

**SAN DIEGO GAS AND ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY
2013 TRIENNIAL COST ALLOCATION PROCEEDING (A.11-11-002)
(DATA REQUEST DRA-PZS-9)**

QUESTION PZS9-1:

Subject: TCAP Phase II

Exhibit Reference: Prepared Direct Testimony of Gary Lenart dated June 1, 2012

PZS9-1. On page 7 of the above exhibit reference, witness Lenart states: "Wholesale customers, along with others on the transmission-level service rate, will be charged the PSEP surcharge, however, SDG&E will not be charged the PSEP Surcharge as part of wholesale service. This is due to the integration of the Pipeline Safety Enhancement Plan between the two utilities, with the Surcharge being determined on a combined cost and demand basis."

- (a) .As proposed by SoCalGas and SDG&E using the EPAM allocator, please identify which customer class or classes will end up with the burden of paying for the share of SDG&E in the PSEP revenue requirements if SDG&E will not be charged the PSEP Surcharge. Please explain your response fully. If no other customer class will be burdened with paying for SDG&E's share, please explain how those PSEP revenue requirements will be recovered and from whom.
- (b) If the Commission adopted the default cost allocation methodology to allocate PSEP costs, please identify which customer class or classes will end up with the burden of paying for the share of SDG&E in the PSEP revenue requirements if SDG&E will not be charged with the PSEP Surcharge. Please explain your response fully. If no other customer class will be burdened with paying for SDG&E's share, please explain how those PSEP revenue requirements will be recovered and from whom.
- (c) Please explain whether SoCalGas has included recovery of transmission and storage pipeline safety-related costs within its transportation rate.
- (d) Based on your response to the above item (c), please explain whether SDG&E will be charged with those transmission and storage pipeline safety-related costs to be recovered within the SoCalGas transportation rate. Please explain your response fully.

RESPONSE PZS9-1:

- a) The SDG&E wholesale rate is used for SoCalGas to recover costs it incurs to serve SDG&E that are not otherwise recovered from SDG&E end-use transportation rates. These include margin allocations to SDG&E (excluding transmission costs) and SoCalGas balancing accounts allocated to SDG&E. Costs that are recovered directly from SDG&E end-use transportation rates are not included in the SDG&E wholesale rate. An example of this type of cost is transmission. Since integrated transmission costs are allocated directly to

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SoCalGas and SDG&E customer classes, transmission costs are not allocated to SDG&E's wholesale rate. If they were, SDG&E customers would be charged twice for transmission; once in their transportation rate and once via the wholesale rate. For PSEP, SoCalGas/SDG&E propose similar treatment. Since the proposed surcharges were determined on a combined cost and demand (i.e. integrated) basis, SDG&E's wholesale rate was not allocated PSEP costs. If it had been, SDG&E customers would pay PSEP costs twice; once in their proposed surcharge and once via an SDG&E wholesale customer surcharge.

- b) Under the default allocation as presented in response to DRA-PZS-5-1, transmission costs are integrated between the utilities. As described in Response PZS-9-1a, base margin transmission costs are not allocated to SDG&E as a wholesale customer because they are allocated directly to SDG&E end-use transportation rates. If they were, SDG&E customers would be allocated transmission costs twice. Applying this to PSEP transmission revenue requirements is in keeping with the System Integration methodology currently in rates.
- c) If PZS-9-1c is referring to the default allocation, then all identified costs have been allocated to end-use transportation rates.
- d) As shown in workpapers provided in response to PZS-5 and explained above, revenue requirements identified as transmission are allocated between the two utilities on an integrated basis in keeping with the methodology currently employed for transmission costs. SDG&E end-use transportation rates are allocated their share of integrated PSEP transmission costs, just as they are allocated their share of integrated Base Margin transmission costs.

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QUESTION PZS9-2:

Table 2 of the above exhibit reference shows the SoCalGas and SDG&E PSEP Surcharges for Phase IA based on the Applicants' proposed EPAM allocator. Under the proposed case, please indicate what PSEP Surcharge volumetric rate will apply to the following customer classes listed below and explain why that is the appropriate rate to apply.

- (a) Wholesale customers
- (b) Noncore C&I transmission
- (c) EG transmission
- (d) EOR transmission
- (e) Unbundled storage customers
- (f) Backbone-only customers

RESPONSE PZS9-2:

This response is being provided using the updated testimony and workpapers provided on September 18, 2012 and year 2015 illustrative surcharges. For complete 10 year rate schedule, please see the workpapers to Mr. Lenart's testimony.

- a) \$0.00118/th. This rate is slightly less than the TLS rate listed in Table 2 because Wholesale customers have a lower Franchise Fee and Uncollectibles (FF&U) factor. For simplicity, this rate was left off of Table 2, but is available in Mr. Lenart's workpapers. It is in the model "Assumptions – Safety OIR.xls" in cell G90 of the tab "Workpapers - Proposed Case."
- b) \$0.00119/th. This is the proposed surcharge for transmission level-customers.
- c) \$0.00119/th. This is the proposed surcharge for transmission level-customers.
- d) \$0.00119/th. This is the proposed surcharge for transmission level-customers.
- e) SoCalGas and SDG&E are proposing that PSEP costs be collected from end-use customers. Storage consumers (core, load-balancing, and unbundled) will be charged the appropriate PSEP surcharge for their rate class when gas is consumed at their end-use meter.
- f) SoCalGas does not have any Backbone-only end-use customers. SoCalGas has proposed a Backbone-only tariff in this proceeding. This tariff is designed to be incremental, in that it is not allocated any costs directly. If the new customer class is approved, a Backbone-only customer, would pay the Transmission level PSEP surcharge, or \$0.00119/th.

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QUESTION PZS9-3:

In workpapers for the EPAM allocator and the other allocators for the PSEP considered by SoCalGas/SDG&E, witness Lenart shows the following cost allocation comparison by customer class in columns 2, 3, and 4 of the PSEP Allocators Comparative Table (“Table”) shown below. In column 5 of the Table, please provide the corresponding cost allocation by customer class (in %) using the default cost allocation as presented by the Applicants in the Supplemental Testimony in support of the PSEP dated December 2, 2011 in R.11-02-019 (which was subsequently transferred to A.11-11-002).

Corrected PSEP Allocators Comparative Table

| Customer Class | EPAM (in %) | Customer Count (in %) | AYTP (in %) | Default Alloc (in %) |
|-------------------------|--------------------|------------------------------|--------------------|-----------------------------|
| (1) | (2) | (3) | (4) | (5) |
| Res | 80.5 | 96.3 | 28.2 | |
| Core C & I | 14.1 | 3.6 | 12.1 | |
| Gas A/C ¹ | 0.0 | 0.0 | 0.0 | |
| Gas Engine ¹ | 0.1 | 0.01 | 0.2 | |
| NGV | 0.5 | 0.0 | 1.5 | |
| NCCI – D | 2.2 | 0.01 | 9.1 | |
| EG – D | 0.6 | 0.0 | 5.0 | |
| TLS | 1.9 | 0.0 | 43.9 | |
| Total Allocated | 100.0 | 100.0 | 100.0 | 100.0 |

¹For SoCal Only

Source: Workpapers included in Response of SoCalGas SDG&E to DRA DR PZS1-1(b) in A.11-11-002 Phase II.

RESPONSE PZS9-3:

Under the default methodology, two allocation factors are used, rather than only one as was proposed in determining the PSEP surcharges. One factor is used for distribution revenue requirements and a second factor is used for transmission revenue requirements. Each utility has its own allocation percentage for their distribution revenue requirements, and transmission costs are integrated and allocated on a combined cold-year-peak-month basis. The effective allocation of total PSEP costs in any given year will be different based on the relative percentage of transmission and distribution revenue requirements that year and will be different at each utility. Therefore, SoCalGas/SDG&E cannot provide a single allocation percentage for the table as

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requested. However, as an example, the following table shows the effective allocations of PSEP revenue requirements at each utility for 2015. These were derived from the Revenue Changes shown in Rate Table 1 by class for each utility, and are net of System Integration, Sempra-wide adjustments, and FFU. These are based on the workpapers to the December 2, 2011 Supplemental Testimony.

| | 2015 Effective SoCalGas PSEP Allocation % | 2015 Effective SDG&E PSEP Allocation % |
|-------------|---|--|
| Residential | 50% | 56% |
| Core C/I | 15% | 17% |
| Gas A/C | 0% | 0% |
| Gas Engine | 0% | 0% |
| NGV | 1% | 1% |
| NCCI-D | 11% | 1% |
| EG-D | 4% | 10% |
| TLS | 18% | 14% |
| Total | 100% | 100% |

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QUESTION PZS9-4:

DRA understands that the PSEP allocators shown in columns 2, 3, and 4 above are based on the 2013 TCAP SCG/SDG&E RD model. Please confirm that this understanding is correct. If not, please explain the source of these allocators. Further, DRA understands that the default cost allocation in the Supplemental Testimony referenced in the above question in PZS9-3 is based on the 2011 SCG/SDG&E RD Model. If so, please provide the updated cost allocation by customer class using the 2013 TCAP SCG/SDG&E RD model in column 5 of the PSEP Allocators Comparative Table.

RESPONSE PZS9-4:

DRA's understanding of columns 2, 3, and 4 are correct. As discussed in Response PZS-9-3, the table below shows the effective allocation in 2015 of PSEP revenue requirements at each utility. These are based on the updated workpapers provided in response to PZS-5-1.

| | 2015 Effective SoCalGas PSEP Allocation % | 2015 Effective SDG&E PSEP Allocation % |
|-------------|---|--|
| Residential | 52% | 57% |
| Core C/I | 15% | 19% |
| Gas A/C | 0% | 0% |
| Gas Engine | 0% | 0% |
| NGV | 2% | 1% |
| NCCI-D | 9% | 2% |
| EG-D | 4% | 6% |
| TLS | 19% | 15% |
| Total | 100% | 100% |