

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

1. Referencing Table DSR-8 on p. DSR-13, please identify the per-covered employee cost and number of covered employees that SoCalGas assumed in making the forecasts.

**SoCalGas Response:**

Please see pages DSR-WP-47 through DSR-WP-49 of the workpapers for this information.

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

2. Following up on TURN DR 16-3, for each recorded year (2005-2010), please identify the total Medical premium. In other words, the annual premium you identify for each requested recorded year in response to this question should represent the sum of the annual “Grand Totals” for the “Total ER Premium” and the amount of the total employee premium contribution in each year.

**SoCalGas Response:**

Below is the total medical premiums paid per year.

<b>Year</b>	<b>Amount</b>
2005	\$ 39,295,013
2006	\$ 48,850,550
2007	\$ 54,008,911
2008	\$ 58,831,702
2009	\$ 64,413,958
2010	\$ 65,394,107

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

3. Please identify the number of FTE employees (company-wide basis), headcount (company-wide basis), and number of insured participants at the end of each month (January-July) in 2011. (In defining “Insured Participants”, please use the same definition as used in, and provide the numbers on the same basis as, the line indicating “Insured Participants” in TURN 16-3 Attachment.)

**SoCalGas Response:**

Below is a table containing headcount and insured participants for the first seven months of 2011. Recorded FTE information is derived from labor hours within the SoCalGas financial system. 2011 financial information will not be available until after SoCalGas’ 10-K report is filed with the SEC in early 2012.

<b>Month</b>	<b>Headcount</b>	<b>Insured Participants</b>
January	7,221	6,433
February	7,253	6,636
March	7,274	6,710
April	7,285	6,653
May	7,355	6,649
June	7,415	6,757
July	7,422	6,593

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

4. Please identify the (i.) date(s) of the Medical premium payments SoCalGas has made thus far in 2011 and (ii.) the amount of the premium payment on each of the identified dates.

**SoCalGas Response:**

The medical premium payments were paid on the following dates: January 31, 2011, February 25, 2011, March 28, 2011, April 26, 2011, May 20, 2011, June 27, 2011, and July 25, 2011. For premium payment information, 2011 recorded financial information will not be available until after SoCalGas' 10-K report is filed with the SEC in early 2012.

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

5. Follow up on TURN DR 16-4a, SoCalGas indicates that its “forecasted medical premium is a product of estimated medical premium rates and the number of employees for each coverage type.”
- a. Please identify the recorded “medical premium rate” and “number of employees for each coverage type”, in addition to naming the coverage type, for 2010. In this response, please provide the recorded “medical premium rate” and “numbers of employees for each coverage type” that led to the statement, as identified in TURN DR 16-4, “The overall [Medical premium] rate increase for 2011 was 13 percent.”
  - b. Please identify the forecasted “medical premium rate” and “number of employees for each coverage type”, in addition to naming the coverage type, for 2011. In this response, please provide the estimated “medical premium rate” and “numbers of employees for each coverage type” that led to the statement, as identified in TURN DR 16-4, “The overall [Medical premium] rate increase for 2011 was 13 percent.”
  - c. Please identify the current (as of August 12, 2011) “medical premium rate” and “number of employees for each coverage type”, in addition to naming the coverage type. (Given that 2011 is not over, you may identify the number of employees in each coverage type at the end of each month, January-July.)

**SoCalGas Response:**

- a. The information for the 2010 recorded medical premium rates and number of employees for each coverage type is included in workpapers on pages DSR-WP-47 through DSR-WP-49.
- b. The information for the 2011 projected medical premium rates and number of employees for each coverage type is included in workpapers on pages DSR-WP-47 through DSR-WP-49.
- c. The attached file contains the requested data.



TURN 27 5c  
response.xls

**TURN DATA REQUEST  
TURN-SCG-DR-27  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE**

**DATE RECEIVED: AUGUST 16, 2011**

**DATE RESPONDED: SEPTEMBER 2, 2011**

6. Please identify the expected drivers underlying the 13% increase estimate between 2010 and 2011 and the 12% increase estimate between 2011 and 2012. Please also identify specifically the reason SoCalGas expects the increase between 2011 and 2012 will be less than the increase between 2010 and 2011.

**SoCalGas Response:**

The 13% increase between 2010 and 2011 was the actual aggregate increase based on the weighted premium increases received from SoCalGas' medical benefit insurance carriers (i.e., Anthem, Kaiser and PacifiCare). The most significant drivers affecting annual escalation are (1) prior year benefit utilization and claims experience; and (2) the insurance carriers expected trend rate as determined by its underwriters. A portion of the 2011 increase was attributed to the Patient Protection and Affordable Care Act of 2010 (PPACA) provision requiring the coverage of dependents up to age 26.

SoCalGas expected the increase between 2011 and 2012 to be slightly lower than the 13% increase experienced between 2010 and 2011. At the time Towers Watson evaluated the projected medical trend, overall plan utilization was expected to be similar between 2010-2011 and 2011-2012. As mentioned above, the identifiable impact of PPACA was incorporated in the 2011 renewal. A similar adjustment was not projected for 2012 since the projected cost impact was incorporated in the final 2011 rates thus establishing a new baseline.

**TURN DATA REQUEST  
TURN-SCG-DR-27  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE  
DATE RECEIVED: AUGUST 16, 2011  
DATE RESPONDED: SEPTEMBER 2, 2011**

7. Please identify the date at which 2010 medical premium rates became effective.

**SoCalGas Response:**

The 2010 medical premium rates became effective on January 1, 2010.

**TURN DATA REQUEST  
TURN-SCG-DR-27  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE  
DATE RECEIVED: AUGUST 16, 2011  
DATE RESPONDED: SEPTEMBER 2, 2011**

8. Please identify the date at which 2011 medical premium rates became effective.

**SoCalGas Response:**

The 2011 medical premium rates became effective on January 1, 2011.



**TURN DATA REQUEST  
TURN-SCG-DR-27  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE  
DATE RECEIVED: AUGUST 16, 2011  
DATE RESPONDED: SEPTEMBER 2, 2011**

9. At p. 17 of SCG-19 (revised, lines 15-17), SoCalGas states, “SCG worked with Towers Watson to complete a detailed review of the 2011 medical insurance renewal quotes.”
- a. Please provide copies of all medical insurance renewal quote “review” material that Towers Watson, or any other company from the past, has provided SoCalGas between 2005 and 2011, including the review cited in this reference. The “review” material should include all work and references relied upon, not just a perfunctory reporting of the results.
  - b. Please identify the date of the review referenced in the citation.
  - c. Please indicate whether it is SoCalGas’s normal annual practice to engage companies, such as Towers Watson, to review medical insurance quotes. If it is not, please explain why SoCalGas chose to do so for the 2011 plan year.

**SoCalGas Response:**

- a. **RESPONSE REMOVED DUE TO CONFIDENTIALITY**
- b. **RESPONSE REMOVED DUE TO CONFIDENTIALITY**
- c. **RESPONSE REMOVED DUE TO CONFIDENTIALITY**

**TURN DATA REQUEST  
TURN-SCG-DR-27  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE**

**DATE RECEIVED: AUGUST 16, 2011**

**DATE RESPONDED: SEPTEMBER 2, 2011**

10. At p. 17 of SCG-19 (revised, lines 18-19), SoCalGas states, “As a result of this thorough review and negotiation with the insurance carriers, the final 2011 rates were substantially lower than the initial rate quotes. The overall rate increase for 2011 was 13 percent.”
- a. Please provide documentation of the insurance quotes that underlie the overall 13-percent rate increase.
  - b. Please provide the contract(s) that SoCalGas has with its medical insurance carriers.

**SoCalGas Response:**

- a. **RESPONSE REMOVED DUE TO CONFIDENTIALITY**
- b. **RESPONSE REMOVED DUE TO CONFIDENTIALITY**

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

11. Regarding Table DSR-8 on p. DSR-13, are the forecasted Medical expenses calculated by multiplying SoCalGas's estimated per-covered-employee cost by the number of expected covered employees? If the methodology used to arrive at the forecasts included in the table is something other than multiplying the per-covered-employee cost by the number of expected covered employees, please identify and explain the method.

**SoCalGas Response:**

The projected medical costs arrived at by multiplying SoCalGas' estimated per-covered-employee cost for each insurance program and coverage by the number of expected covered employees for each insurance program and coverage. Please refer to DSR-WP-47 through DSR-WP-49 for additional information.

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

12. Following up on TURN DR 16-1:
- a. Does SoCalGas's RO model compute the overall Medical cost by multiplying the per-covered-employee cost by the number of expected covered employees? If the RO methodology is something other than multiplying the per-covered-employee cost by the number of expected covered employees, please identify and explain the method. Your answer should include, but not necessarily be limited to, an indication as whether SoCalGas relies on any historical ratios of covered employees to overall employee count, and the years from which the historical ratios were chosen. If other methods were used, please describe them.
  - b. Please identify the method SoCalGas uses to forecast the number of covered employees and indicate whether the estimated number of covered employees is one of the bases for the Medical expenses forecasts. Your answer should include, but not necessarily be limited to, an indication as whether SoCalGas relies on any historical ratios of covered employees to overall employee count, and the years from which the historical ratios were chosen. If other methods were used, please describe them.

**SoCalGas Response to 12a:**

Overall medical cost forecast is not initially computed in the RO model. However, please refer to SoCalGas' response to TURN-SCG-DR-29, Question 2, which provides a list of costs that are adjusted in the RO model in the event of change to the proposed SoCalGas labor costs and headcount. Note that medical costs are included in this list.

**SoCalGas Response to 12b:**

As noted in assumption 2 on page DSR-WP-47, the method SoCalGas uses to forecast the number of covered employees is based on employees' coverage as of April 2010. A ratio of each coverage type and coverage level is then calculated and applied to the projected headcounts for each year.

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

13. Following up on TURN DR 16-5, SoCalGas provided as an attachment, and references the same as being in the workpapers to Exhibit SCG-26, a copy a page from a Towers Watson document that includes what appear to be projections of the “Healthcare Trend” for each year, 2010-2010. In providing the document excerpt, SoCalGas states, “Attached is a supporting document from Towers Watson that supports the rates noted [in the original question].” Please provide all workpapers that support the percentages listed in the Healthcare Trend line in the Towers Watson attachment to TURN DR 16-5. These workpapers should include, but not necessarily be limited to,
- a. a narrative describing how the percentage was arrived at,
  - b. a narrative describing and documentation supporting the way in which Towers Watson accounted for and estimated the impact of Health Care Reform, given that on the attachment Towers Watson indicated that the “Healthcare trend reflects impact of Health Care Reform.”
  - c. a list of all assumptions and facts used,
  - d. the underlying actuarial report or any other analysis that supports the trend,
  - e. any third-party-derived facts and/or assumptions and a copy of the source document (unless it can be found on the Internet, in which case the Web address would suffice), and
  - f. copies of any letters (or any other documentation) from insurers detailing both the expected premium and the percentage increase in the expected premium (2011 over 2010).

**SoCalGas Response:**

- a. In reference to the attachment to TURN DR 16-5, the 2010 rate (13.0%) shown in the table reflects the actual rate used to project 2011 premiums (see response to TURN-SCG-DR-27, Q-6a). The 2011 rate of 12% (to be applied in determining projected 2012 premiums) is also discussed in SoCalGas’ response to TURN-SCG-DR-27, Q-6a. After the premium adjustments for the 2010-2011 and 2011-2012 renewal periods, the expectation from Towers Watson is that SoCalGas will move to trends similar to what is shown in current national survey data.

Per Towers Watson guidelines and best practices, near-term medical cost trends are influenced by market forces. Long-term medical trends, resulting in an ultimate trend, are influenced by projected GDP. The current ultimate trend assumption is 5.0%.

- b. As noted in the attachment to TURN DR 16-5, the healthcare trend reflects the impact of Health Care Reform. Towers Watson reviewed the plan designs of the SoCalGas medical plans to determine which provisions of the Health Care Reform legislation would have a measurable impact on medical premiums. It found that most of the short-term requirements were already included in

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

**Response to Question 13 (Continued)**

SoCalGas' plan designs such as no lifetime benefit limits and no preexisting condition exclusions. Other provisions that were determined to impact SoCalGas' plans included the coverage of dependents up to age 26, the non-grandfathered plan requirement to provide certain preventive services without cost to the participant, and certain taxes such as the comparative effectiveness tax and the tax on durable equipment.

- c. Towers Watson discussed the potential impacts of Health Care Reform with SoCalGas' insurance carriers and determined that the impacts would generally be limited to the coverage of dependents up to age 26 (estimated to increase cost by approximately 1.0 to 1.7% in 2011) and the non-grandfathered plan requirement to provide certain preventive services without cost to the participant (estimated to increase cost by approximately 0.3 – 0.4%) in 2012. Please see response to TURN-SCG-DR-27, Q-6a.
- d. Attached is the 2010 SoCalGas Postretirement Health & Life Plans Actuarial Valuation Report. The 2011 SoCalGas Postretirement Health & Life Plans Actuarial Valuation Report is not yet final.



Sempra-ValPostretirementWelfarePlan-SCC

- e. Below are copies of the 2011 16<sup>th</sup> Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care and the 2010 Health Care Cost Survey that support the "Healthcare Trend" assumption from 2010 to 2020.



TowersWatson-NBG  
H-2011-NA-2010-185



2010\_HCCS.pdf

- f. See SE\_2011\_Renewals.pdf included in the response to Question 9a. above

**TURN DATA REQUEST**  
**TURN-SCG-DR-27**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: AUGUST 16, 2011**  
**DATE RESPONDED: SEPTEMBER 2, 2011**

14. Following up on TURN DR 16-7, please identify the dates at which the contracts supplied in response will expire.

**SoCalGas Response:**

As noted on page 19 of the collective bargaining agreement attached in DR 16-7, the contract will expire on September 30, 2011. The attached appendices denote either that date or refer back to the collective bargaining agreement.