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May 17, 2016

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: San Diego Gas & Electric Company's Annual Filing of Revised Costs and Accruals for Post-Employment Benefits Other than Pensions, Docket No. ER16-___

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,[1] Section 35.13 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,[2] and San Diego Gas & Electric Company's ("SDG&E") fourth Transmission Owner ("TO") Formula rate mechanism ("TO4 Formula" or "TO4 Formula Rate"),[3] SDG&E submits this "single-issue" Post-Employment Benefits Other than Pensions ("PBOP") filing ("Filing") to the FERC to recover the PBOP costs recorded in 2015.

This Filing updates SDG&E's change in PBOB expense contained in the TO4 Formula ("Cycle 1")[4] to reflect change in expense for 2015, the TO4 Cycle 4 Base Period.

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1 16 U.S.C. § 824d (2015).

2 18 C.F.R. § 35.13.

3 The Commission approved the Offer of Settlement (Settlement) embodying the TO 4 Formula by Letter Order dated May 27, 2014 in *San Diego Gas & Electric Company,* 147 FERC ¶ 61,150 (2014). The PBOP provisions are contained in the Settlement, Article I, Section 1.8., and the TO4 Formula (Appendix VIII, Section B.57 and the Formula Rate Protocols, Section D.1).

4 The term "Cycle" refers to the specific Information Filing (or annual filing) submitted under the TO4 Formula. The term "TO4 Cycle 4" refers to the fourth Informational Filing submitted in the TO4 Formula. The capitalized terms have the meaning ascribed to them in SDG&E's TO Tariff or in this Filing.

The proposed impact of the revised PBOP expense and its impact on the Base Transmission Revenue Requirements ("BTRR") will be reflected in the TO4 Cycle 4 Formula Rate Informational Filing, which will be filed on December 1, 2016, to become effective January 1, 2017.

As discussed in greater detail below, SDG&E submits this filing for approval of its 2015 costs and accruals for PBOP, as recorded in FERC Uniform System of Accounts No. 926 ("Employee Pensions and Benefits") ("Account No. 926").

I. NATURE AND PURPOSE OF FILING

SDG&E is making this single-issue filing in accordance with Section D.1. of the TO4 Formula Rate Protocols, which provide:

> If the expense levels for SDG&E's Post-Employment Benefits Other than Pensions ("PBOP"), as recorded in FERC Account No. 926, Employee Pensions and Benefits, change from those expense levels contained in SDG&E's TO4 Filing submitted in Docket No. ER13-941, then:
>
> a. SDG&E may make a single-issue filing under Section 205 of the FPA, to recover such changed PBOP expense pursuant to the TO4 Formula; or
>
> b. Any person may exercise its rights under Section 206 of the FPA to request that the Commission direct SDG&E to reflect any changed PBOP expense pursuant to the TO4 Formula.
>
> c. SDG&E and/or any other person shall retain full rights to oppose such filings under the FPA and in accordance with the Commission's Rules of Practice and Procedure.
>
> d. If there is a change from the PBOP expense levels contained in SDG&E's TO4 Filing and SDG&E elects not to make a filing, SDG&E will provide notice of the change to the Service List as part of its Draft Informational Filing.

This PBOP treatment is consistent with earlier FERC orders requiring utilities that provide service under formulaic "cost of service" rates to file PBOP costs, accrual estimates and funding commitments for Commission review prior to including such amounts in the formula rates.[5] The PBOP costs will be reflected in SDG&E's TO4 Cycle 4 Informational Filing, which will be filed on December 1, 2016.

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[5] *See Boston Edison Co.*, 70 FERC ¶61,222 (1995), and *Maine Yankee Atomic Power Co.*, 68 FERC ¶ 61,375, pp. 62,252-53, *Order on Clarification*, 68 FERC ¶ 61,190, pp. 61,958-59 (1994).

II. LIST OF DOCUMENTS SUBMITTED

This filing consists of the following documents:

1. Transmittal Letter;

2. Exhibit No. SDG-1 - Towers Watson Actuarial Report dated January 2016 for 2015 recorded PBOP costs;

3. Exhibit No. SDG-1-1 - "Change in Net Periodic Cost and Funded Position" (from 2014 to 2015) - excerpt from Exhibit No. SDG-1;

4. Exhibit No. SDG-2 - Derivation of 2015 Costs Used in the Transmittal Letter to Support Annual FERC PBOP Costs for the TO4 Cycle 4 Informational Filing for the 12-Month Base Period and True-Up Period (January 2015-December 2015); and

5. Exhibit No. SDG-2-1 - Work papers for Exhibit SDG-2.

III. SDG&E'S 2015 PBOP FILING

The Towers Watson annual Actuarial Report, dated January 2016, reflects recorded PBOP costs for 2015, the TO4 Cycle 4 Base Period. The Actuarial Report is attached as Exhibit No. SDG-1. More particularly, for 2015, SDG&E's total year-end PBOP expense per the actuarial valuation is $7,357,561 as shown in Exhibit No. SDG-1-1. This amount compares to the 2014 costs of $13,882,705, which was the as-filed starting basis of costs in last year's PBOP filing in Docket No. ER15-1798-000. The net decrease of $6,525,144 in cost from 2014 to 2015 was due primarily to 2014 having included a one-time cost of $5,404,300 in an additional Voluntary Retirement Enhancement Program ("VREP") window, in which employees participating in the VREP were each given a health reimbursement account in the amount of $50,000 per eligible employee. Exhibit No. SDG-1-1 provides a listing and explanation of the factors contributing to the net decrease from 2014 to 2015.

Exhibit No. SDG-2, demonstrates how PBOP costs are derived and assigned to various Sempra Energy affiliates and ultimately to SDG&E's Electric Transmission Division for the Base Period and True-Up Period (January 2015 through December 2015).

After adjusting for capitalized costs and billings to others, $3,871,671 of PBOP costs remains in Account No. 926 (line 15). This amount supports both SDG&E's Electric and Natural Gas operations. The amount of this expense that is allocated to the Electric Division is $2,940,921 (line 17). This expense will be included in SDG&E's A&G expenses as part of Account No. 926 expenses, and reflected in the TO4 Cycle 4 Informational Filing for the 2015 Base Period and True-Up Period (January 2015 through December 2015).

For the TO4 Cycle 4 2015 Base Period and True-Up Period (January 2015 through December 2015), the $2,940,921 (line 17) is then allocated on the basis of SDG&E's Transmission

Wages and Salary ratio of 16.95 % to arrive at approximately $498,486 (line 21), which is the amount allocated to transmission service.

IV. REQUEST FOR WAIVER OF FILING AND NOTICE REQUIREMENTS

SDG&E submits this filing for the limited purpose of securing Commission approval of funded and projected PBOP costs and does not propose, by this filing, to amend, supersede or, in any manner, change the provisions of SDG&E's TO4 Formula. This filing does not in and of itself change, in any respect, SDG&E's transmission rates. Given the limited scope of this filing, SDG&E does not believe Part 35 of the Commission's regulations,[6] including Section 35.13,[7] is applicable to this filing. In the event the Commission disagrees, however, SDG&E respectfully requests waiver of such requirements and other relief as may be necessary.

V. COMMUNICATIONS

Correspondence and other communications concerning this filing should be addressed to the following individuals:

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6 18 C.F.R. Part 35 (2013).

7 *Id*., §35.13.

SDG&E requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure,[8] to the extent necessary to permit each of the individuals identified above to be placed on the Commission's official service list in this proceeding.

SDG&E has served this Filing on all parties to Docket Nos. ER13-941 and ER15-1798. SDG&E has also served this Filing on the CPUC, the CAISO and CAISO Participating Transmission Owners.

VI. CONCLUSION

SDG&E respectfully requests that the Commission review and approve the funded and projected PBOP costs reflected in this filing, consistent with the terms of SDG&E's TO4 Formula. SDG&E will include the approved 2015 PBOP costs in the TO4 Cycle 4 Informational Filing on December 1, 2016, to become effective January 1, 2017.

Respectfully submitted,

<u>/s/ Georgetta J. Baker</u>

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gjb/

Enclosures

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[8] 18 C.F.R. §385.203 (b)(3) (2013).

San Diego Gas & Electric Company

Exhibit No. SDG-1

2015 Actuarial Valuation Report

San Diego Gas & Electric Company

Postretirement Health and Life Plans

Actuarial Valuation Report Postretirement Welfare Cost for Fiscal Year Ending December 31, 2015 Employer Contributions for Plan Year Beginning January 1, 2015

January 2016

TOWERS WATSON

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Purposes of valuation

Sempra Energy (the Company) engaged Towers Watson Delaware Inc. ("Towers Watson") to value the Company's other postretirement benefit programs.

As requested by Sempra Energy, this report documents the results of an actuarial valuation of the Postretirement Welfare Plans for US Employees of Sempra Energy (the Plan).

The primary purpose of this valuation is to determine the following:

(1) The value of benefit obligations as of January 1, 2015 and Net Periodic Postretirement Benefit Cost/(Income), in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715) for the fiscal year beginning January 1, 2015. It is anticipated that a separate report will be prepared for year-end financial reporting purposes.

(2) Plan reporting information in accordance with FASB Accounting Standards Codification Topic 965 (ASC 965).

(3) Expected contributions under the plan sponsor's funding policy for the 2015 plan year.

(4) The estimated maximum tax-deductible contribution for the tax year in which the 2015 plan year ends as allowed by the Internal Revenue Code. The maximum tax deductible contribution should be finalized in consultation with Sempra Energy's tax advisor.

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. The expected contribution to the other postretirement benefits plan(s) has been set as described in this report. Note that any significant change in the amounts contributed or expected to be contributed in 2015 will require disclosure in the interim financial statements.

2. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation. See Subsequent Events in the Basis for Valuation section below for more information.

3. The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future contributions to the plan. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, claims costs and demographic experience different from assumed, changes in interest rates and trend rates, future benefit accruals and other factors will all affect the need for and amount of future contributions. In addition, because this plan is not required by law to be funded, benefit payments may also be paid as they come due directly from employer assets.

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Section 1: Summary of key results

Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		January 1, 2015		January 1, 2014	
Benefit Cost/ (Income)	Net Periodic Postretirement Benefit Cost/(Income)	7,357,561		8,478,405	
	Immediate Recognition of Benefit Cost/(Income) due to Special Events	0		5,404,300[1]	
	Total Benefit Cost/(Income)	7,357,561		13,882,705	
Measurement Date		**January 1, 2015**		**January 1, 2014**	
Plan Assets	Fair Value of Assets (FVA)	163,947,491		145,773,523	
	Market Related Value of Assets (MRVA)	163,947,491		145,773,523	
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	190,039,357		175,850,177	
Funded Status	Funded Status	(26,091,866)		(30,076,654)	
Accumulated Other Comprehensive (Income)/Loss (AOCI)	Net Prior Service Cost/(Credit)	18,598,176		21,501,986	
	Net Loss/(Gain)	(14,964,590)		(13,883,612)	
	Total Accumulated Other Comprehensive (Income)/Loss	3,633,586		7,618,374	
Assumptions	Discount Rate	4.15%		5.00%	
	Expected Long-term Rate of Return on Plan Assets[2]	4.00%/7.00%		4.00%/7.00%	
		Pre-65	Post-65	Pre-65	Post-65
	Current Health Care Cost Trend Rate	7.75%	5.25%	8.25%	5.50%
	Ultimate Health Care Cost Trend Rate	5.00%	4.50%	5.00%	4.50%
	Year of Ultimate Trend Rate	2020	2020	2020	2020
Census Date		January 1, 2015		January 1, 2014	
Plan reporting (ASC 965) for Plan Ending		**December 31, 2014**		**December 31, 2013**	
	Present value of accumulated benefits	190,039,357		175,850,177	
	Market value of assets	163,947,491		145,773,523	
	Plan reporting discount rate	4.15%		5.00%	
Employer Contributions		**Plan Year 2015**		**Plan Year 2014**	
Cash Flow[3]	Funding policy contributions	7,357,561		13,882,705	
	Maximum tax deductible contributions[4]				
	Pay-as-you-go (PAYG)[5]	405,162			
	Non-Union VEBA	1,334,402		1,534,593	
	Union VEBA (pre 7/1/2008)	460,087		0	
	Union VEBA (post 7/1/2008)	0		1,789,842	
	401(h)	5,523,056		11,434,433	
	Total	7,722,707		14,758,868	
	Expected benefit payments and expenses net of participant contributions	7,871,090		7,172,140	

[1] A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window. Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4.40%.

[2] Assumed pre-tax rate of 7.00% for the 401(h) trust and Union (post 7/1/2008) VEBA and post tax rate of 4.00% for the Non-Union and Uinon (pre-7/1/08) VEBAs.

[3] *401(h) is trust designated to pre-fund non-union retiree health benefits, union health benefits from 2018 onward for pre 7/1/2008 retirees and Non-Union VREP* HRA benefits. The Union VEBA (post 7/1/08) is designated to pre-fund union health benefits from 2018 onward for retirees on and after 7/1/2008 and HRA and Union VREP HRA benefits. The Non-Union VEBA is designated to pre-fund non-union life insurance benefits, until the trust is exhausted. The Union VEBA (pre-7/1/08) is designated to pre-fund union health benefits through the end of 2017 and union life insurance benefits, until the trust is exhausted.

[4] Based on an expected pension contribution of $0 for 2015.

[5] Actual Key employees and non-union life insurance pay-as-you-go (PAYG) benefit payments.

Employer contributions

Employer contributions are the amounts paid by Sempra Energy to provide for postretirement benefits, net of participant contributions.

Sempra Energy's funding policy is to contribute to the trusts an amount equal to the postretirement benefit cost less contributions made on behalf of key employees and non-union retiree life insurance, not to exceed the maximum tax-deductible limit. Sempra Energy maximizes its contribution to the 401(h) account and Union post-7/1/08 VEBA, then contributes the remainder, if any, to the Non-Union VEBA and Union pre-7/1/08 VEBA. Sempra Energy may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations. For Fiscal 2015, the expected contribution to the trusts under the funding policy is $7,357,561, including the amounts paid from Company assets for key employees and non-union life insurance.

Comments on results

Change in net periodic cost and funded position

The net periodic cost decreased from $8,478,405 (not including one-time cost of $5,404,300) in fiscal 2014 to $7,357,561 in fiscal 2015 and the funded position improved from $(30,076,654) to $(26,091,866).

All monetary amounts shown in US Dollars

	Net Periodic Cost	Funded Position
Prior year	8,478,405	(30,076,654)
Change due to:		
▸ Expected based on prior valuation and contributions during prior year[1]	200,474	8,308,110
▸ Unexpected noninvestment experience	(473,470)	6,621,877
▸ Unexpected investment experience	(57,848)	945,839
▸ Unexpected claims experience	(604,675)	6,373,441
▸ Change in discount rate	417,951	(20,387,639)
▸ Change in spousal coverage, participation, and HRA crediting rate assumptions	(1,101,458)	11,241,441
▸ Mortality improvement	268,468	(3,696,829)
▸ VREP 2014	241,976	(5,404,300)
▸ Impact of plan-to-plan obligation/asset transfers due to business-as-usual transfers	(12,262)	(17,152)
Current year	7,357,561	(26,091,866)

[1] Includes a cost increase of $861,221 for removing a 2014 one-time prior service (credit) and a funded status improvement for the 2014 contribution, which included an additional $5,404,300 due to VREP 2014.

Significant reasons for these changes include the following:

- Actual pre-65 and post-65 claims costs were lower than expected for most plans, which decreased the postretirement welfare cost and improved the funded position.
- The discount rate decreased 85 basis points as of January 1, 2015 compared to the prior year, which increased the postretirement welfare cost and deteriorated the funded position.
- Asset gains that occurred during Fiscal 2014 decreased the postretirement welfare cost and improved the funded position.
- Based on a study of plan experience, the assumed percentage of retirees who elect post-retirement medical/Rx coverage and the percentage of retirees who also elect to cover their spouse were decreased (see Appendix A for details), which decreased the postretirement welfare cost and improved the funded position.
- The mortality assumption was updated, as described in Appendix A, which increased the postretirement welfare cost and deteriorated the funded position.
- A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window.

Effects of Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act (PPACA) and Health Care and Education Reconciliation Act (HCERA) were enacted. The key aspects of the Acts affecting the Company's benefit obligation and cost of providing retiree medical benefits are:

- Changes to the Prescription Drug Plan and Medicare Advantage programs beginning in 2011, and extending through 2020
- Excise ("Cadillac") tax on high-cost plans beginning in 2018

Sempra provides most of its employer subsidy in the form of a defined dollar benefit. Once the premium exceeds Sempra's stated benefit level, the retirees pay the difference between the premium amount and the subsidy. Under this arrangement, Sempra's obligation doesn't change with the excise tax under health care reform on high-cost plans beginning in 2018, since in 2018 the premium both before and after inclusion of the excise tax will exceed Sempra's defined dollar benefit.

This valuation reflects our understanding of the relevant provisions of PPACA and HCERA. The IRS has yet to issue final guidance with respect to many aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. The most recent plan change reflected in this valuation was effective on January 1, 2014. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

Changes in assumptions

- The discount rate changed from 5.00% as of January 1, 2014 to 4.15% as of January 1, 2015.
- The HRA interest crediting rate changed from 3.80% to 3.04%.
- Percent of retirees electing post-retirement medical/Rx coverage was updated to the following:
  - Pre-65: 80% (85% as of January 1, 2014)
  - Post-65: 70% (75% as of January 1, 2014)
- Percent of retirees who elect post-retirement medical/Rx coverage who also elect to cover their spouse:
  - Males: 80% (percent based on Union/Nonunion status and Tier as of January 1, 2014)
  - Females: 50% (percent based on Union/Nonunion status and Tier as of January 1, 2014)
- Mortality was updated as follows:
  - Pre-retirement: Mortality was updated to the RP-2014 "Employee" tables, no collar adjustment, with MP-2014 generational mortality improvement scale.
  - Post-retirement: Mortality was updated to a Sempra specific RP-2014 table using an adjusted MP-2014 projection scale reflecting a long-term improvement rate of 1% which trends down to 0% from age 85 to age 95, with convergence to the 1% long-term rate by 2027.
- Sempra updated its discount rate assumption to 6.50% for pre-tax trust funding calculations (based on expected geometric average returns). Maximum tax-deductible limits for trust funding in 2015 reflect this updated 6.50% discount rate. Sempra will retain its expected long-term rate-of-return assumption of 7.00% for pre-tax trusts and 4.00% for post-tax trusts for ASC 715 accounting (arithmetic average of 20 years' one-year return).

Changes in methods

No such changes have occurred.

Changes in benefits valued

The Company contribution for surviving spouses under age 65 changed from 50% of the cost for certain survivors to the monthly fixed $300 contribution ($600 with dependents) for all under-65 surviving spouses. This change was less than 0.1% of APBO; thus, in accordance with Sempra's policy, no prior service cost base was established.

Plan-to-plan Transfers

During 2014 the benefit obligation transferred due to business-as-usual transfers was less than 1% of the plan's benefit obligations. Consistent with Sempra's past practices, no outstanding amortization bases were transferred. In connection with these transfers, as well as transfers into this plan, Sempra is transferring assets between the plans. The amount of assets transferred is based on the funded status of the transferring plan as of December 31, 2014.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Sempra Energy and, based on that review, is not aware of any significant benefits required to be valued that were not.

Subsequent events

There were no material events that occurred after the measurement or valuation date.

Additional information

To our knowledge, there were no material issues (e.g., settlements, curtailments, plan mergers, acquisitions, divestitures, etc.) that have not been accounted for in this valuation.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However, please note the information discussed below regarding this valuation.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by the Company and other persons or organizations designated by the Company. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by the Company, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is January 1, 2015. The benefit obligations were measured as of January 1, 2015 and are based on participant data as of the census date, January 1, 2015.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by the Company. The Company also provided information about the general ledger account balances for the other postretirement benefit plan cost at December 31, 2014, which reflect the expected funded status of the plans before adjustment to reflect the funded status based on the year-end measurements, and differences between the expected Medicare Part D subsidies and amounts received during the year. Towers Watson used information supplied by the Company regarding postretirement benefit asset, postretirement benefit liability and amounts recognized in accumulated other comprehensive income as of December 31, 2014. This data was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for tax effects. Any tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the other postretirement benefit cost and other financial reporting have been selected by the Company. Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the January 1, 2015 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated January 12, 2015 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its auditors in connection with our actuarial valuation of the other postretirement benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.

Suzanne Wyatt, FSA, EA (Valuation Actuary)
Senior Consulting Actuary

Cory Misterek, ASA, MAAA (Pricing Specialist)
Senior Consulting Actuary

Keith Handley, FSA, MAAA (Valuation Actuary)
Senior Consulting Actuary

Towers Watson Delaware Inc.

January 2016

The Pricing Specialist is responsible for developing and/or determining the reasonableness of retiree welfare plan trend and participation assumptions as well as assumed per capita claims costs (including the aging/morbidity assumption if applicable). The Valuation Actuary is responsible for other aspects of the valuation (e.g., developing and/or reviewing the reasonableness of other valuation assumptions and methods, ensuring that the valuation model reasonably reflects the substantive plan and actual plan operation, preparing demographic data, performing the valuation, implementing the correct accounting or funding calculations, etc.).

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Section 2: Accounting exhibits

2.1 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Measurement Date			01/01/2015		01/01/2014
A	**Development of Balance Sheet Asset/(Liability)**[1]				
	1 Accumulated postretirement benefit obligation (APBO)		190,039,357		175,850,177
	2 Fair value of assets (FVA) [2]		163,947,491		145,773,523
	3 Net balance sheet asset/(liability)		(26,091,866)		(30,076,654)
B	**Current and Noncurrent Allocation**[3]				
	1 Noncurrent asset		0		0
	2 Current liability		0		0
	3 Noncurrent liability		(26,091,866)		(30,076,654)
	4 Net balance sheet asset/(liability)		(26,091,866)		(30,076,654)
C	**Accumulated Other Comprehensive (Income)/Loss**				
	1 Net prior service cost/(credit)		18,598,176		21,501,986
	2 Net loss/(gain)		(14,964,590)		(13,883,612)
	3 Accumulated other comprehensive (income)/loss[4]		3,633,586		7,618,374
D	**Assumptions and Dates**				
	1 Discount rate		4.15%		5.00%
	2 Current health care cost trend rate	Pre-65 7.75%	Post-65 5.25%	Pre-65 8.25%	Post-65 5.50%
	3 Ultimate health care cost trend rate	5.00%	4.50%	5.00%	4.50%
	4 Year of ultimate trend rate	2020	2020	2020	2020
	5 Census date		01/01/2015		01/01/2014

1 Whether the amounts in this table that differ from those disclosed at year-end must be disclosed in subsequent interim financial statements should be determined.

2 Excludes receivable contributions.

3 The current liability (for each underfunded plan) was measured as the benefits expected to be paid over the next 12 months in excess of the fair value of the plan's assets at the measurement date.

4 Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Changes in liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2015	01/01/2014
A	**Change in Accumulated Postretirement Benefit Obligation (APBO)**		
1	APBO at beginning of prior fiscal year	175,850,177	190,734,649
2	Employer service cost	6,585,331	8,254,352
3	Interest cost	9,078,119	8,035,124
4	Actuarial loss/(gain)	(152,291)	(18,488,692)
5	Plan participants' contributions	0	0
6	Benefits paid from plan assets[1]	(5,960,575)	(5,043,565)
7	Benefits paid from the Company[1]	(512,016)	(399,376)
8	Plan-to-plan transfers	(253,688)	(7,184,139)
9	Administrative expenses paid[2]	0	0
10	Plan change	0	247,837
11	Acquisitions/(divestitures)	0	0
12	Curtailments	0	0
13	Settlements	0	0
14	Special/contractual termination benefits	5,404,300	2,570,964
15	Plan provisions update	0	(2,876,977)
16	APBO at beginning of current fiscal year	190,039,357	175,850,177
B	**Change in Plan Assets**		
1	Fair value of assets at beginning of prior fiscal year	145,773,523	125,057,468
2	Actual return on assets	11,034,694	18,098,354
3	Employer contributions	13,882,705	14,193,202
4	Plan participants' contributions	0	0
5	Benefits paid[1]	(6,472,591)	(5,442,941)
6	Administrative expenses paid	0	0
7	Transfer of assets	(270,840)	(6,132,560)
8	Acquisitions/(divestitures)	0	0
9	Settlements	0	0
10	Fair value of assets at beginning of current fiscal year	163,947,491	145,773,523

[1] *Net of retiree contributions.*

[2] Only if future expenses are accrued in APBO through a load on service cost.

2.3 Summary of net balances at January 1, 2015

All monetary amounts shown in US Dollars

A Summary of Net Prior Service Cost/(Credit)

	Remaining Amount at January 1, 2015	Remaining Amortization Period	Amortization Amount in 2015	Effect of Curtailments	Other Events
Base 1 (Med)	$ 15,133,958	4.7	$ 3,213,555	$ 0	$ 0
Base 2 (Med)	140,103	6.9	20,374	0	0
Base 1 (Life)	792,736	3.5	226,783	0	0
Base 2 (Life)	673,017	7.5	89,941	0	0
Base 3	13,185	6.7	1,968	0	0
Base 4	543,912	9.4	58,073	0	0
Base 5	5,134	8.0	645	0	0
Base 6	1,081,057	7.8	139,132	0	0
Base 7	(14,441)	3.8	(3,762)	0	0
Base 8	229,515	12.5	18,322	0	0
	$ 18,598,176		$ 3,765,031	$ 0	$ 0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain)[1]

Net Amount at January 1, 2015	Amortization Amount in 2015	Effect of Curtailments	Effect of Settlements	Other Events
$ (14,964,590)	$ 0	$ 0	$ 0	$ 0

[1] See Appendix A for description of amortization method.

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2.4 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending		12/31/2015		12/31/2014	
A	**Total Benefit Cost**				
1	Employer service cost		6,702,637		6,585,331
2	Interest cost		8,003,128		9,078,119
3	Expected return on assets[1]		(11,113,235)		(10,088,855)
4	Subtotal		3,592,530		5,574,595
5a	Net prior service cost/(credit) amortization		3,765,031		3,765,031
5b	One time cumulative cost/(credit) amortization adjustment		0		(861,221)
6	Net loss/(gain) amortization		0		0
7	Amortization subtotal		3,765,031		2,903,810
8	Net periodic postretirement benefit cost/(income)		7,357,561		8,478,405
9	Curtailments		0		0
10	Settlements		0		0
11	Immediate Recognition of Benefit Cost/(Income) due to Special Events		0		5,404,300[2]
12	Total benefit cost		7,357,561		13,882,705
B	**Assumptions[3]**				
1	Discount rate		4.15%		5.00%
2	Long term rate of return on assets[4]		4.00%/7.00%		4.00%/7.00%
3	Current health care cost trend rate	Pre-65	Post-65	Pre-65	Post-65
		7.75%	5.25%	8.25%	5.50%
4	Ultimate health care cost trend rate	5.00%	4.50%	5.00%	4.50%
5	Year of ultimate trend rate	2020	2020	2020	2020
6	Census date		01/01/2015		01/01/2014
C	**Assets at Beginning of Year**				
1	Fair market value		163,947,491		145,773,523
2	Market-related value		163,947,491		145,773,523
D	**Cash Flow[5]**		**Expected**		**Actual**
1	Employer contributions[1]		7,357,561		13,882,705
2	Benefits paid by the Employer (for Key employees and Non-Union retiree life insurance)		405,162		512,016
3	Benefits paid from plan assets, net of participant contributions		7,451,090		5,960,575

1 $405,162 of expected benefit payments are company paid; thus these are included in the contribution amount and not included in the expected return on plan assets.

2 A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window. Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4.40%.

3 These assumptions were used to calculate Net Periodic Postretirement Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

4 Assumed pre-tax rate of 7.00% for the 401(h) trust and Union (post 7/1/2008) VEBA and post tax rate of 4.00% for the Non-Union and Union (pre-7/1/08) VEBAs.

5 Net of Medicare Part D subsidy.

2.5 Detailed results for postretirement welfare cost and funded position

All monetary amounts shown in US Dollars

	Detailed results		January 1, 2015	January 1, 2014
A	**Service Cost**			
1	Medical and dental		6,419,512	6,323,320
2	Life insurance		283,125	262,011
3	Total		6,702,637	6,585,331
B	**Accumulated Postretirement Benefit Obligation [APBO]**			
1	Medical and dental			
	a	Participants currently receiving benefits	55,234,623	45,035,786
	b	Fully eligible active participants	41,020,686	42,091,170
	c	Other participants	79,924,955	76,376,343
	d	Total	176,180,264	163,503,390
2	Life insurance			
	a	Participants currently receiving benefits	6,331,760	5,487,963
	b	Fully eligible active participants	3,916,987	3,645,036
	c	Other participants	3,610,346	3,213,788
	d	Total	13,859,093	12,346,787
3	All benefits			
	a	Participants currently receiving benefits	61,566,383	50,523,749
	b	Fully eligible active participants	44,937,673	45,736,206
	c	Other participants	83,535,301	79,590,222
	d	Total	190,039,357	175,850,177
C	**Assets**			
	1	Fair value [FV]	163,947,491	145,773,523
	2	Investment losses (gains) not yet in market-related value	0	0
	3	Market-related value	163,947,491	145,773,523
D	**Funded Position**			
	1	Overfunded (underfunded) APBO	(26,091,866)	(30,076,654)
	2	APBO funded percentage	86.3%	82.9%
E	**Amounts in Accumulated Other Comprehensive Income**			
	1	Prior service cost (credit)	18,598,176	21,501,986
	2	Net actuarial loss (gain)	(14,964,590)	(13,883,612)
	3	Net transition obligation	0	0
	4	Total	3,633,586	7,618,374

Detailed results			January 1, 2015	January 1, 2014
F	**Effect of Change in Health Care Cost Trend Rate**			
	1	One-percentage-point increase:		
		a Sum of service cost and interest cost	939,841	1,011,979
		b APBO	7,417,522	7,748,311
	2	One-percentage-point decrease:		
		a Sum of service cost and interest cost	(731,955)	(824,414)
		b APBO	(6,155,258)	(6,488,757)

The results above may differ from the amounts disclosed in Sempra Energy's 2014 financial statements because disclosures are prepared before the corresponding valuation results are available.

2.6 ASC 965 (plan reporting) information

All monetary amounts shown in US Dollars

Plan Year Ending			December 31, 2014
A	**Present Value of Benefit Obligations and Funded Status**		
	1	Present value of benefit obligations	
		a Participants currently receiving benefits	61,566,383
		b Other fully eligible participants	44,937,673
		c Other participants	83,535,301
		d Total	190,039,357
	2	Fair value of assets	163,947,491
	3	Effect on obligation of one-percentage-point increase in health care cost trend rate	7,417,522
B	**Changes in Benefit Obligations**		
	1	Postretirement Benefit Obligation	
		a Amount as of December 31, 2013	175,850,177
		b Additional benefits accumulated including effects of noninvestment experience	408,905
		c Effect of time value of money	8,632,668
		d Net benefits paid	(6,472,591)
		e Actuarial (gain) loss on claims	(6,373,441)
		f Change in mortality assumption	3,696,829
		g Change in discount rate assumption	20,387,639
		h Change in other actuarial assumptions	(11,241,441)
		i Plan to Plan transfers	(253,688)
		j VREP 2014[1]	5,404,300
		k Amount as of December 31, 2014	190,039,357
C	**Change in Plan Assets**		
	1	Fair value of plan assets as of December 31, 2013	145,773,523
	2	Actual return on plan assets	11,034,694
	3	Employer contributions	13,882,705
	4	Participant contributions	6,511,586
	5	Benefits paid	(12,984,177)
	6	Transfers from/(to) other plans	(270,840)
	7	Fair value of plan assets as of December 31, 2014	163,947,491

See postretirement cost sharing provisions in Appendix B for retirees' relative share of the plan's estimated cost of providing postretirement benefits.

Actuarial assumptions and methods

The key actuarial assumptions used for plan reporting calculations as of December 31, 2014 are the same as those used to measure benefit obligations for Sempra Energy's year-end 2014 financial reporting. The same plan provisions shown in Appendix B were used to determine the present value of accumulated benefits.

[1] A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window. Based on final acceptance count provided by Sempra on August 7, 2014 (130) and a June 30, 2014 discount rate of 4.40%.

2.7 Maximum deductible employer contributions

All monetary amounts shown in US Dollars

Non-Union 401(h)[1]			January 1, 2015
A	**Section 401(h) Deduction Limit – Aggregate Normal Cost – Preliminary**		
	1	Present Value of Projected Benefits (PVB) excluding key employees	118,954,006
	2	Market value of assets	109,791,784
	3	Present value of future normal costs: [(1)-(2)]	9,162,222
	4	Present value future service	24,303
	5	Normal cost accrual rate: [(3)÷(4)]	377
	6	Number of employees, excluding key employees	3,053
	7	Aggregate normal cost BOY: [(5)x(6)]	1,150,980
	8	Aggregate normal cost with interest to the end of the fiscal year: [(7) x 1.065]	1,225,794
	9	10% of PVB as of the end of the fiscal year	12,136,380
	10	Greater of 10% of PVB or normal cost, but not greater than the end of year unfunded PVB	9,757,766
B	**Section 401(h) Subordination Test - Preliminary**		
	1	Preliminary cumulative subordination limit[2]	76,848,888
	2	Cumulative 401(h) contributions through prior year	71,325,832
	3	Maximum employer contribution to satisfy subordination test [(1)-(2)]	5,523,056
C	**401(h) funding discount rate**		6.50%
D	**Maximum employer contribution - Preliminary**		
	1	Amount – lesser of IRC Section 401(h) Deduction Limit and Subordination Test	5,523,056

[1] 401(h) is trust designated to pre-fund non-union retiree health benefits, union health benefits from 2018 onward for pre 7/1/2008 retirees and Non-Union VREP HRA benefits. The Union VEBA (post 7/1/08) is designated to pre-fund union health benefits from 2018 onward for retirees on and after 7/1/2008 and HRA and Union VREP HRA benefits. The Non-Union VEBA is designated to pre-fund non-union life insurance benefits, until the trust is exhausted. The Union VEBA (pre-7/1/08) is designated to pre-fund union health benefits through the end of 2017 and union life insurance benefits, until the trust is exhausted.

[2] Consists of cumulative subordination limit as of the end of the 2014 plan year, plus one third of the lesser of 2015 pension plan target normal cost, excluding load for administrative expenses, and actual pension contributions for the 2015 plan year. The cumulative subordination limit reflects the impact of plan-to-plan transfers and is based on an expected pension contribution of $0 for 2015. The 2015 target normal cost and pension contributions reflect the funding provisions of the Highway and Transportation Funding Act. These amounts are estimates pending final pension contributions.

All monetary amounts shown in US Dollars

	VEBAs[1]	Non-Union	Union prior to 7/1/2008
A	**Present Value of Projected Benefits (PVB) excluding key employees**	12,435,973	9,347,330
B	**Actuarial value of plan assets**	322,158	4,733,101
C	**Present value of future normal costs: [(A)-(B)]**	12,113,815	4,614,229
D	**Present value of future service**	28,824	13,747
E	**Normal cost accrual rate: [(C)÷(D)]**	420	336
F	***Number of employees, excluding key employees***	3,053	1,318
G	**Aggregate normal cost BOY: [(E)x(F)]**	1,283,079	442,391
H	**VEBA funding discount rate**	4.00%	4.00%
I	**Maximum deductible VEBA contribution EOY: [(G)x(1+H)]**	1,334,402	460,087

	VEBAs[1]	Union post 7/1/2008
A	**Present Value of Projected Benefits (PVB) excluding key employees - Preliminary**	45,307,818
B	**Market value of plan assets**	49,100,448
C	**Unfunded PVB – Maximum tax deductible contribution: [(A)-(B)]**	0
D	**VEBA funding discount rate**	6.50%

[1] 401(h) is trust designated to pre-fund non-union retiree health benefits, union health benefits from 2018 onward for pre 7/1/2008 retirees and Non-Union VREP HRA benefits. The Union VEBA (post 7/1/08) is designated to pre-fund union health benefits from 2018 onward for retirees on and after 7/1/2008 and HRA and Union VREP HRA benefits. The Non-Union VEBA is designated to pre-fund non-union life insurance benefits, until the trust is exhausted. The Union VEBA (pre-7/1/08) is designated to pre-fund union health benefits through the end of 2017 and union life insurance benefits, until the trust is exhausted.

Section 3: Participant data

3.1 Summary of plan participants

All monetary amounts shown in US Dollars

Census Date	January 1, 2015	January 1, 2014
A Participating Employees		
1 Union		
a Fully eligible	132	159
b Other	1,186	1,269
c Total participating employees	1,318	1,428
2 Non-Union		
a Fully eligible	763	761
b Other	2,302	2,481
c Total participating employees	3,065	3,242
3 Total		
a Fully eligible	895	920
b Other	3,488	3,750
c Total participating employees	4,383	4,670
4 Average age		
a Union	45.7	45.5
b Non-Union	47.4	47.0
c Total	46.9	46.5
5 Average credited service		
a Union	17.7	17.4
b Non-Union	14.0	13.5
c Total	15.2	14.7
6 Average future working life		
a to expected retirement age		
1. Union	15.4	15.6
2. Non-Union	13.8	14.1
3. Total	14.3	14.6
b to full eligibility age		
1. Union	15.1	15.4
2. Non-Union	12.3	12.5
3. Total	13.3	13.5

Census Date			January 1, 2015	January 1, 2014
B	***Retirees and Surviving Spouses*[1]**			
	1	Union		
		a Number under 65	75	55
		b Number 65 and older	379	386
		c Total	454	441
		d Number with married/family health care coverage	233	235
		e Number with single health care coverage	221	206
		f Average age	73.8	74.7
	2	Non-Union		
		a Number under 65	265	238
		b Number 65 and older	766	724
		c Total	1,031	962
		d Number with married/family health care coverage	540	509
		e Number with single health care coverage	491	453
		f Average age	71.6	72.0
	3	Total		
		a Number under 65	340	293
		b Number 65 and older	1,145	1,110
		c Total	1,485	1,403
		d Number with married/family health care coverage	773	744
		e Number with single health care coverage	712	659
		f Average age	72.3	72.9

Employee data was supplied by the employer as of the census date. Data on persons receiving benefits was supplied by the plan administrator.

[1] Excludes 208 participants entitled to life benefits only (no medical/dental coverage) as of January 1, 2015.

3.2 Age and service distribution of participating employees

SDG&E Company Postretirement Health and Life Plans
Age and Service Table for Active Participants as of 1/1/2015

		Completed Years of Service								
Age Nearest Birthday		**0 to 4**	**5 to 9**	**10 to 14**	**15 to 19**	**20 to 24**	**25 to 29**	**30 to 34**	**Over 34**	**Total**
15 to 24	Count	28	0	0	0	0	0	0	0	28
25 to 29	Count	122	92	1	0	0	0	0	0	215
30 to 34	Count	131	262	93	1	0	0	0	0	487
35 to 39	Count	107	237	220	50	0	0	0	0	614
40 to 44	Count	68	182	202	82	10	0	0	0	544
45 to 49	Count	35	126	152	81	60	17	2	0	473
50 to 54	Count	64	124	166	80	102	70	62	6	674
55 to 59	Count	35	96	101	79	66	59	125	182	743
60 to 64	Count	14	51	65	44	35	30	72	148	459
65 to 69	Count	2	20	21	10	5	5	8	57	128
Over 69	Count	1	2	2	5	3	0	0	5	18
Total	Count	607	1,192	1,023	432	281	181	269	398	4,383

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Appendix A: Statement of actuarial assumptions and methods

Actuarial Assumptions and Methods — Postretirement Welfare Cost for Fiscal 2015 Plan Reporting based on Calendar Year

Economic Assumptions

Discount rate for post-retirement benefit cost	4.15 %	
Discount rate for 401(h) and Union VEBA (post 7/1/08) funding	6.50 %	
Discount rate for Non-Union VEBA and Union VEBA (pre-7/1/08) funding	4.00 %	
Expected long-term rate of return on plan assets (before-tax)	7.00 %	
Expected long-term rate of return on plan assets (after-tax)	4.00 %	

The assumed rates of return on assets shown above are net of investment expense. Administrative expenses are accounted for by including them in the fully insured premiums.

Healthcare reimbursement account interest crediting rate	3.04 %	
Salary increase rate	Age	Rate
	Below 25	9.50%
	25-29	8.00%
	30-34	6.50%
	35-39	5.50%
	40-44	5.00%
	45-49	4.50%
	Above 49	3.50%

Participation Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee is hired (excludes employees not yet eligible for active healthcare coverage).	
New or rehired employees	It was assumed there will be no new or rehired employees.	

	Current Retirees	Future Retirees	
Participation:	Based on valuation census data	Percentages of eligible individuals electing coverage	
		Pre-65	Post-65
▸ Medical/dental/mental health		80%	70%
▸ Life insurance		100%	100%
▸ Former vested terminated employees	Not eligible for postretirement health/life benefits		

	Current Retirees	Future Retirees
Percentage of covered retirees electing spousal coverage (medical/dental)	Based on valuation census data	80% of males, 50% of females
Spouse ages	Based on valuation census data.	Wife three years younger than husband
Non-spouse dependent coverage	None assumed	0% of participants are assumed to elect coverage for non-spouse dependents in retirement.

Medical Plan Elections

Assumption for current actives and pre-65 retirees regarding their medical plan election upon attainment of age 65 and forward.

Current pre-65 Medical Plan	Assumed post-65 Medical Plan
Anthem HMO Anthem HMO with Scripps Anthem Point-of-Service (POS) Anthem PPO Out-of-CA (OOA) Anthem Health Care Plus (formerly Lumenos)	A blended assumption of 70% Plan F & 30% Plan N
Kaiser HMO	Kaiser Senior Advantage

Demographic Assumptions

Mortality (healthy and disabled)

- Pre-retirement: Mortality was updated to the RP-2014 "Employee" tables, no collar adjustment, with MP-2014 generational mortality improvement scale.
- Post-retirement: Mortality was updated to a Sempra specific RP-2014 table using an adjusted MP-2014 projection scale reflecting a long-term rate of 1% which trends down to 0% from age 85 to age 95, with convergence to the 1% long-term rate by 2027.

Disability

10% of the 1987 Commissioner's Group Disability Table with 12 month elimination period. Participants on disability are assumed to retire at age 65. Sample rates per 1,000.

Age	Males	Females
25	0.0593	0.0978
40	0.1594	0.3347
55	1.0100	0.9510

Termination

Based on years of service. Rates per 1,000:

Rate leaving during the year	
Years of Service	Rate
0	150
1	135
2	95
3	50
4	26
5	24
6	22
7	20
8	18
9	16
10-14	15
15-19	5
20 and over	0

Retirement

The following rates apply for:

1. Participants with grandfathered SoCal benefits – with 20 years of service as of January 1, 2007 – who are expected to have 90 points prior to age 62. Rates shown are for decrement prior to age 62, on or after age 62 are the same as rate table (3) below. Rates per 1,000:

Rate retiring during the year	
Points[1]	Rate
Below 90	50
90-91	280
Above 91	220

2. Other participants with grandfathered SoCal or SDG&E benefits with 20 years of service as of January 1, 2007. Rates per 1,000:

Rate retiring during the year	
Age	Rate
55-59	80
60-61	150
62	250
63	170
64	150
65	500
66	500
67+	1,000

[1] Points are equal to age plus service

3. All other participants. Rates per 1,000:

Rate retiring during the year	
Age	Rate
55-59	70
60-61	150
62	250
63	170
64	200
65	500
66	500
67+	1,000

Weighted average retirement age	Age 61
Benefit commencement dates:	
Preretirement death benefit	None
Deferred vested benefit	None
Retirement benefit	Upon termination of employment

Trend Rates

Basis for trend assumptions	Best estimate assumptions developed based on a review of recent and expected future claims experience.

Health care cost trend rate:

- Medical Benefits

	Under Age 65	Age 65 and Over
2015	7.75%	5.25%
2016	7.00%	4.75%
2017	7.00%	5.25%
2018	6.50%	5.00%
2019	5.50%	4.75%
Ultimate trend	5.00%	4.50%
Year ultimate trend reached	2020	2020

Mental Health Benefits	Same as medical benefits above.
Employer cap (fixed employer contribution)	0%

Dental benefit trend rate:

Employer cap (fixed employer contribution)	0%
All other dental benefits	4.00% for Indemnity Dental (Delta) and 4.00% for DMO Dental (Safeguard)
Participant contribution trend rates	Same as applicable medical plan trend rate.

Per Capita Claims Costs	
Basis for Per Capita Claim Cost Assumptions	The claim costs are developed based on participant demographics and the 2015 calendar year premiums for the respective medical plans. See Appendix C for more details.

Additional Assumptions	
Administrative expenses	Included in fully insured premiums.
Cash flow	
▸ Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and on average at mid-year.
▸ Amount and timing of contributions	Contributions in accordance with Sempra's funding policy are assumed to be made throughout the year and, on average, at mid-year.

Methods – Postretirement Welfare Cost and Funded Position	
Census date	January 1, 2015
Measurement date	January 1, 2015
Service cost and Accumulated Post-retirement Benefit Obligation (APBO)	Costs are determined using the Projected Unit Credit Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the Accumulated Postretirement Benefit Obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected full eligibility date is counted in allocating costs.
Development of claim cost	Claim costs are developed based on participant demographics and the 2015 premium or premium equivalent rates for the respective medical plans.
Market-related value of assets	Equals fair value of assets.
Amortization of unamortized amounts:	
Prior service cost (credit)	Increase in APBO resulting from a plan amendment is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan. Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Postretirement Benefit Cost/(Income) in the year first recognized and every year thereafter until such time as it is fully amortized. The annual amortization payment is determined in the first year as the increase in APBO due to the plan change divided by the average remaining service period to full eligibility for participating employees expected to receive benefits under the Plan. Reductions in APBO first reduce any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.

Net loss (gain)	Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Postretirement Benefit Cost/(Income) for a year. Net loss (gain) in excess of 10% of the greater of APBO and market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants.
Present Value of Projected Benefits for Maximum Tax Deductible Purposes	Aggregate cost method.
Benefits not valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Sempra Energy and, based on that review, is not aware of any significant benefits required to be valued that were not.

Data Sources

Sempra Energy furnished participant data and premium and retiree contribution amounts as of January 1, 2015. Sempra Energy also provided the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2014 fiscal year, and amounts recognized in other comprehensive income in 2014. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale - Significant Economic Assumptions

Discount rate	As required by U.S. GAAP the discount rate was chosen by the plan sponsor based on market information on the measurement date.
Expected return on plan assets	We understand that the expected return on assets assumption reflects the plan sponsor's estimate of future experience for trust asset returns, reflecting the plan's current asset allocation and any expected changes during the current plan year, current market conditions and the plan sponsor's expectations for future market conditions. The analysis was informed by analysis of historical data and real returns on the various classes of assets held by the trust.
Administrative Expenses	Administrative expenses are included in the fully insured premiums and per capita claims costs.
Claims cost trend rates	Assumed increases were chosen by the plan sponsor and, as required by U.S. GAAP, reflect anticipated future premium costs. Near-term expectations are influenced by current market forces and Sempra specific utilization. All future trend rates are influenced by general and medical sector inflation. Ultimate trend is limited by anticipated GDP growth. Small increases in trend rates are anticipated due to implementation of certain ACA provisions. After examining historical variability in trend rates, we believe that the selected assumptions do not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate.
Per capita claims costs	Per capita claims costs were chosen by the plan sponsor to be the best estimate of the plan's per capita claims costs including expenses in the plan year beginning on the measurement date (with any expected changes in future years reflected in the trend rate assumption). Sempra's fully insured premium rates are a blend of costs for actives and retirees under age 65. Over age 65 retiree premium rates are not blended and represent the actual cost of insurance for these retirees and their spouses. Each year, an actuarial study based on active and retiree claims data supplied by the carriers is completed to determine the cost of retiree health care insurance as a percentage of the blended premium rates. The annual results are blended over a three-year period with a weighting of 1/6, 2/6, and 3/6 for 2013, 2014 and 2015, respectively in the current study. This reduces major fluctuations and gives greater weight to current experience, but tends to avoid spikes while improving credibility. The most recent results of this study are reflected in the increases above. An estimate of the subsidization of retirees by actives for dental plans is also determined annually and included in the per capita dental costs for all retirees. Per capita claims costs are based on pooled active and retiree premium rates adjusted by age to reflect the higher cost of retirees compared to active employees. Final average per capitas were distributed by age in accordance with the Towers Watson AGEDIST model.

Assumptions Rationale - Significant Demographic Assumptions

Assumptions were selected by the plan sponsor and, as required by U.S.GAAP, represents a best estimate of future experience.

Mortality

For pre-retirement mortality, the plan sponsor selected the Society of Actuaries' most recent mortality table/improvement scale, that is, the RP-2014 "Employee" tables, no collar adjustment, with MP-2014 generational mortality improvement scale, due to a lack of credible plan-specific data for pre-retirement deaths.

For post-retirement, the plan sponsor selected a Sempra-specific table as of December 31, 2014, which reflects 2009-2013 mortality experience for retirees of Sempra's qualified pension plans. Sempra's experience was used to adjust the RP-2014 "Healthy Annuitant" tables. This adjusted table was blended with the standard RP-2014 "Healthy Annuitant" tables based on the level of credibility Sempra's experience allowed (an 80% credible adjustment, reflecting a level of accuracy of +/- 5% with a 95% confidence level). Sempra also selected an adjusted MP-2014 projection scale reflecting a long-term improvement rate of 1% which trends down to 0% from age 85 to age 95, with convergence to the 1% long-term rate by 2027.

Termination

Termination rates were based on an experience study conducted in 2014, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.

Assumed termination rates differ by attained years of service because of expected differences in termination rates by service.

Retirement

Retirement rates were based on an experience study conducted in 2014, with annual consideration of whether any conditions have changed that would be expected to produce different results in the future.

Assumed retirement rates differ by age because of expected differences in retirement rates by age.

Participation:	
▸ Participants	Assumed participation rates reflect historical experience based on an experience study conducted in 2014 as well as anticipated future reductions in rates of participation due to availability of public exchanges.
▸ Covered spouses	Assumed coverage rates for spouses reflect historical experience based on an experience study conducted in 2014 as well as anticipated future reductions in rates of spousal coverage due to availability of public exchanges.
Benefit commencement date:	Employees are assumed to commence immediately at assumed retirement ages and surviving spouses are assumed to commence at earliest possible age as there is insufficient data to indicate a better assumption.
Marital Assumptions:	
▸ Spouse age	The assumed age difference for spouses is assumed reasonable for the size and demographics of the plan's population.

Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A are "prescribed methods set by another party", as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.

Changes in Assumptions and Methods

Change in assumptions since prior valuation

- The discount rate changed from 5.00% as of January 1, 2014 to 4.15% as of January 1, 2015.
- The HRA interest crediting rate changed from 3.80% to 3.04%.
- Percent of retirees electing post-retirement medical/Rx coverage was updated to the following:
  - Pre-65: 80% (85% as of January 1, 2014)
  - Post-65: 70% (75% as of January 1, 2014)
- Percent of retirees who elect post-retirement medical/Rx coverage who also elect to cover their spouse:
  - Males: 80% (percent based on Union/Nonunion status and Tier as of as of January 1, 2014)
  - Females: 50% (percent based on Union/Nonunion status and Tier as of January 1, 2014)
- Pre-retirement mortality was changed from the RP 2000 table with improvements through 2029 to the RP-2014 "Employee" tables, no collar adjustment, with MP-2014 generational mortality improvement scale.
- Post-retirement mortality was changed from the RP-2000 Annuitant's table with Scale AA projection through 2021 to a Sempra specific RP-2014 table using an adjusted MP-2014 projection scale reflecting a long-term rate of 1% which trends down to 0% from age 85 to age 95, with convergence to the 1% long-term rate by 2027.
- Sempra updated its discount rate assumption to 6.50% for pre-tax trust funding calculations (based on expected geometric average returns). Maximum tax-deductible limits for trust funding in 2015 reflect this updated 6.50% discount rate. Sempra will retain its expected long-term rate-of-return assumption of 7.00% for pre-tax trusts and 4.00% for post-tax trusts for ASC 715 accounting (arithmetic average of 20 years' one-year return).

Appendix B: Summary of substantive plan provisions reflected in valuation

Substantive Plan Provisions for Participants Who Retired Prior to January 1, 2006

Medical Benefits

Eligibility	Retirement on or after age 55 with at least 5 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 55 with at least 5 years of service, coverage continues after the retiree or active employee's death. The Company contributes a monthly fixed $300 contribution before age 65 and $145 contribution upon attainment of age 65.
Postretirement contributions	
▸ Pre-1987 Retirees	Retirees are not required to make monthly contributions except for Plan F where they pay the difference in premiums between UHC Plan F and UHC Plan N. Dependents are required to make monthly contributions of $35 for any of the Anthem medical plans and UHC Plan N, $5 for United Healthcare Advantage, and pay the difference in premiums between UHC Plan F and UHC Plan N for UHC Plan F.
▸ Post-1986 Retirees	For employees who retire on or after January 1, 1987, SDG&E has capped the company contribution at $90/month for pre-65 and $50/month for post-65 medical coverage ($30 for the Medicare Advantage plans). However, since SDG&E's postretirement medical pricing for pre-65 retirees is based on a blend of lower active and higher retiree claim experience, it was assumed that SDG&E had a substantive commitment to provide increasing pre-65 retiree contributions. Thus, the valuation assumes an additional pre-65 cost for postretirement welfare purposes in order to reflect the increase in SDG&E's subsidy.

Life Insurance Benefits

Eligibility	Retirement on or after age 55 with at least 5 years of service.
Postretirement Contributions	Retirees pay the full cost unless retired prior to January 1, 1987.
Benefits	Employees who retired prior to January 1, 1987 received a postretirement life benefit of $2,500. Retirees were eligible to purchase supplemental postretirement life coverage at a subsidized rate of $0.50 per thousand dollars of coverage.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2015 the Company contribution for surviving spouses under age 65 changed from 50% of the cost to the monthly fixed $300 contribution for all plans.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Nonrepresented Participants Who Retire On or After January 1, 2006[1]

Medical Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 55 with at least 10 years of continuous service or age 62 with at least 5 years of service, coverage continues after the retiree or active employee's death. The Company contributes an amount as described in the next paragraph.
Postretirement contributions	Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation.

Healthcare Reimbursement Account (HRA) under 2013 Voluntary Retirement Enhancement Program (2013 VREP)

Eligibility for VREP	Regular full time employees, including those on a leave of absence; and age 62 with at least 5 years of continuous service as of August 31, 2013; subject to eligible job title and functional area, who accepted and retired under the offer.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

Healthcare Reimbursement Account (HRA) under 2014 Voluntary Retirement Enhancement Program (2014 VREP)

Eligibility for VREP	Employees who retired under the 2014 Voluntary Retirement Enhancement Program.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

[1] Participants who do not satisfy the eligibility conditions above, but are at least age 55 with 5 or more years of service (and retired prior to December 31, 2010) will be eligible for the benefits described in the section "Substantive Plan Provisions for Participants who Retired Prior to January 1, 2006".

Dental Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Benefits	Retirees can elect coverage under the Safeguard Dental plan or the Delta Dental plan. The company will contribute a flat dollar amount of up to $24.50/month for a retiree and up to $45/month for a retiree with one or more dependents.

Life Insurance Benefits

Eligibility	Retirement on or after age 55 with at least 10 continuous years of service or age 62 with at least 5 years of service.
Postretirement Contributions	None, benefit is solely paid by the Company.
Benefits	$10,000 flat amount or $25,000 flat amount for SoCal Gas grandfathered nonrepresented participants.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

There were no changes in benefits valued since prior year.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Represented Participants Who Retired Between January 1, 2006 and June 30, 2008[1]

Medical Benefits

Eligibility	Retirement after age 60 with at least 10 years of service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees age 60 with at least 10 years of service, coverage continues after the retiree or active employee's death. The Company contributes an amount as described in the next paragraph.
Postretirement contributions	Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation.

Dental Benefits

None.

Life Insurance Benefits

None.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

[1] Participants who do not satisfy the eligibility conditions above, but are at least age 55 with 5 or more years of service at retirement will be eligible for the benefits described in the section "Substantive Plan Provisions for Participants who Retired Prior to January 1, 2006".

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

There were no changes in benefits valued since prior year.

Temporary Deviations

We are not aware of any temporary deviations.

Substantive Plan Provisions for Represented Participants Who Retire On or After July 1, 2008

Medical Benefits

Eligibility	Tier 1 (high): Retirement after age 60 with at least 10 years of continuous service. Tier 1 (low): Retirement after age 62 with at least 5 years of continuous service. Tier 2: Retirement after age 55 with at least 10 years of continuous service. Tier 3: Retirement after age 55 with at least 5 years of continuous service.
Plans	Before age 65, retirees can elect coverage from among five Anthem medical plans (two HMOs, POS, OOA & HealthCare Plus+ high deductible health plan) and one Kaiser HMO plan. Upon attainment of age 65, retirees can choose from among two United Healthcare plans (F & N) and two Medicare Advantage plans.
Survivor eligibility	For survivors of retirees or active employees, coverage continues after the retiree or active employee's death. For Tier 1 (high), the Company contributes an amount as described in the next paragraph. For Tier 1 (low), Tier 2 and Tier 3, the Company contributes a monthly fixed $300 contribution before age 65 and $145 contribution upon attainment of age 65.
Postretirement contributions	Tier 1 (high): Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $145 employer contribution without inflation. Tier 1 (low): Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $300 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans). Tier 2: Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $150 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans). Tier 3: Pre-65 retiree contribution is equal to the active premium (blended rate) minus the monthly fixed $90 employer contribution. Pre-65 employer contribution is equal to the monthly fixed contribution plus the excess of the unblended early retiree cost over the active premium. Post-65 employer contribution is equal to the monthly fixed $50 employer contribution without inflation ($30 for the Medicare Advantage plans).

Healthcare Reimbursement Account Plan (HRA)

Eligibility	Represented active full-time employees retiring on or after December 1, 2009.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their qualified medical expenses.
Benefits	Upon retirement, the Company will contribute to the retiree's HRA an amount determined by adding a percent of unused extended sick hours and all unused vacation hours, and multiplying those hours by the employee's straight-time hourly wage rate on his last day of work.

Age at Retirement	Percent of unused sick time
55-59	10%
60-63	15%
64-65	25%

Postretirement contributions	None.

Healthcare Reimbursement Account (HRA) under 2014 Voluntary Retirement Enhancement Program (2014 VREP)

Eligibility for VREP	Employees who retired under the 2014 Voluntary Retirement Enhancement Program.
Survivor eligibility	Upon the participant's death, surviving spouses and eligible dependents can use the remaining HRA balance to pay for their eligible health expenses.
Benefits	Upon retirement, the Company will credit the HRA with $50,000 which can be used to pay retiree and eligible dependent health expenses. No additional accruals or interest credits will be applied towards the HRA.

Dental Benefits

Eligibility	Same as for medical benefits.
Benefits	Tier 1 (high) & Tier 1 (low): Retirees can elect coverage under the Safeguard Dental plan or the Delta Dental plan. The company will contribute a flat dollar amount of up to $24.50/month for a retiree and up to $45/month for a retiree with one or more dependents. Tiers 2 & 3: None.

Life Insurance Benefits

Eligibility	Same as for medical benefits.
Postretirement Contributions	None, benefit is solely paid by the Company.
Benefits	Tier 1 (high) & Tier 1 (low): $10,000 flat amount. Tiers 2 & 3: None.

Mental Health and Substance Abuse Benefits

Eligibility	Same as medical benefits.
Survivor eligibility	Benefits extend to the surviving spouse upon the employee's death.
Benefits	Coverage is included in medical plan benefit or benefit is solely paid by the Company. Mental health and substance abuse benefits for retirees before attainment of age 65 are carved out of the Anthem medical plans and provided by a self-insured plan. The self-insured plan is administered by Managed Health Network (MHN) and is coordinated with the retiree's medical plan. These benefits for all retirees in other medical plans are covered under their medical plan.

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

Effective January 1, 2015, the Company contribution for surviving spouses under age 65 changed from 50% of the cost to the monthly fixed $300 contribution for all plans.

Temporary Deviations

We are not aware of any temporary deviations.

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Appendix C: Claim cost tables

Average per Life Gross Medical Claim Cost (before Retiree Contribution)

All monetary amounts shown in US Dollars

		Annual Amount	
Plan	Age	Retiree	Spouse
‣ Anthem POS	55–59	10,635	10,635
	60-64	14,469	14,469
	>=65	N/A	N/A
‣ Anthem Out-of-Area	55–59	9,686	9,686
	60-64	13,178	13,178
	>=65	N/A	N/A
‣ Anthem HMO (Select)	55–59	7,857	7,857
	60-64	10,689	10,689
	>=65	N/A	N/A
‣ Anthem HMO with Scripps (Traditional)	55–59	9,871	9,871
	60-64	13,430	13,430
	>=65	N/A	N/A
‣ Kaiser HMO	55–59	6,225	6,225
	60-64	8,469	8,469
	>=65	N/A	N/A
‣ Anthem HealthCare Plus+	55–59	7,347	7,347
	60-64	9,996	9,996
	>=65	N/A	N/A
‣ United Healthcare Plan F	65–69	4,827	4,827
	70–74	5,648	5,648
	75–79	6,130	6,130
	80–84	6,372	6,372
	85-89	6,613	6,613
	90-94	6,517	6,517
	>=95	6,034	6,034

Plan	Age	Annual Amount Retiree	Spouse
United Healthcare Plan N	65–69	4,191	4,191
	70–74	4,903	4,903
	75–79	5,322	5,322
	80–84	5,532	5,532
	85–89	5,742	5,742
	90-94	5,658	5,658
	>=95	5,239	5,239
Kaiser – Senior Advantage	65–69	3,103	3,103
	70–74	3,631	3,631
	75–79	3,941	3,879
	80–84	4,096	3,941
	85–89	4,252	4,096
	90-94	4,189	4,189
	>=95	3,879	4,252
United Healthcare – Medicare Advantage	65–69	3,113	3,113
	70–74	3,643	3,643
	75–79	3,954	3,892
	80–84	4,110	3,954
	85-89	4,265	4,110
	90-94	4,203	4,203
	>=95	3,892	4,265

Average Per Life Mental Health Claim Cost

All monetary amounts shown in US Dollars

Age	Annual Amount Retiree	Spouse
All ages	171.95	171.95

Appendix D: Regulatory versus GAAP accounting

Postretirement Welfare Cost for Fiscal Year 2015	Regulatory Accounting	GAAP Accounting
Service cost	6,702,637	6,702,637
Interest cost	8,003,128	8,003,128
Expected return on assets	(11,113,235)	(11,113,235)
Amortization of:		
▸ Prior service cost	3,765,031	3,317,853
▸ Losses (gains)	0	0
Total	3,765,031	3,317,853
Postretirement welfare cost	7,357,561	6,910,383
Total postretirement welfare cost	7,357,561	6,910,383
Funded Position as of January 1, 2015		
Overfunded (Underfunded) APBO	(26,091,866)	(26,091,866)
Amounts Not Yet Amortized in Net Periodic Cost		
Unamortized net actuarial loss (gain)	(14,964,590)	(15,142,143)
Unamortized prior service cost (credit)	18,598,176	16,491,088
	3,633,586	1,348,945

Appendix D: Summary of net balances at January 1, 2015

All monetary amounts shown in US Dollars

A Summary of Net Prior Service Cost/(Credit)

	Remaining Amount at January 1, 2015	Remaining Amortization Period	Amortization Amount in 2015	Effect of Curtailments	Other Events
Base 1 (Med)	$ 13,026,870	4.7	$ 2,766,377	$ 0	$ 0
Base 2 (Med)	140,103	6.9	20,374	0	0
Base 1 (Life)	792,736	3.5	226,783	0	0
Base 2 (Life)	673,017	7.5	89,941	0	0
Base 3	13,185	6.7	1,968	0	0
Base 4	543,912	9.4	58,073	0	0
Base 5	5,134	8.0	645	0	0
Base 6	1,081,057	7.8	139,132	0	0
Base 7	(14,441)	3.8	(3,762)	0	0
Base 8	229,515	12.5	18,322	0	0
	$ 16,491,088		$ 3,317,853	$ 0	$ 0

All monetary amounts shown in US Dollars

B Summary of Net Loss/(Gain)[1]

	Net Amount at January 1, 2015	Amortization Amount in 2015	Effect of Curtailments	Effect of Settlements	Other Events
	$ (15,142,143)	$ 0	$ 0	$ 0	$ 0

1 See Appendix A for description of amortization method.

San Diego Gas & Electric Company

Exhibit No. SDG-1-1

Change in Net Periodic Cost and Funded Position (from 2014 to 2015) – Excerpt from Exhibit No. SDG-1

Employer contributions

Employer contributions are the amounts paid by Sempra Energy to provide for postretirement benefits, net of participant contributions.

Sempra Energy's funding policy is to contribute to the trusts an amount equal to the postretirement benefit cost less contributions made on behalf of key employees and non-union retiree life insurance, not to exceed the maximum tax-deductible limit. Sempra Energy maximizes its contribution to the 401(h) account and Union post-7/1/08 VEBA, then contributes the remainder, if any, to the Non-Union VEBA and Union pre-7/1/08 VEBA. Sempra Energy may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations. For Fiscal 2015, the expected contribution to the trusts under the funding policy is $7,357,561, including the amounts paid from Company assets for key employees and non-union life insurance.

Comments on results

Change in net periodic cost and funded position

The net periodic cost decreased from $8,478,405 (not including one-time cost of $5,404,300) in fiscal 2014 to $7,357,561 in fiscal 2015 and the funded position improved from $(30,076,654) to $(26,091,866).

All monetary amounts shown in US Dollars

	Net Periodic Cost	Funded Position
Prior year	8,478,405	(30,076,654)
Change due to:		
▸ Expected based on prior valuation and contributions during prior year[1]	200,474	8,308,110
▸ Unexpected noninvestment experience	(473,470)	6,621,877
▸ Unexpected investment experience	(57,848)	945,839
▸ Unexpected claims experience	(604,675)	6,373,441
▸ Change in discount rate	417,951	(20,387,639)
▸ Change in spousal coverage, participation, and HRA crediting rate assumptions	(1,101,458)	11,241,441
▸ Mortality improvement	268,468	(3,696,829)
▸ VREP 2014	241,976	(5,404,300)
▸ Impact of plan-to-plan obligation/asset transfers due to business-as-usual transfers	(12,262)	(17,152)
Current year	7,357,561	(26,091,866)

[1] Includes a cost increase of $861,221 for removing a 2014 one-time prior service (credit) and a funded status improvement for the 2014 contribution, which included an additional $5,404,300 due to VREP 2014.

Significant reasons for these changes include the following:

- Actual pre-65 and post-65 claims costs were lower than expected for most plans, which decreased the postretirement welfare cost and improved the funded position.
- The discount rate decreased 85 basis points as of January 1, 2015 compared to the prior year, which increased the postretirement welfare cost and deteriorated the funded position.
- Asset gains that occurred during Fiscal 2014 decreased the postretirement welfare cost and improved the funded position.
- Based on a study of plan experience, the assumed percentage of retirees who elect post-retirement medical/Rx coverage and the percentage of retirees who also elect to cover their spouse were decreased (see Appendix A for details), which decreased the postretirement welfare cost and improved the funded position.
- The mortality assumption was updated, as described in Appendix A, which increased the postretirement welfare cost and deteriorated the funded position.
- A health reimbursement account in the amount of $50,000 was offered to employees who accepted the 2014 VREP window.

Effects of Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act (PPACA) and Health Care and Education Reconciliation Act (HCERA) were enacted. The key aspects of the Acts affecting the Company's benefit obligation and cost of providing retiree medical benefits are:

- Changes to the Prescription Drug Plan and Medicare Advantage programs beginning in 2011, and extending through 2020
- Excise ("Cadillac") tax on high-cost plans beginning in 2018

Sempra provides most of its employer subsidy in the form of a defined dollar benefit. Once the premium exceeds Sempra's stated benefit level, the retirees pay the difference between the premium amount and the subsidy. Under this arrangement, Sempra's obligation doesn't change with the excise tax under health care reform on high-cost plans beginning in 2018, since in 2018 the premium both before and after inclusion of the excise tax will exceed Sempra's defined dollar benefit.

This valuation reflects our understanding of the relevant provisions of PPACA and HCERA. The IRS has yet to issue final guidance with respect to many aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report.

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued. The most recent plan change reflected in this valuation was effective on January 1, 2014. Unless otherwise described below under Subsequent Events, assumptions were selected based on information known as of the measurement date.

San Diego Gas & Electric Company

Exhibit No. SDG-2

Derivation of 2015 Costs Used in the Transmittal Letter to Support Annual FERC PBOP's Filing for the TO4 Cycle 4 – Base Period and 12-Months True-Up Period (Jan – Dec 2015)

San Diego Gas & Electric Company
Derivation of 2015 Costs Used in the Transmittal Letter to Support
Annual FERC PBOP's Filing for the TO4 Cycle 4 12-Months Base Period and True-Up Period (Jan - Dec 2015)

Line No.	Amounts Embedded in Account 926 - Employee Pension & Benefits	A Reference	B Base Period / True-Up Period 2015	Line No.
1				1
2	PBOP Cost Per Exhibit No. SDG-1, Section 2.1, Page 4		$ 7,357,561	2
3				3
4	Company Contribution Difference to PBOP Cost to be Adjusted in 2016 **(1)**		(59,407)	4
5				5
6	Total Company Contribution to PBOP	L2 to L4	7,298,154	6
7				7
8	Adjustments:			8
9	Capitalized Costs (reflects SDG&E's electric and gas capital costs)	L6 * 40.13 %	(2,928,749)	9
10	Billings to SCG for Shared Services - (Capital & O&M)	L6 * 6.29 %	(459,054)	10
11	Billings to Others for Shared Services - Unregulated Affiliates	L6 * 0.53 %	(38,680)	11
12	Billings from SCG for Shared Services - (O&M) **(2)**		-	12
13	Net Adjustments	L9 to L12	(3,426,483)	13
14				14
15	Net PBOP Cost after Capital & Billings - Electric & Gas	L6 + L13	3,871,671	15
16				16
17	SDG&E Account 926 for PBOP Expense - Electric Portion **(3)**	L15 * 75.96 %	$ 2,940,921	17
18				18
19	Transmission Wage and Salary Factor **(4)**		16.95%	19
20				20
21	Allocated to SDG&E's Electric Transmission Cost of Service	L17* L19	$ 498,486	21
22				22

(1) SDG&E's 2015 Total Company Contribution to PBOP, as shown on line 6, differs from the Actuarial Report's Post Retirement Welfare Cost, as shown on line 2. This understatement of $59,407, as shown on line 4, is due to an updated actuarial estimate not funded in time in 2015 and a timing difference for December 2015 payments not paid until January 2016. This understatement will be reflected as an adjustment to the 2016 funding.

(2) The O&M billings from Southern California Gas Company (SCG) is based on SCG's PBOP cost. The allocated expense is derived based on SCG's O&M ratio factor over its total billing to SDG&E.

(3) The total PBOP cost shown in Column B, Line 17 will be the amount reflected in the TO4 Cycle 4 Informational Filing for A&G expenses line for FERC account 926 in the 2015 Base Period and the 12-months True-up Period (Jan - Dec 2015). See details in Workpaper for Exhibit SDG-2.

(4) The transmission wage & salary allocation factor for the 2015 base period and 12-months true-up period from Jan - Dec 2015 was at 16.95%.

San Diego Gas & Electric Company

Exhibit No. SDG-2-1

Work papers for Exhibit SDG-2

San Diego Gas & Electric Company
2015 Monthly Electric PBOP Cost
Used to Derive Account 926 for PBOP Expense - Electric Portion
For the TO4 Cycle 4 - 2015 Base Period and
True-Up Period (Jan to Dec 2015)

Line No	Period	Recorded 2015 Base Period / True-Up Period **(1)**	Line No
1	January	$ 16,276	1
2	February	15,730	2
3	March	13,123	3
4	April	14,559	4
5	May	13,022	5
6	June	14,201	6
7	July	13,295	7
8	August	14,675	8
9	September	14,650	9
10	October	14,170	10
11	November	4,743	11
12	December	2,792,479	12
13			13
14	Total	$ 2,940,921	14

(1) The monthly recorded 2015 PBOP costs vary by month based upon PBOP activities such as:
(1) monthly premium payments for key retirees that cannot be paid by the trust which generally does not change much.
(2) monthly amounts deposited into the Health Reimbursement Account (HRA) for retired employees which can vary monthly based on the number of retirees per month and the amounts contributed per retiree.
(3) contributions to the employee benefit trusts that were deferred until December.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served an electronic copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket No. ER13-941 and ER15-1798 and CAISO Participating Transmission Owners. In addition, I certify that I have also caused the foregoing to be served by overnight delivery upon the following:

Arocles Aguilar ***(via Overnight Mail)***
General Counsel
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Roger Collanton ***(via Overnight Mail)***
General Counsel
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Dated at San Diego, California, this 17th day of May, 2016.

/s/ Tamara Grabowski
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