

TURN DATA REQUEST-050
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS PARTIAL RESPONSE #1
DATE RECEIVED: APRIL 19, 2018
DATE RESPONDED: MAY 4,, 2018

Exhibit Reference: SCG-38
Witnesses: Chan
Subject: Working Cash Capital

1. For each year 2012-2017, inclusive, please provide in Excel format the recorded annual amounts for the following schedules, using the same format as the 2016 recorded figures are presented in the indicated schedule.

- a. Schedule C – revenue lag.
- b. Schedule N-1 and N-2 – federal income tax, franchise tax.

Utility Response 1:

The GRC forecasts were developed according to the Rate Case Plan, which does not contemplate the use of 2017 recorded data, so the GRC forecasts were not developed using that information. While that recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Although this data is not part of SoCalGas’ forecasts or within the scope of this case, SoCalGas is providing 2017 data in the spirit of cooperation, without waiving the right to contest or respond to how the data is used. The utility is not permitted to revise its forecasts, either up or down, once the application is filed.

- a. Please see Excel file “Question 1 Response – Revenue Lag.”

In the course of researching this data request, SoCalGas discovered an error in its bank lag calculation. The bank lag calculation takes into account the availability of funds related to self-service customers who make payments electronically to SoCalGas through their banks. Prior to October 2015, SoCalGas used Mellon Bank, which put a 2-day hold on these payments. In October 2015, SoCalGas switched its bank to Union Bank, which puts a 0-day hold on these payments. When SoCalGas was updating its bank lag for base year 2016, it inadvertently forgot to change the availability for these payments from 2 to 0. With this correction, SoCalGas’ bank lags for 2015 to 2017 are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Before Correction	0.99	1.00	0.97
After Correction	0.97	0.86	0.84

With this correction, SoCalGas’ working cash requirement for 2019 will be lower by approximately \$1.5 million. SoCalGas will make this adjustment to its working cash request and requested 2019 revenue requirement at a later date.

- b. Please see Excel file “Question 1 Response – Tax Lags.”

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2. For each year 2012-2017, inclusive, please provide in Excel format the recorded monthly amounts historical information for the following schedules, using the same format as the 2016 recorded figures are presented in the indicated schedule:

- a. Schedule P-1, P-2, P-3, P-4, P-5, P-6 – various accounts.
- b. Schedule P Detail – various accounts.

Utility Response 2:

Please see Excel file “Question 2 Response – Sch P (Confidential)”

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3. Please revise the chart in cells I44 to M52 on Schedule B-1 to reflect changes due to the new federal tax law. Specifically identify the amount of this reduction that relates to current tax expense, deferred tax expense (either in the summary of earnings or elsewhere), and other expenses.

Utility Response 3:

The referenced cells on Schedule B-1 were revised in SCG's April 6, 2018 GRC Filing to reflect the changes due to the new federal tax law. Income tax forecast decreased by approximately \$81 million, and is reflected in "Summary of Earnings." SCG's deferred taxes forecast decreased by approximately \$132 million, and is reflected in "Deferred Taxes."

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4. Please explain and quantify how SCG expects the new federal tax law passed in 2017 will affect the timing of tax payments in 2019. Please provide all supporting workpapers and sources.

Utility Response 4:

The quarterly tax payment due dates are mandated by the federal government, and those due dates were not impacted by the new federal tax law. Therefore, the timing of tax payments in 2019 will not be impacted.

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5. Please explain why revenue lag days increased from 2013 to 2016 as indicated by comparing Schedule C of the TY 2016 to Schedule C of the TY 2019 workpapers. Please provide all sources and workpapers related to this response.

Utility Response 5:

Revenue lag days increased from 2013 to 2016 primarily due to the increase in collection lag. Please see Response #6 for details.

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6. Please explain why the collection lag days increased from 2013 to 2016 as indicated by comparing Schedule C of the TY 2016 to Schedule C of the TY 2019 workpapers. Please provide all sources and workpapers related to this response.

Utility Response 6:

Collection lag is directly impacted by Accounts Receivable (A/R) turnover, which is derived by Total Sales divided by the Average A/R Balance. Collection lag days increased from 2013 to 2016 primarily due to the increases in A/R balances. As A/R balances increased, the A/R turnover decreased. As a result, collection lag increased.

A/R balances can be impacted by many variables such as weather, economic conditions, and many others. The precise impact due to each of the variables is difficult to quantify and correlate. Presented below are possible impacts by two variables:

- Colder weather produced higher bills, which can make it difficult for customers to keep their accounts current or pay off their monthly charges. Therefore, their balances would age. As presented in the table below, the Average A/R Balance increased by \$16.8 million from 2013 to 2016. For prior year December and current year January alone, the Average A/R Balance increased by \$15.5 million, partly due to colder weather, as indicated by the increase in heating degree days.

	Variance 2016 vs 2013
Average AR Balance	\$ 16,778,351
Average AR Balance for Prior Year (PY) Dec & Current Jan *	\$ 15,479,853
Heating Degree Days for PY Dec & Current Jan	65
<i>* Mid-month convention</i>	
<i>Average for Feb - Dec was \$1.3 million</i>	

- In accordance with Advice Letter 4504, effective September 2013, SoCalGas consolidated its customer late payment notice with the next monthly bill. Prior to September 2013, SoCalGas sent the customer the first late payment notice if payment was not received within 19 calendar days after mailing of the monthly bill. With the implementation of this advice letter, instead of sending the first late payment notice in a separate mailing, SoCalGas combined the late notice with the next month's bill. This delayed the customer notification of late payment by several days, which may have contributed to the increased aging of A/R balances. The implementation of this new process saved ratepayers nearly \$1 million annually.

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7. Please provide workpapers supporting the estimates for billing lag and bank lag included in Revenue Lag Schedule C.

Utility Response 7:

Please see Excel files “Question 7 Response – Billing Lag” and “Question 7, 9, 10 Response – Bank Lag 2012-2017.”

In the course of researching this data request, SoCalGas discovered an error in its bank lag calculation. The bank lag calculation takes into account the availability of funds related to self-service customers who make payments electronically to SoCalGas through their banks. Prior to October 2015, SoCalGas used Mellon Bank, which put a 2-day hold on these payments. In October 2015, SoCalGas switched its bank to Union Bank, which puts a 0-day hold on these payments. When SoCalGas was updating its bank lag for base year 2016, it inadvertently forgot to change the availability for these payments from 2 to 0. With this correction, SoCalGas’ bank lags for 2015 to 2017 are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Before Correction	0.99	1.00	0.97
After Correction	0.97	0.86	0.84

Excel file “Question 7, 9, 10 Response – Bank Lag 2012-2017” does not reflect this correction. With this correction, SoCalGas’ working cash requirement for 2019 will be lower by approximately \$1.5 million. SoCalGas will make this adjustment to its working cash requirement and requested 2019 revenue requirement at a later date.

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8. Please explain and provide quantitative evidence showing whether the billing lag from 2012-2017 has decreased due to SCG's greater reliance on "smart meters."

Utility Response 8:

SCG interprets "smart meters" as advanced meters, and is responding to this request as it concerns advanced meters.

SCG does not track billing lags for non base years. For base years 2013 and 2016, SCG's overall billing lags were 2.50 days and 2.58 days, respectively. In addition to advanced meters, there are many factors that can impact billing lag. Some factors may cause the billing lag to increase while others may cause it to decrease. Excel file "Question 8 Response – AM Billing Lag" provides data showing that the billing lag related to advanced meters is 2.10 days, which is lower than the overall billing lag of 2.58 days. SCG does not have quantitative evidence showing the impact of billing lag due to factors other than advanced meters.

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9. Please explain and provide quantitative evidence showing whether the bank lag from 2012-2017 has decreased due to more customers making online payments.

Utility Response 9:

Please see Excel file “Question 7, 9, 10 Response – Bank Lag 2012-2017.” This file does not reflect the correction of the error described in Responses 1 and 7. The rest of the response below also does not reflect the correction of this error. While this correction decreases bank lags, it is not as a result of customer preference (i.e., paying online rather than by mail).

Since 2012, the major shift in customer preference has been the shift from the Mail category from 34% in 2012 to 23% in 2017 as a percentage of total payments; and Branch Offices from 12% in 2012 to 9% in 2017 as a percentage of total payments; to the Self-Service (online) category. These volume percentage changes can be seen in the yearly tabs in Column X in the spreadsheet.

However, the bank lag (funds availability) did not change by more than 6 basis points over the entire period from a high of 1.03 in 2012 to a low of .97 days in 2017. The main reason for the small change over time has more to do with the increase or decrease in 0 day availability in the Wire Transfer and Electronic Data Interchange (EDI) channels (very large dollar customer payments) than with the change in paying by mail or at the branch offices to the online categories.

The reason that the shift from the Mail category to Self-Service has had little impact on funds availability is that beginning in 2005, SoCalGas implemented a process known as Accounts Receivable Conversion (ARC), which converts the physical check into an Automated Clearing House (ACH) electronic transaction which is by definition a 1 day funds availability transaction. This is the same availability as with our My Account (SCG website) and some of our other online channels. In addition, SoCalGas also utilizes a process known as Check 21 for the non-convertible checks (business checks, money orders and multiple transaction payment checks). Instead of sending the physical check to the bank, SoCalGas creates an image of the check and sends this image to the bank for collection. We receive next day availability on all local checks and 2 day availability on all others. The blended availability rate for these types of checks in 1.17 days. Also, beginning in 2014, all branch office checks were converted to Check 21 images resulting in a 1.17 day availability. This branch office conversion has very little impact on the overall funds availability rate due to the small volume and small dollar amount of these checks.

In summary, changing customer preference from paying by mail or at the branch offices has had very little to no impact on funds availability.

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10. Please provide the percentage of payments that were made online through SCG's website or other on-line payment methods from 2012-2017 on an annual basis as compared to the total number of payments SCG received in each of those years. Please also provide the number of on-line payments and total payments for each year.

Utility Response 10:

Please see columns V and W in Excel file "Question 7, 9, 10 Response – Bank Lag 2012-2017."

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11. Please provide the percentage of customers that have smart meters from 2012-2017 on an annual basis.

Utility Response 11:

SoCalGas interprets “customers with smart meters” to mean SoCalGas customer meters that have been advanced and are operating with AMI technology (Advanced Meters). Below are the cumulative percentages by year:

2012 ¹	2013	2014	2015	2016	2017
NA	18%	47%	75%	97%	99%

¹ Approximately 22,000 meters advanced in late-2012 became operational (the manual meter read was replaced by the automated/electronic AMI read) in 2013.

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12. Please provide the data underlying the goods and services lead-lag study in Excel format if possible.

Utility Response 12:

Please see Excel file “Question 12 Response – G&S Lag (Confidential).” **This file contains confidential and protected materials pursuant to PUC Section 583, GO-66D, and D.17-09-023.**

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13. Please explain how SCG incorporated credit card purchases into the goods and services study. Specifically, is the date of invoice the date when the credit card bill was received or some earlier point when the goods and services were purchased using the card? If it is the date of the invoice, please provide the percentage of goods and services sampled payments that are credit card purchases.

Utility Response 13:

SCG incorporated credit card purchases into the goods and services lead-lag study by using the purchase dates to determine the service dates.

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14. Please disaggregate the amount of payments on line 6 of Schedule J that are for rate of return, and explain why payments to corporate center for Rate of Return are included with zero lag days on Schedule J when rate of return is not part of the lead-lag study.

Utility Response 14:

TURN may have misunderstood the purpose of Schedule J. This schedule is related to costs incurred by Corporate Center and billed to the utility. Therefore, it is appropriate to include Corporate Center's asset carrying cost (rate of return) in the payment amounts. From the utilities' perspective, these costs are no different from other O&M costs billed by non-Sempra entities.

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15. Regarding Schedule J: Please provide accounting manuals or other documentation explaining when Sempra is invoiced by Corporate Center and when it pays those invoices.

Utility Response 15:

Please see PDF file “Question 15 Response – Merger Decision.”

Sempra Energy and SoCalGas follow the Merger Decision rules related to intercompany billings and payments. SoCalGas will be invoiced by Sempra on a timely basis, generally monthly. SoCalGas will pay the invoice within 30 days after receipt.

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16. Please provide workpapers or other documentation supporting the forecast of each “refundable program” on Schedule Q.

Utility Response 16:

Please see Excel file “Question 16 Response – Ref Program (Confidential)” **This file contains confidential and protected materials pursuant to PUC Section 583, GO-66D, and D.17-09-023.**