

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

A.10-12-005
(Filed December 15, 2010)

Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.

A.10-12-006
(Filed December 15, 2010)

Application: A.10-12-006
Exhibit No.: SCG-230

**PREPARED REBUTTAL TESTIMONY OF
SCOTT R. WILDER
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

OCTOBER 2011



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1 **PREPARED REBUTTAL TESTIMONY OF**
2 **SCOTT R. WILDER**
3 **ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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5 **I. INTRODUCTION**

6 The following rebuttal testimony regarding Southern California Gas Company's
7 ("SoCalGas") customer forecast for Test Year 2012 addresses the intervenor testimony dated
8 September 2011 of:

- 9 • Division of Ratepayer Advocates ("DRA");
- 10 • The Utility Reform Network ("TURN").

11 Specifically, my testimony rebuts the following point:

- 12 • DRA's and TURN's proposed customer and new meter set forecasts.

13
14 **II. REASONABLE LIMITS TO USE OF DATA WITHIN THE GRC SCHEDULE**

15 SoCalGas' forecast of active customers and new meter sets is reasonable, given that it
16 was made in 2010 based on recorded data through base year ("BY") 2009, and took into account
17 reasonable forecast outlooks and inputs at the time the forecast was conducted. For Test Year
18 ("TY") 2012, SoCalGas forecasted 5,621,055 total active customers. DRA's forecast of
19 5,584,627 is 0.6% lower than SoCalGas', and TURN's forecast of 5,554,681 is 1.2% lower than
20 SoCalGas'. In addition to active customers, TURN also forecasted new meter sets of 26,585 for
21 2010, 23,413 for 2011, and 33,245 for 2012 – much lower than SoCalGas' new meter set
22 forecast of 45,526, 55,496, and 64,799 for those respective years.

23 Both DRA and TURN used similar methodologies to SoCalGas' to develop their
24 forecasts. The differences arise mainly from the fact that DRA and TURN submitted testimony
25 nine months later than SoCalGas, and thus had access to more recent recorded data and

1 underlying economic forecasts. Both DRA and TURN estimated their models using recorded
2 data through December 2010, an option which was not available to SoCalGas when it filed this
3 application. And in the case of new home building permits – the main driver for new meter sets -
4 - actual construction activity and the outlook have declined since SoCalGas' developed its
5 forecast in 2010.

6 DRA used housing inputs from the June 2011 UCLA Anderson Forecast for California,
7 and TURN used housing inputs from IHS Global Insight's July 2011 Regional forecast for
8 southern California. By contrast, in accordance with the GRC Rate Case Plan, SoCalGas is
9 required to prepare its forecast and submit its testimony at a much earlier point in the proceeding.
10 SoCalGas used recorded data through BY 2009 and prepared its forecasts based on the
11 information available at the time of its forecast development. SoCalGas believes that its
12 customer/meter-set forecast is reasonable given the information available at the time it was
13 developed.

14 While SCG acknowledges that economic conditions have improved more slowly than
15 originally forecast, it would be inappropriate to make isolated updates to the general rate case for
16 several reasons. Firstly, selective updating ignores the fact that while certain cost drivers may be
17 lower than expected, other cost drivers may be higher than expected, and there is no provision to
18 reflect those instances. If economic activity were now higher than when SoCalGas prepared its
19 forecasts, it would not be permitted to revise them upward based on more recent data. If one
20 were to attempt to uniformly update all cost drivers and recorded data for all facets of the
21 forecasts, the GRC would be an endless exercise, and not feasible to process. Secondly, the Rate
22 Case Plan is very prescriptive regarding the types of information that may be updated in a
23 general rate case, and the proposals by DRA and TURN contravene this intent. Thirdly, the
24 revenue requirement associated with the customer and new meter forecasts must reflect the level

1 of activity that SCG expects to occur over the 2012-2015 period. The proposals by the
2 interveners would base the revenue requirement for new business on an uncharacteristically low
3 activity level that may not be consistent with new business activity in a more normal economic
4 period.

5 SoCalGas thus requests that the Commission reject both the DRA and TURN customer
6 and new meter set forecasts, and approve its reasonable forecast of customers and new meter sets
7 as proposed.