

**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-041)

DATA RECEIVED: 2-14-19

DATE RESPONDED: 3-1-19

QUESTION 1:

In response to DR-014 Q1(a), Applicants provided the Excel file "SoCalGas Meter O&M.xls" with the tab "Meter, Reg_ O&M Allocation," and a number of other tabs with Account numbers "878 & 893," "878.102," "878.102 support," "893.100," "893.100 support," "893.101," "893.101 support," "893.200-1," "893.200-1 support," "893.202," "893.202 support," "893.204," "893.204 support," "893.205-8," "893.205-8 support," "893.211," "893.900," "2016 Meter Change Activity," "GEMS Prorated," and "Big GEMS 2016." These other tabs provide hardcoded numbers. The tab "Meter, Reg_ O&M Allocation" shows the allocation of Meter and Regulator 2016 O&M (including Overhead) costs across customer classes. The O&M Accounts shown are Accounts 878 and 893 in the combined amount of \$4,742,000 while Overhead cost in the total amount of \$5,977,000 is allocated across the customer classes. The O&M costs are derived from the other tabs while the overhead cost is based on a hardcoded number.

Previously, in response to DR-007 Q2a, the Applicants provided Excel file "Service Lines O&M costs," with a single tab sheet showing the allocation of Overhead (S&E and OTHER) 2016 costs across Meter & Reg, Service Lines and Distribution O&M costs. The amount of O&M costs and overhead costs in 2016 for each of them are given in the table as hardcoded numbers. This file showed that the overhead cost is based on the fraction of O&M cost to the total O&M. For Meters & Regulators, the share of 2016 overhead cost is shown as 0.1191 fraction of total cost. For Service Lines, the share of 2016 overhead cost is shown as 0.3290 fraction of total cost. The Distribution Mains are shown to have the majority share of 2016 overhead cost, which is shown as 0.5519 fraction of total. The total O&M cost in 2016 for Meter & Regulators, Service Lines, and Distribution Mains is shown as \$39,828 (in \$000). The total overhead cost is shown as \$50,201 (in \$000).

- (a) Please explain how the hardcoded 2016 O&M costs and the hardcoded overhead costs can be verified from the FERC Form 2, including identifying the pages that correspond to these Accounts.
- (b) If verification from FERC Form 2 is not possible, then please explain how these hardcoded numbers can be verified from a reliable, publicly available document source.
- (c) Please provide supporting documentation to support the hardcoded 2016 O&M costs and overhead costs.

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RESPONSE 1:

- (a) Applicants' system of accounts records cost at a more disaggregated level (FERC subaccount levels) relative to the costs reported at the FERC accounts level in FERC Form 2. Therefore, the hardcoded 2016 O&M costs and the hardcoded overhead costs cannot be derived from the FERC Form 2.
- (b) The costs are based on 2016 recorded cost in FERC subaccounts. These FERC subaccount cost data are not publicly available.
- (c) See attached file for Response 1c.



Response #1c.pdf

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QUESTION 2:

Applicants' workpaper (Chapter 9) SCG 2020 TCAP LRMC Customer Costs.xls has the tab "cust 8 O&M" showing the allocation of the customer-related Distribution O&M. The tab displays the different O&M costs in 2016\$ per customer and applies escalation factors to convert them to 2020\$ per customer. Excel row 30 shows the allocation of Meters, Reg & MSA O&M costs using the allocators from tab "cust 3 Allocators" within the workpaper file. As shown, the allocator uses a 71% allocation to Single Family (SF) residential customers based on their total meter, Reg & MSA Investment portion as a fraction of the total meter, Reg & MSA Investment for all Residential customers. The 71% is a result of the SF customer count multiplied by the per customer Meter, Reg & MSA Investment, divided by the total Investment for all Residential customers. If the residential segmentation had been based on only the total customer counts, as shown in Excel row 12 of tab "cust 3 Allocators," then the file shows that SF residential customers would account for 67% of the total active customer meter count.

- (a) Please explain why it would be reasonable to use the 71% allocation to Single Family as opposed to the 67% described here, wherein the share of the allocation of SF residential customers would have been lower.
- (b) Please explain whether the category of SF residential customers which comprise 67% of the total active customer meter count includes California Alternate Rates for Energy (CARE) SF residential customers.

RESPONSE 2:

- (a) The referenced 71% O&M allocation to single family residential customers represents Meters, Reg & MSA-related O&M costs. Applicants think that it is more reasonable to allocate Meters, Reg & MSA-related O&M costs based on each residential customer segment's share of Meters, Reg & MSA-related capital investment than the alternative of allocating these Meters, Reg & MSA-related O&M costs simply based on customer counts.
- (b) The referenced meter count includes CARE SF residential customers.

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QUESTION 3:

In Applicants' workpaper SCG 2020 TCAP LRMC Distribution Costs.xls, the tab called "Out_Investment_Forecast" shows in Table 1 the Forecasted Distribution-related Investment Costs in 2016 dollars for each year starting at 2017 through 2022. After the column indicating the years, the next four (4) columns of Table 1 indicate different forecasted distribution-related Investment costs with hardcoded numbers. The source of the numbers is shown at the bottom of Table 1 to be Sandra Funderber and Fidal Galvin, Table 1, GRC, New Business and Pressure Betterment, escalated Acct.378.

- (a) Please provide the active Excel spreadsheet source for Table 1 to enable verification of the hardcoded numbers shown for forecasted distribution-related costs.

RESPONSE 3:

- (a) Please see attached file associated with Response 3.



Response #3.xlsx

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QUESTION 4:

In Applicants' workpaper SDGE 2020 TCAP LRMC Distribution Costs.xls, the tab called "Dist Inv" shows in Table LRMDC-4 the Distribution Regression Investments for the SDG&E Gas Department over the period 2007 through 2022. The Table shows hardcoded numbers in the column marked B "Demand-Rel Portion." At the bottom of the Table are notes which indicate that Col.(B), Rows (1)-(16) are from SDG&E Gas Distribution Engineering.

- (a) Please provide the active Excel spreadsheet source for Table LRMDC-4 to enable verification of the hardcoded numbers on Rows (1)-(16).

RESPONSE 4:

- (a) Please see attached file associated with Response 4 (and specifically cells: B73:B92).



Response 4.xlsx

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QUESTION 5:

In Applicants' workpaper 2020 TCAP SCG RD Model.xls, the tab "Cost Allocation" shows how the different elements of the LRMC costs for gas distribution are allocated and how these are scaled to the target base margin which is shown in cell E29 as \$2,246,492 (in \$000). Excel row 40 shows the scaled customer costs based on the LRMC Rental method, as with the total for the system of \$1,294,123 (in \$000) at cell Y40. Row 41 shows the scaled Medium Pressure Distribution (MPD) Costs, with the total for the system of \$372,777 (in \$000) at cell Y41. Row 42 shows the High-Pressure Distribution (HPD) Costs, with the total amount of \$156,980 (in \$000) at cell Y42.

In addition, the Transmission Costs per Embedded Costs are shown starting at Excel row 60, and these costs are shown to be allocated for Backbone Transmission and Local Transmission. The total amount of the Transmission Costs per EC method is shown in cell E77 as \$248, 543 (in \$000). Further, the Storage Cost per the EC method is shown in cell E89 as \$164,411 (in \$000).

Finally, cell E51 shows the Uncollectibles amount and cell E34 shows the NGV Compression Adder Costs. A system average uncollectible rate of 0.29800% is shown in the Model Input tab that is used to generate the number in cell E51.

- (a) Is the target base margin referenced above shown in 2020 dollars? If not, please explain why not.
- (b) Are the scaled customer costs referenced above shown in 2020 dollars? If not, please explain why not.
- (c) Are the scaled MPD and HPD costs referenced above shown in 2020 dollars? If not, please explain why not.
- (d) Are the Transmission Costs per the EC method referenced above shown in 2020 dollars? If not, please explain why not.
- (e) Are the Storage Costs per the EC method referenced above shown in 2020 dollars? If not, please explain why not.

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- (f) Please provide supporting information on the system average uncollectible rate referenced above, including a citation to the relevant Commission decision authorizing the recovery of the system average uncollectible rate.
- (g) Please provide supporting information on the NGV Compression Adder costs referenced above, including an explanation of how the Excel file SCG 2020 TCAP NGV Compression Rate Adder.xls is used for purposes of determining the number shown in cell E34.

RESPONSE 5:

- (a) In Response 1(a), CalPA DR-008, Applicants stated that “[to] isolate and present the impacts of 2020 TCAP proposals (updated cost studies, updated demand forecasts and cost allocation and rate design proposals) on rates, all else equal, SoCalGas has kept the 2020 TCAP revenue requirement components (including regulatory account balances) to be recovered in rates at the same levels underlying the 7/1/2018 rates. The revenue requirement components (base margin, regulatory account balances, etc.) to be recovered in 2020 rates are expected to be different than those underlying the 7/1/2018 rates.” Applicants did not escalate the base margin underlying the 7/1/2018 rates to 2020 dollars. The actual 2020 target base margin will be determined in Applicants’ Test Year 2019 GRC decision.
- (b) The unscaled customer costs are shown in 2020 dollars. The scaled customer costs referenced above simply reflect adjusting unscaled customer costs by the long-run marginal cost (LRMC) scalar to recover target base margin. The scaled customer costs will change once Applicants receive a Test Year 2019 GRC decision authorizing base margins. See Response 5(a).
- (c) See Response 5(b).
- (d) These figures in the EC study, which were prepared from 2016 FERC Form 2 data, are intended to represent a proxy for Test Year 2020 transmission and storage costs.
- (e) See Response 5(d).
- (f) The system average uncollectible rate of 0.29800% is based on Applicants’ last GRC. See D.16-06-054, p. 271.
- (g) The NGV Compression Adder costs shown in SCG 2020 TCAP NGV Compression Rate Adder.xls, the tab “NGV Station Cost”, cell G24, \$2,914 thousand is multiplied by the

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Franchise Fees and Uncollectible (FF&U) rate of 101.7370% to calculate \$2,964 thousand shown in 2020 TCAP SCG RD Model.xls, tab "Cost Allocation", cell E34, E46 and J46.

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QUESTION 6:

In response to the Public Advocates Office's data request DR-006 Q2(c), the Applicants state: The Customer-related actual costs are summarized in the attached workpapers, see excel file: SCG 2020TCAP LRMC Customer Costs.xlsx, tab: cust MUC. In the same file, tab: Meter Cost detail, the MSA costs' data source is the actual 2016 MSA cost data for the various meter sizes, types, and service pressure levels to MSA configurations at the customer level provided by Gas Engineering.

In the tab: Service Cost detail, the service unit costs' data sources are based on 2015 -2017 data from Gas Distribution. The service unit costs were escalated for labor and nonlabor overheads provided by Accounting & Finance. The 2016 direct O&M costs, tab: cust 8 O&M, tab: OUTMP_LRMC, were provided by Accounting & Finance and are based on FERC Accounts 870, 878, and 879, 901 through 905, 907 through 910, 878, 893 and 892.

For the Medium Pressure and High-Pressure Distribution-related costs, see attached excel workpapers file: SCG 2020TCAP LRMC Distribution Costs.xlsx, tab: Out_Investment_History, distribution unit costs' data sources are based on 2015 – 2017 data from Gas Distribution. The service unit costs were escalated for labor and nonlabor overheads provided by Accounting & Finance. The 2016 direct O&M costs, tab: Out_MP_LRMC, were provided by Accounting & Finance and are based on FERC Accounts 874, 875, 887, and 889.

For the O&M loaders, the (1) administrative and general (A&G) expenses, (2) general plant, and (3) materials and supplies (M&S), 2016 FERC form and Accounting data are shown in the attached workpaper file, SCG 2020TCAP LRMC OM loader.xlsx, as noted in the tabs.

- (a) The above response appears to indicate that nonlabor expense components and labor expense components were both subject to escalation rates. Please confirm whether both labor and nonlabor expense components were subject to escalation rates.
- (b) Please state whether Applicants are authorized in their GRC showings to apply escalation rates to both labor and nonlabor expense components.

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RESPONSE 6:

- (a) Confirmed.
- (b) Yes, Applicants are authorized in their GRC showings to apply escalation rates to both labor and nonlabor expense components.