Application No.: Exhibit No.: Date: Witness:

A.08-09-SCG – 8 September 29, 2008 Allison F. Smith

SOUTHERN CALIFORNIA GAS COMPANY

ADVANCED METERING INFRASTRUCTURE

CHAPTER VIII

SOCALGAS AMI COST RECOVERY AND RATE IMPACTS

Prepared Direct Testimony

of

Allison F. Smith

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

September 29, 2008

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I.

INTRODUCTION

The purpose of my direct testimony is to present the following: (1) describe the regulatory balancing account treatment for Southern California Gas' ("SoCalGas") proposed advanced metering infrastructure ("AMI") revenue requirements, and (2) provide estimates of gas rate impacts for 2009 through 2015, the gas AMI deployment years proposed by SoCalGas, based on the changes to gas transportation revenue requirements. 6

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II. **REGULATORY BALANCING ACCOUNT TREATMENT**

A. Proposal

SoCalGas proposes the establishment of a new interest bearing balancing account, 10 Advanced Metering Infrastructure Balancing Account ("AMIBA"), to record the difference 11 between the authorized revenue requirement and actual O&M and capital-related costs 12 associated with SoCalGas' full deployment of advanced meters effective with the expedited 13 approval for pre-deployment funding as described in the testimonies of Mr. Mark Serrano, 14 Chapter III and Mr. Christopher Olmsted, Chapter IV. The revenue requirement and actual costs 15 are net of the adopted forecasted and actual benefits realized, respectively, as calculated in the 16 manner described in Section D below. Each month, SoCalGas will record into the AMIBA the 17 following: 18

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1. One-twelfth of the annual AMI revenue requirement (credit)

- 2. AMI O&M costs (debit) 20
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3. AMI capital-related costs (debit)

4. AMI O&M benefits based on estimated savings per actual meter installed (credit) 22 In connection with SoCalGas' annual regulatory account balance update filing, the 23 forecasted year-end balance in the AMIBA will be incorporated in the following year's revenue 24 requirement associated with the AMI deployment project as necessary to ensure adequate 25 funding in the following year of the project cycle and to amortize any residual balance in the 26 AMIBA at the completion of the project. 27

B. Revenues

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Gas transportation rates will be adjusted annually until SoCalGas' next general rate case 2 ("GRC") after SoCalGas' AMI deployment has been completed. These adjustments will be 3 based on the annual net changes in gas transportation revenue requirements presented in the 4 testimony of SoCalGas witness Mr. Michael Foster in Chapter VII. Attachment MF-4 shows 5 annual and monthly revenue requirements and adjustments for "other benefits" by year. The 6 revenue requirement and benefit values are based on calculations sponsored by SoCalGas 7 witness Mr. Foster in Chapter VII. SoCalGas proposes that net Distribution cost/benefits 8 associated with AMI full deployment be recovered from all customer classes in which AMI will 9 be installed, and accounted for by means of a balancing account mechanism. 10

Recovery of the AMI revenue requirement would be implemented by first allocating the annual incremental change in revenues to the customer classes. SoCalGas proposes that the revenue allocation to the classes be in proportion to the number of meters planned to be installed by class. This methodology is proposed because once these costs become part of ratebase, the allocation to customer classes will be based on number of meters as well.

C. Costs

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Each month, SoCalGas will record its actual O&M and capital-related costs in the AMIBA. The actual O&M costs will be based on recorded incremental O&M expenses associated with the AMI activities authorized by the Commission in this proceeding. The actual capital-related costs will consist of depreciation, taxes and authorized return based on recorded rate base, including plant additions, accumulated depreciation reserve and accumulated deferred taxes, associated with the AMI activities authorized by the Commission in this proceeding.

All recorded incremental costs will include provisions for overhead loadings on direct labor dollars such as benefit and payroll taxes. However, the balanced portion of labor-related pensions and Post-Retirement Benefits Other Than Pensions ("PBOP") will be excluded since these costs are recovered through base rates and subject to separate regulatory balancing accounts.

D. Benefits

A credit for the O&M benefits shall be recorded each month to the AMIBA. The credit shall be calculated as follows:

- 1) Cumulative number of AMI meters installed and operating, lagged by five (5) months as described in Mr. Serrano's testimony, Chapter III
 - 2) Multiplied by \$1.0118, the average O&M benefit per meter per month as calculated by Mr. Foster, Chapter VII, Attachment MF-5
- E. Sharing Mechanism

Actual AMI costs in excess (above risk sharing band) of the authorized revenue requirements for the seven-year period are not recorded in the AMIBA but will be subject to reasonableness review. Any unused funding can be carried over from one year to the next up to the maximum limit of \$1,090 million for the seven-year period. At the end of the seven-year period, any unused funding as reflected in the AMIBA balance will be refunded to ratepayers subject to the reward sharing mechanism. Cost over/under runs from the authorized level will be recovered as described in Mr. Fong's testimony, Chapter II.

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III. **CUSTOMER CLASS RATE IMPACTS**

A. Rate Impact From Revenue Requirement Recovery

SoCalGas proposes to allocate the gas transportation revenue requirement changes associated with AMI implementation and incremental operating costs primarily to its core customer classes. This allocation method is proposed since non-core customers have advanced metering capabilities already. 24

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1	AMI revenue requirements are proposed to	be allocated in proportion to meter count per
2	class These percentages are as follows:	
3	enuss. These percentages are as follows.	
4	Residential	95.26%
2	Core C&I	4.72%
6	NR AC	0.00%
7	Gas Eng	0.02%
8	NGV	0.00%
9	Total Core	100.00%
10	NonCore C&I	0.00%
11	System Total	100.00%
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13	Class average rate impacts resulting from th	e change in gas transportation revenue
14	requirements are presented in Attachment VIII-1.	Results are snown for years 2009 through
15	2015.	
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28	VIII-4	

IV. QUALIFICATIONS

My name is Allison F. Smith. My business address is 555 West Fifth Street, Los
 Angeles, California 90013-1011.

I am employed by the SoCalGas as the Gas Analysis Manager in the California
Regulatory Affairs Department for SoCalGas and San Diego Gas & Electric (SDG&E). I hold a
Bachelor of Science degree in Mechanical Engineering from the University of California at
Berkeley. I have been employed by SoCalGas since 1990, and have held positions of increasing
responsibilities in the engineering, customer service, and regulatory departments. I have been in
my current role as Analysis Manager since March 30, 2002. In my current position, I am
responsible for developing rate design policies and establishing gas rates for both utilities.

I have previously testified before the Commission.

This concludes my prepared direct testimony.

ATTACHMENT

ATTACHMENT AS-1 Southern California Gas Company Summary of Gas Revenue Rates by Major Customer Class Proposed Advanced Metering Infrastructure Filing Effective January 1, 2009 (¢/therm)

Customer Class	9/1/2008 ¢/therm	1/1/2009 ¢/therm	1/1/2010 ¢/therm	1/1/2011 ¢/therm	1/1/2012 ¢/therm	1/1/2013 ¢/therm	1/1/2014 ¢/therm	1/1/2015 ¢/therm
Residential	44.654	44.365	44.235	46.634	47.562	48.133	48.672	49.041
C&I	28.477	28.385	28.344	29.107	29.403	29.584	29.756	29.873
NGV	8.811	8.810	8.809	8.819	8.823	8.826	8.828	8.830
Non-Core C&I	6.223	6.223	6.223	6.223	6.223	6.223	6.223	6.223
EG	3.516	3.516	3.516	3.516	3.516	3.516	3.516	3.516
System	17.155	17.069	17.031	17.741	18.015	18.184	18.344	18.453

Attachment AS-1