
QUESTION 1:

Table 5 captioned "Cost Allocation Comparison" on page 28 of Chapter 9 Prepared Direct Testimony of Ms. Schmidt-Pines shows the proposed cost allocation of the SoCalGas Base Margin compared to the current allocation effective January 2, 2018. On the prior page 27, the testimony states that "This comparison is pre-System Integration (footnote omitted) and pre-BTS unbundling, (footnote omitted) as discussed in Chapter 12 (Chaudhury)."

Page 1 of Chapter 12 Prepared Direct Testimony of Mr. Chaudhury states, "Applicants' rate design models start with the proposed allocated base margin, and then incorporate the integration of the local transmission system costs for the two utilities, (footnote omitted) along with the unbundling of the Backbone Transmission Service (BTS) costs. (footnote omitted)"

The Excel file "2020 TCAP SCG RD Model.xls" has a tab "Alloc Factors" which show the different allocation factors for SoCalGas. At Excel row 49 of the tab, the line reads "Total Allocated Base Margin post-SI, post-BTS Unbundle, w/FFU." In that row, under the column marked "Total Core," the amount of $1,895,838 (in $000) is shown. Also in that same row, under the column marked "Total System," the amount of $2,061,720 (in $000) is shown.

(a) Please confirm that the above-described Table 5 is based on the SoCalGas proposal which uses the marginal customer costs calculated using the Rental Method. If not, please explain.

(b) Please confirm that the above-described Table 5 shows that under the SoCalGas proposed cost allocation, the total SoCalGas Base Margin that would be allocated to the Total Core is approximately 84.4%, which is about 0.9% lower than the current allocation of SoCalGas Base Margin to Total Core, shown to be approximately 85.3%.

(c) Please confirm that the above-described Table 5 shows that SoCalGas' Residential customers would be allocated 69.1% of the total base margin.

(d) Please confirm that with the incorporation of the integration of the local transmission system costs for the two utilities and the unbundling of the BTS, and based on the above-described amounts in the Excel file, the Total Core would be allocated approximately 92.0% of the Total Allocated SoCalGas Base Margin on a post-SI and post-BTS Unbundle, w/FFU basis.

(e) Please confirm that the incorporation of the system integration and the unbundling of the BTS would add approximately 7.6% in cost allocation to the Total Core (i.e., 92.0% minus 84.4%). If not, please explain.

(f) Please confirm that based on the above-described Excel file, on a post-SI, post- BTS unbundling basis, the Residential customers would be allocated approximately 75.3% of total allocated base margin, which is 6.2% higher than the pre-SI, pre-BTS unbundling base margin allocation to the class shown in Table 5.

(g) Under the current allocation, please provide what is the total allocated base margin to SoCalGas' Total Core on a post-SI, post-BTS unbundle w/FFU basis.

RESPONSE 1:

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed, subject to the following clarification. SoCalGas's Base Margin referenced in this question is not the same Base Margin referenced in (b). The Base Margin post-system integration (SI) and post-backbone transmission system (BTS) unbundled referenced here excludes BTS costs while the Base Margin pre-SI and pre BTS Unbundled referenced in (b) includes BTS costs. So, the Base Margin referenced in (b) is higher than the Base Margin referenced in (d).

(e) This is not a proper comparison for the reason explained in Response (d). Noncore customers in aggregate pay a higher share of BTS costs relative to core customers. Allocating the remaining Base Margin after excluding BTS costs, therefore, shows core customers paying a higher share of remaining Base Margin (92%), relative to core customers paying 84.4% of total Base Margin.

(f) See response (e) as to why this is not a proper comparison. Notwithstanding, and subject to the same clarification provided in (d) above, confirmed.

(g) Under the "current allocation" (as filed), the total allocated base margin to SoCalGas' Total Core on a post-SI, post-BTS unbundle w/FFU basis is $1,910,794 (in $000)**.** This excludes Backbone Transmission.

QUESTION 2:

Similar to Table 5 in Question 1, on page 21 of Chapter 10 Prepared Direct Testimony of Mr. Foster, the Table 15 captioned “Cost Allocation Comparison” shows the proposed cost allocation of the SDG&E Base Margin (for the gas business) compared to the current allocation of SDG&E’s Base Margin. On the prior page 20, the testimony states “Table 15 shows a comparison of the proposed cost allocation to the current allocation. This comparison is pre-System Integration (footnote omitted) and pre-BTS unbundling. (footnote omitted)”

The Excel file “2020 TCAP SDGE RD Model.xls” has a tab “Alloc Factors” which show the different allocation factors for SDG&E. At Excel row 43 of the tab, the line reads “Total Allocated Base Margin post-SI, post-BTS Unbundle, w/FFU.” In that row, under the column marked “Total Core,” the amount of $283,329 (in $000) is shown. Also in that same row, under the column marked “Total System,” the amount of $290,686 (in $000) is shown.

(a) Please confirm that the above-described Table 15 is based on the SDG&E proposal which uses the marginal customer costs calculated using the Rental Method. If not, please explain.

(b) Please confirm that the above-described Table 15 shows that under the SDG&E proposed cost allocation, the total SDG&E Base Margin that would be allocated to the Total Core is approximately 86.1%, which is about 1.6% higher than the current allocation of SDG&E Base Margin to Total Core, shown to be approximately 84.5%.

(c) Please confirm that based on Table 15, SDG&E’s Residential customer class would be allocated 73.6% of total base margin, which is 1.3% less allocation compared to the current allocation of total base margin, shown as 74.9%.

(d) Please confirm that with the incorporation of the integration of the local transmission system costs for the two utilities and the unbundling of the BTS, and based on the above-described amounts in the Excel file, the Total Core would be allocated approximately 97.5% of the Total Allocated SDG&E Base Margin on a post-SI and post-BTS Unbundle, w/FFU basis.

(e) Please confirm that based on the above-described Excel file, the incorporation of the system integration and the unbundling of the BTS would add approximately 11.4% in cost allocation to the Total Core (i.e., 97.5% minus 86.1%). If not, please explain.

(f) Please confirm that based on the above-described Excel file, on a post-SI and post- BTS unbundling w/FFU basis, the total allocated Base Margin to the Residential customers is approximately 83.0%, which is approximately 9.4% higher than the 73.6% pre-SI and pre-BTS unbundle allocation to Residential customers shown in Table 15.

(g) Please confirm that based on the above, most of the 11.4% additional cost allocation to SDG&E's Total Core would be allocated to SDG&E's Residential customers.

(h) Under the "current allocation" (as filed), please provide what is the total allocated base margin to SDG&E's Total Core on a post-SI, post-BTS unbundle w/FFU basis.

(i) Please explain the difference and the meaning of the column marked "Adjusted Allocation of Base Margin" in Table 15 for SDG&E while Table 5 in Question 1 for SoCalGas just says "Proposed Allocation of Base Margin."

<u>RESPONSE 2:</u>

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

(d) Confirmed, subject to the following clarification. SDG&E's Base Margin referenced in this question is not the same Base Margin referenced in (b). The Base Margin post-system integration (SI) and post-backbone transmission system (BTS) unbundled referenced here excludes BTS costs while the Base Margin pre-SI and pre BTS Unbundled referenced in (b) includes BTS costs. So, the Base Margin referenced in (b) is higher than the Base Margin referenced in (d).

(e) This is not a proper comparison for the reason explained in Response (d). Noncore customers in aggregate pay a higher share of BTS costs relative to core customers. Allocating the remaining Base Margin after excluding BTS costs, therefore, shows core customers paying a higher share of remaining Base Margin (97.5%), relative to core customers paying 86.1% of total Base Margin.

(f) See response (e) as to why this is not a proper comparison. Notwithstanding, and subject to the same clarification provided in (d) above, confirmed.

(g) See response (f).

(h) Under the current allocation, the total allocated base margin to SDG&E's Total Core on a post-SI, post-BTS unbundle w/FFU basis is $277,921 (in $000)**.**

(i) There is no difference. SDG&E and SoCalGas simply used different titles.

QUESTION 3:

The Excel files “2020 TCAP SCG RD Model.xls” and “2020 TCAP SDGE RD Model.xls” both have tabs “Current Cost Alloc.” Each tab shows the SoCalGas and SDG&E cost allocation with the date July 2018 indicated in the heading. For SoCalGas, starting at Excel row 136, the tab shows the effective allocation percentage for each customer class. Excel row 137 of the tab shows “Total Margin Allocation pre-SI, pre-BTS Unbundle w/FFU,” with Total Core in column J shown to be allocated 88.3%. On the same row, the Residential class is shown in column E to be allocated 74.6%. Excel row 138 of the tab shows “Total Allocated Base Margin, post-SI, post-BTS Unbundle with FFU,” with Total Core in column J shown to be allocated 92.8%. On the same row, the Residential class is shown in column E to be allocated 79.0%.

For SDG&E, starting at Excel row 117, the tab shows the effective allocation percentage for each customer class. Excel row 118 of the tab shows “Total Margin Allocation pre-SI, pre-BTS Unbundle w/FFU,” with Total Core in column H shown to be allocated 90.8%. On the same row, the Residential class is shown in column E to be allocated 78.8%. Excel row 119 of the tab shows “Total Allocated Base Margin, post-SI, post-BTS Unbundle with FFU,” with Total Core in column H shown to be allocated 97.1%. On the same row, the Residential class is shown in column E to be allocated 85.7%.

(a) Please confirm whether the information in the above-described tab is an update and supersedes the current allocation of base margin shown on Table 5 of page 28 of Ms. Schmidt-Pines’ Testimony. If not, please explain.

(b) Please confirm whether the information in the above-described tab is an update and supersedes the current allocation of base margin shown on Table 15 of page 21 of Mr. Foster’s Testimony. If not, please explain.

RESPONSE 3:

(a) The information in the above-described tab is not an update and does not supersede the current allocation of base margin shown on Table 5 of page 28 of Chapter 9 (Schmidt-Pines). In Table 5, the BTS costs (revenue requirement) are reported as a separate line item and are not included in the derivation of Total Core and Residential revenue requirement percentages. In the referenced SoCalGas Excel tab, Total Core and Residential customers’ share of revenue requirement pre-SI and pre-BTS Unbundle include their respective share of BTS costs.

(b) The information in the above-described tab is not an update and does not supersede the current allocation of base margin shown on Table 15 of page 21 of Chapter 10 (Foster).

In Table 15, the BTS costs (revenue requirement) are reported as a separate line item and are not included in the derivation of Total Core and Residential revenue requirement percentages. In the referenced SDG&E Excel tab, Total Core and Residential customers' share of revenue requirement pre-SI and pre-BTS Unbundle include their respective share of BTS costs.

QUESTION 4:

If marginal customer costs were calculated based on either the NCO Method or the NCO with replacement Method, assuming all other SoCalGas and SDG&E proposals in the 2020 TCAP unchanged, then the total allocation of base margin to the Total Core customers of each utility would be less than those proposed by SoCalGas and SDG&E as presented in Tables 5 and 15 (as discussed in Questions 1 and 2) respectively.

Please confirm whether this statement is correct. If you believe it is incorrect, then please explain and provide support why the statement is incorrect.

RESPONSE 4:

This statement is correct for the NCO Method relative to the Applicant-proposed Rental Method. Under the Applicants' assumed replacement cost adder percentages for the NCO with replacement Method, assuming all other SoCalGas and SDG&E proposals in the 2020 TCAP were unchanged, the allocation of base margin to the Total Core customers of each utility would be more than those proposed by SoCalGas and SDG&E under the Rental Method as presented in Tables 5 and 15, respectively.