

Exhibit No.: _____
Application: A.18-07-024
Witness: Sharim Chaudhury
Chapter: 13

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF
SHARIM CHAUDHURY
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY

(RESIDENTIAL BASELINE TIERS)

February 22, 2019

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1 **CHAPTER 13**

2 **PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF SHARIM CHAUDHURY**

3 **(RESIDENTIAL BASELINE TIERS)**

4 **I. PURPOSE**

5 The purpose of my prepared supplemental direct testimony is to: (1) propose new
6 residential baseline seasons and allowances for Southern California Gas Company (SoCalGas)
7 and San Diego Gas & Electric Company (SDG&E)¹ (collectively, Applicants) consistent with
8 the objective of Senate Bill 711 (SB 711) to reduce residential bill volatility, and (2) provide
9 updated residential rates and bill impacts consistent with Applicants' 2020 Triennial Cost
10 Allocation Proceeding (TCAP) proposals on residential rate design (A.18-07-024) and the new
11 baseline seasons and allowances proposed herein.

12 **II. BACKGROUND**

13 Applicants filed their 2020 TCAP application in July 2018. In the Application, SoCalGas
14 proposed to increase its residential customer charge from \$5 per month to \$10 per month which
15 would correspondingly reduce volumetric rates.² SDG&E proposed to replace its gas residential
16 minimum bill of \$3 per month with a \$10 per month customer charge which would also
17 correspondingly reduce volumetric rates.³ Applicants did not analyze their respective residential
18 baseline seasons and allowances and did not propose any changes from the existing residential
19 baseline seasons and allowances.

¹ I am testifying on behalf of SDG&E's gas operations, and not its electric operations or business.

² See Applicants' 2020 TCAP Prepared Direct Testimony, Chapter 12 (Chaudhury), at 5-6.

³ *Id.*

1 On February 8, 2019, the assigned Administrative Law Judge (ALJ) issued a Ruling
2 directing Applicants to submit Supplemental Testimony describing how the Applicants would
3 implement SB 711. As set forth in this February 8, 2019 Ruling:

4 SB 711 requires the Commission to make efforts to minimize bill
5 volatility for residential customers, by modifying the length of
6 baseline seasons or defining additional baseline seasons. For gas
7 corporations that, for a portion of residential customers, employ
8 every-other-month meter reading and estimate bills for months when
9 the customer's meter is not read, SB 711 requires the Commission to
10 direct the gas corporation to include in its tariffs the method it uses to
11 estimate bills for those months during which the meter is not read.⁴

12 The first step in implementing SB 711 is to review and update SoCalGas' and SDG&E's
13 residential baseline allowances under Public Utility Code 739 (Section 739) using recent
14 consumption data, which can then be used as the comparison values to evaluate the effectiveness
15 of the proposed seasonal modifications pursuant to SB 711 in lowering bill volatility.

16 Section 739, the baseline statute, requires the Commission to review and revise
17 residential customer baseline quantities as average consumption patterns change, where a
18 baseline quantity is to represent a significant portion of the reasonable energy needs of the
19 average residential customer. Section 739 requires that baseline quantities be maintained at 50 to
20 60 percent of average residential consumption and 60 to 70 percent of such consumption during
21 the winter heating season for residential gas customers and all-electric residential customers.
22 Non-baseline usage represents any usage above the baseline usage. Residential baseline and
23 non-baseline usages are charged, respectively, a baseline and a non-baseline volumetric rate,
24 with the baseline rate being lower than the non-baseline rate.

⁴ A.18-07-024, Administrative Law Judge's Ruling Noticing Workshop and Directing Applicants to Serve Supplemental Testimony (February 8, 2019) at 3.

1 In the sections that follow, I first discuss SoCalGas' and SDG&E's current residential
2 baseline seasons and allowances. I then describe SoCalGas' and SDG&E's process of updating
3 the baseline allowances under Section 739 (which is the first step in the SB 711 baseline
4 adjustment process). After establishing new baseline allowances consistent with Section 739, in
5 the subsequent sections I then present the proposed baseline seasons and allowances pursuant to
6 SB 711.

7 **III. CURRENT RESIDENTIAL BASELINE SEASONS AND ALLOWANCES**

8 **A. Applicants' Current Baseline Seasons**

9 Both SoCalGas and SDG&E currently have two seasons for residential baseline
10 allowances: winter and summer. The six-month winter season runs from November 1 through
11 April 30 and the six-month summer season runs from May 1 through October 31. Relative to the
12 summer season, the baseline allowances are higher in the winter season, when residential
13 consumption is higher due to space heating load.

14 **B. Applicants' Current Baseline Allowances**

15 For the purposes of setting baseline allowances, SoCalGas segments its service territory
16 into three climate zones based upon geographic areas and annual heating degree days: Zone 1,
17 Zone 2 and Zone 3.⁵ SDG&E has a single climate zone for its residential gas baseline
18 allowances, spanning its entire gas service territory. Table 1, below, shows the current baseline
19 allowances for the Applicants.⁶ With the exception of SoCalGas' Zone 3 winter baseline
20 allowance (which was updated in 2004), these current baseline allowances have been in effect

⁵ Cities and Communities served by SoCalGas:
<https://www.socalgas.com/regulatory/tariffs/tm2/pdf/CITIES.pdf>.

⁶ While Applicants' tariffs depict residential baseline allowances in units of therms per day, the tables in this testimony will also illustratively depict the allowances in therms per month for discussion purposes.

1 since June 1, 2002, following the implementation of Decision (D.) 02-04-026 issued in Phase 1
 2 of the Baseline Rulemaking (R.) 01-05-047.⁷

3 **Table 1**
 4 SoCalGas & SDG&E Current Baseline Allowances (Therm)

Daily				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	0.473	0.473	0.473	0.493
Winter (Nov. - Apr.)	1.691	1.823	2.950	1.546

Monthly Average				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	14.5	14.5	14.5	15.1
Winter (Nov. - Apr.)	51.0	55.0	89.0	46.6

5
 6 As Table 1 shows, the summer baseline allowances across the three zones are the same
 7 for SoCalGas. SoCalGas' winter baseline allowance is the smallest for Zone 1 and largest for
 8 Zone 3, reflecting higher allowances for residential customers residing in colder weather zones.

9 **C. Current Baseline Allowances Are Above the Upper Bounds Dictated by**
 10 **Section 739**

11 Applicants' current baseline allowances were adopted in 2002 (with SoCalGas' Zone 3
 12 allowance updated in 2004) using then-recent consumption data applied to the bill frequency
 13 method.⁸ The current baseline allowances applied to recent five-year-average (2013-2017)

⁷ See Advice Letter (AL) 3149 for SoCalGas and AL 1404-E/1312-G for SDG&E. Pursuant to D.04-02-057, issued in Phase 2 of R.01-05-047, the Commission required the usage from seasonal residences to be excluded from baseline calculations where its inclusion would cause a material (i.e., 3 percent threshold) reduction in baseline quantities. In accordance with this policy, Applicants recalculated their baseline allowances to determine whether the materiality threshold in each of its climate zones was met. In the subsequent compliance AL, SoCalGas updated its Zone 3 winter baseline allowance as the materiality threshold exceeded for this zone. The materiality thresholds did not exceed SoCalGas' other zones, and therefore, SoCalGas did not update the baseline allowances for other zones. See SoCalGas AL 3366. For the same reason, SDG&E did not update its baseline allowances. See SDG&E AL 1461-G.

⁸ See AL 3149 for SoCalGas and AL 1404-E/1312-G for SDG&E. AL 3149 notes that SoCalGas adjusted to average temperature conditions the bill frequency distribution data, while AL 1404-E/1312-G

1 cumulative consumption in the baseline tier⁹ are higher than the upper bounds set forth in
 2 Section 739 (*i.e.*, 60 percent for summer months and 70 percent for winter months). This is
 3 shown in Table 2 below.

4 **Table 2**
 5 Current Baseline Allowances as Percent of Cumulative Baseline Usage
 6 Based on Recent Usage Data

	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	64.7%	64.7%	64.7%	74.2%
Winter (Nov. - Apr.)	78.8%	77.4%	81.3%	83.7%

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 8 **IV. UPDATED BASELINE ALLOWANCES CONSISTENT WITH CURRENT**
 9 **BASELINE SEASONS AND SECTION 739 BASELINE ALLOWANCE**
 10 **UPPERBOUNDS (BEFORE ADDRESSING SB 711)**

11 Before the Applicants can make recommendations on modifying their baseline seasons
 12 pursuant to SB 711, Applicants should first update the baseline allowances pursuant to Section
 13 739. Updated residential baseline allowances, based on recent consumption data would replace
 14 the currently existing residential baseline allowances. Once residential baseline allowances are
 15 recalibrated to more recent data, Applicants can propose a plan to implement SB 711. To
 16 evaluate the effectiveness in lowering residential bill volatilities of the proposed modifications to
 17 baseline seasons pursuant to SB 711, Applicants first attempt to ascertain whether there is any
 18 material bill volatility to merit a change to baselines. Applicants compare the residential bill
 19 volatility under these alternative baseline allowances with those under the SB 711-proposed
 20 seasonal modifications.

notes that SDG&E utilized a three-year average of the bill frequency distribution data. SoCalGas AL 3366 updated the winter baseline allowances for Zone 3 only.

⁹ This approach represents the bill frequency method for calculating baseline allowances. D.02-04-026, OP 7, ordered Utilities to continue using this method, which was originally adopted in D.83-12-065, to calculate baseline allowances.

1 Accordingly, this section shows the updated baseline allowances using the bill frequency
2 method applied to recent five-year-average (2013-2017) historical consumption data under the
3 current baseline seasons (i.e., six-month winter and six-month summer). Applicants used
4 average historical consumption data to update their residential baseline allowances because it is
5 one of the three methods approved by the Commission,¹⁰ and it is the method PG&E retained to
6 update its most recent residential baseline allowances.¹¹ Section V below further updates
7 Applicants' baseline allowances using the same recent average historical consumption data under
8 Applicants' proposed baseline seasons that are consistent with SB 711 implementation. To
9 evaluate the impact of SB 711 in lowering bill volatility, Applicants compare bill volatility
10 developed in Section IV with that developed in Section V.

11 **A. Retaining Applicants' Current Baseline Seasons**

12 In this Section, Applicants show updated baseline allowances consistent with Section 739
13 and recent residential historical average consumption assuming no changes in baseline seasons.
14 In other words, Applicants retain the current six-month winter and six-month summer seasons
15 for updating baseline allowances.

16 **B. Updated Baseline Allowances with Current Baseline Seasons**

17 Applicants calculated updated baseline allowances separately for each of SoCalGas' three
18 climate zones and SDG&E's single climate zone using the bill frequency method applied to
19 recent five-year average monthly consumption data for individually-metered residential
20 customers. Applicants derived winter baseline allowances to yield cumulative monthly baseline
21 consumption of 70 percent of the five-year average winter monthly consumption and summer

¹⁰ See D.02-04-026, OP 7. The other two methods are weather-normalization method and normalization of current data using historical usage.

¹¹ See PG&E's 2017 General Rate Case Phase 2, Prepared Testimony, Chapter 4 (Residential Rate Design), at 5.

1 baseline allowances to yield cumulative monthly baseline consumption of 60 percent of summer
 2 monthly consumption. These updated baseline allowances, consistent with current baseline
 3 seasons and updated residential consumption data, are shown in Table 3 below.¹²

4 **Table 3**
 5 Applicants' Updated Baseline Allowances (Therm)

Daily				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	0.424	0.424	0.424	0.359
Winter (Nov. - Apr.)	1.326	1.525	2.254	1.011

Monthly Average				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	13.0	13.0	13.0	11.0
Winter (Nov. - Apr.)	40.0	46.0	68.0	30.5

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 8 As shown in Table 3, relative to Table 1, Applicants' updated baseline allowances are
 9 lower than the current allowances. This is to be expected, as the underlying recent residential
 10 consumption are lower than the residential consumption used in the implementation of the
 11 current baseline allowances per D.02-04-026.

12 Table 4, below, shows that the updated baseline ratios reflect about 60 percent of
 13 cumulative residential baseline consumption in summer and about 70 percent of cumulative
 14 residential baseline consumption during the winter season consistent with the Section 739 upper
 15 limit.

¹² Applicants' workpapers contain baseline allowances by end-use type for multi-family customers.

Table 4
 Updated Baseline Allowances as Percent of Cumulative Baseline Usage
 Based on Recent Usage Data

	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	60.2%	60.2%	60.2%	61.7%
Winter (Nov. - Apr.)	70.8%	70.5%	70.6%	70.5%

C. Updated Residential Baseline and Non-Baseline Rates Relative to Applicants’ 2020 TCAP Proposal

In this 2020 TCAP Application, Applicants’ proposed rate design structure consists of a \$10 per month customer charge and two-tiered volumetric rates: a baseline rate and a non-baseline rate, with the non-baseline rate being higher and related to the baseline rate through the calculation of the composite tier differential.¹³ For the reasons detailed in Chapter 12 (Chaudhury), Applicants propose to retain the same rate design structure in this testimony. Reducing baseline allowances, as outlined in this testimony would have the effect of shifting some gas usage from baseline tier to non-baseline tier. Because non-baseline usage is charged at a higher non-baseline rate, residential revenue collected at the proposed volumetric rates in Chapter 12 would lead to higher revenue collected from residential customers than residential customers’ allocation of the authorized revenue requirement. To retain revenue neutrality, Applicants need to lower both baseline and non-baseline rates from those presented in Chapter 12. To that end, Table 5 shows new, lower baseline and non-baseline rates along with Applicants’ TCAP-proposed rates while retaining the same \$10 per month customer charge.

¹³ See Chapter 12 (Chaudhury), at 5-6.

Table 5

Comparison of Updated Residential Baseline & Non-Baseline Rates Resulting From Updated Baseline Allowances With Those Proposed In 2020 TCAP

	SoCalGas		SDG&E	
	TCAP 2020 Proposed	Updated Baseline	TCAP 2020 Proposed	Updated Baseline
Customer Charge (\$/Month)	10.00	10.00	10.00	10.00
Baseline Rate (\$/Therm)	0.30908	0.28680	0.49017	0.41703
Non-Baseline Rate (\$/Therm)	0.85348	0.84840	1.07716	1.05805
Average Rate (\$/Therm)	0.74324	0.74324	0.92590	0.92590

As Table 5 shows, while the average rate¹⁴ is not impacted due to revenue neutrality, both the baseline and non-baseline rates are lower than those presented in Chapter 12. These rate declines are due to the lowering of baseline allowances only. As described above, updating residential baseline allowances requires updating residential rates to maintain residential revenue neutrality and does not impact other customer classes. Therefore, Applicants only show residential impacts, as other customer classes are not impacted by updating residential baseline allowances.

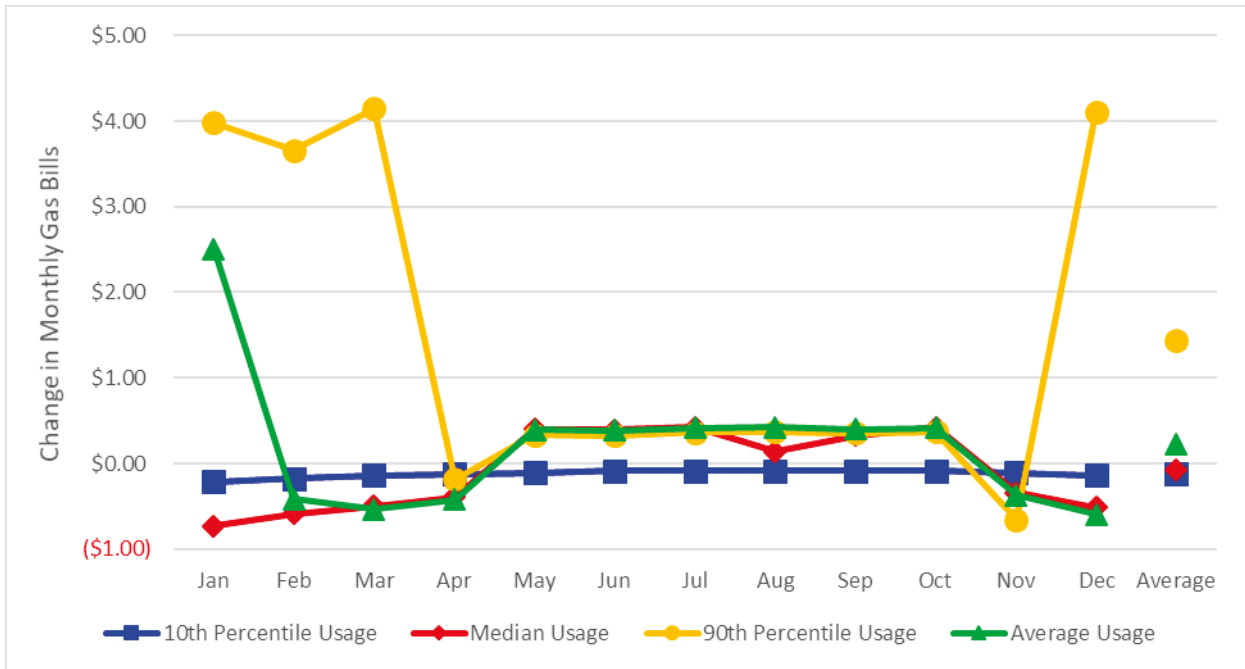
D. Updated Residential Bill Impacts Relative to Applicants' 2020 TCAP Proposal – California Alternative Rates for Energy (CARE) and Non-CARE Customers

Lower residential baseline and non-baseline rates, together with lower baseline allowances, result in gas bills that are lower for low usage customers and higher for high-usage customers. The bills for customers with usage at or below the new lower baseline usage would decrease due to the lower baseline rate. Conversely, the bills for customers with usage above the new lower baseline usage would face two offsetting effects: lower baseline and non-baseline rates would contribute to lower such bills. However, a higher amount of their usage would be

¹⁴ Average rate is calculated dividing residential revenue requirement by residential gas volume.

1 billed at the non-baseline rate, contributing to increasing their bills. The bill impacts for low
 2 usage (i.e., 10th percentile), median usage, average usage, and high usage (i.e., 90th percentile)
 3 are shown in Chart 1 to Chart 4 below. The bill impacts in these charts capture the change in
 4 bills attributable to updated lower baseline allowances and the resulting decrease in baseline and
 5 non-baseline rates relative to Applicants' 2020 residential rate design proposal, with other
 6 assumptions remaining the same.

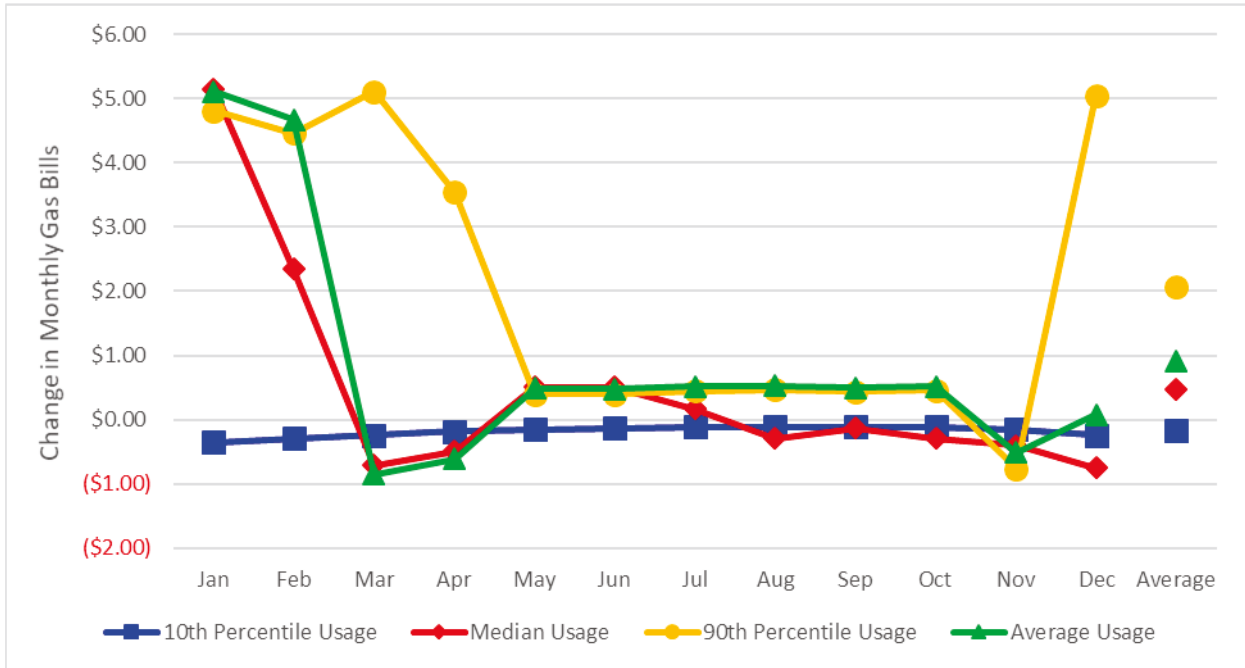
7 **Chart 1**
 8 SoCalGas Zone 1 CARE Customers' Bill Impact from Updated Baseline Allowances
 9 Relative to 2020 TCAP Estimated Bills with Current Baseline Allowances



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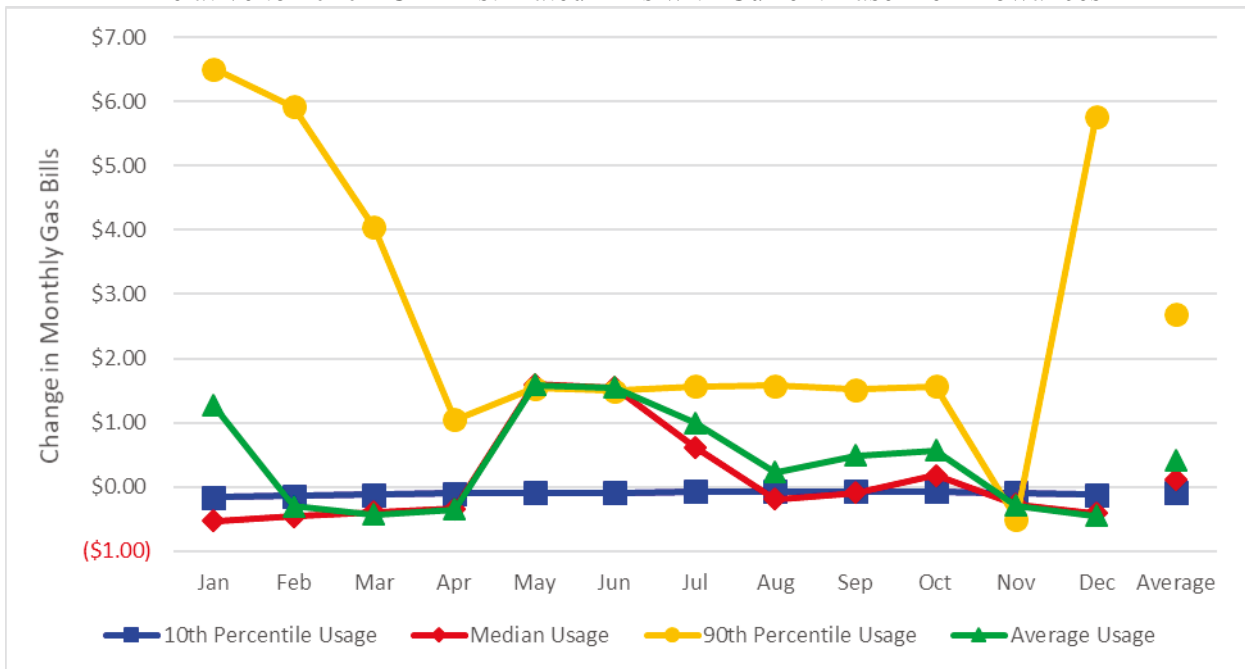
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Chart 2
SoCalGas Zone 1 Non-CARE Customers' Bill Impact from Updated Baseline Allowances
Relative to 2020 TCAP Estimated Bills with Current Baseline Allowances



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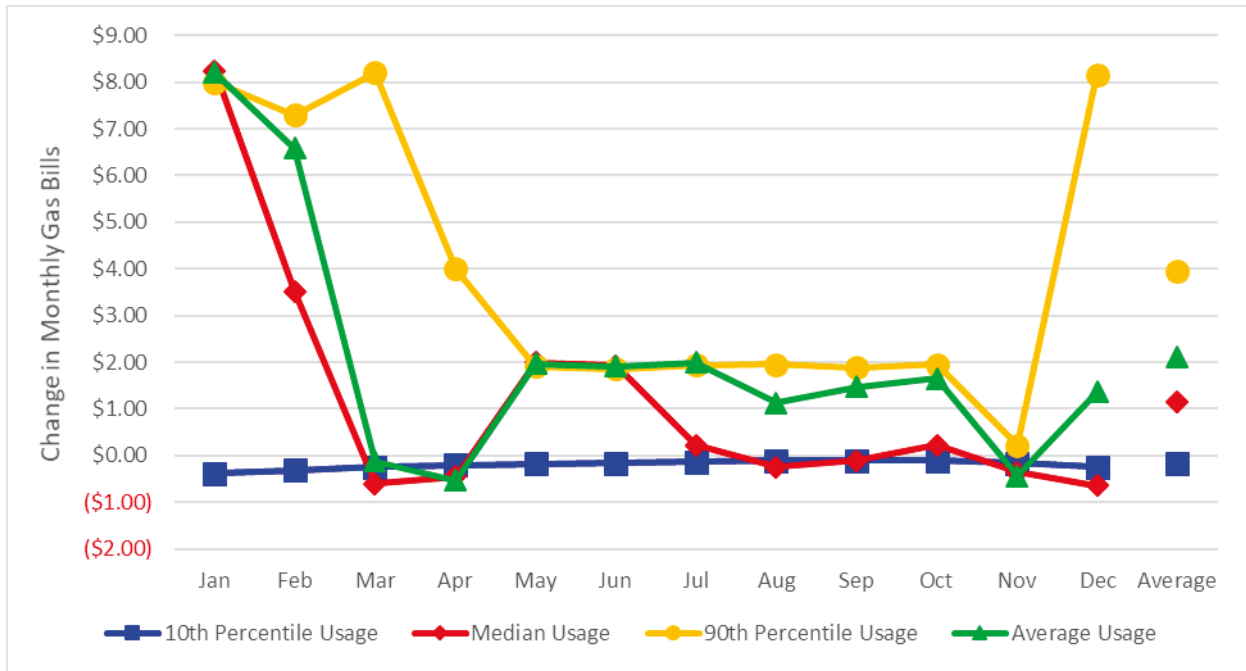
Chart 3
SDG&E'S CARE Customers' Bill Impact from Updated Baseline Allowances
Relative to 2020 TCAP Estimated Bills with Current Baseline Allowances



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Chart 4
SDG&E'S Non-CARE Customers' Bill Impact from Updated Baseline Allowances
Relative to 2020 TCAP Estimated Bills with Current Baseline Allowances



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As Charts 1 through 4 demonstrate, updating baseline allowances will lower monthly bills for small usage customers. For high usage customers, winter months' bills would be higher primarily due to the lowering of baseline allowances, more than offsetting the impact of lower baseline and non-baseline rates.

10 **V. PROPOSED BASELINE SEASONS AND ALLOWANCES CONSISTENT WITH**
11 **PROPOSING A PLAN TO IMPLEMENT SB 711**

12 This section addresses Applicants' proposed restructuring of baseline seasons and
13 allowances consistent with SB 711 to lower residential bill volatility. These updated baseline
14 seasons and allowances reflect Applicants' proposal in this testimony.

15 **A. Applicants' Proposed Baseline Seasons**

16 Applicants propose to change the current six-month winter season to a three-month
17 winter on-peak season and a three-month winter off-peak season based on SoCalGas' and

SDG&E’s average year Heating Degree Days (HDD) weather design as presented in Applicants’ 2020 TCAP application.¹⁵ Applicants propose to define the winter on-peak months as December, January and February because the average year HDDs for these three months are greater than 200 for both SoCalGas and SDG&E, as shown in Table 6 below. Applicants propose to define the winter off-peak months as November, March and April because the average year HDDs for these months are between 100 to 200 for both SoCalGas and SDG&E, as shown in Table 6 below.¹⁶

Table 6
TCAP 2020 SoCalGas & SDG&E Average Year Heating Degree Days
Weather Designs & Proposed Baseline Seasons

Month	SoCalGas Average Year HDDs	SDG&E Average Year HDDs	Current Baseline Seasons	Proposed Baseline Season Criteria	Proposed Baseline Seasons
January	267.8	252.9	Winter	Hdd > 200	Winter On-peak
February	228.9	217.2	Winter	Hdd > 200	Winter On-peak
March	171.8	176.2	Winter	100 < Hdd < 200	Winter Off-peak
April	123.5	124.5	Winter	100 < Hdd < 200	Winter Off-peak
May	49.4	53.6	Summer	Summer	Summer
June	12.0	12.5	Summer	Summer	Summer
July	2.1	0.8	Summer	Summer	Summer
August	1.8	0.1	Summer	Summer	Summer
September	4.6	1.1	Summer	Summer	Summer
October	33.1	23.7	Summer	Summer	Summer
November	137.1	120.5	Winter	100 < Hdd < 200	Winter Off-peak
December	287.9	263.0	Winter	Hdd > 200	Winter On-peak
Total	1,320	1,246			

¹⁵ See Chapter 2 (Teplow), Table 1, at 4.

¹⁶ D.18-10-040, *Decision Adopting Settlement Agreement on Residential Baseline Season Restructuring*, adopted a similar winter on-peak, winter off-peak and summer baseline structure for PG&E. However, PG&E’s winter on-peak spans two months, December and January. November, February and March comprise PG&E’s off-peak season, with the remaining seven months constituting summer season. Applicants believe that that their HDD weather design criteria merits Applicants’ proposed baseline seasons.

B. Applicants' Proposed Baseline Allowances

As shown in Table 7, below, Applicants propose to change baseline allowances using the proposed new baseline seasons – six months summer, three months winter off-peak and three months winter on-peak. As in Section IV, baseline allowances are calculated based on 2013-2017 historical data on average consumption for each baseline season and for each SoCalGas climate zone and SDG&E, with baseline consumption representing 60 percent of cumulative residential consumption in summer and 70 percent of cumulative residential consumption during winter on-peak and winter off-peak seasons.¹⁷

Table 7
Applicants' Proposed Baseline Allowances (Therm) Per SB 711

Daily				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	0.424	0.424	0.424	0.359
Winter On-Peak (Dec., Jan., & Feb.)	1.600	1.867	2.600	1.233
Winter Off-Peak (Nov., Mar., & Apr.)	0.874	0.923	1.714	0.692

Monthly Average				
	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	13.0	13.0	13.0	11.0
Winter On-Peak (Dec., Jan., & Feb.)	48.0	56.0	78.0	37.0
Winter Off-Peak (Nov., Mar., & Apr.)	26.5	28.0	52.0	21.0

As shown in Table 7, relative to the updated allowances shown in Table 3, Applicants' proposed baseline allowances are higher in winter on-peak months and lower in winter off-peak months. Table 8 below shows that the proposed baseline ratios are about 60 percent of cumulative residential consumption in summer and about 70 percent of cumulative residential consumption during winter on-peak and winter off-peak seasons.

¹⁷ Applicants' workpapers contain baseline allowances by end-use type for multi-family customers.

Table 8
Proposed Baseline Allowances as Percent of Cumulative Baseline Usage
Based on Recent Usage Data

	SoCalGas			SDG&E
	Zone 1	Zone 2	Zone 3	
Summer (May - Oct.)	60.2%	60.2%	60.2%	61.7%
Winter On-Peak (Dec., Jan., & Feb.)	70.6%	70.5%	70.6%	70.7%
Winter Off-Peak (Nov., Mar., & Apr.)	70.4%	70.5%	70.1%	70.3%

C. Proposed Residential Baseline and Non-Baseline Rates Relative to the Updated Rates

Applicants derived the proposed baseline and non-baseline rates through the introduction of winter on-peak and winter off-peak seasons and using recent consumption data. These proposed baseline and non-baseline rates are comparable to the updated baseline and non-baseline rates Applicants derived in Section IV. This is to be expected as both methods use recent consumption data and both methods yield 60 percent baseline allowances in the six summer months and 70 percent baseline allowances in the six winter months (irrespective of whether winter months are defined as a single season or defined as on-peak and off-peak seasons). These proposed baseline and non-baseline rates, along with the rates based on the updated baseline scenario presented in Section IV, are shown in Table 9.

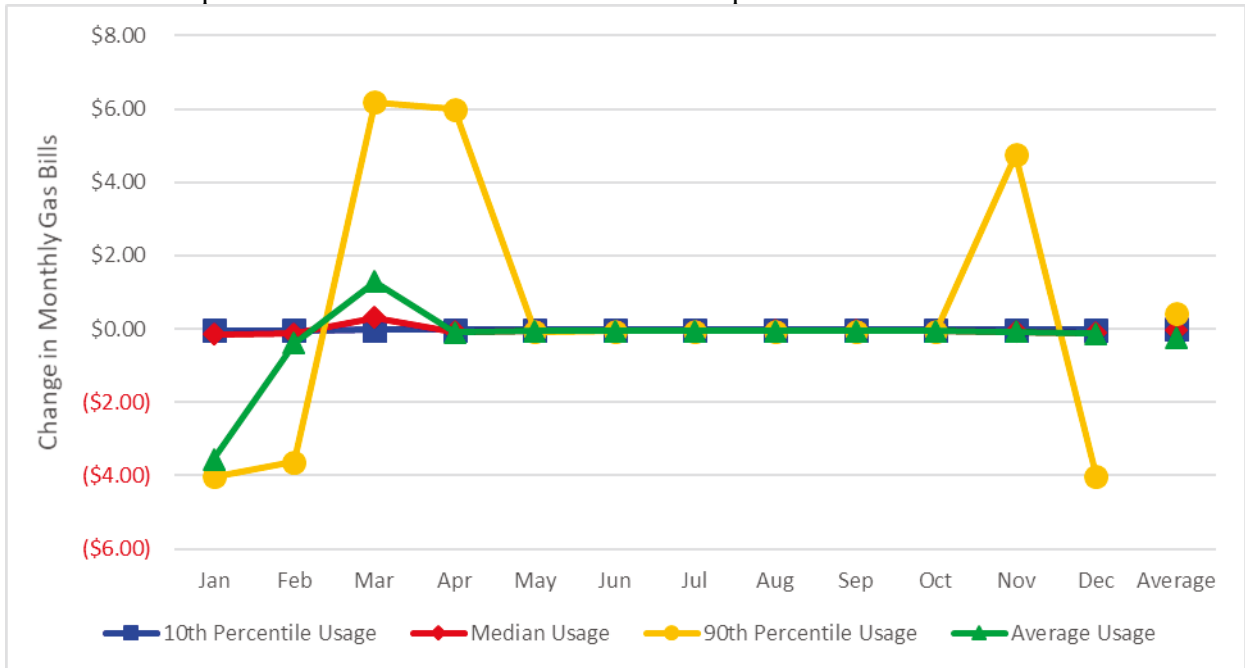
Table 9
SoCalGas & SDG&E Updated New Residential Rates for Proposed Baseline Allowance

	SoCalGas		SDG&E	
	Updated Baseline	Proposed Baseline Per SB 711	Updated Baseline	Proposed Baseline Per SB 711
Customer Charge (\$/Month)	10.00	10.00	10.00	10.00
Baseline Rate (\$/Therm)	0.28680	0.28217	0.41703	0.41211
Non-Baseline Rate (\$/Therm)	0.84840	0.84740	1.05805	1.05691
Average Rate (\$/Therm)	0.74324	0.74324	0.92590	0.92590

D. Proposed Residential Bill Impacts Relative to the Updated Bills – CARE & Non-CARE Customers

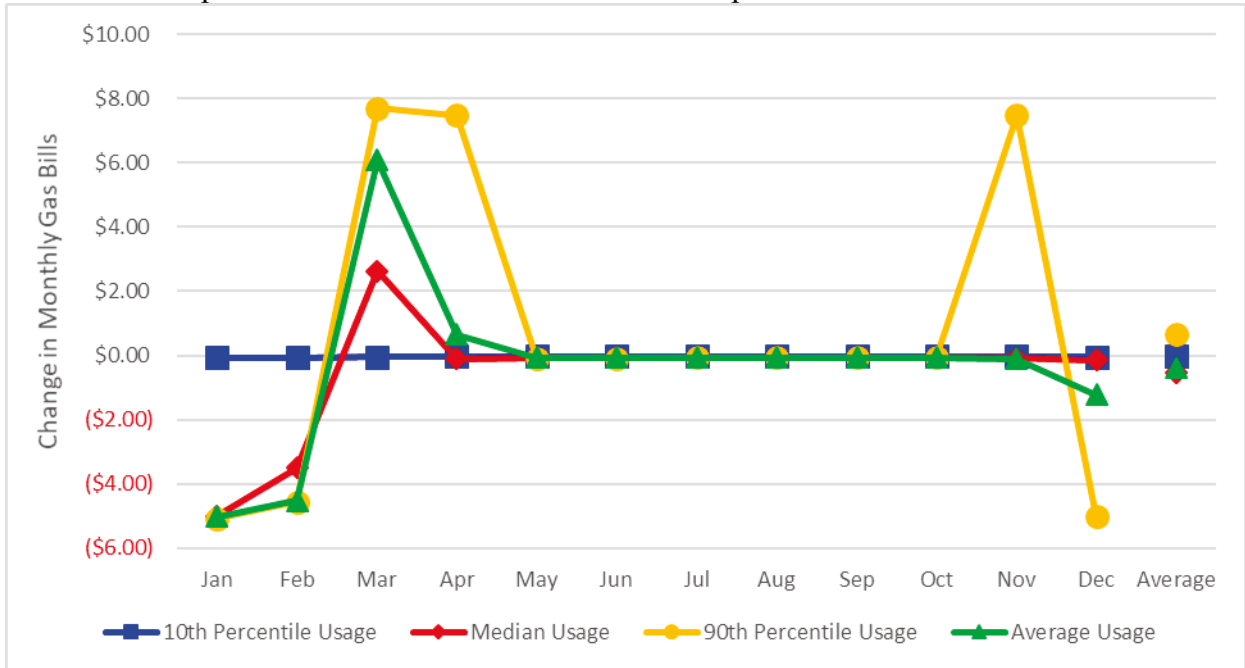
In this section, Applicants compare the change in monthly residential bills between two scenarios: updated baseline allowances together with baseline and non-baseline rates (*i.e.*, updating allowances using recent consumption data (*i.e.*, Section 739) but without reflecting any SB 711 adjustments, as discussed in Section IV) and proposed baseline allowances together with baseline and non-baseline rates (*i.e.*, updating allowances reflecting both Section 739 and SB 711, as discussed in section V). The change in bills is estimated for each month of the year and average monthly bills are presented for low usage (*i.e.*, 10th percentile), median usage, average usage and high usage (*i.e.*, 90th percentile) customers. These are shown in Charts 5-8 below.

Chart 5
SoCalGas Zone 1 CARE Customers' Bill Impact from
Proposed Baseline Allowances Relative to Updated Baseline Allowances



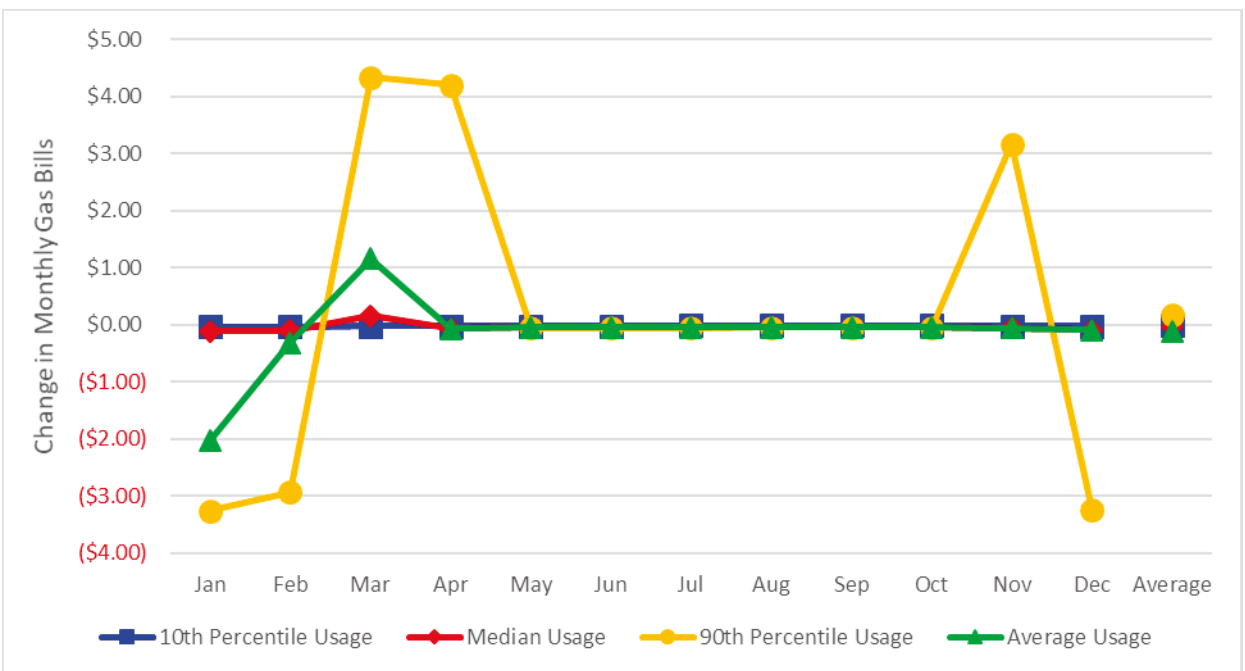
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Chart 6
SoCalGas Zone 1 Non-CARE Customers' Bill Impact from
Proposed Baseline Allowances Relative to Updated Baseline Allowances



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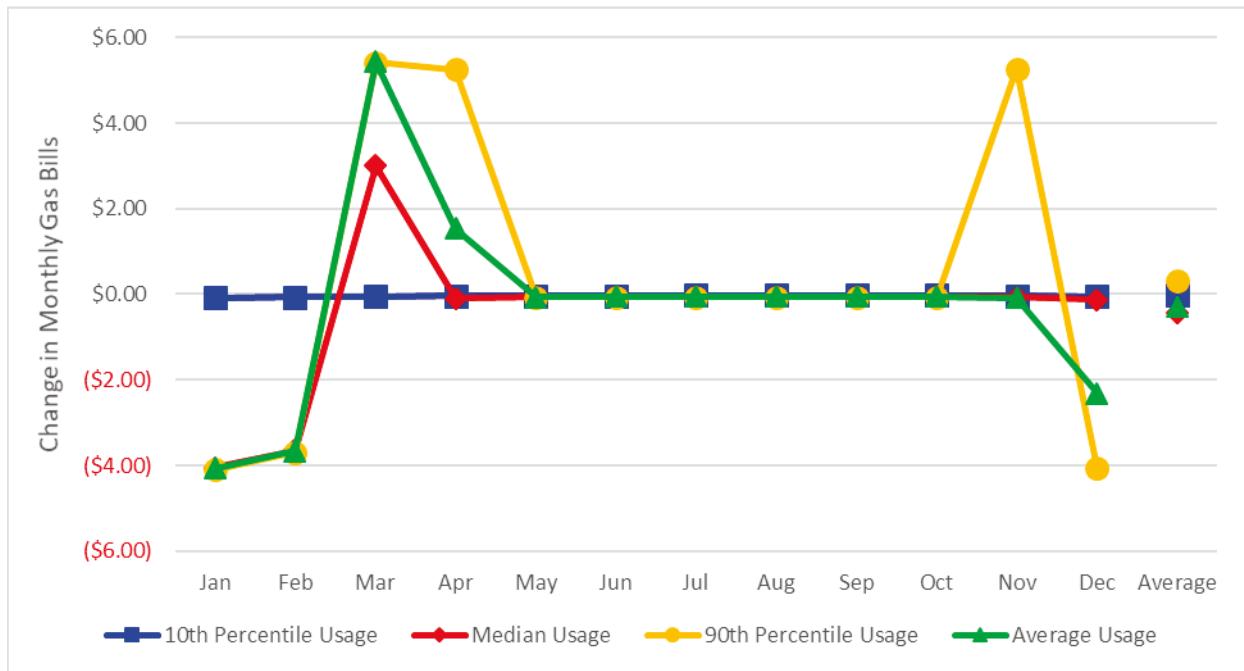
Chart 7
SDG&E'S CARE Customers' Bill Impact from
Proposed Baseline Allowances Relative to Updated Baseline Allowances



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Chart 8
SDG&E'S Non-CARE Customers' Bill Impact from
Proposed Baseline Allowances Relative to Updated Baseline Allowances



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The overall bill impacts for each customer type on an annual basis are very small, as shown in Chart 5 through Chart 8 above, for Applicants' CARE and non-CARE residential customers. Changing the six-month winter baseline allowance to a higher baseline allowance in the winter on-peak season and a lower baseline allowance in the winter off-peak season causes most of Applicants' customer bills to decrease in the winter on-peak months and increase in the winter off-peak months. The bill impact for low usage customers is negligible.

E. Impact on Residential Bill Volatility

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In this section, Applicants compare monthly residential bills for each month of the year between the updated baseline scenario and the proposed baseline scenario to address whether the proposed baseline scenario leads to lower residential bill volatilities relative to the updated baseline scenario. This is another way of presenting the residential bill impacts discussed in

1 Section V.D above. In its 2018 Gas Cost Allocation Proceeding, A.17-09-006, Pacific Gas and
2 Electric Company (PG&E) generally defined bill volatility as:

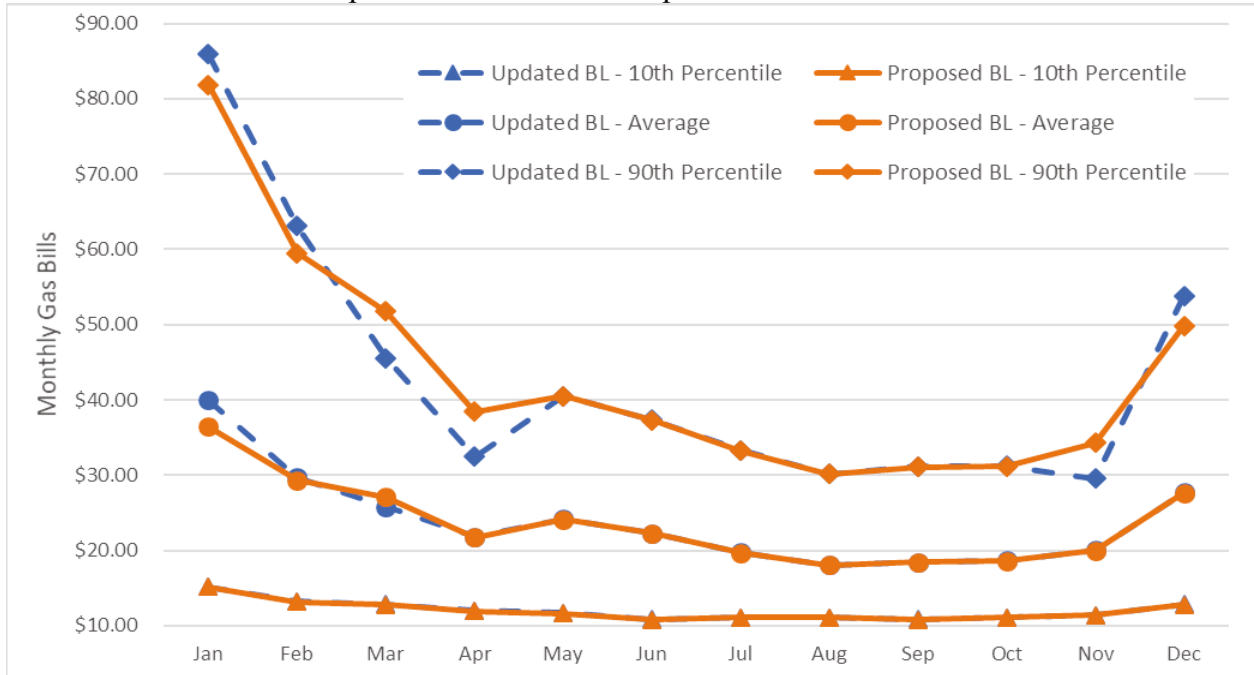
3 the fluctuations of the gas and/or electric bill for a customer in a
4 relatively short amount of time such as month to month and season to
5 season. Deeming bill volatility as excessive depends on the situations
6 and what factors are driving the bill volatility. PG&E's Residential
7 rate design with volumetric rates (only \$3 non-CARE minimum
8 monthly transportation charge is revenue collected as a customer
9 charge) naturally lead to significant volatility in bills as they are
10 driven by throughput, which is primarily driven by changes in
11 temperatures. Therefore, it would be more precise to define excessive
12 bill volatility as a situation when a customer's bill changes
13 disproportionately in relationship with their usage over a month to
14 month or season to season period and without a reasonably strong
15 relationship to changes in cost of service.¹⁸

16 Applicants generally agree with the above definition of residential bill volatility. The
17 lowering of residential bill volatilities should lead to lower month-to-month bill fluctuations in
18 the winter months under the proposed baseline scenario relative to the updated baseline scenario.
19 Charts 9 through 12, below, depict the changes in bill volatility.

¹⁸ A.17-09-006, Exhibit ORA-05, at 60.

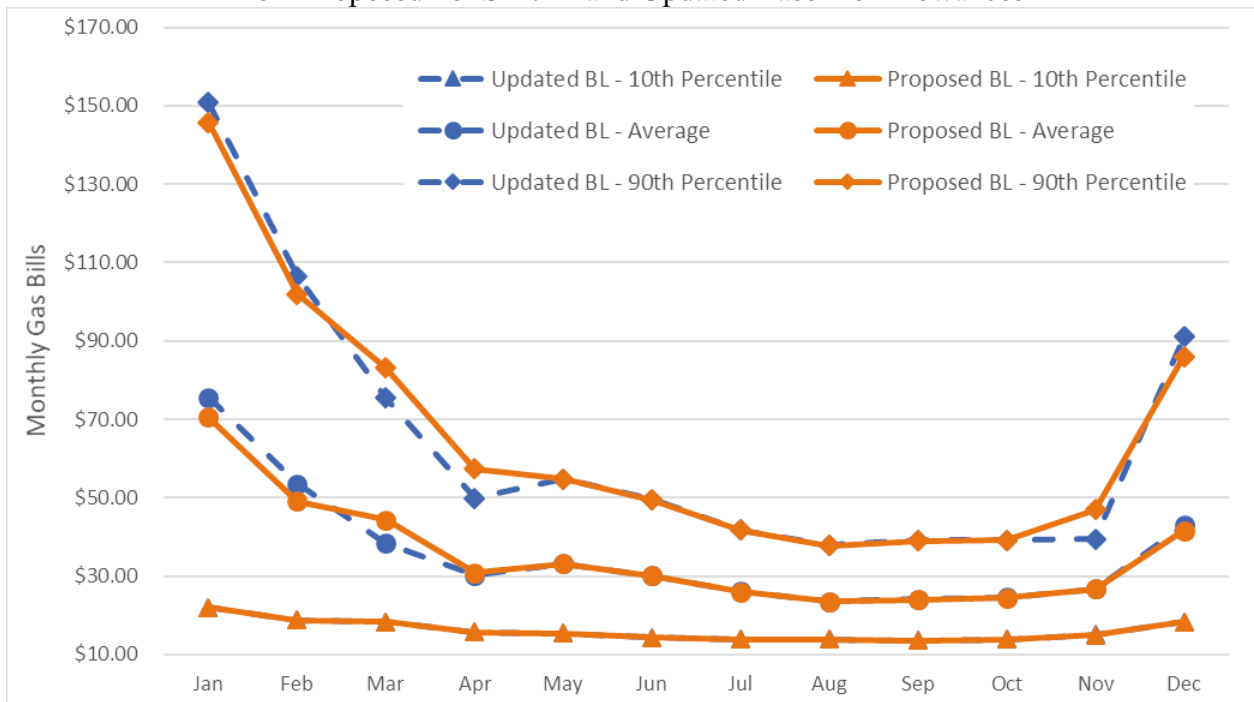
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Chart 9
SoCalGas Zone 1 CARE Customers' Bill Volatility
from Proposed Per SB 711 and Updated Baseline Allowances



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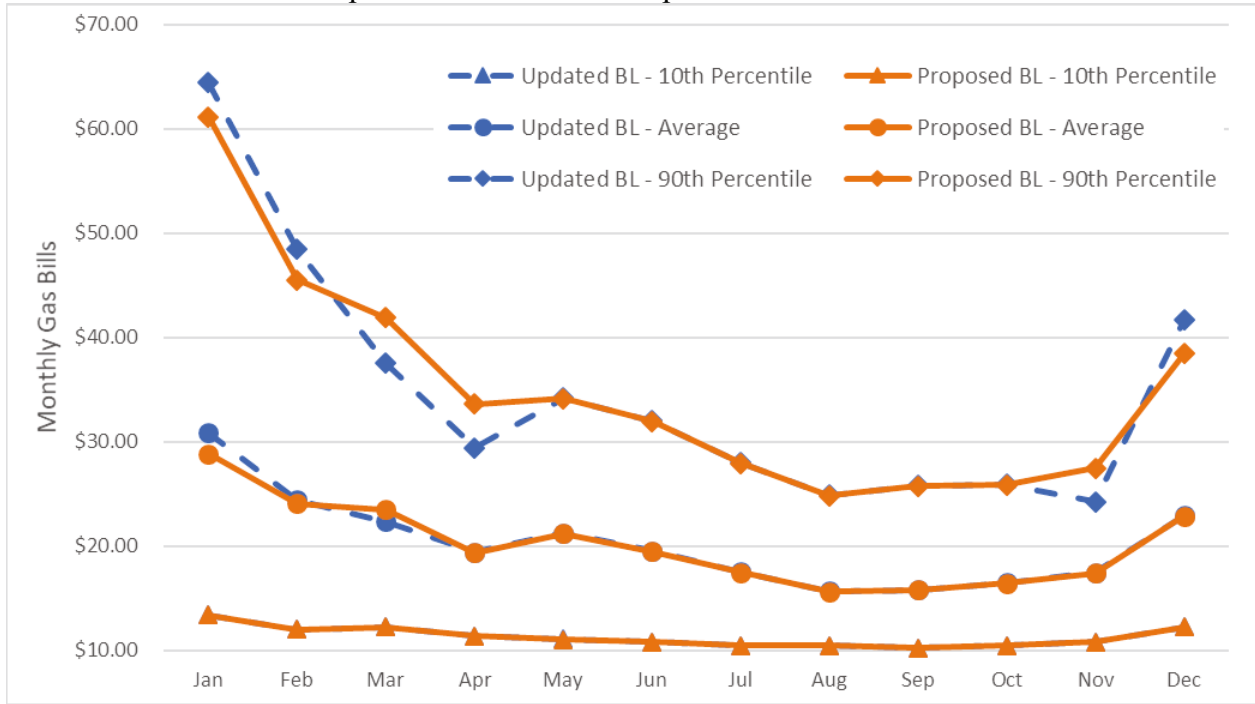
Chart 10
SoCalGas Zone 1 Non-CARE Customers' Bill Volatility
from Proposed Per SB 711 and Updated Baseline Allowances



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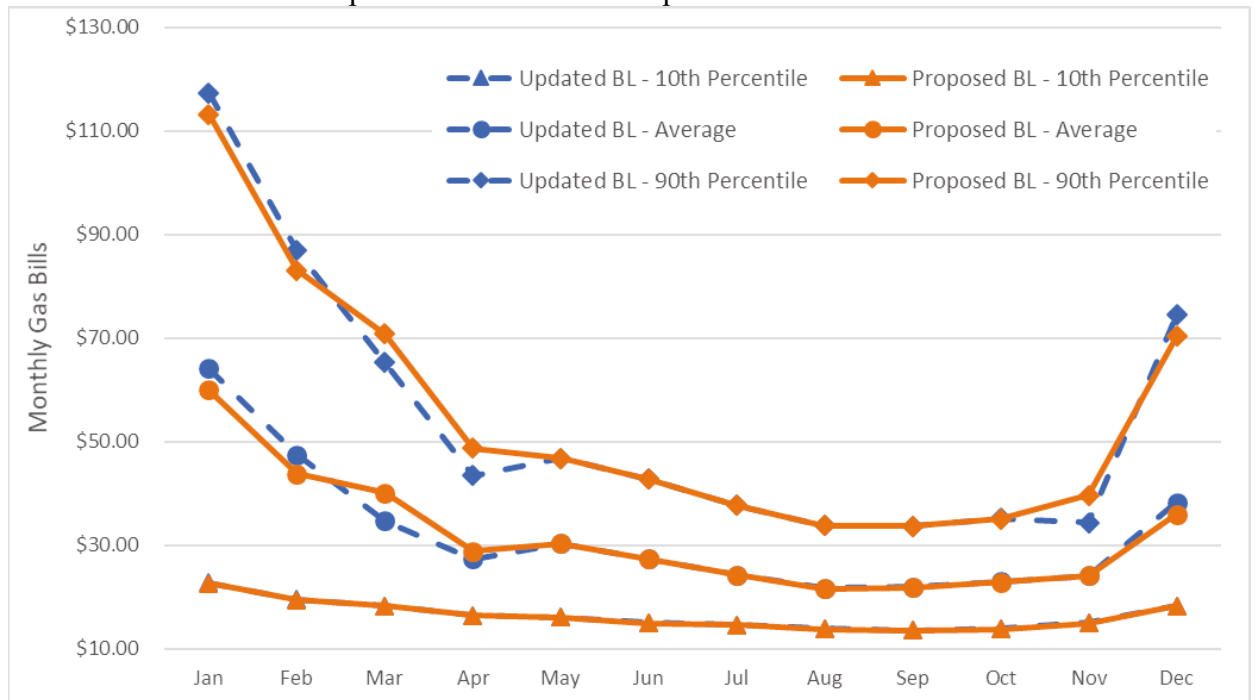
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Chart 11
SDG&E's CARE Customers' Bill Volatility
from Proposed Per SB 711 and Updated Baseline Allowances



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Chart 12
SDG&E's Non-CARE Customers' Bill Volatility
from Proposed Per SB 711 and Updated Baseline Allowances



10

1 Charts 9 through 12 show that the proposed baseline seasons and allowances, relative to
2 the existing baseline seasons and updated allowances, reduce bills in the on-peak winter months
3 while increasing bills in the off-peak winter months, except for low usage customers. Applicants
4 propose that the Commission adopt these proposed baseline seasons and allowances, which
5 would be consistent with SB 711.

6 **VI. IMPLEMENTATION CONSIDERATIONS**

7 Should the Commission choose to modify the number of baseline seasons as described in
8 Section V above, SoCalGas and SDG&E will be required to make modifications to their billing
9 systems.¹⁹ The modifications will take time to complete and cannot begin until a final decision
10 is issued in this proceeding so that the requirements can be appropriately scoped. SoCalGas
11 believes it can modify its bills to include the updated baseline seasons within eighteen-months
12 from a final decision in this proceeding.

13 As the Commission is aware, SDG&E is in the midst of implementing a Customer
14 Information System (CIS) replacement program as approved in D.18-08-008, which adopted an
15 all-party settlement, including costs and the replacement program's implementation timeline.
16 The new CIS system is expected to "go live" in January 2021. The implementation timeline
17 includes a "freeze period" on changes to SDG&E's legacy CIS system during 2020 to reduce the
18 overall risks and customer impact during the transition to the new system. The "freeze period"
19 requires that any new structural rate changes or other similar initiatives be deferred for one year
20 to permit transition from the legacy CIS to the new system. Given the timeline for the CIS
21 replacement program, at this time it is not possible for SDG&E to specify precisely how long it

¹⁹ Updating the baseline allowances to include recent demand without modifying the baseline season structure as presented in Section IV would not require any billing system modifications and could be implemented shortly after a final decision in this proceeding.

1 will take to implement the billing modifications that would be required. However, SDG&E
2 would propose to submit a Tier 2 Advice Letter to the Commission after the completion of the
3 new CIS system to notify the Commission and affected customers of the timeline for
4 implementing any changes to the residential baseline seasons.

5 **VII. BILL ESTIMATION**

6 SB 711 requires the Commission to direct gas corporations for which a portion of their
7 residential customers employ every-other-month meter reading and estimate bills for months
8 when the customer's meter is not read to include in its tariffs the method it uses to estimate bills
9 for those months during which the meter is not read.²⁰ SoCalGas' Rule No. 14, Meter Reading,
10 Section A provides that "For residential customers who have opted-out of the Advanced Meter
11 Program their regular meter reads will occur bi-monthly as directed by D.14-12-078." SDG&E's
12 Gas Rule 17, Meter Reading, Section A includes near identical language as SoCalGas' Rule No.
13 14.A, stating that "For residential customers who have opted-out of wireless smart meters their
14 regular meter reads will occur bimonthly as directed in D.14-12-078."

15 Applicants' tariffs describe how Applicants will estimate bills for Advanced Metering
16 Infrastructure (AMI) opt-out customers for the months in which a meter read is not taken.
17 SoCalGas' Rule No. 14 Section C addresses estimated bills, wherein Section C.1 states the
18 following:

19 If, for reasons beyond the Utility's control, the meter serving the
20 customer cannot be read on the scheduled reading date or accurate
21 usage data are not available, the Utility will bill the customer for
22 estimated consumption during the billing period, and make any
23 necessary corrections when a reading is obtained. Estimated
24 consumption for this purpose will be calculated considering the
25 customer's prior usage, the Utility's experience with other customers

²⁰ A.18-07-024, Administrative Law Judge's Ruling Noticing Workshop and Directing Applicants to Serve Supplemental Testimony (February 8, 2019) at 3.

1 of the same class in that area, and the general characteristics of the
2 customer's operations. Adjustments for any under-estimate or over-
3 estimate of a customer's consumption will be reflected on the first
4 regularly scheduled bill rendered and based on an actual reading
5 following the period of inaccessibility. Access to the meter, sufficient
6 to permit the Utility to obtain an accurate read, shall be provided by
7 the customer as a pre-requisite to the Utility making any adjustment
8 of gas billed on an estimated basis.

9 SoCalGas' Rule No. 16, Adjustment of Bills, Section A, Estimate Usage, further adds the

10 following:

11 When regular, accurate meter readings are not available or the gas
12 usage has not been accurately measured, the Utility may estimate the
13 customer's gas usage for billing purposes on the basis of information
14 including, but not limited to, the physical condition of the metering
15 equipment, available meter readings, records of historical use, and/or
16 the general characteristics of the customer's load and operation.

17 Similarly, SDG&E's Gas Rule 17 Section C addresses estimated bills, wherein Section C.1 states

18 the following:

19 If, for reasons beyond the Utility's control, the meter serving the
20 customer cannot be read on the scheduled reading date, or accurate
21 usage data are not available, the Utility will bill the customer for
22 estimated consumption during the billing period, and make any
23 necessary corrections when a reading is obtained. Estimated
24 consumption for this purpose will be calculated considering the
25 customer's prior usage, the Utility's experience with other customers
26 of the same class in that area, and the general characteristics of the
27 customer's operations. Adjustments for any under-estimate or over-
28 estimate of a customer's consumption will be reflected on the first
29 regularly scheduled bill rendered and based on an actual reading
30 following the period of inaccessibility. Access to the meter, sufficient
31 to permit the Utility to obtain an accurate read, shall be provided by
32 the customer as a pre-requisite to the Utility making any adjustment
33 of volumes of gas billed on an estimated basis.

34 Finally, SDG&E's Gas Rule 18, Meter Tests and Adjustment of Bills, includes the following

35 regarding Estimated Usage:

36 When regular, accurate meter readings are not available or the gas
37 usage has not been accurately measured, the Utility may estimate the
38 customer's gas usage for billing purposes on the basis of information

1 including, but not limited to, the physical condition of the metering
2 equipment, available meter readings, records of historical use, and/or
3 the general characteristics of the customer's load and operation.

4 In each of Applicants' gas rules, the customer opting-out of the Advance Meter program
5 constitutes being "beyond the Utility's control," for which these rule sections apply.

6 Accordingly, Applicants recommend that the Commission find that Applicants' tariffs already
7 comply with this section of SB 711, and do not need to be further modified.

8 This concludes my prepared supplemental testimony.