

**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)

(2nd DATA REQUEST FROM THE CITY OF LONG BEACH ENERGY RESOURCES DEPT.)

DATA RECEIVED: 1-10-19

DATE RESPONDED: 1-25-19

QUESTION 2-1:

Please refer to the Direct Testimony of Marjorie Schmidt-Pines, at page 28, Table 5. Table 5 shows a comparison of the current and proposed allocation of base margin. SoCalGas proposes to allocate 1.6% of base margin to wholesale customers compared to 1.1% currently, an increase of 39% in base margin allocated to these customers.

- a. Please provide a list of proposed base margin allocation changes impacting wholesale customers.
- b. For each change listed in response to subpart (a) above, please provide the magnitude of the change in base margin allocation to wholesale customers.
- c. What cost causation principles underlie the cost allocation changes leading to the increased allocation of base margin to wholesale customers?

RESPONSE 2-1:

- a. See attachment.
- b. See attachment.
- c. The increased allocation of base margin to wholesale customers is primarily due to an increase in storage costs. See Response 2-7.



City of Long Beach
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QUESTION 2-2:

Please refer to the Direct Testimony of Marjorie Schmidt-Pines, at page 27, lines 6-7: "The proposed allocation of base margin across customer classes is comparable to the current allocation." Please explain how the proposed base margin allocation is comparable to the current base margin allocation for wholesale customers when the proposed total base margin allocation to those customers is increasing 39% (from 1.1% to 1.6% of total base margin).

RESPONSE 2-2:

The statement was meant to describe the proposed allocation as compared to the current allocation generally and globally and was not intended to be specific to any single class.

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QUESTION 2-3:

Please refer to the Direct Testimony of Sharim Chaudhury, at page 27, Tables 5 and 6. The tables show the current and proposed allocation of Self-Generation Incentive Program (SGIP) costs.

- a. Please confirm that Long Beach as a wholesale customer of SoCalGas would be not be allocated any of these costs under the proposed allocation shown in Table 5, as it would fall under “Other Noncore” or explain what costs would be allocated to Long Beach under the proposed allocation.
- b. Please provide an updated version of each table with separate rows for Noncore Electric Generation (EG) at the transmission level and Noncore EG at the distribution level.
- c. Are SGIP costs allocated to transmission-level Noncore EG customers part of the total costs used to set transmission-level service rates for the Joint Applicants utilities? If not, explain how such costs are collected through retail and wholesale rates. If so, please justify why “Other Noncore” customers should pay for SGIP costs when no costs are allocated to these customers based on cost causation principles as shown in the proposed allocators in Tables 5 and 6.

RESPONSE 2-3:

- a. D.16-06-055 requires SGIP costs to be “borne by **customer classes** more in proportion to their participation.” (D.16-06-055 P.12). Consistent with that requirement, SoCalGas’ proposal does not allocate SGIP costs directly to the City of Long Beach as a customer class.

However, the rate design of SoCalGas’ TLS rate requires the averaging of all costs (including SGIP costs) allocated to TLS customer classes (e.g. transmission-level C/I, transmission-level electric generation, and wholesale customers) over all customers taking TLS service to form the system-wide transmission rate schedule GT-TLS. Because of this rate design process, some SGIP costs allocated to other TLS customer classes will inherently be collected by the City of Long Beach in the system-wide transmission rate.

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b.

SoCalGas SGIP Cost Allocation

Class	3 Year Total		
	Incentives Paid	Proposed % Allocation	Current % Allocation
Residential	\$38,448	0.1%	25.9%
Core C&I	\$356,733	1.3%	10.9%
Noncore EG	\$28,023,417	98.6%	28.4%
Other Noncore	\$0	0.0%	32.9%
Other Core	\$0	0.0%	1.9%
Total	\$28,418,597	100.0%	100.0%

Effective Allocation Within EG Class:

Distribution	12.7%	3.0%
Transmission	85.9%	25.4%
EG Total	98.6%	28.4%

SDG&E SGIP Cost Allocation

Class	3 Year Total Incentives Paid	Proposed % Allocation	Current % Allocation
Residential	\$34,564	0.4%	85.7%
Core C&I	\$936,060	11.9%	11.0%
Noncore EG	\$6,900,054	87.7%	2.0%
Other Noncore	\$0	0.0%	0.9%
Other Core	\$0	0.0%	0.4%
Total	\$7,870,677	100.00%	100.00%

Effective Allocation Within EG

Class:

Distribution	11.4%	0.7%
Transmission	76.3%	1.3%
EG Total	87.7%	2.0%

c. Yes, see Response 3(a).

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QUESTION 2-4:

Please refer to the Direct Testimony of S. Nasim Ahmed, at page 2, lines 18-20.

Please provide an updated version of Attachment A to the Direct Testimony of S. Nasim Ahmed using the regulatory account balances filed October 2018 as referenced in the Direct Testimony of S. Nasim Ahmed.

RESPONSE 2-4:

Please refer to the attached file that has been revised to reflect the proposed amortizations for the regulatory accounts per Advice Letter 5368, Annual Regulatory Account Balance Update for Rates Effective January 1, 2019, filed on October 15, 2018.



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QUESTION 2-5:

Please refer to the Direct Testimony of S. Nasim Ahmed, regarding the proposed creation of two new regulatory accounts: storage inventory for balancing function memorandum account (SIBFMA) and the reliability function cost memorandum account (RFCMA).

If the Commission approves this proposal, when does SoCalGas expect the balance of each account to begin to be included in its rates?

RESPONSE 2-5:

If the Commission approves the proposals for the SIBFMA and RFCMA effective January 1, 2020, the earliest the balances for these 2 accounts would be amortized in rates would be January 1, 2021.

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QUESTION 2-6:

Please refer to the Direct Testimony of Sim-Cheng Fung, at page 19, Table 23, which shows \$8.3 million allocated to the reliability function.

- a. How does SoCalGas propose to allocate this \$8.3 million to the customer classes in the SoCalGas rate design model?
- b. What are the cost causation principles that support SoCalGas's allocation of this \$8.3 million to the customer classes?
- c. If the Commission approves the RFCMA, will the RFCMA balances be allocated to classes the same way as described in response to subpart (a)? If not, please explain how the allocation will differ and why.

RESPONSE 2-6:

- a. The new Reliability function cost of \$8.3 million is allocated between the Core inventory (\$3.9 million) and Load Balancing inventory (\$4.4 million) functions. The Core inventory allocation of \$3.9 million and Load Balancing inventory allocation of \$4.4 million is a seasonal weighted average percent split based on withdrawal deliverability of 1,240 MMcfd on a year-round basis.

The 21 Bcf of storage inventory allocated to the Reliability function provides a withdrawal capacity of 1,240 MMcfd on a year-round basis. This is split in the 151 days of winter by 840 MMcfd for Core Reliability and 400 MMcfd for Load Balancing, and the 214 days of summer by 400 MMcfd for Core Reliability and 840 MMcfd for Load Balancing. The attached spreadsheet, which shows the seasonally-weighted average results in 47% for the Core and 53% for Load Balancing.



- b. Allocation of cost to customer classes is based the amount of withdrawal capacity used in winter (151 days) and summer (214 days). See response 2-6(a) for details.
- c. Yes.

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QUESTION 2-7:

Please refer to the Direct Testimony of Sim-Cheng Fung, at page 18, Table 22, which shows \$161.6 million in total embedded storage costs.

This represents a significant increase from the \$110.6 million in total embedded storage cost for 2019 found in Table 9 on page 7 of the Direct Testimony of Sim-Cheng Fung filed in Phase 1 of the previous Triennial Cost Allocation Proceeding (A.14-12-017). Please explain all drivers behind the increase in total embedded storage costs.

RESPONSE 2-7:

<u>SoCalGas Embedded Storage Cost</u>				
	A.18-07-024	A.14-12-017		
	Table 22	Table 9	Increase	Increase by
	(\$MM)	(\$MM)	(\$MM)	Category
	2020-2022	2017-2019		(%)
Capital-related Cost	71.2	39.1	32.1	63%
O&M, A&G Expenses	57.5	44.5	13.0	25%
Total Existing Storage	128.7	83.6	45.1	89%
ACTR	32.9	27.0	5.9	11%
Total Embedded Storage Cost	161.6	110.6	51.0	100%

The embedded cost study uses recorded costs (as reported to the Commission in SoCalGas' FERC Form 2) as its inputs. In other words, the embedded cost study is not intended to explain why costs increased or decreased, but merely uses recorded costs as inputs. The table above shows that the recorded costs that were used in the prior TCAP and current TCAP for those categories which increased.

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QUESTION 2-8:

Please refer to the Direct Testimony of Michelle Dandridge, at pages 6 and 7, which discuss storage capacities dedicated to wholesale core customers, which states “The City of Long Beach...will be allocated storage capacities (inventory, injection, and withdrawal) equal to approximately 1% of the storage capacities allocated to the core customers of SoCalGas and SDG&E, at the same rates for the combined core customers of SoCalGas and SDG&E.”

- a. How was the 1% fraction determined?
- b. How will SoCalGas’s tariffs reflect that this capacity is dedicated to Long Beach at the same rates as combined core customers pay?

RESPONSE 2-8:

- a. The allocated approximate percentage is based on the current contractual firm storage agreements with City of Long Beach, divided by the total proposed storage capacities allocated to the core
- b. Currently it is reflected through Schedule No. G-TBS, Transaction Based Storage Service, Special Condition 16: “The Utility will allocate unbundled storage capacities to the City of Long Beach and Southwest Gas in a manner consistent with D.08-12-020 and any applicable CPUC decisions relating to storage allocations to these customers.” Going forward, SoCalGas would interpret this tariff provisions reference to “any applicable CPUC decisions...” to refer to a decision in the proceeding.

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QUESTION 2-9:

Please refer to the Direct Testimony of Michelle Dandridge, at pages 8 and 9, Tables 1 and 2. Column H of Table 2 shows an average winter withdrawal needed for peak day of between 2,050 and 2,266 MMcfd. Why is only 1,934 MMcfd of winter withdrawal capacity allocated to core customers (as shown in Table 1) instead of a number in the range provided in Table 2, column H?

RESPONSE 2-9:

Safety enhancements have impacted withdrawal capabilities by a reduction of 16% from the current TCAP period. See Chapter 1, p. 3 (lines 1-9). The 2,400 MMcfd figure represents total combined forecasted winter withdrawal reflecting the reduced withdrawal capacity, Load Balancing withdrawal 400 MMcfd plus Core withdrawal 2,000 MMcfd. The 1,934 MMcfd of winter withdrawal for the Core represents the reduced withdrawal capacity as a result of safety enhancements.

Column H from Table 2 represents the average withdrawal needed for Peak Day demand. In order for Core to meet its peak day demand it can bring in supply through its firm interstate capacity commitments (1,078 to 1,294 MMcfd), use 1,934 MMcfd of winter withdrawal, procure additional supply at the SoCal border or SoCal Citygate, and also utilize some of the 400 MMcfd of winter withdrawal allocated to Load Balancing.

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QUESTION 2-10:

Please refer to the Direct Testimony of Michelle Dandridge, at page 8, Table 1, which shows a decreased allocation of winter injection capacity to core customers from currently authorized levels (210 to 149 MMcfd).

Why is SoCalGas proposing to decrease this capacity allocation?

RESPONSE 2-10:

As discussed on p. 3 (lines 1-9), well safety enhancements have impacted withdrawal and injection capabilities. Page 4 discusses the derivation of the 500 MMcfd expected injection capacity available during the winter period. The 149 MMcfd is the remaining available winter injection capacity after keeping balancing unchanged at 345 MMcfd and allocating 6 MMcfd injection capacity to wholesale core customers.

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QUESTION 2-11:

Please refer to the Direct Testimony of Michelle Dandridge, at page 8, Table 1, which shows a decreased allocation of summer withdrawal capacity to core customers from currently authorized levels (1081 to 368 MMcfd). Also, refer to lines 6-7 on page 10 of the Direct Testimony of Michelle Dandridge, which states that: "The 368 MMcfd of summer withdrawal represents approximately 30% of the 1,240 MMcfd of total summer withdrawal capacity."

The currently authorized 1,081 MMcfd of summer withdrawal capacity represents approximately 60% of the currently authorized total summer withdrawal capacity of 1,812 MMcfd (refer to page 2, line 21 of Michelle Dandridge's Direct Testimony). Please explain the reasons for this reduced allocation of summer withdrawal capacity to core customers.

RESPONSE 2-11:

In addition to the information provided in workpapers supporting Chapter 1, the projected summer withdrawal of 1,240 MMcfd is a reduction from prior-authorized summer withdrawal due to the safety enhancement well work. That figure represents the total combined forecasted summer withdrawal at the four storage fields for the TCAP period.

Also, Applicants' proposal to allocate approximately 30% of the 1,240 MMcfd of total summer withdrawal capacity corresponds to the forecast that core average summer throughput for 2020-2022 is approximately 30% of SoCalGas' system demand, as reflected in the 2018 California Gas Report. See attached spreadsheet.



LB_02_11.xlsx

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QUESTION 2-12:

Please refer to the Direct Testimony of Michelle Dandridge, at page 14, lines 2-3, which state that “Applicants are proposing that SoCalGas procure the 8 Bcf of gas for the balancing function, to be used by customers for their negative cumulative imbalances.”

- a. What are these negative cumulative imbalances?
- b. When did these imbalances accumulate?
- c. Why is it important to support cumulative customer imbalances through the procurement of 8 Bcf of gas?

RESPONSE 2-12:

- a. As discussed in Chapter 1, p. 12 (lines 12-17) negative cumulative imbalances occur when customers in the aggregate deliver less gas into the system than what they use.
- b. Customer’s cumulative imbalance position is constantly changing, which can be seen on Envoy. For example, customers were in a cumulative negative imbalance position in March 2017, at negative 5.4 Bcf. The current balancing rules allow for each customer an 8% monthly imbalance.
- c. SoCalGas customers are not required to bring in any gas supply to meet their demand, and therefore there can be a net negative cumulative imbalance of gas supply on any day. The 8 Bcf of gas is needed to support any negative cumulative customer imbalances. Please also refer to p. 13 (lines 3-7), which states that the OFO calculation will be changed to consider remaining balancing inventory. Without procuring 8 Bcf of gas supplies for balancing, customers would begin the TCAP period with 0 MMcfd of withdrawal for balancing.

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QUESTION 2-13:

Please refer to the Direct Testimony of Michelle Dandridge, at page 6, lines 12-15, which state that “[s]torage capacities allocated to wholesale core customers from the unbundled storage program in the current TCAP period will be allocated from the core storage requirements in the upcoming TCAP period.”

What storage capacities were allocated to wholesale core customers from the unbundled storage program to wholesale core customers in the current TCAP period?

RESPONSE 2-13:

Please refer to 2016 TCAP Phase 1 Decision (**D.16-06-039**) page 66, Ordering Paragraphs:

27. Southern California Gas Company shall allocate to **Southwest Gas** storage capacities (injection, inventory, and withdrawal) from the unbundled storage program equal to **1.98 percent** of the storage capacities allocated to the combined core customers of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) at the same rates included in the Settlement Agreement for the combined core customers of SoCalGas and SDG&E. (emphasis added)
28. Southern California Gas Company shall allocate to **City of Long Beach** storage capacities (injection, inventory, and withdrawal) from the unbundled storage program equal to **1.0 percent** of the storage capacities allocated to the combined core customers of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) at the same rates included in the Settlement Agreement for the combined core customers of SoCalGas and SDG&E. (emphasis added).

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QUESTION 2-14:

Please refer to the Direct Testimony of Michelle Dandridge, at page 6, lines 2-3, which state that “Applicants propose eliminating the unbundled storage program, which currently has been suspended since the Aliso Canyon well incident.”

- a. Please provide the allocations of working inventory, injection, and withdrawal capacity to the unbundled storage program in the current TCAP period.
- b. What benefits did the unbundled storage program provide prior to its suspension?
- c. What have been the consequences of its suspension?

RESPONSE 2-14:

- a. Per the 2016 TCAP Phase 1 Decision (D.16-06-039), p. 32:

Table 6: Settlement Agreement Allocations¹⁰⁴

	Bcf	Withdrawal Winter	Withdrawal Summer	Injection 2016 Summer	Injection 2017-19 Summer	Injection 2016 Winter	Injection 2017-19 Winter
Total	138.1	3,175	1,812	770	915	490	635
Balancing	8	525	525	200	345	200	345
Core	83	2,225	1,081	388	388	210	210
Unbundled	47.1	425	206	182	182	80	80

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- b. When the Noncore Storage Program was operating, noncore Customers could acquire mixed packages of inventory, injection, and withdrawal to meet their individual seasonal storage needs. Given current and projected on system physical inventory positions, Transactional Based Storage (TBS) service owners could then apply risk management and financial hedging tools to help manage their supply portfolio from price risk. Storage could also provide an additional level of flexibility with injections and/or withdrawals, to meet the 8% monthly imbalance tolerance and any daily OFO imbalance tolerance.
- c. Noncore customers must now rely primarily on daily flowing interstate supplies to meet their usage or acquire supplies at the SoCal Citygate. Therefore, as discussed in Chapter 1, p. 11 (lines 16-22), Applicants propose allocating 840 MMcf/d withdrawal to the balancing function will provide transportation customers more flexibility in managing their deliveries to actual usage without an unbundled storage program.