ORA DATA REQUEST
ORA-SCG-DR-049-MRK
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: JANUARY 28, 2015
DATE RESPONDED: FEBRUARY 11, 2015

Exhibit Reference: SCG-32

Subject: Miscellaneous Revenues

Please provide the following:

1. Referring to page 1 of SCE's work papers for Exhibit SCG-32, please:

   a. Explain the reasons, factors, and relations that have caused certain activities to have a negative net growth in estimated miscellaneous service revenues between the years 2013 to 2016, as opposed to the estimated positive net growth in the other activities. As an example of the explanations required, for Ownership Charges (Testimony # 21), SCG stated in Tab 21A of its Excel Worksheet response to ORA-SCG-DR-014-MRK that "The forecast is based on a 3 yr average, activity increase due to economic downturn for years 2011, 2012 and 2013. Forecast numbers represent a decline in years 2014, 2015, and 2016 due to economic turnaround and expected development growth. A 3yr average with a 5% reduction was used on a monthly basis due to the anticipated continued improvement in economic conditions. October, November, and December 2016 forecasts include an additional 15% reduction in anticipation of pricing changes."
   b. In this case SCG should explain how economic turnaround and expected development growth led to a decline in forecast miscellaneous revenues for the years 2014, 2015 and 2016.
   c. SCG should also explain how its pricing changes will lead to an additional 15% reduction in forecast miscellaneous revenues Ownership charges for October, November, and December 2016. SCE should further describe in detail the pricing changes it anticipates as well as their justification.
   d. In summary, for all of the following activities, SCE should provide its rationale explaining its calculations for the decline in estimated miscellaneous revenues between the years 2013 to 2016:
      i. Shared Assets (Testimony #11).
      ii. Crude Oil Sales (Testimony # 12).
      iii. Line Item Billing (Testimony # 17).
      iv. Federal Energy Retrofit Program (Testimony # 18).
      v. Ownership Charges (Testimony # 21).

SoCalGas Response:

a. The forecast for each Miscellaneous Revenue Activity was developed based on the nature of each product or service and any expected impacts on the volume and/or price of the miscellaneous revenue activity in years 2014 – 2016. This sometimes resulted in negative growth estimates for certain activities. For example, Ownership Charges (Testimony #21) are revenues that occur as a result of delays in new business

Response to Question 1a (Continued)

development in the SCG service territory typically due to economic downturns. These delays in new business development can then lead to un-refunded balances. After the 37th month from the "ready to serve" date of new business main projects, a percentage of those un-refunded balances become revenue. During an economic recovery, builders project to complete more projects, which leads to a decrease the un-refunded balances of projects which in turn decreases the amount subject to ownership charge revenue for SCG. In short, a projected growing economy = more projected new business main projects completed = less un-refunded balances and less ownership charge related miscellaneous revenue for SoCalGas.

b. See above (1a.)

c. We assume that the acronym SCE is in error and that SoCalGas is intended. We will answer the question according to that assumption. On September 05, 2013, the rate used to calculate ownership charges was reduced by 31%. The first possible date that the new rate would affect the revenue pertaining to ownership charges would be October 2016. Since projects with the old and new rates would be active in 2016, it was projected that a 15% reduction in ownership charges would occur. More details on the calculated forecast of Ownership charges are on Tabs 21 and 21A of the Excel Worksheet Response to ORA-SCG-DR-014-MRK.

d. We assume that the acronym SCE is in error and that SoCalGas is intended. We will answer the question according to that assumption. In summary, for all of the following activities, the rationale explaining the calculations for the decline in estimated miscellaneous revenues between the years 2013 to 2016 is as follows:

   i. Shared Assets (Testimony #11). – Negative growth is primarily attributable to new shared asset additions with shorter depreciable lives creating a lower weighted average rate base, thus lowering the total billable charges to affiliates. This forecast is calculated on Tab 11 and 11a of the Excel Worksheet Response to ORA-SCG-DR-014-MRK.

   ii. Crude Oil Sales (Testimony # 12). - The oil price in 2013 was at or close to a historical high. Thus a decline in the pricing outlook for 2014-2016 is expected. The declining oil production rate coupled with declining oil prices yields a revenue stream that declines over time. Numerical values of the forecasts are shown in Tabs 12 and 12a of the Excel Worksheet Response to ORA-SCG-DR-014-MRK.

   iii. Line Item Billing (Testimony # 17). – Forecasted revenues trend downward based on the declining year-end enrollments identified during the reporting period. See Tab 17 of the Excel Worksheet Response to ORA-SCG-DR-014-MRK for more details.

Response to Question 1d (Continued)

iv. Federal Energy Retrofit Program (FERP) (Testimony # 18). – Declining forecasted revenues is primarily due to a change in Navy policy. SoCalGas FERP has historically provided UESC services for both federal government-funded and lender-financed projects. However, post 2013, the Navy indicated they only want to use the UESC contract vehicle for lender-financed projects. Therefore, the volume of contracts will be limited and are projected to decrease the projected revenues from the FERP. SoCalGas FERP has executed only one non-Navy construction contract in the last ten years.

v. Ownership Charges (Testimony # 21). - Forecast numbers represent a decline in revenues during 2014, 2015, and 2016 due to economic turnaround and expected development growth as noted above in answer to 1a. In summary, a three year average with a 5% reduction was used to forecast revenues on a monthly basis due to the anticipated continued improvement in economic/new business development conditions. October, November, and December 2016 forecasts include an additional 15% reduction in anticipation of pricing changes.