

Application No.: A.08-09-023  
Exhibit No.: SCG – 8  
Date: January 6, 2009  
Witness: Allison F. Smith

**SOUTHERN CALIFORNIA GAS COMPANY**  
**ADVANCED METERING INFRASTRUCTURE**

**CHAPTER VIII**  
**SOCALGAS AMI COST RECOVERY AND RATE IMPACTS**

**Errata to**

**Prepared Direct Testimony**  
**of**  
**Allison F. Smith**

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

**January 6, 2009**

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1 **I. INTRODUCTION**

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

7  
8 **II. REGULATORY BALANCING ACCOUNT TREATMENT**

9 **A. Proposal**

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

- 19 1. One-twelfth of the annual AMI revenue requirement (credit)  
20 2. AMI O&M costs (debit)  
21 3. AMI capital-related costs (debit)  
22 4. AMI O&M benefits based on estimated savings per actual meter installed (credit)

23 In connection with SoCalGas' annual regulatory account balance update filing, the  
24 forecasted year-end balance in the AMIBA will be incorporated in the following year's revenue  
25 requirement associated with the AMI deployment project as necessary to ensure adequate  
26 funding in the following year of the project cycle and to amortize any residual balance in the  
27 AMIBA at the completion of the project.



1 **D. Benefits**

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

- 4
- 5 1) Cumulative number of AMI meters installed and operating, lagged by five (5) months  
6 as described in Mr. Serrano’s testimony, Chapter III
- 7 2) Multiplied by \$1.0118, the average O&M benefit per meter per month as calculated  
8 by Mr. Foster, Chapter VII, Attachment MF-5
- 9

10 **E. Sharing Mechanism**

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

18

19 **III. CUSTOMER CLASS RATE IMPACTS**

20 **A. Rate Impact From Revenue Requirement Recovery**

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

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AMI revenue requirements are proposed to be allocated in proportion to meter count per class. These percentages are as follows:

Residential	95.26%
Core C&I	4.72%
NR AC	0.00%
Gas Eng	0.02%
NGV	0.00%
Total Core	100.00%
NonCore C&I	0.00%
<b>System Total</b>	<b>100.00%</b>

Class average rate impacts resulting from the change in gas transportation revenue requirements are presented in Attachment ~~VIII-1~~ AS-1. Results are shown for years 2009 through 2015.

1 **IV. QUALIFICATIONS**

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

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

11 I have previously testified before the Commission.

12  
13 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)**

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