

Application No: A.18-11-XXX  
Exhibit No.: \_\_\_\_\_  
Witness: M. Schmidt-Pines

Application of Southern California Gas  
Company (U 904 G) and San Diego Gas &  
Electric Company (U 902 G) for Review of  
Costs Incurred in Executing Pipeline Safety  
Enhancement Plan

Application A.18-11-XXX

**CHAPTER X**  
**DIRECT TESTIMONY OF MARJORIE SCHMIDT-PINES**  
**(RATES)**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

November 13, 2018

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my direct testimony on behalf of Southern California Gas Company  
3 (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is to provide the gas  
4 transportation rate impacts that would result from the amortization of the balances in the Pipeline  
5 Safety and Reliability Memorandum Accounts (PSRMAs), the Safety Enhancement Capital Cost  
6 Balancing Accounts (SECCBAs), and the Safety Enhancement Expense Balancing Accounts  
7 (SEEBAs) of SoCalGas and SDG&E.

8 **II. METHODOLOGY TO ALLOCATE PSEP COSTS**

9 Per Decision (D.) 14-06-007, Pipeline Safety Enhancement Plan (PSEP) costs will be  
10 allocated consistent with the existing cost allocation and rate design for SoCalGas and SDG&E  
11 and include allocation to the backbone function.<sup>1</sup> D.16-12-063 clarified that the PSEP costs  
12 functionalized as high pressure distribution shall be allocated using the existing marginal demand  
13 measures for high pressure distribution costs.<sup>2</sup> As such, SoCalGas and SDG&E propose to  
14 allocate the requested PSEP revenue requirement (described below) on a functional basis  
15 consistent with D.16-12-063. Table 1 depicts the methods of allocating the PSEP account  
16 balances to each function and to rate classes.

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<sup>1</sup> D.14-06-007 authorized the allocation of safety-related costs. D.14-06-007 at OP 9 (“Safety Enhancement costs will be allocated consistent with the existing cost allocation and rate design for the companies.”). In addition, D.14-06-007 ordered allocation of relevant costs to backbone transmission service. D.14-06-007 at 50.

<sup>2</sup> D.16-12-063 at 59 (COL 24).

**Table 1**  
**Existing Functional Allocation Methods**

Function	SoCalGas	SDG&E
Backbone Transmission	100% to the SoCalGas/SDG&E Backbone Transmission Service Rate	100% to the SoCalGas/SDG&E Backbone Transmission Service Rate
Local Transmission	Based on Peak Month Demand by Class on Local Transmission System.	Based on Peak Month Demand by Class on Local Transmission System.
High Pressure Distribution	Based on Peak Month Demand by Class on High Pressure Distribution System.	Based on Peak Month Demand by Class on High Pressure Distribution System.

**III. BALANCES TO BE COLLECTED IN GAS TRANSPORTATION RATES**

The PSEP revenue requirements requested to be collected in transportation rates have been recorded in three accounts: (1) the PSRMAs, (2) the SECCBAs, and (3) the SEEBAs. The PSEP capital-related balances (recorded in SECCBAs and PSRMAs) to be amortized in rates amount to \$163.4 million (\$143.0 million at SoCalGas and \$20.4 million at SDG&E), as discussed in Chapter IX (Reyes). These balances consist of the annualized revenue requirements resulting from capitalized costs. The PSEP Operations and Maintenance (O&M) expenses to be amortized (recorded in SEEBAs and PSRMAs) in rates amount to \$47.9 million (\$45.3 million at SoCalGas and \$2.5 million at SDG&E<sup>3</sup>), as explained in Chapter IX (Reyes).

**IV. ALLOCATION OF PSEP COSTS TO FUNCTIONS**

The first step in allocating the PSEP balances to transportation rates is the allocation of these costs to the relevant pipeline functions: backbone, local transmission, and high-pressure distribution. Allocation to the functions was performed as follows:

- 1) O&M expenses and capital costs are identified by project name, as discussed in Chapter III (Phillips), Chapter IV (Mejia), Chapter VII (Moersen), and Chapter VIII (Cayabyab).

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<sup>3</sup> Values may not sum to total due to rounding.

2) Adjustments to the O&M and capital expenditures are made, as presented in Chapter IX (Reyes), to arrive at the annual revenue requirement, by project.

3) The annual revenue requirement, by project, is allocated to the designated function that the line provides (e.g., backbone transmission, local transmission or high-pressure distribution). The Direct Testimony of Ms. Sim Cheng Fung in SoCalGas' 2017 Triennial Cost Allocation Proceeding (TCAP) Phase II contains the functional designation of each pipeline.<sup>4</sup> In instances where revenue requirements were not attributable to a specific line, and, therefore, not to a specific Backbone, Local or Distribution function, such costs are identified as Non-Functional. A summary of the initial allocation of revenue requirements, without Franchise Fees & Uncollectibles (FF&U), is shown in Tables 2 and 3 below.<sup>5</sup>

**Table 2**  
**SECCBA/PSRMA<sup>6</sup> (in \$000s)**

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$19,533	\$1,130	\$20,664
Local Transmission	\$28,841	\$0	\$28,841
High Pressure Distribution	\$94,600	\$19,274	\$113,874
Non-functional A&G	\$0	\$0	\$0
<b>Total</b>	<b>\$142,974</b>	<b>\$20,404</b>	<b>\$163,378</b>

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<sup>4</sup> A.15-07-014.

<sup>5</sup> Pursuant to D.16-12-063, SoCalGas and SDG&E have been authorized 50% interim rate recovery of PSEP revenue requirements, subject to refund, and have previously incorporated revenue requirements associated with this Application into rates (see SoCalGas Advice Letters 5075 and 5238 and SDG&E Advice Letters 2544-G and 2638-G). The tables only illustrate the remaining PSEP revenue requirements to be authorized for recovery in this Application.

<sup>6</sup> Values may not sum to total due to rounding.

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**Table 3**  
**SEEBA/PSRMA (in \$000s)**

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$18,772	\$0	\$18,772
Local Transmission	\$3,237	\$0	\$3,237
High Pressure Distribution	\$17,811	\$2,253	\$20,064
Non-functional A&G	\$5,521	\$274	\$5,796
<b>Total</b>	<b>\$45,342</b>	<b>\$2,527</b>	<b>\$47,870</b>

Non-Functional costs, without FF&U, are then allocated evenly amongst the functions as shown in Tables 4 and 5 below.

**Table 4**  
**SECCBA/PSRMA (in \$000s)**

<b>Non-functional costs Allocated to Functions</b>	<b>SoCalGas Allocation Factor</b>	<b>SoCalGas</b>	<b>SDG&amp;E Allocation Factor</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	33%	\$0	50%	\$0	\$0
Local Transmission	33%	\$0	0%	\$0	\$0
High Pressure Distribution	33%	\$0	50%	\$0	\$0
<b>Total</b>		<b>\$0</b>		<b>\$0</b>	<b>\$0</b>

**Table 5**  
**SEEBA/PSRMA (in \$000s)**

<b>Non-functional costs Allocated to Functions</b>	<b>SoCalGas Allocation Factor</b>	<b>SoCalGas</b>	<b>SDG&amp;E Allocation Factor</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	33%	\$1,840	50%	\$137	\$1,978
Local Transmission	33%	\$1,840	0%	\$0	\$1,840
High Pressure Distribution	33%	\$1,840	50%	\$137	\$1,978
<b>Total</b>		<b>\$5,521</b>		<b>\$274</b>	<b>\$5,796</b>

A summary of the PSEP costs allocated to each function including the allocation of Non-Functional costs, but before integration of local transmission costs, without FF&U, is depicted in Tables 6 and 7.

**Table 6**  
**SECCBA/PSRMA Allocated to Functions (in \$000s)**  
 (before system integration)

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$19,533	\$1,130	\$20,664
Local Transmission	\$28,841	\$0	\$28,841
High Pressure Distribution:	\$94,600	\$19,274	\$113,874
<b>Total Pre-integration</b>	<b>\$142,974</b>	<b>\$20,404</b>	<b>\$163,378</b>

**Table 7**  
**SEEBA/PSRMA Allocated to Functions (in \$000s)**  
 (before system integration)

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$20,613	\$137	\$20,750
Local Transmission	\$5,078	\$0	\$5,078
High Pressure Distribution:	\$19,652	\$2,390	\$22,042
<b>Total Pre-integration</b>	<b>\$45,342</b>	<b>\$2,527</b>	<b>\$47,870</b>

- 4) In accordance with the existing cost allocation process, the local transmission costs, without FF&U, are integrated between SoCalGas and SDG&E as part of integration of transmission system cost.<sup>7</sup> Local transmission integration is shown in Tables 8 and 9 below.

**Table 8**  
**SECCBA/PSRMA**  
**Integration of Local Transmission Costs (\$000's)**

<b>Local Transmission</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Allocation before integration	\$28,841	\$0	\$28,841
Integration factor	87%	13%	100%
<b>Integrated Local Transmission</b>	<b>\$25,092</b>	<b>\$3,749</b>	<b>\$28,841</b>

<sup>7</sup> This integration is based on splitting local transmission costs by the percentage share of cold-year throughput (87% SoCalGas and 13% SDG&E), similar to the integration of the Integrated Transmission Balance Account (ITBA) based on TCAP D.16-10-004.

**Table 9**  
**SEEBA/PSRMA**  
**Integration of Local Transmission Costs (\$000's)**

<b>Local Transmission</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Allocation before integration	\$5,078	\$0	\$5,078
Integration factor	87%	13%	100%
<b>Integrated Local Transmission</b>	<b>\$4,418</b>	<b>\$660</b>	<b>\$5,078</b>

- 5) Tables 10 and 11 summarize the allocation of PSEP balances into the functions. These are the revenue requirements, without FF&U, allocated to each function for inclusion in transportation rates and are anticipated to be recovered over a 12-month period.

**Table 10**  
**SECCBA/PSRMA Allocated to Functions (\$000s)**

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$19,533	\$1,130	\$20,664
Local Transmission	\$25,092	\$3,749	\$28,841
High Pressure Distribution:	\$94,600	\$19,274	\$113,874
<b>Total</b>	<b>\$139,225</b>	<b>\$24,153</b>	<b>\$163,378</b>

**Table 11**  
**SEEBA/PSRMA Allocated to Functions (\$000s)**

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$20,613	\$137	\$20,750
Local Transmission	\$4,418	\$660	\$5,078
High Pressure Distribution:	\$19,652	\$2,390	\$22,042
<b>Total</b>	<b>\$44,682</b>	<b>\$3,187</b>	<b>\$47,870</b>

- 6) Finally, Table 12 summarizes the total PSEP costs, without FF&U, for all the accounts combined.



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**Table 12**  
**Total PSEP Costs Allocated to Functions (\$000s)**

<b>Function</b>	<b>SoCalGas</b>	<b>SDG&amp;E</b>	<b>Total</b>
Backbone Transmission	\$40,146	\$1,268	\$41,414
Local Transmission	\$29,509	\$4,409	\$33,919
High Pressure Distribution	\$114,252	\$21,664	\$135,915
<b>Total</b>	<b>\$183,907</b>	<b>\$27,341</b>	<b>\$211,248</b>

**V. RATE IMPACT**

Applying the allocation methods shown in Table 1 to the functionalized revenue requirement shown in Table 12 results in the proposed transportation rates presented in Table 13 below.<sup>8</sup> The backbone transmission service rate is for transportation service from receipt points to SoCalGas City Gate. The other listed transportation rates are for service from SoCalGas City Gate to end-use customers' meters. For core customers of SoCalGas and SDG&E, the backbone transmission service rate is embedded in the gas procurement tariff rate and also in the residential bill impact shown in Table 13.

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<sup>8</sup> The "Illustrative Transportation Rates" table only illustrates the potential rate impact of the remaining PSEP revenue requirements to be recovered in this application. See n. 4, *supra*. Rates include FF&U. The gas procurement tariff rate used in calculating Residential class average bill is from September 2018.

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**Table 13**  
**Illustrative Transportation Rates**  
(\$/therm, except as noted)

<b>Transportation</b>	<b>11/1/2018 Rates</b>	<b>Proposed Rates</b>	<b>Increase (decrease)</b>	<b>% change</b>
<b><u>SoCalGas Summary</u></b>				
Core Rates				
Residential	\$0.758	\$0.794	\$0.036	4.7%
Residential class average bill \$/month	\$40.04	\$41.35	\$1.31	3.3%
Core C&I	\$0.328	\$0.353	\$0.025	7.5%
NGV (uncompressed)	\$0.114	\$0.128	\$0.014	12.5%
NonCore Distribution Level Service Rates				
C&I Rate	\$0.078	\$0.095	\$0.017	21.9%
Electric Generation Tier 1	\$0.128	\$0.146	\$0.018	13.7%
Electric Generation Tier 2	\$0.056	\$0.074	\$0.017	30.6%
NonCore Transmission Level Service Rates				
C&I Rate (w/ csitma & CARB Fee adders)	\$0.025	\$0.027	\$0.003	11.7%
Electric Generation Rate (w/CARB Fee)	\$0.022	\$0.024	\$0.003	13.3%
Backbone Transmission Service \$/dth/day	\$0.264	\$0.306	\$0.043	16.3%
Revenue Requirement \$ millions	\$2,668	\$2,854	\$186	7.0%
CARB Fee Credit \$/therm	(\$0.0010)	(\$0.0010)	\$0.0000	0.0%
<b><u>SDG&amp;E Summary</u></b>				
Core Rates				
Residential	\$0.920	\$0.973	\$0.053	5.8%
Residential class average bill \$/month	\$30.84	\$32.13	\$1.29	4.2%
Core C&I	\$0.279	\$0.308	\$0.029	10.6%
NGV (uncompressed)	\$0.115	\$0.129	\$0.014	12.5%
NonCore Distribution Level Service Rates				
C&I Rate	\$0.129	\$0.146	\$0.018	13.7%
Electric Generation Tier 1	\$0.057	\$0.074	\$0.017	30.8%
Electric Generation Tier 2	\$0.025	\$0.028	\$0.003	11.7%
NonCore Transmission Level Service Rates				
C&I Rate (w/ csitma & CARB Fee adders)	\$0.025	\$0.028	\$0.003	11.7%
Electric Generation Rate (w/CARB Fee)	\$0.021	\$0.024	\$0.003	13.5%
Revenue Requirement \$ millions	\$371	\$397	\$27	7.2%
CARB Fee Credit \$/therm	(\$0.001)	(\$0.001)	\$0.000	0.0%

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This concludes my prepared Direct Testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Marjorie A. Schmidt-Pines. My business address is 555 West Fifth Street,  
3 Los Angeles, California, 90013-1011. I am Senior Principal Regulatory Economic Advisor in  
4 the CPUC/FERC Gas Regulatory Affairs Department for SoCalGas and SDG&E as of December  
5 2017.

6 I hold a Bachelor of Science degree in Business Administration with an emphasis in  
7 Accounting from California State University at Northridge, California. I have been employed by  
8 SoCalGas since 1981 and have held positions of increasing responsibilities as an Accountant and  
9 Senior Accountant in the Accounting & Finance department, as an Analyst and a Budget  
10 Coordinator in the Gas Supply department, as a Market Advisor for the Marketing and Customer  
11 Services departments and Principal Regulatory Economic Advisor in the Regulatory Affairs  
12 Department.

13 As Senior Principal Regulatory Economic Advisor, I represent the Gas Rate Design  
14 Group for both SoCalGas and SDG&E in the role of Project Manager, Senior Analyst and  
15 witness in various major regulatory proceedings and filings dealing with allocating authorized  
16 revenue requirements to functions and customer rate classes, developing the design of the rate  
17 for each class, calculating customer rate changes, and computing the impact on customers'  
18 monthly bills. I train new rate design analysts in the concepts of cost allocation and rate design,  
19 how to obtain data from different organizations, how to run the various cost allocation and rate  
20 design models.

21 I have previously submitted testimony before the California Public Utilities Commission.