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-050)

DATA RECEIVED: 3-4-19

DATE RESPONDED: 3-21-19

The following data request questions pertain to Chapter 6 of the Applicants testimony, the Prepared and Direct Testimony of Nasim Ahmed.

NOTE: This data request is a follow up to SCG Data Request Response #31. Please refer to SCG Data request Response for each account.

QUESTION 1:

For SCG's Data request Response to the Pension Balancing Account (PBA):

a. In the Costs section, please provide supporting source documents for the Gross Expense for December 2016 and July 2017.

b. Please provide an explanation for how SCG arrived at the percentage allocations (such as 27.64% for CWIP, 1.71% for shared service billed to SDG&E(O&M), 0.078% for shared service billed to SDG&E (direct capital), etc.) for each of the Gross Expenses.

RESPONSE 1:

a. Please refer to attached acrobat files for supporting details for pension costs in December 2016 and July 2017. The Gross Expense recorded in the PBA is net of the refundable portion recorded in the Direct Assistance Program Balancing Account (DAPBA). Decision 12-08-044 authorized SoCalGas to recover $3.1 million in overhead costs associated with proposed Customer Assistance Representative positions to be created using meter readers displaced by the AMI project. These overhead costs which included P&B overhead costs were balanced in the DAPBA, so to avoid double-counting these P&B overhead costs, the amount recorded in the DAPBA is excluded from being recorded in the PBA[1]. For example, in December 2016, the PBA recorded a Gross Expense of $20,048,921 which was the total pension funding of $20,050,433 less refundable portion of $1,512 recorded in the DAPBA.

[1] Note: for July 2017, the DAPBA P&B exclusion was allocated between PBA and PBOPBA based on the prior year's proportion of pension and PBOP funding.

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b. The percentage allocations or Capital and Affiliate factors for December 2016 were based on SoCalGas' 2015 labor study which compiles labor costs by function/area. For example, the CWIP percentage allocation would be based on labor costs associated with capital projects and the allocation percentages for shared services billed to SDG&E would be based on affiliate billing activities to SDG&E. The primary source for the labor study is a FERC report filtered for SoCalGas labor costs. Additional reports are compiled to determine the allocation of O&M vs. capital treatment of affiliate billings to SDG&E. In addition, to minimize a potential financial impact, the allocation percentage for CWIP is reviewed throughput the year by management and is adjusted accordingly.

   The percentage allocations used in the PBA (and PBOPBA) are on a one-year lag – that is, the percentage allocations used in recording costs in the PBA for 2016 are based on the 2015 labor study. SoCalGas records an adjustment in the first half of the subsequent year to true-up for any differences in the allocation percentages based on labor cost study applicable to the prior year. For example, SoCalGas recorded an adjustment in the PBA in April 2017 to true-up 2016 activity based on the 2016 labor study.

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QUESTION 2:

In the Costs section of SCG's data request response to the Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA), please, provide supporting source documents for the Gross Expense for December 2016 and July 2017.

RESPONSE 2:

Please refer to the attached acrobat files for supporting details on PBOP costs for December 2016 and September 2017 (in DR 031, SoCalGas provided Gross Expense for September 2017 not July 2017). For December 2016 and September 2017, PBOP Gross Expense is based on the recorded costs in GL account 6120081, Employee Benefit – PBOP Medical.

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QUESTION 3:

For SCG's Data Response to the Core Fixed Cost Account (CFCA):, please provide supporting source documents for the Revenue section of the response.

RESPONSE 3:

The following describes the overall process of how revenues are recorded in SoCalGas' regulatory accounts:

- On a monthly basis, SoCalGas' billing systems send a revenue bill file to the Corporate Strategic Database system (CSD). The file contains select information billed to customers including billing costs, customer volume consumption, tariffs used to charge customers, and billing charge types.
- SoCalGas operates on the accrual basis of accounting, so on a monthly basis, the Regulatory Accounts group (RA) prepares a revenue accrual. The revenue accrual is based on forecasted customer volume consumption and costs charged to customers using the applicable tariff rate. RA receives the forecasted volume and cost data from various departments (e.g., demand forecasting, marketing, storage). RA prepares an excel file which is uploaded to CSD. The revenue accrual is reversed in the subsequent month.
- When SoCalGas implements a rate change (e.g., SoCalGas files an annual Consolidated YE advice letter in December to updates rates effective January 1 of the subsequent year), the Rates group prepares a Unit Cost Report (UCR) which provides details of the rate update. For example, the UCR identifies various type of costs by customer class (e.g., Residential) including base margin costs (e.g., distribution costs, transmission costs), other operating costs and revenues (e.g., company use fuel, unaccounted for gas), and amortizations of regulatory account balances (e.g., CFCA amortization, ITBA amortization). The UCR also provides the calculated factors of these costs - generally, each factor is calculated by dividing the cost for the customer class by the customer class's authorized throughput.
- The primary purpose of CSD is to decompose revenues for recording in SoCalGas' regulatory accounts. The CSD decomposition process essentially breaks down revenues into various components that are included in a customer's rate. When CSD decomposes the revenues from the revenue bill file and the revenue accrual file, CSD uses the factors per the UCR to determine the applicable revenue component. These amounts are identified in CSD by Expense Type (ET) code.

- For example, the August 2017 UCR shows a total CFCA amortization of $84.706 million net of FF&U included in rates effective August 1, 2017. The Residential customer class was allocated $56.716 million of the total CFCA amortization. Dividing the $56.716 million by the applicable authorized throughput of 2,435,160 Mth results in a factor of 0.02329 per therm.
- As revenues are recorded in multiple regulatory accounts, RA uses ET codes to identify the applicable revenue components to appropriately segregate revenues as needed for recording in the appropriate regulatory account.
- For example, CFCA amortization revenues are recorded in the CFCA, so ET code 672 is used to identify CFCA amortization revenues. CSD calculates the CFCA amortization revenues applicable to Residential customer class by multiplying the 0.02329 factor by the total volumes for the Residential customer class for the month. Total volumes are based on the revenue bill file plus revenue accrual file less prior month's accrual file.
- The authorized preliminary statements indicate which revenues are recorded in each regulatory account.
- For example, all core classes are associated with the CFCA, so the CFCA amortization revenues identified in ET code 672 for all core classes would be balanced in the CFCA.

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QUESTION 4:

For SCG's Data Response to the Backbone Transmission Balancing Account (BTBA), in the Costs section, please provide the supporting source document for Capital-Related Costs and Authorized Amortization.

RESPONSE 4:

The attached excel file provides details on the calculations of the capital-related costs (i.e., depreciation, taxes, and return) recorded in the BTBA in December 2016 and August 2017. Capital additions were completed in the first quarter of 2013. In addition, the attached word document describes the process for calculating the capital-related costs recorded in the BTBA.

2020 TCAP_Cal PA DR 050_Q4 BTBA doc

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Details on the Authorized Amortization were provided in the response to question 4 of DR 031.

QUESTION 5:

For SCG Data Response to the Integrated Transmission Balancing Account (ITBA), in the Revenue section, please provide source document for December 2016 and August 2017.

RESPONSE 5:

Please refer to our response to question 3.

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QUESTION 6:

In the cost section of the Safety Enhancement Capital Cost Balancing Account (SECCBA), please provide supporting source documents for all Capital-Related Costs.

RESPONSE 6:

The attached excel files provide details on the calculations of the capital-related costs (i.e., depreciation, taxes, and return) recorded in the SECCBA in December 2016 and July 2017. In addition, the attached word document describes the process for calculating the capital-related costs recorded in the SECCBA.

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QUESTION 7:

In the costs section of the Transmission Integrity Management Program Balancing Account (TIMPBA), please provide supporting source documents for all the Capital-Related Costs.

RESPONSE 7:

The attached excel files provide details on the calculations of the capital-related costs (i.e., depreciation, taxes, and return) recorded in the TIMPBA in December 2016 and August 2017. In addition, the attached word document describes the process for calculating the capital-related costs recorded in the TIMPBA.

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