Application No: A.15-07-014
Exhibit No.:
Witness: S. Nasim Ahmed

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise their Natural Gas Rates Effective January 1, 2017 in this Triennial Cost Allocation Proceeding Phase 2	A.15-07-014 (Filed July 8, 2015)

PREPARED REBUTTAL TESTIMONY OF

S. NASIM AHMED

SOUTHERN CALIFORNIA GAS COMPANY

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

April 11, 2016

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I. PURPOSE

The purpose of my prepared rebuttal testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is to: (1) respond to the proposal by the Clean Energy Fuels Corporation (Clean Energy) regarding the allocation of the Core Fixed Cost Account (CFCA) balance in Natural Gas Vehicle (NGV) rates; (2) respond to the concerns expressed by Southern California Generation Coalition (SCGC) regarding refunding minor amounts collected for curtailment events; and (3) respond to SCGC's desire for clarifications regarding the purpose of SoCalGas' proposed System Operator Gas Account (SOGA).

II. SEGREGATING NGV CUSTOMER CLASS ACTIVITY IN THE CFCA

Clean Energy expresses concern that allocating a portion of the CFCA balance to NGV rates imposes costs on NGV customers that they do not cause, since under- and over-collections in the CFCA are primarily a result of differences between actual and forecast usage due to weather conditions, and are attributable to residential and small commercial customers and not NGV customers.[1] Clean Energy proposes that "Sempra should remove any weather-induced imbalances in the CFCA balance from the ECPT allocation to Schedule G-NGV."[2]

SoCalGas and SDG&E agree that under- and over-collections in the CFCA are usually caused by the residential customer class and to a lesser extent the core commercial customer class due to differences between actual and forecast throughput caused by weather conditions (e.g., warmer than expected weather during winter months would normally result in a CFCA undercollection). In addition, NGV throughput is fairly consistent from month to month, even during winter months when weather normally turns colder.

[1] Prepared Direct Testimony of Warren I. Mitchell at 10-13.
[2] *Id.* at 15.

As such, SoCalGas and SDG&E are sympathetic to the concerns of Clean Energy, and would propose to address their concerns by modifying the CFCA and establishing two subaccounts: one subaccount would record the cost and revenue activity related to the NGV customer class and the other subaccount would record the cost and revenue activity related to all other core classes. The under- or over-collected balance in the subaccount recording activity for the NGV customer class would be amortized in rates to the NGV customer class while the under- or over-collected balance in the other subaccount would continue to be amortized using the ECPT method to all of the other core classes which would exclude the NGV customer class. This change would more accurately promote the rate design principle of cost causation, where customer's rates are determined by their cost of service. NGV customer rates would not be impacted by weather-driven over- or undercollections caused by other core classes, nor would non-NGV core customer rates be impacted by swings in the NGV market load.

III. POLICY FOR TRANSFERRING MINOR AMOUNTS OF CURTAILMENT CHARGES TO THE NFCA

In each cost allocation proceeding, SoCalGas proposes to allocate curtailment violations penalty revenues which are recorded in the Curtailment Violations Penalty Account (CVPA) through a bill credit to those customers who followed the curtailment order.[3] However, in this current proceeding, SoCalGas has proposed to deviate from our existing practice for one curtailment event in which SoCalGas received $24 in curtailment charges from one noncore customer. For this particular event, rather than allocate such a small amount among a number of customers who complied with the curtailment order, SoCalGas proposes to transfer the $24 to the Noncore Fixed Cost Account (NFCA) for amortization in transportation rates.[4] Although

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[3] Most recently, D.14-06-007, SoCalGas' 2013 Triennial Cost Allocation Proceeding, approved the disposition of curtailment charges recorded in the CVPA.
[4] Prepared Direct Testimony of S. Nasim Ahmed at 19.

SCGC indicates that it may be reasonable to utilize the NFCA to return CVPA revenues to customers in specific circumstances, SCGC is concerned that SoCalGas "does not explicitly articulate a standard that SoCalGas would employ to determine whether SoCalGas should recommend bill credits or refunding through the NFCA."[5]

For curtailment events over the past several years, SoCalGas' receipt of curtailment charges have been on an infrequent basis and material in amount (i.e., thousands of dollars), so SoCalGas believed a policy was not needed to address the disposition of minimal amounts collected as the result of a curtailment event. Moreover, this is an issue that may have a very limited shelf life—in A.15-06-020 (the curtailment rules update application), SoCalGas and SDG&E have proposed that curtailment noncompliance charge revenues be allocated to the NFCA for each respective utility.

In response to SCGC's desire for certainty on this topic, unless and until policy and operational changes proposed in A.15-06-020 are approved and implemented, SoCalGas and SDG&E propose the following policy: for each curtailment event, if the curtailment charges collected are $100 or less or the refund amount per customer based on a simple average of dividing the curtailment charges by the number of customers who complied with the curtailment order is $10 or less, then the curtailment charges will be transferred to the NFCA for amortization in transportation rates.

IV. SOGA CLARIFICATIONS

SoCalGas proposes to establish the SOGA to record cost and revenue transactions resulting from operational imbalance and cash out provisions associated with the CPOBA and administration of pipeline OBA.[6] SCGC states that SoCalGas "does not specify which

[5] Direct Testimony of Catherine E. Yap at 15.
[6] Prepared Direct Testimony of S. Nasim Ahmed at 19.

operational imbalance and cash out provisions associated with the CPOBA and administration of pipeline OBA's that SoCalGas is referring to."[7] SCGC recommends the costs and revenues recorded in the SOGA be limited to those directly associated with buying and selling gas in support of cashing out of California producer imbalances or pipeline operating imbalances. SoCalGas agrees with this recommendation, and will reflect this limitation in its CPOBA preliminary statement.

SCGC also contends that SoCalGas' description of the SOGA might imply that the SOGA can be used to also record other types of costs, for example, costs related to designing and building a system to allow the aggregation of producer interconnect meters to calculate operational imbalance according to the CPOBA requirements on an aggregated basis. SoCalGas clarifies that that is not the purpose of the SOGA and that such costs are not to be recorded in the SOGA.

This concludes my prepared rebuttal testimony.

[7] Direct Testimony of Catherine E. Yap at 10.