

**TURN DATA REQUEST
TURN-SCG-DR-09
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 3, 2015
DATE RESPONDED: APRIL 28, 2015**

SCG-16 – Corporate Real Estate

1. Regarding Gas Company Tower (GCT) Rents (p. JCS-4)
 - a. Please explain the term “base rent” as it appears in the testimony, and state the amount of “base rent” recorded in each year from 2009-2014, inclusive.
 - b. Please provide excerpts of the contracts containing GCT Rents escalations and that set the rent expense for each year from 2012 through 2018, or the latest period covered by the contracts if they do not extend to 2018.
 - c. Please divide all recorded and forecasts costs shown on p. SCG-16 of ‘ORA Request 4_B summary SCG.xlsx’ between base rent, “certain other expenses such as parking”, and “utilities, insurance and landlord provided maintenance”. Please identify and describe the top three expenses included in “certain other expenses such as parking.”
 - d. Please state the recorded 2014 cost, and break it out by base rent, “certain other expenses such as parking”, and “utilities, insurance and landlord provided maintenance.”
 - e. For each year from 2009-2013, inclusive, please identify and briefly explain each of the five factors that most contributed to the decrease in expenses over that period.

SoCalGas Response to Question 1 a.:

CONFIDENTIAL INFORMATION - PURSUANT TO PUC CODE SECTION 583 & GENERAL ODRER 66-C AND TO THE PROVISIONS OF THE SIGNED NDA IN THIS PROCEEDING

RESPONSE REMOVED DUE TO CONFIDENTIALITY.

SoCalGas Response to Question 1 b.:

CONFIDENTIAL INFORMATION (ATTACHMENT) PURSUANT TO PUC CODE SECTION 583 & GENERAL ODRER 66-C AND TO THE PROVISIONS OF THE SIGNED NDA IN THIS PROCEEDING

RESPONSE REMOVED DUE TO CONFIDENTIALITY

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Response to Question 1 (Continued)

SoCalGas Response to Question 1 c.:

**CONFIDENTIAL INFORMATION PURSUANT TO PUC CODE SECTION 583 &
GENERAL ORDER 66-C AND TO THE PROVISIONS OF THE SIGNED NDA IN
THIS PROCEEDING**

RESPONSE REMOVED DUE TO CONFIDENTIALITY

SoCalGas Response to Question 1 d.:

**CONFIDENTIAL INFORMATION PURSUANT TO PUC CODE SECTION 583 &
GENERAL ORDER 66-C AND TO THE PROVISIONS OF THE SIGNED NDA IN
THIS PROCEEDING**

RESPONSE REMOVED DUE TO CONFIDENTIALITY

SoCalGas Response to Question 1 e.:

**CONFIDENTIAL INFORMATION PURSUANT TO PUC CODE SECTION 583 &
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RESPONSE REMOVED DUE TO CONFIDENTIALITY

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Utility of the Future/Operational Excellence 20/20 (UoF/OpEx 20/20)

2. Regarding UoF/OpEx 20/20:

- a. Please provide copies of all studies, business cases, analysis, comments, etc., that contain information regarding the cost-reducing result(s) of SCG's UoF/OpEx 20/20 on a forecast or recorded basis from 2012 to the present.
- b. Please quantify all annual avoided costs resulting from UoF/OpEx 20/20 activities in 2012-2014 (recorded) and 2014-2017 (forecasted), broken out between O&M expenses and capital expenditures.
- c. Please identify the category of and quantify the annual O&M benefits ratepayers have received as a result of UoF/OpEx 20/20 activities relative to the O&M categories.
- d. Please identify by volume and page number each location within SCG's testimony and workpapers that shows the magnitude of the O&M benefits that ratepayers have derived (whether implied or explicit) as a result of SCG's implementation of UoF/OpEx 20/20 programs. If the benefits are implied, please briefly explain how SCG's showing contains implied benefits, and provide SCG's best estimate of the amount of benefits.

SoCalGas Response:

- a. To the best of our knowledge these are the responsive documents we were able to find. Aside from what's already been provided in the 2016 GRC submitted testimonies/workpapers referencing UoF/OpEx 20/20, the primary UoF/OpEx 20/20 documentation that would contain the requested information for SoCalGas would have been provided in the TY2012 GRC (A.10-12-006). As described in response (b) below, the previously provided documentation would not have been updated.

Please see the documents provided as separate attachments contained within the subfolders of the CD included with this response as shown below:

- Q2a Attachments
- SCGC DR-04, Q1.4
- SCGC DR-03
- SCGC DR-12
- TURN DR-06
- TURN DR-030

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Response to Question 2a (Continued)

SoCalGas has identified two additional files that were labeled as “Preliminary Drafts” for then-future planning purposes. They are included in the sub-folder Q2a Attachments.

TURN-SCG-DR-09_Q2a Attachment 4 OM Benefits 2012-2016.xlsx
TURN-SCG-DR-09_Q2a Attachment 5 Capital Benefits 2012-2016.xlsx

- b. The OpEx Program was completed and closed in December of 2013. SoCalGas’ intent was that any ongoing benefits stemming from the OpEx Program going forward would become part of ordinary operations, and not continually tracked or separately quantified. Thus, all 2009 – 2013 adjusted-recorded historical costs reflect annual avoided costs and direct cost savings directly attributable to the OpEx 20/20 program, as embedded in the historical data. Forecasted costs presented in this GRC for 2014-2016 would likewise have embedded in them any ongoing benefits stemming from OpEx improvements as well as those that will result from other forecasted continuous improvement and efficiency efforts. As a result, the requested quantification of OpEx 20/20 benefits embedded in our GRC adjusted-recorded historical costs and forecast period is not available and cannot be separately identified from other new practices or technologies.
- c. For details regarding the impact of the OpEx 20/20 Program please see the TY2012 GRC testimony and workpapers of Mr. Richard Phillips (Exhibit SCG-13) that have been included on the CD provided in response to (a) above within the Q2a Attachments sub-folder. The four categories of O&M savings that were shown in the workpapers for Exh. SCG-13 on page 20 of 21 included Gas Distribution, Customer Service, Engineering, and Storage.
- d. Please see the responses to b and c above as to why SoCalGas cannot separately identify or estimate the amount of benefits embedded in its TY2016 testimony and workpapers.

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SCG-18 – Information Technology (IT)

3. Regarding sheet SCG-18 of ‘ORA Request 4_B summary SCG’, were forecasts of capital expenditures for OpEx 20/20, as identified in item 008100, included in SCG’s 2012 GRC IT showing?
 - a. If so, please identify the forecasts SCG included in the 2012 GRC (in 2013\$) IT showing, and identify by volume and page number where within the 2012 GRC application materials the forecasts can be found. Please also separately state the information for each relevant OpEx 20/20 IT activity, if available.
 - b. If not, please explain why not and identify the business unit the forecasts for such costs were included.

SoCalGas Response 03:

- a. Forecasts for the capital expenditures for Operational Excellence 20/20 (OpEx 20/20) capital projects as shown in item 008100 of worksheet SCG-18 in file “ORA Request 4_B Summary SCG.xlsx” were not included in the Information Technology testimony area in SoCalGas’ 2012 GRC. See response to 3.b. below for further explanation.
- b. Due to the extensive scope of the OpEx 20/20 program, a unique set of testimony and workpapers addressing the program were filed in the 2012 GRC. Witness Rick Phillips sponsored Operational Excellence testimony and workpapers, Exhibits SCG-13 and SCG-13-CWP. The forecasts of the OpEx 20/20 capital project costs through implementation, as identified in item 008100 in worksheet SCG-18 of file ORA Request 4_B Summary SCG.xlsx, were included in Mr. Phillips’ testimony. Please refer to 2012 GRC Exhibit SCG-13, pages RP-8 through RP-9, for discussion and a breakdown of project costs. For more detailed information about each capital project, refer to the capital workpapers found in 2012 GRC Exhibit SCG-13-CWP.

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4. Regarding p. JCN-CWP-157-R in SCG-12-CWP-R in the 2012 GRC,
- a. Please identify the recorded expenses for each line item in the comprised table for each year, 2011-2014. Please break out the Total Direct Capital line by costs related to the (i.) “laptop and desktop devices” upgrade and (ii.) all costs in the category.
 - b. For each of the costs for which the recorded costs reflect a 10-percent or greater deviation when compared to the costs forecasted in the workpaper table. please identify and explain in detail each reason the increase in recorded costs. If for any of the costs it would be unduly burdensome to address each of the reasons, please identify and explain the five reasons that SoCalGas believes are most material.
 - c. Please explain how the items included in Budget No. 827.0 in this table are different than the items for the Hardware Refresh program forecasted in the 2016 GRC, which are included in the table on p. 316 of SCG-18-CWP-R_IT.
 - d. Does SCG forecast costs for 2014-17 similar to PC hardware replacement included in Budget No. 827.0 from the 2012 case (as shown on p. JCN-CWP-157-R of SCG-CWP-R in the 2012 GRC) in the instant case? If so, please identify the costs by budget number and identify by volume and page number each place the location of SCG’s forecast of the costs in the instant case.

SoCalGas Response 04:

- a. This request seeks 2014 recorded data. Although this data is not part of SoCalGas’ forecasts or within the scope of this case, SoCalGas has provided TURN with 2014 recorded data in the spirit of cooperation and without waiving the right to contest or respond to how the data is used.

Without waiving its objection, SoCalGas states that it does not have a breakdown of the referenced 2012 GRC “Total PC Hardware Replacement” project costs as specifically requested. In order to be responsive to this request, the following table includes a breakdown of the recorded costs by available cost types.

Project Name	Cost Type	2013 \$ (000's)				Grand Total
		2011	2012	2013	2014	
Total PC Hardware Replacement	Labor	-	948	1,296	477	2,720
	Employee Costs		4	4	-	8
	Purchased Labor		1,630	373	400	2,403
	Hardware		1,724	2,888	700	5,312
	Services	-	1,132	903	371	2,406
Total		-	5,437	5,464	1,948	12,850

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SoCalGas Response 04:-Continued

- b. Historical information documenting the difference between the 2012 GRC forecast for the project and the recorded expenses in 4.a. above is not available. Cost estimates related to capital projects go through revisions as the project moves through the approval process (see Exhibit SCG-18, pages CRO-21 and CRO-22 for details on the process). Formal variance tracking and related explanations do not generally begin until after a project has received business case approval and is authorized to spend capital funding.
- c. The project referenced on p. 316 of SCG-18-CWP-R_IT, SCG Desktop Hardware Refresh, is not a continuation of the 2012 GRC Total PC Hardware Replacement project. The SCG Desktop Hardware Refresh project is intended to replace desktops and laptops that are out of warranty or are no longer fit for their intended purposes. This may include a subset of the assets implemented by the 2012 GRC project. The Total PC Hardware Replacement project forecast in the 2012 GRC was necessary to accommodate a migration from the Windows XP operating system to the Windows 7 operating system.
- d. Yes, SoCalGas does forecast for similar costs in the 2016 GRC. Please see page 316 of Exhibit SCG-18-CWP-R for PC hardware refresh costs planned in 2016.

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5. Please identify 2014 recorded/adjusted costs (in 2013\$) for the following:
- a. Line-items contained in Table CRO-13.
 - b. Line-items contained on p. SCG-11 of ‘ORA Request 4_B summary SCG.xlsx’.

If you do not have recorded/adjusted, please respond using unadjusted values.

SoCalGas Response 05:

- a. This request seeks 2014 adjusted recorded data. Although this data is not part of SoCalGas’ forecasts or within the scope of this case, SoCalGas has provided TURN with 2014 adjusted recorded data in the spirit of cooperation and without waiving the right to contest or respond to how the data is used.

Without waiving its objections, SoCalGas states that the following table provides a breakdown of 2014 adjusted recorded capital costs in the same format as presented in Table CRO-13 of Exhibit SCG-18-R.

SCG Business Unit	Fiscal year 2013\$ (000's) 2014
CS - Field & SCG Mtr Reading	2,605
CS - Information	767
CS - Office Operations	18,718
Gas Engineering	4,795
Gas Distribution	16,772
Information Technology	34,781
Supply Management	1,271
SCG Total	79,709

- b. Although this section of data request TURN –SCG-DR-09 is identified as being related to SCG-18 Information Technology, SoCalGas assumes that the request for 2014 adjusted recorded costs for “line items contained on p. SCG-11 of ORA Request 4_B summary SCG.xlsx” to be related to witness Evan Goldman’s testimony, Exhibit SCG-11 Customer Service Office Operations.

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SoCalGas Response 05:-Continued

This request seeks 2014 adjusted recorded data. Although this data is not part of SoCalGas' forecasts or within the scope of this case, SoCalGas has previously provided TURN with 2014 recorded data in the spirit of cooperation and without waiving the right to contest or respond to how the data is used.

Please see 2014 adjusted recorded data provided to TURN on March 31, 2013. Refer to file "2014 Recorded Operating Costs – SCG.xlsx", worksheet "2014 SCG Adj-Rec", beginning on Excel row 220.

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6. Do the costs contained in Table JCN-9 on p. JCN-36 in SCG-12R in the 2012 GRC include costs related to AMI? If so, please divide the costs shown therein between those (i.) related to AMI and (ii.) not related to AMI.

SoCalGas Response 06:

The costs listed in Table JCN-9 of the 2012 GRC testimony of witness Jeffrey C. Nichols, Exhibit SCG-12-R are not related to AMI.

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7. Regarding the IT Capital costs listed on p. SCG-18 of ‘ORA Request 4_B summary SCG.xlsx’:
- a. Do the recorded capital costs in the historical period include costs related to IT activities in SCG’s business units (as opposed to costs only related to the IT Division)?

If so, please identify which business unit each of the line items belongs to.

If not, please update the table to include IT costs related to business units on a program basis and identify which business unit each line in the updated table comes from.

- b. Please identify the capital programs with forecast-year spending that SCG considers to be part of OpEx 20/20. For those programs that SCG does not consider to be part of OpEx 20/20 please explain, briefly, their nature such that they are not considered part of OpEx 20/20.
- c. Does SCG consider the *PT81424 SCG IVR Ph 4* project to be part of OpEx 20/20? If not, why not, given that SCG considered the *Upgrade IVR* to be an OpEx 20/20 project in its 2008 GRC application (see p. 3 of Ex. 107 in A.06-12-010).
- d. Does SCG consider the *PT16888 Identity & Access Management* project to be part of OpEx 20/20? If not, why not, given that SCG considered the *Identity (Enterprise) and Access Management* to be an OpEx 20/20 project in its 2008 GRC application (see p. 3 of Ex. 107 in A.06-12-010).
- e. Does SCG consider the *PT81355 SCG WAN REBUILD PH IV* project to be part of OpEx 20/20? If not, why not, given that SCG considered the *LAN/WAN Equipment Refresh Project* to be an OpEx 20/20 project in its 2008 GRC application (see p. 4 of Ex. 107 in A.06-12-010).

SoCalGas Response 07:

- a. The costs included in “ORA Request 4_B summary SCG.xlsx”, page SCG-18 are comprised of SoCalGas business unit costs including Information Technology. The following table provides a breakdown of the costs by business unit.

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SoCalGas Response 07:-Continued

SCG Business Unit	Fiscal year 2013\$ (000's)					
	2009	2010	2011	2012	2013	2014
CS - Field & SCG Mtr Reading	782	2,491	1,469	3,086	8,184	2,605
CS - Information	1,339	3	898	725	606	767
CS - Office Operations	4,511	5,366	5,062	3,045	7,130	18,718
Gas Engineering			184	443	2,622	4,795
Gas Distribution	52,957	43,203	40,330	24,983	27,654	16,772
Information Technology	(4,375)	(2,124)	(3,249)	3,869	12,806	34,781
Supply Management	452	707	419	1,529	906	1,271
SCG Total	55,667	49,645	45,114	37,679	59,908	79,709

- b. None of the capital programs forecasted as part of the 2016 GRC are considered to be part of the OpEx 20/20 project. The OpEx 20/20 project was developed as a set of enterprise, technology-based initiatives across both Sempra Energy Utilities (SEU) and was completed in 2013.
- c. The IVR Phase 4 project in the 2016 GRC was not part of OpEx 20/20. The IVR Phase 4 project is not an upgrade to the IVR but rather provides functional enhancements to the platform implemented as part of OpEx 20/20 as well as the build-out of an integrated disaster recovery and quality assurance testing environment.
- d. The Identity & Access Management project in the 2016 GRC is not part of OpEx 20/20. The 2016 GRC project will implement incremental IAM capabilities.
- e. The SCG WAN Rebuild Phase IV in the 2016 GRC was not part of OpEx 20/20. The 2016 GRC project will implement incremental WAN capabilities.

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8. Regarding the Desktop Hardware Refresh costs shown on p. 316 of SCG-18-CWP-R_IT,
- a. Why has SCG not recorded any costs in the years 2009-2013?
 - b. Why did SCG not replace any computers in this program in the historical period?
 - c. Why did SCG not forecast the replacement of any computers in this program before 2016?
 - d. Did SCG replace any desktop or laptop computers in any other program in 2009-2013? If so, please identify by volume and page number where in the application materials such spending can be found and where in the testimony such replacements are described and justified.
 - e. Is there anywhere in the 2012 GRC case material where SCG forecasted similar costs? If so, please identify where such forecasts are justified and identified.

SoCalGas Response 08:

- a. The SCG Desktop Hardware Refresh project shown on page 316 of Exhibit SCG-18-CWP-R is not scheduled to begin until late 2015, completing in 2018.
- b. The prior asset class refresh was completed in December of 2014 as part of the “Total PC Hardware Replacement” project. A refresh of the entire asset class is not scheduled until late 2015. Individual desktops and laptops replacements may be expensed prior to this schedule due to malfunction or loss. Please see response to question 4 above for discussion of the “Total PC Hardware Replacement” project.
- c. SoCalGas did forecast for the replacement of computers prior to 2016. Please see the answer to questions 8.b above.
- d-e. Please reference the answer to question 4 above for discussion of prior year replacement and 2012 GRC forecast of desktop and laptop computers.

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9. At p. JCN-CWP-27-R in SCG’s 2012 GRC, SCG indicated that it planned to spend \$9.329 million of capital to “Complete [the] Data Center Rebuild initiated in 2009”. ‘ORA Request 4_B summary SCG’ indicates that SCG did not expend any capital funds on this project, but instead plans spending for them in 2014.
- a. Please identify SCG’s recorded 2014 spending on this program.
 - b. Please explain in detail why SCG did not execute the project in 2011.

SoCalGas Response 09:

- a. This request seeks 2014 recorded data. This data is not part of SoCalGas’ forecasts or within the scope of this case. Without waiving its objections, SoCalGas states that there was no recorded cost for this project in 2014. The 2012 GRC “Data Center Rebuild 2011” project was completed prior to 2014.
- b. The “Data Center Network Rebuild” project as described in the 2016 GRC is different in scope from the 2012 GRC project listed in Exhibit SCG-12-CWP-R, workpaper page JCN-CWP-27-R. The 2016 GRC project addresses a subset of access (edge) switching infrastructure supporting voice, SAP, and customer-facing applications. It does not overlap with and is complimentary to the prior project.

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SCG-39 – Automated Metering Infrastructure (AMI)

10. SCG states at SCG-39, p. RFG-3:

“Given that AMI’s deployment continues beyond the TY 2016 GRC and consistent with AL 4110, SoCalGas seeks authority to extend the AMIBA [AMI Balancing Account] at least one year beyond the seven year deployment period (2010-2017) through 2018, or until the associated costs and benefits are incorporated in a subsequent GRC.[Footnote excluded] Specifically, SoCalGas requests that the AMI revenue requirement be updated and extended to reflect the total costs and benefits per the AMI business case adopted in D.10-04-027, which will be collected in rates during the post-deployment period beginning on January 1, 2018.”

- a. What amount will SCG use as the benefit offset to the AMI revenue requirement when calculating the amount to charge ratepayers through the balancing account during the 2018? If it will use the O&M Benefits amount for 2018 shown on p. RFG-B3, please so state identify. If the amount SCG ultimately will use will be otherwise determined at a later date (e.g., if SCG plans its expense experience through the end of 2017) , please explain how SCG would calculate the cost reduction.
- b. Does the AMI Business Case benefit calculation account for customer growth? If so, please provide a brief explanation that describes how it did so.

SoCalGas Response:

- a. SoCalGas will use \$104.3 million to offset the AMI revenue requirement. Yes, the 2018 operating and maintenance (“O&M”) benefits itemized in Exhibit SCG-39, Appendix B-AMI Annual Revenue Requirement, page RFG-B3 will be applied. However, if the Commission authorizes expenses in TY 2016 GRC that include all or part of AMI benefits that are explicitly calculated in the AMI revenue requirement through 2017, then AMI benefits in the Advanced Metering Infrastructure Balancing Account (“AMIBA”), as well as the proposed post-deployment AMIBA, will require revision to avoid double counting of AMI benefits.
- b. SoCalGas interprets the reference to “AMI Business Case benefit calculation” in Question 10.b as the benefit per meter mechanism authorized in Decision (“D.”) 10- 04-027 and established in SoCalGas’ Advice Letter (“AL”) 4110.

The O&M benefit per meter per month is \$1.0304 which is based on deployment period (2010-2017) O&M benefits in all impacted operational areas as adopted in D.10-04-027. The \$1.0304 was derived by dividing the estimated revenue requirement associated with O&M benefits by the total number of months new meters/modules are in service on an aggregate basis.

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Response to Question 10b (Continued)

The AMI business case benefits included customer meter growth assumptions as defined in the 2008 AMI Application (“A.”) 08-09-023; these meter growth assumptions were applied to the entire AMI business case period (i.e. 2010-2036).¹

Where meter or customer growth influences the volume of activities identified as AMI benefits, growth is considered in the benefit calculation. For example, with some exceptions² meter reading benefits are based on the average cost per read (in nominal dollars) multiplied by the forecasted connected meter count assumed in the AMI business case. The forecasted connected meter count includes meter growth.

¹ Per Advice Letter (“AL”) 4110, the AMI business case analysis and revenue requirement was developed under the assumption that SoCalGas would complete its AMI deployment by 2015; due to the delay in obtaining approval of SoCalGas’ AMI system, SoCalGas anticipates completion of its deployment in Year 2017.

² Exceptions are meter reading managers and staff support where meter counts generally do not impact workforce requirements. Benefits for these positions were applied according to actual salaries and non-labor expenses incurred by these types of positions.

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11. At SCG-39, p. RFG-13, SCG states, “In 2018, the revenue requirement includes the capital related costs resulting from the deployment period capital expenditures, as well as capital related costs resulting from \$6.8 million in capital expenditures due to customer growth and the deployment of new AMI modules.”
- a. Please divide the \$6.8 million between customer growth and new AMI modules.
 - b. Please identify the customer growth estimate SCG used to derive the customer growth-related capital expenditures. Is the customer-growth rate SCG assumes for AMI the same as it assumes elsewhere in its GRC testimony? If not, please explain why it is different and identify the rate SCG assumes elsewhere in the GRC.

SoCalGas Response:

- a. To clarify, AMI modules and customer growth are not treated as separate allocations. In fact customer growth projections are directly attributed to the meter/module forecast. All advanced meters have an AMI module married to the meter.

In preparing this response, SoCalGas discovered that the \$6.8 million identified as capital expenditures due to customer growth is incorrect. The correct figure for capital expenditures for 2018 is \$4.879 million. SoCalGas will correct this error when it has the opportunity to correct its testimony.

The \$4.879 million cannot be divided or allocated between customer growth and new AMI modules. Instead, that figure, divided by expected meter growth between 2017 and 2018 (76,312 meters), yields an average of \$63.93 per incremental meter. These costs include factory installation costs of attaching the AMI modules to meters and the cost of the module.

- b. Meter growth applied to derive meter-growth related expenditures is 76,312 between 2017 and 2018. No, the meter growth rate SoCalGas assumes for AMI is not the same as assumed elsewhere in other SoCalGas GRC testimonies. As described in Question 10.b. above, AMI applied the assumptions from the AMI business case as documented in 2008. The AMI business case meter growth assumptions are similar to meter growth rates used in the TY 2008 GRC.

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12. Regarding SCG-39, p. RFG-B3, please provide an Excel workpaper that shows the calculation of the O&M Benefits line, including itemization of all benefit input values and assumptions.

SoCalGas Response:

An itemized list of the O&M benefits included in Exhibit SCG-39, Appendix B-AMI Annual Revenue Requirement, page RFG-B-3 is provided in the attached file labeled “TURN-SCG-DR-09_Q12_Attachment 1.xlsx”.