

**ORA DATA REQUEST
ORA-SCG-DR-019-CKT
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE**

**DATE RECEIVED: DECEMBER 3, 2014
DATE RESPONDED: DECEMBER 22, 2014**

Exhibit Reference: SCG-39

Subject: AMI Policy

Please provide the following:

1. Regarding the second paragraph (bullet) on page RFG-iii which states, “If the California Public Utilities Commission (“Commission”) authorizes operating expenses in the test year 2016 GRC that are materially different than those assumed in SoCalGas’ approved AMI net revenue requirement that is currently in rates...”
 - a. To what specific type of operating expenses is SoCalGas referring? Indicate specific functional areas and account numbers.
 - b. Define and explain what SoCalGas considers “materially different” as that phrase is used in the above-referenced paragraph.
 - c. Quantify a specific level, or a range, of operating expenses authorized by the Commission for test year 2016 which would meet SoCalGas’ definition and explanation of “materially different” as that phrase is used in the above-referenced paragraph.

SoCalGas Response:

- a. SoCalGas is referring to the operating expenses presented by GRC test year (“TY”) 2016 witnesses, listed below, whose business areas are impacted by the AMI deployment. Since AMI costs and benefits are recorded in the Advanced Metering Infrastructure Balancing Account (“AMIBA”), these witnesses have presented testimony and forecasts excluding the operational costs and benefits presented in SoCalGas’ AMI business case and approved in Decision (“D.”) 10-04-027. SoCalGas business areas and functions impacted by AMI during the deployment period include:

	Exhibit	Testimony Chapter	Witness	Area	Functions Impacted	Cost Center Work Paper Group
1	SCG-10 & SCG-10-WP	II.C and II.B.1	Sara Franke	Meter Reading and Customer Service Field	<p><u>Meter Reading:</u> Manual meter reading, meter readers, meter reading equipment and meter reading management staff</p> <p><u>Customer Services Field:</u> Manual reads for “Gas-on Turn-on” and</p>	<p>2FC005.000 Meter Reading Operations</p> <p>2FC006.000 Meter Reading Clerical</p> <p>2FC007.000 Meter Reading Supv & Training</p>

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					<p>“Change of Account” orders, “Read and Verify” orders and “High-bill Investigations”</p> <p>Benefits related to the CSF labor for installation of accelerated planned meter changes (“PMCs”) begin in PTY 2018.</p>	<p>2FC008.000 Meter Reading Staff</p> <p>2FC001.000 CSF Operations</p>
2	SCG-11 & SCG-11-WP	II.B, II.C, II.E, II.I, II.J	Evan Goldman	Customer Services - Office Operations	<p>Billing exceptions, fielded re-validate read orders, mailing expenses, postage fees, Customer Contact Center (“CCC”) call volumes and associated telecommunications costs</p>	<p>200000.000 CCC Operations-call volumes</p> <p>200001.000 CCC Support-associated telecommunications costs</p> <p>200003.000 Billing Services-Billing exceptions and fielded re-validate read orders</p> <p>200005.000 Remittance Processing-Mailing expenses</p> <p>200005.001 Remittance Processing Postage-postage fees</p>

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Response to Question 1a (Continued):

3	SCG-15 & SCG-15-WP	II.E	Carmen Herrera	Fleet Services; Real Estate, Land & Facilities	Company vehicle quantities in CSF and Meter Reading fleet vehicle costs	2RF003.001 Amortization 2RF003.002 Interest
4	SCG-04 & SCG-04-WP	II.B	Frank Ayala	Gas Distribution	Telecommunication costs associated with Electronic Pressure ("EP") monitors, costs for replacing meters with an Electronic Corrector ("EC"), along with fittings. Benefits associated to Gas Distribution begin in PTY 2018.	2GD002.000 Field O&M - Measurement & Regulation
5	SCG-23 & SCG-23-WP	III.C	Mark Serrano	Human Resources, Disability & Workers Comp, Safety	HR staff in support of the meter reading organization	2HR004.000 Human Resources Services 2HR006.000 SCG Director Safety, Wellness & Disability Services

Note: The work paper references cited in the table above are not specific to Advanced Meter related costs and benefits and include other costs relevant to that function.

- b. The term "materially different" refers to any amount authorized in this GRC which takes into account any AMI benefit impacts to the above mentioned testimony areas. As stated in response 1.a. above, AMI costs and benefits are recorded in the AMIBA through the end of deployment in 2017. The AMIBA was established to reconcile differences in recorded costs and benefits from those forecasted costs and benefits established in the adopted AMI business case presented in Advice Letter 4110. Those approved benefits have already been netted against approved AMI costs and integrated into current customer rates. If test year 2016 GRC assumed any impact of AMI on the mentioned testimony areas, O&M benefits resulting from AMI would be double counted. In other words, SoCalGas' revenue

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Response to Question 1b (Continued):

requirement would be reduced twice for the same benefits. As such, no AMI benefits have been presented in the impacted witnesses' testimony and forecasts for this GRC.

During the TY 2012 GRC proceedings, the issue of double reductions associated with AMI was addressed in the Prepared Rebuttal Testimony of Ed Fong. In that proceeding, DRA proposed to reduce SoCalGas' TY 2012 requests by accounting for future savings in meter reading and other areas that would accrue to ratepayers once AMI was deployed. Mr. Fong's response to DRA's claim was as follows:

DRA is completely mistaken with regards to its assertion of double recovery. In fact, the exact opposite is true. If the Commission does not authorize meter reading expenses that were authorized in SCG's TY 2008 GRC, then DRA's proposal is undeniably reducing SCG revenue requirements twice for the same SCG AMI meter reading benefits. In other words, if DRA's disallowance request is approved, SCG would have reduced revenue requirements pursuant to D.10-04-027 in SCG's Advanced Metering Infrastructure Balancing Account ("AMIBA") with meter reading benefits, and then again reduce the same meter reading revenue requirements in this TY 2012 GRC.¹

In response to Mr. Fong's rebuttal in D.13-05-010, the Commission stated the following:

We agree with SoCalGas' position on the test year 2012 forecasts of the meter reading costs, and that DRA's recommended disallowances should not be adopted. As SoCalGas' witness explained in Exhibit 143, the test year 2012 forecast of metering reading expenses do not include the SoCalGas advanced metering infrastructures costs or benefits. D.10-04-027 includes the meter reading benefits which reflect the increases requested and authorized in SoCalGas' test year 2008 GRC.²

If we adopt the two disallowances recommended by DRA, this will result in a double reduction to SoCalGas' revenue requirement.³

- c. As discussed in response 1.b. above, the term "materially different" refers to any authorized operating expenses for TY 2016 where benefit impacts resulting from the AMI deployment would be considered. In the areas most impacted by AMI, the operating expenses, excluding AMI impacts, are as follows:

¹ Exhibit 143, at p. EF-53 lines 7-14.

² D.13-05-010, at p.507

³ D.13-05-010, at p.508

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Response to Question 1c (Continued)

Testimony Area	Category	Category Sub	Work paper	2016 Forecast In Direct 2013 \$000s	Exhibit Nos.
CS-Field & Meter Reading	Meter Reading	Meter Reading-Operations	2FC005.000 through 2FC008.000	\$37,108	SCG-10 & SCG-10-WP
CS-Field & Meter Reading	Customer Services Field ^{1/}	Customer Services Field-Operations	2FC001.000	\$18,884	SCG-10 & SCG-10-WP
CS-Office Operations	Customer Service Office Operations ^{2/}	Billing Services	2OO003.000	\$7,040	SCG-11 & SCG-11-WP

^{1/} The Customer Services Field forecast shown here is for the order types that are impacted by AMI only

^{2/} Only a subset of the Billing forecast shown here is impacted by AMI; see attached file "SCG-ORA-DR-019-CKT_Q.1.c (attachment).xlsx" for details

Refer to the attachment titled: SCG-ORA-DR-019-CKT_Q.1.c (attachment).xlsx

Helpful reference:

Prepared Rebuttal Testimony of Ed Fong, Exhibit 143

https://www.socalgas.com/regulatory/documents/a-10-12-006/Rebuttal-Testimony/Exh%20SCG-207%20-%20E_Fong_Cust_Serv_Field_Oper_Rebuttal_Testimony.pdf

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2. Regarding the second paragraph (bullet) on page RFG-iii, please provide a numerical example to illustrate a scenario where the Commission “...authorizes operating expenses in the test year 2016 GRC that are materially different than those assumed in SoCalGas’ approved AMI net revenue requirement that is currently in rates...”
 - a. Use actual cost and/or revenue figures adopted by the Commission in SoCalGas’ approved AMI net revenue requirement currently in rates.
 - b. Use actual operating expenses forecasts appearing in SoCalGas’ 2016 GRC.
 - c. Provide source references for all figures used in response to (a) and (b), above. I.e., provide copies of specific pages from a Commission decision or resolution applicable to (a), and indicate which specific pages from SoCalGas’ testimony or workpapers applicable to (b).

In addition to written explanations and responses, please use tables and flow charts to provide visual representations of SoCalGas’ example.

SoCalGas Response:

- a. & b. Please refer to the attachment titled: ORA-SCG-DR-019_Q.2_SCG_AMI - Rollup - FULL 6.1 esc to 2013\$ & no ldrs w v&s.xlsx

The attached file provides a comparison between authorized AMI benefits after full AMI deployment and TY 2016 GRC forecasts for the meter reading function. AMI benefits and GRC TY 2016 forecasted expenses are shown as direct costs in 2013 constant dollars. In aggregate, authorized AMI benefits and TY 2016 GRC forecasts for meter reading are comparable (within 2% variance). Therefore, disallowing GRC TY 2016 expenses associated with AMI would result in a double reduction to SoCalGas’ revenue requirement, as AMI benefits are already accounted for in customer rates through 2017. Hence, any disallowance in TY 2016 GRC requested expenses due to expected AMI benefits would be considered materially different to those expenses assumed in SoCalGas’ approved AMI net revenue requirement currently in rates.

- c. The work paper provided to the response for 2.a. and 2.b. contains source references for the figures that have been provided. The file enclosed is from the original Advanced Meter Infrastructure Business Case work papers but has been modified in order to provide the example requested in this data request. The modifications include changes to global assumptions including vacation and sick loaders (“V&S”), sales and use tax, and discount factors in order to permit a comparable numerical example that compares authorized AMI benefits after full AMI deployment and TY 2016 GRC forecasts for the meter reading function. Please refer to the first tab labeled “Legend” for a detailed description of the modifications and important notes regarding each tab in the work paper.

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Response to Question 2c (Continued)

Additional helpful references:

Application 08-09-023 SoCalGas Advanced Metering Infrastructure (AMI)
<http://www.socalgas.com/regulatory/A0809023.shtml>

A.08-09-023- Errata to Prepared Direct Testimony of Mark L. Serrano
<http://www.socalgas.com/regulatory/documents/a-08-09-023/errata/Chapter%2003%20Serrano.pdf>