

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007
Exhibit: SDG&E-45-3R

THIRD REVISED

SDG&E

**DIRECT TESTIMONY OF IFTEKHARUL (SHARIM) CHAUDHURY
(PRESENT AND PROPOSED GAS TRANSPORTATION REVENUE AND RATES)**

July 31, 2018

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



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LIST OF ACRONYMS

SUMMARY

- This testimony presents the natural gas transportation revenue and rate changes, and the expected residential customer bill impact associated with San Diego Gas & Electric Company's (SDG&E) Test Year (TY) 2019 General Rate Case (GRC) proposals.
- Due to SDG&E's natural gas-related TY 2019 GRC proposals:
 - System total bundled revenues will increase 21.2% over then-effective 2017 revenues for the period applicable during the date the TY 2019 GRC Application was filed on October 6, 2017 and revised testimony was served on December 20, 2017 (GRC Filing) and 18.5% over as expected authorized 2018 revenues shown in the GRC Filing.
 - For an illustrative non-California Alternate Rates for Energy (non-CARE) residential customer with average gas usage, the average monthly bill at proposed rates will increase 24.5% over the bill at then-effective 2017 rates shown in the GRC Filing and 21.6% over the bill at as expected authorized 2018 rates shown in the GRC Filing.

1 **THIRD REVISED**
2 **SDG&E DIRECT TESTIMONY OF SHARIM CHAUDHURY**
3 **(PRESENT AND PROPOSED GAS TRANSPORTATION REVENUES AND RATES)**

4 **I. INTRODUCTION**

5 The purpose of my testimony is to present: (1) a summary of the customer class-
6 specific gas transportation revenue and rate changes that would result from the adoption of
7 the TY 2019 GRC proposals of SDG&E; and (2) an estimate of average monthly gas bill
8 impact for a residential customer with average monthly gas usage. Pursuant to the Assigned
9 Commissioner’s Scoping Memorandum and Ruling issued on January 29, 2018 (Scoping
10 Memo), this exhibit has been revised to reflect the impact of the Tax Cuts and Jobs Act
11 (TCJA) on the SDG&E TY 2019 GRC. The TCJA was signed into federal law on
12 December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves
13 (SDG&E-35-2R), served concurrently with this exhibit. A roadmap of this TCJA-related
14 submission and impacts on other witnesses’ areas is provided in the Case Management
15 Exhibit SCG-49/SDG&E-49. Additionally, recognizing that SDG&E’s current rates have
16 changed since my direct testimony was served on October 6, 2017 and revised on December
17 20, 2017, the second revised testimony served on April 6, 2018 provided an Appendix A
18 presenting numbers based on current 2018 effective rates (consistent with Advice Letter
19 2638-G) at the time of that submission.¹ This third revised testimony corrects relatively
20 minor errors in numbers shown in Appendix A; in the previous version, SDG&E
21 inadvertently did not link the GRC Pipeline Safety Enhancement Plan (PSEP) local
22 integration adjustment to the SDG&E model.

23 **II. SUMMARY OF PRESENT AND PROPOSED GAS TRANSPORTATION**
24 **REVENUES AND RATES**

25 SDG&E’s proposals in this GRC proceeding, if adopted, would result in changes to:

¹ SDG&E maintained herein the comparison point of “2018 Expected” consistent with my prior testimony exhibits served in this proceeding on October 6 and December 20, 2017. Maintaining the comparison point isolates the impact of the TCJA. Please also refer to the second revised testimony of Summary of Earnings witness Ryan Hom (Exhibit SDG&E-42-2R).

- 1 (i) total authorized natural gas base margin for transportation rates (see
 2 Summary of Earnings testimony of Ryan Hom (Exhibit SDG&E-42-2R) and
 3 Present and Proposed Electric Revenues & Rates testimony of Jeffrey
 4 Shaughnessy (Exhibit SDG&E-46-2R));
- 5 (ii) franchise fee rate (see Tax testimony of Ragan Reeves (Exhibit SDG&E-35-
 6 2R)); and
- 7 (iii) uncollectible rate (see Customer Services - Office Operations testimony of
 8 Jerry Stewart (Exhibit SDG&E-18)).
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SDG&E's Gas Proposals Resulting in Rate Changes:	Proposed 2019 Amounts
Base Margin (\$ millions)	\$432
Franchise Fee Rate	2.0799%
Uncollectible Rate	0.1740%

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 11 SDG&E's gas-related GRC proposals, if adopted, would lead to changes in customer
 12 class-specific gas revenues and rates. SDG&E's customers are generally classified as core
 13 and noncore customers. Core customers comprise residential, small commercial and
 14 industrial (C&I), and natural gas vehicle. Noncore customers are large C&I, and electric
 15 generation (EG) customers. SDG&E procures natural gas for its core customers,² noncore
 16 customers are responsible for procuring their own gas.

17 SDG&E's gas-related GRC proposals, if adopted, would impact its gas intrastate
 18 transportation rates and revenues. Rates and revenues for other components of the bundled
 19 rates, including gas commodity cost and Public Purpose Program (PPP) surcharges, would
 20 not be impacted based on this Application and, therefore, have been held constant for the
 21 present versus proposed revenues and rates comparison.³ The transportation rates and
 22 revenues reflect the cost allocation methods, the functional cost studies,⁴ and sales volumes

² With the exception of core customers who procure gas from core transportation aggregators.

³ The commodity price used in these tables reflects 2017 annual gas price. The PPP surcharges used are those effective as of January 1, 2017.

⁴ Functional cost studies refer to cost studies for customer-related, distribution-related and transmission-related functions.

1 adopted in SDG&E’s most recent Triennial Cost Allocation Proceeding (TCAP)
2 implemented on January 1, 2017,⁵ and other proceedings as appropriate.

3 Since the proposed 2019 GRC revenue requirement and rates will be implemented no
4 earlier than January 1, 2019, the tables below compare the proposed 2019 GRC revenue
5 requirement and rates with those (i) then in effect as of August 1, 2017 (at the time of the GRC
6 Filing) and (ii) as expected (at the time of the GRC Filing) to be in effect as of January 1, 2018.⁶
7 Table ISC-01 shows the then-effective August 2017 and proposed 2019 gas bundled revenues to
8 be recovered from major customer classes.

⁵ See Decision (D.) 16-10-004 (TCAP Phase 2); see also D.16-06-039 (TCAP Phase 1), effective September 1, 2016.

⁶ The 2018 as expected authorized revenue requirement and rates are different than those then in effect in August 2017 due primarily to 2018 base margin increase under the current GRC attrition mechanism. In addition, SDG&E implemented new revenue requirement and rates effective January 1, 2018 (See SDG&E Advice Letter 2638-G). The January 1, 2018 revenue requirement and rates are different from the 2018 as expected authorized revenue requirement and rates as well as the then-effective 2017 rates shown in the GRC filing. Comparison to the proposed TY 2019 Revenues, Rates and Bills with the 2018 current effective rates are shown in Appendix A.

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Table ISC-01
SDG&E
Summary of Gas Bundled Revenues by Major Customer Class (\$ millions)

Line No.	Customer Class	Then-Effective Revenues	Proposed Revenues	Change	
		Aug-17	2019	\$	%
1	Residential	\$444	\$551	\$107	24.1%
2	Core C&I	\$134	\$148	\$14	10.3%
3	NGV	\$6	\$6	\$0	7.0%
4	Total Core	\$584	\$705	\$121	20.8%
	Noncore				
5	C&I	\$6	\$7	\$1	16.4%
6	EG	\$14	\$20	\$6	40.0%
7	Noncore Average	\$20	\$26	\$7	33.2%
8	SYSTEM TOTALS	\$604	\$731	\$128	21.2%

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Table ISC-02 shows the expected 2018 and proposed 2019 gas bundled revenues to be recovered from major customer classes.

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Table ISC-02
SDG&E
Summary of Gas Bundled Revenues by Major Customer Class (\$ millions)

Line No.	Customer Class	Expected Revenues	Proposed Revenues	Change	
		Jan-18	2019	\$	%
1	Residential	\$455	\$551	\$96	21.2%
2	Core C&I	\$136	\$148	\$12	8.9%
3	NGV	\$6	\$6	\$0	5.9%
4	Total Core	\$596	\$705	\$109	18.3%
	Noncore				
5	C&I	\$6	\$7	\$1	13.8%
6	EG	\$15	\$20	\$4	29.3%
7	Noncore Average	\$21	\$26	\$5	25.0%
8	SYSTEM TOTALS	\$617	\$731	\$114	18.5%

1 Table ISC-03 shows then-effective August 2017 and proposed 2019 gas bundled rates by
 2 major customer classes.

3 **Table ISC-03**
 4 **SDG&E**
 5 **Summary of Gas Class Average Bundled Rates by Major Customer Class (\$/therm)**

Line No.	Customer Class	Then- Effective Rates	Proposed Rates	Change	
		Aug-17	2019	\$	%
1	Residential	\$1.38745	\$1.72194	\$0.33450	24.1%
2	Core C&I	\$0.73334	\$0.80861	\$0.07527	10.3%
3	NGV	\$0.31618	\$0.33819	\$0.02202	7.0%
4	Total Core	\$1.12015	\$1.35270	\$0.23255	20.8%
	Noncore				
5	C&I	\$0.12592	\$0.14657	\$0.02065	16.4%
6	EG	\$0.02117	\$0.02964	\$0.00846	40.0%
7	Noncore Average	\$0.02776	\$0.03699	\$0.00923	33.2%
8	SYSTEM TOTALS	\$0.48835	\$0.59174	\$0.10339	21.2%

6
 7 Table ISC-04 shows expected 2018 and proposed 2019 gas bundled rates by major
 8 customer classes.

9 **Table ISC-04**
 10 **SDG&E**
 11 **Summary of Gas Class Average Bundled Rates by Major Customer Class (\$/therm)**

Line No.	Customer Class	Expected Rates	Proposed Rates	Change	
		Jan-18	2019	\$	%
1	Residential	\$1.42040	\$1.72194	\$0.30154	21.2%
2	Core C&I	\$0.74236	\$0.80861	\$0.06625	8.9%
3	NGV	\$0.31950	\$0.33819	\$0.01869	5.9%
4	Total Core	\$1.14366	\$1.35270	\$0.20903	18.3%
	Noncore				
5	C&I	\$0.12879	\$0.14657	\$0.01778	13.8%
6	EG	\$0.02293	\$0.02964	\$0.00671	29.3%
7	Noncore Average	\$0.02959	\$0.03699	\$0.00741	25.0%

8	SYSTEM TOTALS	\$0.49932	\$0.59174	\$0.09242	18.5%
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III. RESIDENTIAL CUSTOMER GAS BILL IMPACT

The following table provides an estimate of the average monthly gas bill, comprising gas commodity cost, transportation charges, and PPPS surcharge, for an illustrative non-CARE residential customer.⁷ This estimated bill is based on the average residential customer gas usage of 25 therms per month. As shown in Table ISC-05 below, the gas bill for a residential customer using 25 therms per month would increase by \$8.58 per month, or 24.5% when compared to a 2017 bill (bill at then-effective rates shown in the GRC Filing using the same 25 therms monthly usage); and increase by \$7.73 per month, or 21.6% when compared to the expected 2018 bill (bill at 2018 rates as expected at the time of the GRC Filing using the same 25 therms monthly usage).

**Table ISC-05
SDG&E
Monthly Residential Gas Bills with Average Usage**

	Then-Effective Aug-17	Proposed 2019	Change	
			\$	%
Average Bill 25 therms/month	\$35.02	\$43.59	\$8.58	24.5%

	Expected Jan-18	Proposed 2019	Change	
			\$	%
Average Bill 25 therms/month	\$35.86	\$43.59	\$7.73	21.6%

IV. CONCLUSION

This concludes my prepared direct testimony.

⁷ CARE customers receive a 20% CARE discount on all customer, commodity, and transportation charges on their otherwise applicable service schedule. In addition, they do not pay the CARE portion of the Public Purpose Programs Surcharge.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Iftekharul (Sharim) Chaudhury. I am employed by SoCalGas and SDG&E
3 as the Rate Design and Demand Forecasting Manager within the Regulatory Affairs Department,
4 which supports gas regulatory activities of both SoCalGas and SDG&E. My business address is
5 555 West Fifth Street, Los Angeles, California, 90013-1011. I hold a Bachelor of Arts degree in
6 Economics from Illinois State University. I received my Masters and Ph.D. degrees in
7 Economics from the University of California, San Diego.

8 I have held my current position managing the rates group since August 2014, and have
9 been managing the demand forecasting group since April 2013. Prior to joining SoCalGas, I
10 worked at Southern California Edison Company from June 1999 to March 2013, holding several
11 positions of increasing responsibility, from Senior Analyst to Manager of Price Forecasting to
12 Manager of Long-Term Demand Forecasting. From October 1998 to May 1999, I worked at
13 National Economic Research Associates (NERA) as a Senior Consultant. Prior to joining
14 NERA, I worked at SoCalGas from 1991 to 1998, holding several positions of increasing
15 responsibility, starting as Marketing Analyst to Senior Economist in the Rate Design group to
16 Manager of Rate Design. I also worked for about a year at the California Energy Commission
17 (CEC) in the Demand Analysis Office.

18 I have previously testified before the Commission.

LIST OF ACRONYMS

ACRONYM	DEFINITION
CARE	California Alternate Rates for Energy
C&I	commercial and industrial
EG	electric generation
GRC	General Rate Case
PPP	Public Purpose Program
SDG&E	San Diego Gas & Electric Company
TCAP	Triennial Cost Allocation Proceeding
TCJA	Tax Cuts and Jobs Act
TY	Test Year

**APPENDIX A – COMPARISON OF CURRENT EFFECTIVE 2018 AND THE
PROPOSED TY 2019 REVENUES, RATES AND BILLS**

Table ISC-01-2018 below shows the current effective January 2018 and proposed 2019 gas bundled revenues to be recovered from major customer classes.

**Table ISC-01-2018
SDG&E
Summary of Gas Bundled Revenues by Major Customer Class (\$ millions) at Effective
2018 and 2019 Proposed Rates**

Line No.	Customer Class	Present	Proposed	Change	
		Revenues Jan-18	Revenues 2019	\$	%
1	Residential	\$429	\$527	\$98	22.8%
2	Core C&I	\$114	\$127	\$13	11.1%
3	NGV	\$5	\$6	\$1	10.1%
4	Total Core	\$548	\$659	\$111	20.3%
	Noncore				
5	C&I	\$6	\$7	\$1	14.4%
6	EG	\$18	\$23	\$6	31.8%
7	Noncore Average	\$24	\$30	\$6	27.5%
8	SYSTEM TOTALS	\$571	\$689	\$118	20.6%

Table ISC-02-2018 below shows the current effective January 2018 and proposed 2019 gas bundled rates by major customer classes.

**Table ISC-02-2018
SDG&E
Summary of Gas Class Average Bundled Rates by Major Customer Class (\$/therm) at
Effective 2018 and 2019 Proposed Rates**

Line No.	Customer Class	Present	Proposed	Change	
		Rates Jan-18	Rates 2019	\$	%
1	Residential	\$1.33971	\$1.64549	\$0.30578	22.8%
2	Core C&I	\$0.62357	\$0.69276	\$0.06919	11.1%
3	NGV	\$0.28317	\$0.31191	\$0.02874	10.1%
4	Total Core	\$1.05120	\$1.26422	\$0.21302	20.3%

	Noncore				
5	C&I	\$0.12935	\$0.14802	\$0.01866	14.4%
6	EG	\$0.02659	\$0.03503	\$0.00844	31.8%
7	Noncore Average	\$0.03305	\$0.04214	\$0.00908	27.5%
8	SYSTEM TOTALS	\$0.46234	\$0.55741	\$0.09507	20.6%

As shown in Table ISC-03-2018 below, the gas bill for a residential customer using 25 therms per month increase by \$7.37 per month, or 22.7% when compared to a 2018 bill (bill at current effective 2018 rates using the same 25 therms monthly usage).

Table ISC-03-2018
SDG&E
Monthly Residential Gas Bills with Average Usage at Effective 2018 and 2019 Proposed Rates

	Present Jan-18	Proposed 2019	Change	
			\$	%
Average Bill 25 therms/month	\$32.43	\$39.79	\$7.37	22.7%

SDG&E 2019 GRC Testimony Revision Log –July 2018

Exhibit	Witness	Page	Line or Table	Revision Detail
SDG&E-45	Sharim Chaudhury	ISC-1	17-22	Added explanation for revisions to Appendix A in this third revised testimony.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 1, changed \$526 to \$527 in Proposed Revenues column; changed \$97 to \$98 in Change \$ column; and changed 22.7% to 22.8% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 2, changed \$126 to \$127 in Proposed Revenues column; changed \$12 to \$13 in Change \$ column; and changed 10.9% to 11.1% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 4, changed \$658 to \$659 in the Proposed Revenues column; changed \$110 to \$111 in the Change \$ column; and changed 20.1% to 20.3% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 5, changed 14.0% to 14.4% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 6, changed 31.2% to 31.8% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 7, changed 26.9% to 27.5% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-01-2018	In Line 8, changed \$688 to \$689 in the Proposed Revenues column; changed \$117 to \$118 in the Change \$ column; and changed 20.4% to 20.6% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-02-2018	In Line 1, changed \$1.64387 to \$1.64549 in the Proposed Rates column; changed \$0.30415 to \$0.30578 in the Change \$ column; and changed 22.7% to 22.8% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-02-2018	In Line 2, changed \$0.69163 to \$0.69276 in the Proposed Rates column; changed \$0.06807 to \$0.06919 in the Change \$ column; and changed 10.9% to 11.1% in the Change % column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-02-2018	In Line 3, changed \$0.31182 to \$0.31191 in the Proposed Rates column; and changed \$0.02865 to \$0.02874 in the Change \$ column.
SDG&E-45	Sharim Chaudhury	ISC-A-1	Table ISC-02-2018	In Line 4, changed \$1.26282 to \$1.26422 in the Proposed Rates column; changed \$0.21162 to \$0.21302 in the Change \$

				<i>column; and changed 20.1% to 20.3% in the Change % column.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Table ISC-02-2018</i>	<i>In Line 5, changed \$0.14741 to \$0.14802 in the Proposed Rates column; changed \$0.01806 to \$0.01866 in the Change \$ column; and changed 14.0% to 14.4% in the Change % column.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Table ISC-02-2018</i>	<i>In Line 6, changed \$0.03488 to \$0.03503 in the Proposed Rates column; changed \$0.00829 to \$0.00844 in the Change \$ column; and changed 31.2% to 31.8% in the Change % column.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Table ISC-02-2018</i>	<i>In Line 7, changed \$0.04196 to \$0.04214 in the Proposed Rates column; changed \$0.00890 to \$0.00908 in the Change \$ column; and changed 26.9% to 27.5% in the Change % column.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Table ISC-02-2018</i>	<i>In Line 8, changed \$0.55672 to \$0.55741 in the Proposed Rates column; changed \$0.09438 to \$0.09507 in the Change \$ column; and changed 20.4% to 20.6% in the Change % column.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Narrative introduction to Table ISC-03-2018</i>	<i>Changed \$7.33 to \$7.37; and changed 22.6% to 22.7%.</i>
<i>SDG&E-45</i>	<i>Sharim Chaudhury</i>	<i>ISC-A-2</i>	<i>Table ISC-03-2018</i>	<i>Changed \$39.76 to \$39.79 in the Proposed 2019 column; changed \$7.33 to \$7.37 in the Change \$ column; and changed 22.6% to 22.7% in the Change % column.</i>