APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS EFFECTIVE JANUARY 1, 2020 IN THE TRIENNIAL COST ALLOCATION PROCEEDING

(A.18-07-024)

(DATA REQUEST TURN-SEU-08)

DATA RECEIVED: 3-12-19

DATE RESPONDED: 3-27-19

QUESTION 1:

Please provide a narrative description of how the peak day demand is calculated for noncore commercial and industrial customers of SoCalGas. Specifically indicate the number of heating degree-days used in the calculation, the coefficient per heating-degree-day if applicable, and whether loads are based on weekdays or the average of and weekends.

RESPONSE 1:

To determine the peak day demand for the noncore commercial and industrial customers SoCalGas first ran a regression on monthly usage to determine if the loads are temperature sensitive. SoCalGas found the heating degree day (HDD) coefficient for the noncore commercial load is significant, whereas the coefficient for the noncore industrial load is insignificant.

To estimate the noncore commercial 1-in-10 peak day demand, SoCalGas used the HDD coefficient (14,901 Therm/HDD) for the noncore commercial load as usage per HDD and multiply to 23.0 HDD (based on our designed temperature of 42.0 F° for a 1-in-10 peak day) to obtain the heating load and add to the non-heating load. For the 1-in-10 peak day noncore industrial load, which was found to be non-temperature-sensitive, SoCalGas used the average December daily demand.

SoCalGas's noncore commercial and industrial peak day demand forecasts do not explicitly distinguish daily gas demand by weekdays or weekend days.

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QUESTION 2:

Please review the response to TURN DR 4-2. In that response, our calculations show the lowest loads of each week on Sundays and Mondays instead of Saturdays and Sundays, and holidays such as Thanksgiving and Christmas also show higher loads than the day after Thanksgiving or Christmas. Please either confirm that indeed loads are lower on Mondays than Saturdays in each week of the data, and provide an explanation, or alternatively correct the dates if the days of the week are not lined up accurately with loads.

RESPONSE 2:

The date variable in the original file is “MEAS_END_DATE” in our system. It is corresponding to the previous day’s consumption read. See attachment TURN-DR-08 Q2 for the date of the usage.

QUESTION 3:

Ms. Schmidt-Pines Section 1 workpaper page 5 of 34, shows 5,516,213 residential customers and 5,721,670 total customers for SoCal Gas, but TURN SEU 2-2 parts c and f state that the total number of service lines on the SoCalGas system is 4,457,381.

a. In the calculation of the customer cost associated with service lines under the rental method, please confirm that the number of customers by type (e.g., single-family, multi-family) is multiplied by the unit cost of a service line for that type of customers annualized by the RECC to obtain the marginal investment costs for service lines. If you cannot confirm this calculation, please explain.

b. Please reconcile the customer count and the count of service lines.

c. Please explain why the residential class is allocated marginal costs based on the need to “rent” 5.5 million services from SoCalGas when there are only 4.45 million services on the entire SoCalGas system.

RESPONSE 3:

a. Confirmed, with the following clarification. Annualized capital related service line, meter and regulator costs and fully loaded O&M costs are added together to derive customer related long run marginal costs. Then, the customer related long run marginal costs are multiplied by the respective number of customers in each class to derive customer related marginal cost revenue.

b. The customer count and the count of service lines are different because there can be a multiple number of customers hooked to one service line, especially in multi-family complexes. This is also explained in SEU-TURN-02, Response 6f. Also, the customer count data is based on 2016 data and the service line data is based on 2017 data.

c. The customer costs marginal demand measure is the number of customers, according to D.92-12-058. Customer related marginal cost revenue is derived by multiplying customer related marginal costs by the number of customers.

QUESTION 4:

Mr. Foster's Section 1 workpaper page 5 of 34, shows 874,067 residential customers and 905,175 total customers for SDG&E, but TURN SEU 3-2 parts c and f state that the total number of service lines on the SoCalGas system is 642,045 (sum of plastic and steel).

a. In the calculation of the customer cost associated with service lines under the rental method, please confirm that the number of customers by type (e.g., single-family, multi-family) is multiplied by the unit cost of a service line for that type of customers annualized by the RECC to obtain the marginal investment costs for service lines. If you cannot confirm this calculation, please explain.

b. Please reconcile the customer count and the count of service lines.

c. Please explain why the residential class is allocated marginal costs based on the need to "rent" 874,000 services from SDG&E when, in fact there are only 642,000 services on the entire SoCalGas system.

RESPONSE 4:

a. Confirmed, with the following clarification. Annualized capital related service line, meter and regulator costs and fully loaded O&M costs are added together to derive customer related long run marginal costs. Then, the customer related long run marginal costs are multiplied by the respective number of customers in each class to derive customer related marginal cost revenue.

b. The customer count and the count of service lines are different because there can be a multiple number of customers hooked to one service line, especially in multi-family complexes. Further, customer cost information is based on 2016 data and the service line data is on 2017 data.

c. The customer costs marginal demand measure is the number of customers, according to D.92-12-058. Customer related marginal cost revenue is derived by multiplying customer related marginal costs by the number of customers.

QUESTION 5:

Please provide the amount, by FERC Account (e.g., 878, 879, 893, etc.) where SoCalGas records to O&M the cost of labor associated with meter replacement in the input data for the customer O&M data in its marginal cost study.

RESPONSE 5:

For SoCalGas, the O&M cost of labor associated with meter replacement is not included in its marginal cost study. In 2016, the O&M cost of labor associated with meter replacement was part of the AMI installation.

QUESTION 6:

Please provide the amount, by FERC Account (e.g., 878, 879, 893, etc.) where SDG&E records to O&M the cost of labor associated with meter replacement in the input data for the customer O&M data in its marginal cost study.

RESPONSE 6:

The O&M Labor associated with meter replacements is recorded in FERC Account 878.1-Meter and House Regulatory Expenses, Removing Resetting and Relocating Meters and Regulators. This account shall include the cost of labor, materials used and expenses incurred in removing, reinstalling and changing or exchanging customer meters and house regulators.

For 2016, the amount of O&M Labor booked to this account was $606,272.12.

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(DATA REQUEST TURN-SEU-08)

DATA RECEIVED: 3-12-19

DATE RESPONDED: 3-27-19

QUESTION 7:

Following up on TURN DR 2-8 Attachment 8b, please provide information on all the installation jobs associated with the 17,114 customers in this data response. Identify the cost of the job, the number of feet of service line, the cost as limited by the line extension allowance, and the number of customers for each job.

RESPONSE 7:

Please see TURN-SEU-06, Response 3a.

QUESTION 8:

In the responses to TURN DRs 2-10, 2-11, and 2-12, SoCalGas explains that the figures in its marginal cost study is not comparable to those in its general rate case. In the response to 2-10, SoCal states:

The service maintenance cost for recorded 2016 in the TY 2019 GRC materials referenced in the question ($10,339,000) includes direct costs plus applicable vacation and sick charges under FERC Account 892. Therefore, the GRC figure would not include indirect costs (such as overheads), which is the primary difference. The service maintenance cost shown in the TCAP workpaper ($29,619,000) would represent both direct and indirect costs for the same FERC Account.

In response to Questions 2-11 and 2-12, SoCal makes similar statements regarding overheads for customer accounting and customer service and information costs. Please answer the following questions:

a. Identify each specific type of overhead cost included in the FERC Accounts but not included in the GRC accounts.

b. Provide a quantification of each specific type of overhead cost in each FERC Account.

RESPONSE 8:

Regarding Service Maintenance Costs (i.e., TURN DR 2-10)

Applicants' response to 2-10 states, "The service maintenance cost for recorded 2016 in the TY 2019 GRC materials referenced in the question ($10,339,000) includes direct costs plus applicable vacation and sick charges under FERC Account 892."

First, the terminology in the attachment to this response, Attachment #8a Service Other Costs.xls, tab: Summary, cell D4, reads "This represents overhead" is in fact only direct costs. These direct costs recorded in FERC Accounts 870, 879, 880, and 881, which are mislabeled as "This represents overhead" costs in this TCAP, are direct costs not included by TY 2020 GRC Exhibit SCG-4 Workpaper.

The Attachment #8a Service Other Costs.xls, tab: Other Accts, shows in greater detail of the same Accounts 870, 879, 880, 881, of $50,201,000, is allocated between Meters & Regulators, Service Lines and Distribution Mains, as shown in tab, Summary. Service Lines is allocated $16,506,000.

Second, to be clear, the only overheads added to Account 892 ($949,000) in the TCAP service maintenance costs are for Vacation & Sick time. The GRC FERC Account 892 is specific to Gas Distribution cost centers, while the TCAP FERC Account 892 is open to all SoCalGas cost centers. Specifically, the GRC testimony has 56 cost centers, and the TCAP file has 190 cost centers. The Attachment #8b Service Account 892.xls tab: GRC, shows the GRC FERC Account 892 charges and tab: TCAP, shows the TCAP FERC Account 892 charge. While extracting the TCAP detail data, inadvertently an additional $3 million was not included in the study for Service O&M, see tab: TCAP, cell B24.

Regarding Customer Service and Information Costs (i.e., TURN DR 2-11)

As stated in response to 2-11, the GRC figure does not include all direct costs recorded in the FERC account that the TCAP workpaper included, which may be due to the way in which GRC costs are sponsored. GRC costs are presented organizationally, where the direct costs are incurred (by cost center not by FERC account as ordered in our TY2008 GRC (D.08-07-046 OP22 at 106). While the GRC Ex. SCG-20 (Customer Service – Information) witness area does make-up the majority of the 908-910 costs, these costs are also included in other SoCalGas GRC witness areas. Additionally, there are other FERC accounts included in Customer Service – Information witness area within the GRC. As shown in Attachment 8.c., there are twelve different types of indirect costs included in the TCAP FERC accounts that may be included in the GRC; however, these costs are defended by other GRC witness areas because that is where the direct costs are incurred.

1. **Contract & Jobbing (C&J) A&G** are represented in the A&G GRC witness areas for general support; however, a portion of these costs are reassigned as an overhead to 3rd party billing work based on that portion of the direct charges. The 3rd party A&G overhead represents the cost of A&G support provided to all 3rd party billings by A&G functional areas, such as Accounting, Human Resources, Finance, Regulatory, External Affairs, etc.

2. **Corporate Center Billed-In** are costs for services that SoCalGas directly requested for specific services.

3. **Fixed Cost Loader** are presented by various GRC witness areas; however, a portion of these costs are reassigned as an overhead to 3rd party billing related work based on that portion of the direct charges directly requested by the 3rd party. The indirect cost can include costs for buildings, furniture, customer equipment, software

and miscellaneous equipment, which were used in providing the service to the 3rd party.

4. **Fleet Cap & 3rd Party** costs are fleet costs represented by the GRC Fleet witness area; however, a portion of these costs are reassigned as an overhead based on specific utilization rates of the SoCalGas fleet for 3rd party billing related work based on company labor charges to the various FERC accounts. The Fleet Overhead is comprised of allocations of expenses incurred to maintain fleet vehicles and is allocated based on vehicle type and time of usage.

5. **Incentive Compensation Plan (ICP)** are costs represented by the GRC Compensation and Benefits witness area; however, a portion of these costs are reassigned as an overhead. based on company labor charges to the various FERC accounts. The ICP Overhead allocates the incentive compensation plan costs paid to utility employees.

6. **Purchasing** costs are represented by the GRC Supply Management witness area; however, a portion of these costs are reassigned as an overhead based on contract costs, purchased materials, and the cost for storeroom materials used. The Purchasing Overhead loads the costs related to the utility's procurement activity in obtaining goods and services for the utility's organizations.

7. **SoCalGas Billed-Out to SDG&E** are costs for services that SDG&E directly requested for specific services.

8. **SDG&E Billed-In** are costs for services that SoCalGas directly requested for specific services from SDG&E.

9. **Shop Orders** are costs represented by the GRC Supply Management witness area; however, a portion of these costs are reassigned as an overhead based on the amount of represented labor directly charged to specific FERC accounts within the organizations. The Shop Order Overhead is used to distribute the costs of shop made items.

10. **Small Tools** are costs represented by the Supply Management GRC witness area; however, a portion of these costs are reassigned as an overhead based on the amount of represented labor directly charged to specific FERC accounts within the organizations. The Small Tools Overhead represents the cost of tools utilized that do not meet the established capitalization threshold.

11. **Vacation and Sick (V&S)** are costs presented by the GRC witness areas in multiple labor line items. Because TCAP is not limited to GRC costs charged to FERC accounts, there will also be V&S attributable to non-GRC programs such as Low Income and PSEP labor charges to the various FERC accounts. The V&S Overhead is used to allocate costs paid by the utility for non-productive time such as vacations, holidays, sick days, and jury duty.

12. **Warehouse** costs are represented by the GRC Supply Management witness area; however, a portion of these costs are reassigned as an overhead based on the cost for storeroom materials used. The Warehouse Overhead is used to distribute costs associated with warehousing materials used in the operation of the business.

Additionally, please see the Attachment #8c CSI.xls for the various Indirect cost types, by FERC account, that are described above.

QUESTION 9:

Following up on TURN DR 3-14, SDG&E witness Foster has nowhere in its testimony and workpapers included a table similar to Ms. Schmidt-Pines' workpaper entitled "SOUTHERN CALIFORNIA GAS 2016 Economic Assumptions Update LEVELIZED ANNUAL CAPITAL COST AND RECC FACTORS" (Schmidt-Pines Section 1 Workpapers, page 33 of 34) showing the input assumptions for calculation of RECC factors for SDG&E. Please provide that table for SDG&E.

RESPONSE 9:

See attachment.

QUESTION 10:

Please provide detailed documentation supporting SDG&E's general plant average RECC of 11.09% on Table LF-6 of Mr. Foster's workpapers.

RESPONSE 10:

RECC factors for individual accounts are weighted by 2016 gross plant additions from SDG&E's FERC Form 2. The table below shows the derivation of SDG&E's general plant average RECC of 11.09%:

GAS GENERAL PLANT		RECC	Weighted RECC	Weight	Gross Plant Additions from FERC Form 2
G-392.2	Trailers	9.24	0.00%	0.00%	$0
G-394	Portable Tools/Shop Equipment	10.22	3.34%	32.70%	$394,053
G-395	Laboratory Equipment	11.48	0.00%	0.00%	$0
G-397	Communications Equipment	11.51	7.75%	67.30%	$810,940
G-398	Miscellaneous Equipment	11.48	0.00%	0.00%	$0
			11.09%	100.00%	$1,204,993

PLEASE NOTE: While preparing this response, it was discovered that the SDG&E O&M Loader model incorrectly used the wrong FERC Form 2 gross additions. Below is the corrected table showing the revised general plant average RECC of 10.51%:

GAS GENERAL PLANT		RECC	Weighted RECC	Weight	Gross Plant Additions from FERC Form 2
G-392.2	Trailers	9.24	0.00%	0.00%	
G-394	Portable Tools/Shop Equipment	10.22	7.87%	77.06%	$1,819,467
G-395	Laboratory Equipment	11.48	0.00%	0.00%	
G-397	Communications Equipment	11.51	1.01%	8.74%	$206,438
G-398	Miscellaneous Equipment	11.48	1.63%	14.20%	$335,171
			10.51%	100.00%	$2,361,076

PLEASE NOTE: In addition, it was discovered that SoCalGas's RECC inadvertently used the Gas Transmission Plant RECC factors instead of the Gas Distribution Plant RECC factors, in the SoCalGas workpaper, "SCG 2020TCAP LRMC Distribution Costs.xls", tab: Out_MP_LRMC, cells: E80:E84, I80:I84. This is shown as:

	Total Invest $000's	% of Total	RECC %	Weighted RECC%	Total Invest $000's	% of Total	RECC %	Weighted RECC%
New Business $000's	$182,143	50%	7.55%	3.79%	$10,810	6%	7.55%	0.42%
Pressure Betterment	$129,945	36%	7.55%	2.71%	$175,585	91%	7.55%	6.88%
CIAC	($1,567)	0%	7.55%	-0.03%	($1,561)	-1%	7.55%	-0.06%
subtotal	$310,521	86%		6.46%	$184,834	96%		7.25%
Meter & Reg Stations #378	$52,265	14%	7.94%	1.14%	$7,787	4%	7.94%	0.32%
Total	$362,786	100%		**7.61%**	$192,622	100%		**7.57%**

As corrected:

	Total Invest $000's	% of Total	RECC %	Weighted RECC%	Total Invest $000's	% of Total	RECC %	Weighted RECC%
New Business $000's	$182,143	50%	7.81%	3.92%	$10,810	6%	7.81%	0.44%
Pressure Betterment	$129,945	36%	7.81%	2.80%	$175,585	91%	7.81%	7.12%
CIAC	($1,567)	0%	7.81%	-0.03%	($1,561)	-1%	7.81%	-0.06%
subtotal	$310,521	86%		6.69%	$184,834	96%		7.49%
Meter & Reg Stations #378	$52,265	14%	8.22%	1.18%	$7,787	4%	8.22%	0.33%
Total	$362,786	100%		**7.87%**	$192,622	100%		**7.83%**

QUESTION 11:

Regarding the limitation of marginal customer costs by the line extension allowance in SDG&E's workpapers:

a. Please identify the number of residential applicants receiving line extension allowances for (a) water heating (b) space heating, (c) cooktop and oven, (d) dryer stub and (e) all four items in each of the past five years.

b. Please provide the line extension allowances for (a) water heating (b) space heating, (c) cooktop and oven, (d) dryer stub in force in each year from 2014 to the present, and provide the current allowances.

c. Is there a process for periodically changing line extension allowances? If so, what is it?

d. SDG&E's Gas tariff, Rule 15 Section C-1 states: "General: Utility will complete a Distribution Main Extension without charge provided the utility's total estimated installed cost does not exceed the allowances as determined from permanent bonafide loads to be served by the extension within a reasonable time, as determined by the utility. The allowance will first be applied to the Service Extension (including the metering), in accordance with Rule 16. Any excess allowance will be applied to the Distribution Main Extension to which the Service Extension is connected."

   Does this rule mean that the entire cost of both the meter and the service line must be under the line extension allowance before any excess allowance is applied to the distribution main extension?

e. Please provide information on the percentage of residential applicants, divided into single-family and multi-family if possible, in 2015-2017, who (a) had a service cost of less than the line extension allowance; and (b) who had a total main and service cost of less than the line extension allowance.

RESPONSE 11:

a. SDG&E is unable to provide details on which service line extension applicants received allowances by usage type (water heating, space heating, cooktop and oven, dryer stub). SDG&E is able to provide the total applicants receiving a line extension allowance. See table below.

Year	Number of applicants Receiving an Allowance	Number of applicants where allowance was sufficient to cover cost of services and metering	Number of applicants where allowance was not sufficient to cover cost of services and metering	Cost Data not Available*
2014	1,690	101	1,589	0
2015	2,076	265	1,811	0
2016	1,707	335	1,372	0
2017	1,534	461	1,068	5
2018	504	399	96	9

* the service facilities (but not the meter) were installed by the applicant's contractor and SDG&E only did the tie-in to the existing energized source.

b. See table below.

Years	2014	2017
Effective:	2015	2018
	2016	2019
	2017	Current
Effective Date	8/31/2013	5/26/2017
Advice Letter	2216-G	2572-G
	Allowance ($)	Allowance ($)
Water Heating	635	811
Space Heating	550	703
Over/Range	113	143
Dryer Stub	160	206
Total	1,458	1,863

c. SDG&E Gas Rule 15.H.2 authorize the utility to periodically review its factors for determining residential allowances. If such review results in a change of more than five percent (5%) in the allowances, the utility will submit a tariff revision proposal to the Commission for review and approval. Such proposed changes shall be submitted no sooner than six (6) months after the last revision.

d. Yes.

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e. See response to part (a) of this question. SDG&E is unable to delineate this data between multi-family and single family. Therefore, the datain part (a) includes both single family and multi-family.