

**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-042)

DATA RECEIVED: 2-14-19

DATE RESPONDED: 2-28-19

The following data request questions pertain to Chapter 3 of the Applicants' testimony, the Prepared and Direct Testimony of Rose-Marie Payan.

QUESTION 1:

Please explain in detail why the carrying cost was added to the Brokerage Fee model.

For any documents referenced in your response, please include those as attachments to your answer.

RESPONSE 1:

In A.15-07-014 (Applicants prior TCAP), The Utility Reform Network (TURN) proposed in its intervenor testimony that the core brokerage fee study include cash working capital for gas commodity. A.15-07-014 resulted in the submission and approval of a joint settlement agreement, which included this (see page 8 of the Settlement Agreement) and various other issues. As part of the settlement agreement, beginning January 1, 2017, the working cash requirement associated with commodity costs were removed from end use transportation rates and were added to the brokerage fee rate. This resulted in decreased transportation rates along with a correspondingly increased core brokerage fee.

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QUESTION 2:

Please explain in detail the methodology behind the cost summary on TAB 1 of the Brokerage Fee Study.

RESPONSE 2:

The purpose of the brokerage fee study is to determine as best as possible the costs associated with procuring gas for the core market so that these costs may be carved out of transportation rates and allocated to procurement customers, as described in Response 1. Tab 1 of the brokerage fee study summarizes those costs. Tab 1's function is to functionalize, classify and allocate costs that are derived from business units who perform support functions to gas acquisition solely in their role of procuring gas for the core.

As a first necessary step, all of the relevant costs of procuring gas for the core were identified. Some of the costs stem from the staff employed in gas acquisition. In row 9 of tab 1, please find the cost summary for gas acquisition. These costs include: labor costs, non-labor costs, overheads, direct costs, and the cost of rent. Excluded from these costs are administrative costs associated with Secondary Market Services, Greenhouse Gas Cap-and-Trade, and Low Carbon Fuel Standard, because these costs are not collected in the core brokerage fee.

The second step was to identify all of the business units who support gas acquisition in their role of procuring gas for the core. There are five business units that serve this purpose. The business units are listed in the spreadsheet as follows: Group A (demand forecasting); Group B (case management); Group C (tariffs); Group D (Legal); and Group E (Human Resources). Employees of each of the five subgroups who are tasked with job functions that support gas acquisition in their role of purchasing gas for the core were then surveyed. Each employee within each subgroup A-E was asked to identify the tasks they are involved in (tied exclusively to the function of supporting gas acquisition in their role of purchasing gas for the core) and to assess the amount of time spent on such support activities. Based on the respondent's calculations for time spent on the identified tasks, the cost for each employee and for each subgroup was determined as a percentage of the total time available for all tasks. The percentage of time reserved for supporting gas acquisition determined, for each employee, the amount of the costs that were aggregated into each of the subgroup cost elements within rows 10 through 14. After all the costs were assessed, they were summarized and aggregated to generate the total costs. Total costs are reported in cell G15.

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Rows 18 and 19 include the working cash requirement of approximately \$1.52 million for SoCalGas and \$0.21 million for SDG&E, for the reasons described in Response 1. The brokerage fee rate is presented in cell D5.