
Global / Retained	2,043	2,185	4,228			
Total	\$12,160	\$8,144	\$20,304			

The tabled figures indicate a 14.6% increase for Primary Property Insurance.

In SCG-35, the Depreciated Rate Base for SCG (?) is shown as having increased by 14.1%. In contrast, Table NKC-2 indicates Property Insurance increases for each operating company that works out to an annualized 16.9% for SDG&E, and 16.3% for SCG.

- a. Please explain why the company-centric premium increases are notably higher than the associated rate base increases

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SDG&E and SoCalGas Response 03:

Depreciated Rate Base is calculated differently and does not correlate directly to Primary property insurance premiums. Please refer to SCG-35 for information on how Depreciated Rate Base is calculated. Property insurance premiums are generally calculated by multiplying rate times total insured values (Values). The program rate is generally influenced by a myriad of factors including market competition and business unit operations. We utilized a forecast provided by Marsh to forecast Primary property rate changes.¹ Values are based on the replacement cost value of our assets as our property insurance provides coverage on a replacement cost basis. Year-over-year escalations for each asset class are generally based on the Handy-Whitman index. The Handy-Whitman index is tailored to the utility industry and is generally accepted by utility insureds as the preferred cost index. This index calculates cost trends for different types of utility construction by asset class. This index helps approximate the cost/value to replace an asset as that amount can vary year over year. Additionally, Values also increased due to new construction projects and asset improvements.

¹ Refer to Appendix B of SCG 29.