

Application No: A.17-03-XXX  
Exhibit No.: \_\_\_\_\_  
Witness: S. Chaudhury

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for (A) Approval of the Forecasted Revenue Requirement Associated with Certain Pipeline Safety Enhancement Plan Projects and Associated Rate Recovery, and (B) Authority to Modify and Create Certain Balancing Accounts

Application 17-03-\_\_\_\_  
(Filed on March 30, 2017)

**CHAPTER VI**  
**DIRECT TESTIMONY OF**  
**SHARIM CHAUDHURY**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

March 30, 2017

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my direct testimony on behalf of San Diego Gas & Electric Company  
3 (SDG&E) and Southern California Gas Company (SoCalGas or SCG) is to provide illustrative  
4 gas transportation rate impacts for 2019 based on the forecasted revenue requirement resulting  
5 from the capital and operations and maintenance (O&M) cost forecasts of the in-scope Pipeline  
6 Safety Enhancement Plan (PSEP) Phase 1B and Phase 2 projects proposed in this Application.

7 **II. PSEP COST ALLOCATION METHOD**

8 Per Decision (D).14-06-007, Pipeline Safety Enhancement Plan (PSEP) costs are to be  
9 allocated consistent with the existing cost allocation and rate design for SoCalGas and SDG&E,  
10 and include allocation to the backbone function.<sup>1</sup> D.16-12-063 clarified that the PSEP costs  
11 functionalized as high pressure distribution shall be allocated using the existing marginal demand  
12 measures for high pressure distribution costs.<sup>2</sup> As such, SoCalGas and SDG&E are proposing to  
13 allocate the requested PSEP forecast revenue requirement (described below) on a functional  
14 basis consistent with D.16-12-063. Table 1 depicts the method of allocating the PSEP forecasted  
15 revenue requirement to each function, and to rate classes.

16

<b>TABLE 1</b>		
<b>Existing Functional Allocation Methods</b>		
<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>
Backbone Transmission	100% to the SCG/SDG&E Backbone Transmission Service Rate	100% to the SCG/SDG&E Backbone Transmission Service Rate
Local Transmission	Based on Peak Month Demand by Class on Local Transmission System.	Based on Peak Month Demand by Class on Local Transmission System.
High Pressure Distribution	Based on Peak Month Demand by Class on High Pressure System.	Based on Peak Day Demand by Class on High Pressure System.

17  
<sup>1</sup> D.14-06-007 authorized the allocation of safety related costs. D.14-06-007, mimeo., at 61 (Ordering Paragraph 9). In addition, backbone transmission service allocation was ordered. D.14-06-007, mimeo., at 50.

<sup>2</sup> D.16-12-063, mimeo., at 59 (Conclusion of Law 24).

1 **III. PSEP FORECASTED REVENUE REQUIREMENT TO BE RECOVERED IN**  
2 **TRANSPORTATION RATES**

3 The derivation of PSEP forecasted revenue requirements is described in the Prepared  
4 Direct Testimony of Karen Chan (Chapter IV). In this application, SoCalGas forecasted a PSEP-  
5 related revenue requirement of \$45.1 million, without franchise fees and uncollectibles (FF&U),  
6 to be amortized in January 1, 2019 rates.<sup>3</sup> This amount consists of O&M expenses and the  
7 annualized revenue requirements resulting from capitalized costs.

8 **IV. ALLOCATION OF PSEP FORECAST REVENUE REQUIREMENT TO**  
9 **FUNCTIONS**

10 The first step in allocating the 2019 PSEP forecasted revenue requirement to  
11 transportation rates requires the allocation of the revenue requirement to functions. Allocation to  
12 the functions was performed as follows:

- 13 1) In Chapter IV, O&M expenses and capital costs are forecasted by function:  
14 backbone, local transmission and high pressure distribution pipelines.  
15 2) Based on the forecasted O&M and the capital expenditures, the annual revenue  
16 requirements by function is calculated as shown in Chapter IV.

17 Table 2 shows the initial forecasted revenue requirement by function.

**TABLE 2**

**Forecasted 2019 PSEP Revenue Requirement By Function**

<b>\$000's</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$38,874	\$0	\$38,874
Local Transmission	\$4,319	\$0	\$4,319
High Pressure Distribution	\$1,946	\$0	\$1,946
<b>Total \$000's</b>	<b>\$45,139</b>	<b>\$0</b>	<b>\$45,139</b>

18 <sup>3</sup> Chapter IV shows PSEP-related costs of \$6.8, \$0.8, and \$38.4 million (with FF&U) in 2017, 2018 and 2019, respectively, for a combined total \$46 million to be recovered in January 1, 2019 rates. While my Prepared Direct Testimony discusses the revenue requirement without FF&U, the illustrative rates in section V below include FF&U.

1 In keeping with existing cost allocation practice, the combined SoCalGas and SDG&E  
 2 local transmission costs are allocated between SoCalGas and SDG&E as part of integration of  
 3 transmission system costs.<sup>4</sup> Local Transmission integration is shown in Table 3 below.

**TABLE 3**  
**Integrated Local Transmission between SoCalGas and SDG&E**

<b>\$000's</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Allocation before integration	\$4,319		
Integration factor	87%	13%	100%
<b>Integrated Local Transmission</b>	<b>\$3,758</b>	<b>\$562</b>	<b>\$4,319</b>

4  
 5 Table 4 summarizes the final step in the allocation of the PSEP forecasted revenue  
 6 requirement into the three functions. These are the revenue requirements by function to be  
 7 recovered in transportation rates over a 12-month period.

**TABLE 4**  
**Forecasted 2019 Revenue Requirement by Function Post Integration**

<b>\$000's</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$38,874	\$0	\$38,874
Local Transmission	\$3,758	\$562	\$4,319
High Pressure Distribution:	\$1,946	\$0	\$1,946
<b>Total \$000's</b>	<b>\$44,578</b>	<b>\$562</b>	<b>\$45,139</b>

8 **V. ILLUSTRATIVE RATE IMPACT**

9 Table 5 shows the derived illustrative rates when the allocation methods depicted in  
 10 Table 1 are applied to the functionalized revenue requirements in Table 4. The backbone  
 11 transmission service rate is for transportation service from receipt points to the SoCalGas City  
 12 Gate. All other listed transportation rates are for services from City Gate to end-use customers'  
 13 meters. For core customers of SoCalGas and SDG&E, the backbone transmission service rate is

<sup>4</sup> This integration reflects the splitting of total local transmission costs between the utilities by the % share of cold-year throughput (87% SCG and 13% SDG&E), similar to the treatment of the Integrated Transmission Balance Account (ITBA).

1 embedded in both the gas procurement tariff rate and the residential bill impact shown in  
 2 Table 5.

<b>Table 5</b>				
<b>Illustrative Transportation Rates</b>				
<b>\$/therm except as noted</b>				
<i>\$/therm except as noted</i>	<b>1/1/2017</b>	<b>Proposed</b>	<b>Increase</b>	<b>%</b>
	<b>Rates</b>	<b>Rates</b>	<b>(decrease)</b>	<b>change</b>
<b><u>SCG Summary</u></b>				
Core Rates				
Residential	\$0.722	\$0.723	\$0.001	0.2%
Residential class average bill \$/month	\$41.16	\$41.35	\$0.19	0.5%
Core C&I	\$0.296	\$0.297	\$0.001	0.3%
NGV (uncompressed)	\$0.135	\$0.136	\$0.001	0.4%
NonCore Distribution Level Service Rates				
C&I Rate	\$0.070	\$0.071	\$0.001	0.8%
Electric Generation Tier 1	\$0.116	\$0.116	\$0.001	0.5%
Electric Generation Tier 2	\$0.045	\$0.046	\$0.001	1.1%
NonCore Transmission Level Service Rates				
C&I Rate (w/ csitma & CARB Fee adders)	\$0.020	\$0.021	\$0.000	1.8%
Electric Generation Rate (w/CARB Fee)	\$0.016	\$0.016	\$0.000	2.3%
Backbone Transmission Service \$/dth/day	\$0.321	\$0.364	\$0.043	13.4%
Revenue Requirement \$ millions	\$2,548	\$2,593	\$45	1.8%
CARB Fee Credit \$/therm	(\$0.0009)	(\$0.0009)	\$0.0000	0.0%
<b><u>SDG&amp;E Summary</u></b>				
Core Rates				
Residential	\$0.962	\$0.962	\$0.001	0.1%
Residential class average bill \$/month	\$37.07	\$37.19	\$0.12	0.3%
Core C&I	\$0.372	\$0.373	\$0.000	0.1%
NGV (uncompressed)	\$0.133	\$0.133	\$0.001	0.4%
NonCore Distribution Level Service Rates				
C&I Rate	\$0.092	\$0.092	\$0.000	0.4%
Electric Generation Tier 1	\$0.116	\$0.117	\$0.001	0.5%
Electric Generation Tier 2	\$0.045	\$0.046	\$0.001	1.1%
NonCore Transmission Level Service Rates				
C&I Rate (w/ csitma & CARB Fee adders)	\$0.017	\$0.018	\$0.000	2.1%
Electric Generation Rate (w/CARB Fee)	\$0.016	\$0.016	\$0.000	2.3%
Revenue Requirement \$ millions	\$396	\$397	\$1	0.1%
CARB Fee Credit \$/therm	(\$0.001)	(\$0.001)	\$0.000	0.0%

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Iftkharul (Sharim) Bar Chaudhury. I am employed by SoCalGas and  
3 SDG&E as the Rate Design and Demand Forecasting Manager within the Regulatory Affairs  
4 Department, which supports gas regulatory activities of both SoCalGas and SDG&E. My  
5 business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I hold a  
6 Bachelor of Arts degree in Economics from Illinois State University. I received my Masters and  
7 Ph.D. degrees in Economics from the University of California, San Diego.

8 I have held my current position managing the rates group since August 2014, and have  
9 been managing the demand forecasting group since April 2013. Prior to joining SoCalGas, I  
10 worked at Southern California Edison Company from June 1999 to March 2013, holding several  
11 positions of increasing responsibility, from Senior Analyst to Manager of Price Forecasting to  
12 Manager of Long-Term Demand Forecasting. From October 1998 to May 1999, I worked at  
13 National Economic Research Associates (NERA) as a Senior Consultant. Prior to joining  
14 NERA, I worked at SoCalGas from 1991 to 1998, holding several positions of increasing  
15 responsibility, starting as Marketing Analyst to Senior Economist in the Rate Design group to  
16 Manager of Rate Design. I also worked for about a year at the California Energy Commission  
17 (CEC) in the Demand Analysis Office.

18 This concludes my testimony.

19 I have previously testified before the Commission.