APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS EFFECTIVE JANUARY 1, 2020 IN THE TRIENNIAL COST ALLOCATION PROCEEDING

(A.18-07-024)

(DATA REQUEST CAL ADVOCATES-DR-013)

DATA RECEIVED: 11-7-18

DATE RESPONDED: 11-27-18

QUESTION 1:

At pages 26-27 of Chapter 12 Testimony in A.18-07-024, the Applicants describe one of their other proposals, namely, the allocation of Self Generation Incentive Program (SGIP) Funds based on program participation. Applicants explain that currently, SGIP costs are allocated across all customer classes based on equal cents per therm (ECPT). However, Applicants state that based on the Commission's adopted Resolution E-4926, the allocation of SGIP funds are required to be based on program participation over the previous three years. Applicants state that "Per the Resolution, going forward, SGIP costs will be allocated across customer classes based on each class's past program participation. A re-allocation of SGIP costs based on program participation will align customer class participation with their respective program costs." Applicants state that based on Resolution E-4926, three years of data are used to calculate the proposed allocation percentages. Tables 5 and 6 show the proposed SGIP cost allocation percentages based on previous three years' program participation and the current allocation percentages across customer classes for SoCalGas and SDG&E, respectively. Applicants state that the allocation percentages will be updated each year based on the most recent three years of actual data and presented for approval in the annual Applicants' Regulatory Account Update advice letter submissions in October.

(a) Please confirm that the three years of data described above pertain to actual verified incentives paid out over those years to the different customer classes which are used to calculate the proposed allocation percentages shown in Tables 5 and 6.

(b) Please cite reference to the Applicants' workpapers which support Tables 5 and 6 and show the basis of the proposed percentage allocation and the current percentage allocation, and the source of data for the column labelled "3 Year Total Incentives Paid."

(c) Please identify all the customers who are in the class labelled "Residential."

(d) Please identify the customers who are in the class "Other Noncore."

(e) Please identify the customers who are in the class "Other Core."

(f) Please explain the cost recovery mechanism for the SGIP costs for each of the Applicants in SoCalGas' and SDG&E's rates.

(g) Please confirm that based on the data in the last three years in Table 5, the SoCalGas Residential" class currently contributes 25.9% of the SGIP funds but have been allocated only 0.1% of the actual incentive dollars paid out from those SGIP funds.

(h) Please confirm that based on the data in the last three years in Table 5, the SoCalGas "Other Noncore" class currently contributes 32.9% of the SGIP funds but have been allocated 0.0% of the actual incentive dollars paid out from those SGIP funds.

(i) Please confirm that based on the data in the last three years in Table 5, the SoCalGas "Noncore EG" class currently contributes 28.4% of the SGIP funds but have been allocated 98.6% of the actual incentive dollars paid out from those SGIP funds.

(j) Please confirm that based on the data in the last three years in Table 5, the SoCalGas "Core C&I" class currently contributes 10.9% of the SGIP funds but have been allocated 1.3% of the actual incentive dollars paid out from those SGIP funds.

(k) Please confirm that based on the data in the last three years in Table 6, the SDG&E "Residential" class currently contributes 85.7% of the SGIP funds but have been allocated only 0.4% of the actual incentive dollars paid out from those SGIP funds.

(l) Please confirm that based on the data in the last three years in Table 6, the SDG&E "Noncore EG" class currently contributes only 2.0% of the SGIP funds but have been allocated 87.7% of the actual incentive dollars paid out from those SGIP funds.

<u>RESPONSE 1:</u>

(a) Confirmed. The data used to calculate the proposed allocation percentages was incentive dollars paid out between the three-year span from 6/1/2015 to 5/31/2018.

(b) Please see the attached Excel file "2020 TCAP SGIP Allocation Data." The tab "All Payments after 5-30-15" contains each incentive payment made between 6/1/2015 thru 5/31/2018, by customer class, and calculates the total incentive dollars paid out for each class, on which the proposed percentage allocations are based.

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(c) Please see the Excel file provided in Response 1(b). The tab "All Payments after 5-30-15" contains each incentive payment made between 6/1/2015 thru 5/31/2018, by customer class. All customers in the Residential class are found in Rows 127 thru 130.

(d) Please see the Excel file provided in Response 1(b). The tab "All Payments after 5-30-15" contains each incentive payment made between 6/1/2015 thru 5/31/2018, by customer class. There were no payments made to the class "Other Noncore." With respect to the current SGIP allocation percentages shown in Chapter 12 (Chaudhury), p. 27, other noncore customers would include noncore C/I (SoCalGas and SDG&E) and wholesale (SoCalGas only) customers.

(e) Please see the Excel file provided in Response 1(b). The tab "All Payments after 5-30-15" contains each incentive payment made between 6/1/2015 thru 5/31/2018, by customer class. There were no payments made to the class "Other Core." With respect to the current SGIP allocation percentages shown in Chapter 12 (Chaudhury), p. 27, other core customers would include natural gas vehicle (SoCalGas and SDG&E) as well as Gas Engine and Gas A/C (SoCalGas only) customers.

(f) The current allocation of SGIP funds is the allocation authorized in D.16-10-004, which adopted gas demand forecasts, cost allocations, and rate designs for SoCalGas and SDG&E in the TCAP Phase 2 proceeding (A.15-07-014). That allocation method is referred to as "Equal Cents per Therm" and represents the proportion of each customer class' average year throughput compared to the System total.

The proposed allocation is the mechanism ordered by the Commission in Resolution E-4926. It is calculated as the proportion of the actual program incentives paid to each customer class over the last 3 years compared to the total SGIP incentives paid over the last 3 years.

(g) Confirmed.

(h) Confirmed.

(i) Confirmed.

(j) Confirmed.

(k) Confirmed.

(l) Confirmed.

QUESTION 2:

At pages 27-28 of Chapter 12 Testimony in A.18-07-024, the Applicants describe a proposal that is presented in Chapter 6 of testimony to establish the Storage Inventory for Balancing Function Memorandum Account (SIBFMA). In addition, Applicants describe a proposal presented in Chapter 1 of testimony that “SoCalGas procure up to eight billion cubic feet (Bcf) of gas for 8% monthly balancing due to customers’ creating negative cumulative imbalances.” According to the Applicants, because the costs recorded in the SIBFMA relate to the balancing function, SoCalGas proposes to allocate the SIBFMA balance across customer classes based on each class’ share of average year throughput (i.e. ECPT). Applicants state that this is the same method currently used for allocating load balancing storage costs. At pages 10-11 of Chapter 1 testimony, the Applicants state that “the balancing function refers to the service provided by the System Operator to accommodate imbalances between a customer’s actual usage and the gas it schedules for delivery to the system. These aggregate imbalances result in either under deliveries or over delivery of gas to the system.” In this regard, Applicants propose to allocate 16 Bcf of storage inventory (in addition to withdrawals and injections) to support enhanced year-round balancing functions. At page 12 of Chapter 1, Applicants propose that the allocation of storage inventory for the balancing function increase from 8 Bcf to 16 Bcf. Table 3 on page 13 in Chapter 1 indicates that the currently authorized amount of Inventory for the balancing requirement is 8 Bcf pursuant to D.16-06-039. At page 3 of Chapter 6 testimony, Applicants propose to establish the SIBFMA as a memorandum account recorded on SoCalGas’ financial statements. According to the Applicants, the purpose of the SIBFMA is “to record the cost of gas used by customers as a result of customers creating negative cumulative imbalances up to the 8% monthly imbalance position.” The Applicants expect that “As customers reduce or cure their negative cumulative imbalances (I.e., customers deliver more gas into the system than what they use), the SIBFMA will record a credit for the cost of gas associated with the reduction in the negative cumulative imbalance position.” Further, the SIBFMA will also record the carrying cost of average monthly inventory balance of the gas purchase for this balancing function.

(a) Table 3 of Chapter 6 indicates that 8 Bcf is currently authorized as Inventory for the balancing requirement. Please explain how the 8 Bcf is currently allocated across the different customer classes and clarify whether the allocation includes all the SoCalGas customer classes and excludes SDG&E customers.

(b) If SDG&E customers are included in the current allocation of the 8 Bcf, please explain the reasoning behind this.

(c) Please explain whether the proposed increase to 16 Bcf of Inventory for the balancing requirement is proposed to be allocated in the same manner, i.e., based on the same methodology as the allocation of the current 8 Bcf. If so, please confirm that the Applicants do not propose a change to the current allocation methodology of Inventory for the balancing requirement. If this is incorrect, then please state so and explain the meaning of the statement on page 28 of Chapter 12 which states “SoCalGas proposes to allocate the SIBFMA balance across customer classes based on each class’s share of average year throughput (i.e., equal cents per therms), the same method currently used for allocating load balancing storage costs.”

(d) Please identify the relevant memorandum account where the current 8 Bcf of Inventory for the balancing requirement is presently being recorded and explain why the proposed additional 8 Bcf will require the establishment of the proposed SIBFMA.

(e) Please explain whether existing memorandum account for recording the costs relating to the current 8 Bcf are subject to any reasonableness review or audit.

(f) Please explain whether the proposed SIBFMA for recording the costs relating to the 16 Bcf are proposed to be subject to any reasonableness review or audit.

(g) Please explain whether the SoCalGas Core class customers are able to make use of the Core storage assets held for purposes of the balancing requirement, and if not, please explain the reason for this.

RESPONSE 2:

a) The 8 Bcf currently allocated for load balancing is for all customer classes, including SDG&E.

b) SDG&E customers have the same access to load balancing inventory that is available to SoCalGas customers. Costs are allocated to SDG&E as a wholesale customer of SoCalGas, for recovery from SDG&E retail customers.

c) Confirmed that Applicants do not propose a change to the current allocation methodology of Inventory for balancing requirement.

d) The authorized cost currently in 2018 rates for the 8 Bcf of inventory for the load balancing function is recorded in the following SoCalGas balancing accounts: Core Fixed Cost Account (CFCA) records the core allocation of the authorized cost; Noncore Fixed

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Cost Account (NFCA) records the noncore allocation (excluding EOR) of the authorized cost; and Enhanced Oil Recovery Account (EORA) records the EOR allocation of the authorized cost.

SoCalGas proposes to increase the allocation of storage inventory from 8 Bcf to 16 Bcf for the balancing function. The cost associated with the proposed additional 8 Bcf of inventory capacity for the balancing function will likewise be recorded in the CFCA, NFCA, and EORA.

In addition, SoCalGas proposes to procure 8 Bcf of gas for the balancing function to be used by customers for their negative cumulative imbalances. The purpose of the SIBFMA is to record the costs related to the procurement of gas used by customers as a result of customers creating negative imbalances.

e) The CFCA, NFCA, and EORA are subject to audit in SoCalGas' TCAP proceedings. In addition, SoCalGas files an annual regulatory account balance update filing which includes the projected amortization of the balances for these balancing accounts which are subject to review by the Energy Division (ED).

f) SoCalGas anticipates that the SIBFMA would be subject to audit in future cost allocation proceedings; and if the SIBFMA balance is included in its annual regulatory account balance update filing, the SIBFMA would be subject to review by the ED.

g) Yes, both the Retail Core & Core Aggregation Transportation customers as a Class (Gas Acquisition & Core Aggregators) can make use of the Inventory, Injection, and Withdrawal balancing assets set aside for that purpose.

QUESTION 3:

At page 14 of Chapter 1 testimony in A.18-07-024, Applicants propose a new reliability function for the TCAP period. Applicants describe this reliability function as consisting of gas and inventory space needed to provide withdrawal capability. In this regard, Applicants propose to allocate 21 Bcf of storage inventory to the reliability function and that SoCalGas procure the 21 Bcf of gas for the reliability function contingent upon the ability to recover the balance of the Reliability Function Cost Memorandum Account (RFCMA). At page 28 of Chapter 12 testimony in A.18-07-024, Applicants describe the proposed two-step approach to allocate the balance of the Reliability Function Cost Memorandum Account (RFCMA). Applicants state that "The purpose of the RFCMA is to record the revenue requirement on the gas purchase and transportation costs for procuring 21 Bcf of gas needed to provide withdrawal capability for daily operational needs throughput the year." The Applicants state that the two-step approach would be consistent with how the corresponding 21 Bcf of reliability function inventory capacity is allocated to customer classes. As described, the first step is to split the RFCMA balance based on core storage inventory and load balancing inventory. In the second step, "SoCalGas proposes to allocate the Core storage inventory component of the RFCMA using the method discussed in Chapter 5, Table 14, and the load balancing inventory component of the RFCMA using the average year throughput to all customer classes."

At the bottom of Tables 14 and 15, Chapter 5, Applicants state "These allocations are based on the monthly core demand forecasts presented in Chapter 2 (Teplow) and Chapter 3 (Payan). These core storage capacity allocations are used to allocate storage costs among SoCalGas' and SDG&E's core customers."

(a) Please explain whether the new reliability function is a new service only for all SoCalGas core customers and excludes SoCalGas noncore customers.

(b) Please explain whether the new reliability function is a new service that will include all SDG&E core customers as well and excludes noncore SDG&E customers.

(c) Since the reliability function is described as consisting of both gas and inventory space, please explain whether the Applicants propose to procure gas for both the core customers of SoCalGas and SDG&E for the reliability function.

(d) Please state why there is a need for the proposed new reliability function for the core customers while there is none similarly proposed for the noncore. If this understanding is incorrect, please explain.

(e) Please explain in greater detail both the first and the second steps of the proposed approach to allocate the balance in the RFCMA, including an illustrative example.

(f) Please clarify whether the RFCMA balance consist of only two elements: core storage inventory and load balancing inventory and explain if these pertain to storage inventory assets held and paid for by the Core classes.

(g) Please confirm that "the method discussed in Chapter 5, Table 14, and the load balancing inventory component…" for purposes of the second step refers to the above described statements at the bottom of Table 14 and 15, Chapter 5. If so, please explain what they mean.

(h) Please explain the Applicants' reference to the monthly core demand forecasts by providing which specific core demand forecast the statement pertains to.

<u>RESPONSE 3:</u>

(a) No, as described in Chapter 1 (Dandridge) p. 14, lines 15 through 17 (emphasis added), "The 21 Bcf will provide the inventory required to provide a withdrawal deliverability of 1,240 MMcfd for <u>all customers</u> on the system, on a year-round basis." This new reliability function is a new service for all SoCalGas' core and noncore customers.

(b) See response 3(a). SDG&E is a customer on the SoCalGas system. Thus, SDG&E's gas customers are not excluded.

(c) SoCalGas has proposed to procure the 21 Bcf of gas for the reliability function for all customers, core and noncore, contingent upon the ability to recover the RFCMA balance as described in Chapter 6 (Ahmed).

(d) This understanding is incorrect. As explained in Responses 3(a) and 3(b), the proposed new reliability function is for all customers – both core and noncore.

(e) Applicants proposed this new reliability function to provide withdrawal capability to facilitate both core reliability and load balancing services. In the first step, the RFCMA balance would be allocated between core inventory and load balancing inventory. The allocation is based on seasonal weighted average percent split based on withdrawal deliverability of 1,240 MMcfd on a year-round basis. Once the share of the RFCMA balance attributable to core reliability is determined in the first step, Applicants propose to allocate this balance across core customer classes in the second step using the same methodology currently used to allocate core inventory costs across core customer classes.

The current methodology used for core inventory cost allocation is shown in Chapter 12 workpaper, “2020 TCAP SCG RD Model”, tab: Cost Allocation, line 159 (shows the percentage allocation based on method discussed in Chapter 5 (Guo), Table 14, line 170 (shows the cost allocated based on the percentage allocation). Similarly, once the share of the RFCMA balance attributable to load balancing is determined in the first step, Applicants propose to allocate this balance across core and noncore customer classes in the second step using the same methodology currently used to allocate load balancing costs across core and noncore customer classes. The current methodology used for load balancing inventory cost is shown in Chapter 12 workpaper, “2020 TCAP SCG RD Model”, tab: Cost Allocation, line 175 (shows the percentage allocation based on Average Year Throughput), line 178 (shows the cost allocated based on the percentage allocation).

(f) Yes, the RFCMA balance consists of only two elements: core storage inventory and load balancing inventory. The core storage inventory assets are held and paid for by the Core customer classes. The load balancing inventory is paid by all customer classes.

(g) It is confirmed that at the bottom of Tables 14 and 15, Chapter 5, Applicants state that “[t]hese allocations are based on the monthly core demand forecasts presented in Chapter 2 (Teplow) and Chapter 3 (Payan). These core storage capacity allocations are used to allocate storage costs among SoCalGas’ and SDG&E’s core customers.” It is also confirmed that Applicants proposed a two-step approach to allocate the balance of the RFCMA, with the second step being, “SoCalGas proposes to allocate the Core storage inventory component of the RFCMA using the method discussed in Chapter 5, Table 14, and the load balancing inventory component of the RFCMA using the average year throughput to all customer classes.” See Chapter 12 (Chaudhury), p. 28.

Tables 14 and 15 in Chapter 5 show, respectively for SoCalGas and SDG&E, the allocation of core storage assets (injection, inventory, and withdrawal) across core customer classes. The core injection and inventory asset allocations are based on each core customer class’ share of excess winter month gas demand (based on monthly demand forecast in a cold year scenario). The core withdrawal asset allocation is based on each customer class’ share of peak day demand. For a detailed discussion, see Chapter 5 workpapers, section “Core Storage Allocation” starting on p. 227.

(h) Applicants’ cited reference to the monthly core demand forecasts pertains to monthly demand forecast in a cold year scenario.

QUESTION 4:

At page 18 of Chapter 12 testimony in A.18-07-024, Applicants describe D.17-09-035 and the Commission's expectations on a showing on the plans for marketing, education, and outreach efforts with respect to the proposed fixed charges and in relation to the TOU rates and in compliance with the directives of D.15-07-01. Applicants state that these efforts are particularly important for electric utilities given significant electric residential rate reforms. Applicants state "On the gas side, there has been no such rate reforms. In addition, SoCalGas already has a residential fixed customer charge."

(a) Please confirm that only SoCalGas already has a residential fixed customer charge while SDG&E still does not have one.

(b) Given your response in item (a) above, please state whether the Applicants have even undertaken any initial marketing, education and outreach efforts pertaining to the proposed fixed customer charge in this TCAP for SDG&E customers.

RESPONSE 4:

(a) Confirmed.

(b) The Applicants have not undertaken any initial marketing, education and outreach efforts pertaining to the proposed fixed customer charge in this TCAP for SDG&E customers. As stated in Chapter 15, page 18, Applicants will undertake any marketing, education and outreach efforts for San Diego that the Commission deems necessary.