

Company: Southern California Gas Company (U904G) / San Diego Gas & Electric
Company (U902M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/-008 (cons.)
Exhibit: SCG-246/SDG&E-245

SOCALGAS/SDG&E

REBUTTAL TESTIMONY OF SHARIM CHAUDHURY

**(GAS RATES AND BILL COMPARISON & DAILY CORE DEMAND
FORECAST GROUP)**

JUNE 18, 2018

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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1 **SOICALGAS/SDG&E REBUTTAL TESTIMONY OF IFTEKHARUL (SHARIM) B.**
2 **CHAUDHURY**
3 **(GAS RATES AND BILL COMPARISON & DAILY CORE DEMAND FORECAST**
4 **GROUP)**

5
6 **I. INTRODUCTION**

7 The purpose of my rebuttal testimony is to address the concerns raised by parties
8 regarding the (1) reasonableness of natural gas rates and affordability of natural gas usage if
9 Southern California Gas Company's (SoCalGas)/San Diego Gas & Electric Company's
10 (SDG&E) Test Year (TY) 2019 General Rate Case (GRC) revenue requirements are approved,
11 and (2) core customers' daily demand forecasting responsibilities raised in the following
12 testimony from other parties:

- 13 • Consumer Federation of California (CFC) Foundation as submitted by Mr.
14 Tony Roberts (Exhibit CFC-01-R), dated June 4, 2018.
- 15 • National Diversity Coalition (NDC) as submitted by Ms. Faith Bautista
16 (Exhibit NDC-01), dated May 14, 2018.
- 17 • Indicated Shippers as submitted by Mr. Michael P. Gorman (Exhibit IS-1),
18 dated May 14, 2018.
- 19 • Environmental Defense Fund (EDF) as submitted by Mr. Gregory Lander
20 (Exhibit EDF-01), dated May 14, 2018.

21 As a preliminary matter, the absence of a response to any particular issue in this rebuttal
22 testimony does not imply or constitute agreement by SoCalGas and SDG&E with the proposal or
23 contention made by these or other parties. The information contained in SoCalGas and
24 SDG&E's direct testimony is based on sound estimates of its revenue requirements at the time of
25 testimony preparation.

26 **A. CFC**

27 CFC submitted revised testimony on June 4, 2018.¹ The following is a summary of
28 CFC's position:

¹ June 4, 2018, Prepared Testimony of Tony Roberts on Affordability, on behalf of Consumer Federation of California Foundation [CFC], Exhibit CFC-01-R (Roberts).

- 1 • Raises affordability concerns of natural gas usage by SoCalGas' and
2 SDG&E's customers due to their proposed revenue requirement increases
3 in this TY 2019 GRC.²

4 **B. NDC**

5 NDC submitted testimony on May 14, 2018.³ The following is a summary of NDC's
6 positions:

- 7 • “The Commission must consider the reasonableness of utility requests,
8 with a focus on keeping utility rates affordable for ratepayers.”⁴
9 • “Continued massive increases in utility revenue requirements outpace
10 ratepayer ability to afford, and must be stopped.”⁵

11 **C. Indicated Shippers**

12 Indicated Shippers submitted testimony on May 14, 2018.⁶ The following is a summary
13 of Indicated Shippers' position:

- 14 • Raises concerns regarding the reasonableness of rates based on the
15 proposed 2019 GRC revenue requirement.⁷

16 **D. EDF**

17 EDF submitted testimony on May 14, 2018.⁸ The following is a summary of EDF's
18 position:
19

² *Id.* at 3.

³ May 14, 2018, Prepared Testimony of Faith Bautista on the 2019 General Rate Case Applications of San Diego Gas & Electric Company and Southern California Gas Company, on behalf of National Diversity Coalition and National Asian American Coalition [NDC], Ex. NDC-01 (Bautista).

⁴ *Id.* at ii.

⁵ *Id.*

⁶ May 14, 2018, Public Direct Testimony and Schedules of Michael P. Gorman, on behalf of Indicated Shippers [IS], Exhibit IS-1 (Gorman).

⁷ *Id.* at 10.

⁸ May 14, 2018, Expert Testimony of Gregory Lander, on behalf of Environmental Defense Fund [EDF], Exhibit EDF-01 (Lander).

- 1 • Proposes that the Gas Procurement Group should be the appropriate group
2 to develop the core customers’ daily demand forecast.⁹

3 **II. REBUTTAL TO PARTIES’ PROPOSALS**

4 **A. Comparison of SoCalGas/SDG&E’s Gas Rates and Customer Bills**

5 To keep rate increases reasonable, Indicated Shippers appears to recommend that rate
6 increases be limited to the projected Consumer Price Index changes as a planning factor, at least
7 for the Post-Test Year period.¹⁰ Indicated Shippers, however, qualifies this proposal for
8 “specific critical projects that are needed for safety or risk mitigation would be exempted for this
9 limited rate increase criterion.”¹¹ On affordability grounds, CFC Foundation recommends
10 limiting the SoCalGas and SDG&E’s 2019 revenue requirements increase based on observed
11 median income growth in the Utilities’ service region.¹² NDC states that the SoCalGas and
12 SDG&E’s proposed revenue requirements increase unreasonably exceed ratepayers’ ability to
13 afford the use of natural gas.¹³

14 Mr. J. Bret Lane and Ms. Caroline Winn’s policy testimonies (Exhibit SCG-01-2R and
15 Exhibit SDG&E-01-R)¹⁴ discuss SoCalGas/SDG&E’s overall approach to how their TY 2019
16 revenue requirement requests are just and reasonable, while various operations witnesses’ direct
17 testimonies explain why the Commission should adopt their specific forecasts as reasonable.¹⁵
18 As stated by Mr. Lane in his policy direct testimony, investments in our critical infrastructure are
19 needed to minimize risks and enhance our ability to reliably serve our customers; and we rely on

⁹ *Id.* at 17.

¹⁰ Ex. IS-1 (Gorman) at 10.

¹¹ *Id.*

¹² Ex. CFC-01-R (Roberts) at 3.

¹³ Ex. NDC-01 (Bautista) at 4.

¹⁴ April 6, 2018, Direct Testimony of J. Bret Lane on Policy Overview, Exhibit SCG-01-2R (Lane); April 6, 2018, Direct Testimony of Caroline A. Winn on Policy Overview, Exhibit SDG&E-01-R (Winn).

¹⁵ *See* A.17-10-007/-008 (cons.), Assigned Commissioner’s Scoping Memorandum and Ruling (issued Jan. 29, 2018) at 4 (“Whether or not the proposed revenue requirements and proposed costs for TY2019 are just and reasonable and should be adopted by the Commission and reflected in rates.”).

1 our culture of continuous improvement to keep costs down and rates reasonable.¹⁶ With respect
2 to Indicated Shipper’s exemption for safety or risk mitigation activities in its proposal, please
3 refer to Ms. Diana Day’s direct testimony on Risk Management Policy (Exhibit SCG-02-
4 R/SDG&E-02-R, Chapter 1), in which she emphasizes that SoCalGas and SDG&E “have a long
5 history of prioritizing safety and managing risks in their electric and gas operations proposals in
6 their GRC proceedings before the Commission.”¹⁷ My rebuttal testimony addresses that when
7 considering the question of affordability, it is important to look at more than just rates and
8 instead focus on customer bills. As explained below, parties’ statements implying that SoCalGas
9 and SDG&E’s rates are unreasonable are without factual support when compared with other
10 utilities’ bills.

11 SoCalGas’ and SDG&E’s residential gas bills rank among the lowest in the nation.¹⁸ The
12 American Gas Association (AGA) publishes revenue and customer information for fifty of the
13 nation’s largest gas utilities, with the latest data available for year 2016. For each gas company
14 in the AGA report, the residential class average bill can be calculated by dividing its revenues by
15 its customers. Thus calculated, SDG&E’s 2016 average annual residential bill was \$373.37
16 (\$31.11 per month)—the lowest of the 50 largest utilities. SoCalGas’ bill was \$394.34 (\$32.86
17 per month)—the third-lowest of the group. The AGA’s comparable national average 2016
18 residential gas sales bill was \$605 (\$50.42 per month). As shown in the table below, average
19 annual residential bills for the 50 largest utilities ranged by AGA from \$373.37 to \$1,116.28,
20 with a median of \$632.

¹⁶ Ex. SCG-01-2R (Lane) at 3.

¹⁷ Ex. SCG-02-R/SDG&E-02-R, Chapter 1 (Day) at 1.

¹⁸ SoCalGas’ and SDG&E’s average monthly residential gas usages are among the lowest of investor-owned utilities in the nation, which logically results in higher-than-average rates due to fewer therms over which to recover fixed costs. For example, if a utility has an average cost of providing residential service, but below-average usage per residential customer, rates must be set at an above-average level.

1
2

Table ISC-01

AGA: 2016 Residential Sales (Top 50 U.S. Investor Owned Utilities)

AGA: 2016 Residential Sales (Top 50 U.S. Investor Owned Utilities)						
Ranked by annual bill						
Source: American Gas Association--Statistics Database						
	Total Volumes (MCF)	Ranking # by Total Volumes	Revenue	Customers	Ranked by Annual Bill	
SAN DIEGO GAS & ELECTRIC	25,805,352	43	\$314,672,892	842,792	\$373.37	
CENTERPOINT ENERGY ENTEX	59,960,472	16	\$700,038,749	1,797,118	\$389.53	
SOUTHERN CALIFORNIA GAS	201,250,531	1	\$2,157,509,026	5,471,229	\$394.34	
NEW MEXICO GAS	27,680,738	40	\$216,736,302	480,550	\$451.02	
SOUTHWEST GAS	65,694,799	13	\$898,661,683	1,873,276	\$479.73	
PUBLIC SERVICE OF COLORADO	86,257,118	8	\$611,804,089	1,262,092	\$484.75	
NORTHERN INDIANA PUBLIC SERVICE	52,349,649	17	\$336,564,698	676,976	\$497.16	
PACIFIC GAS & ELECTRIC	150,018,430	3	\$1,968,357,119	3,846,562	\$511.72	
CENTERPOINT ENERGY ARKLA	26,834,929	41	\$300,503,460	585,890	\$512.90	
INTERMOUNTAIN GAS	20,366,107	50	\$159,865,338	308,705	\$517.86	
MIDAMERICAN ENERGY	46,020,363	22	\$357,903,548	673,326	\$531.55	
WISCONSIN ELECTRIC POWER	32,491,436	36	\$238,641,853	440,170	\$542.16	
ATMOS ENERGY	137,732,309	5	\$1,542,737,518	2,839,588	\$543.30	1st quartile
WISCONSIN PUBLIC SERVICE CORP	22,537,723	46	\$166,043,267	299,103	\$555.14	
PUBLIC SERVICE NORTH CAROLINA	26,797,640	42	\$278,046,729	494,941	\$561.78	
BLACK HILLS ENERGY	35,127,274	35	\$302,290,197	535,559	\$564.44	
NORTHERN STATES POWER	41,380,845	27	\$319,479,558	563,311	\$567.15	
OKLAHOMA NATURAL GAS	43,714,338	25	\$457,707,557	791,488	\$578.29	
PUBLIC SERVICE ELECTRIC & GAS	122,727,760	6	\$916,729,093	1,563,059	\$586.50	
NICOR GAS	185,230,448	2	\$1,079,738,670	1,800,453	\$599.70	
PIEDMONT NATURAL GAS	50,917,847	20	\$583,202,174	945,858	\$616.59	
NATIONAL FUEL GAS OF NEW YORK	36,089,685	33	\$246,335,558	399,063	\$617.28	
NORTHWEST NATURAL GAS	35,346,156	34	\$408,855,673	651,312	\$627.74	
SEMCO ENERGY GAS	22,202,362	47	\$160,522,136	254,552	\$630.61	
KANSAS GAS SERVICE	36,262,410	32	\$367,058,722	580,866	\$631.92	Median
INDIANA GAS	37,989,021	30	\$342,299,415	534,580	\$640.31	
WISCONSIN GAS	41,613,981	26	\$361,395,313	564,215	\$640.53	
CENTERPOINT ENERGY	60,838,437	15	\$497,927,687	772,768	\$644.34	
QUESTAR GAS	65,795,028	12	\$601,031,957	928,802	\$647.10	
PIVOTAL UTILITY HOLDINGS (ELIZAB)	20,881,508	49	\$170,293,373	259,073	\$657.32	
NIAGARA MOHAWK DBA NATIONAL	37,055,383	31	\$303,157,808	460,110	\$658.88	
WASHINGTON GAS LIGHT	61,875,596	14	\$631,606,907	921,825	\$685.17	
PECO ENERGY	31,665,247	38	\$279,437,541	400,117	\$698.39	
AMEREN ILLINOIS	50,951,700	19	\$530,532,364	747,016	\$710.20	
BGE	28,834,708	39	\$351,560,772	486,750	\$722.26	
EQUITABLE GAS	40,744,807	28	\$348,302,970	479,861	\$725.84	
LACLEDE GAS	69,703,308	11	\$769,412,626	1,056,234	\$728.45	3rd quartile
CONSUMERS ENERGY	147,443,013	4	\$1,194,739,309	1,617,373	\$738.69	
SOUTH JERSEY GAS	21,251,927	48	\$239,608,266	322,652	\$742.62	
PUGET SOUND ENERGY	52,177,100	18	\$578,955,000	750,212	\$771.72	
DTE GAS	90,024,154	7	\$787,740,938	996,003	\$790.90	
NEW JERSEY NATURAL GAS	38,385,500	29	\$360,987,794	452,045	\$798.57	
CONSOLIDATED EDISON NEW YORK	49,449,023	21	\$690,611,912	779,815	\$885.61	
BROOKLYN UNION GAS	79,597,848	9	\$884,302,893	980,959	\$901.47	
COLUMBIA GAS OF PENNSYLVANIA	23,352,930	45	\$293,455,843	312,033	\$940.46	
PHILADELPHIA GAS WORKS	32,029,037	37	\$446,900,745	474,588	\$941.66	
COLUMBIA GAS OF MASSACHUSETTS	23,682,655	44	\$271,924,893	283,302	\$959.84	
BOSTON GAS	45,151,894	23	\$599,605,520	620,433	\$966.43	
KEYSPAN ENERY DBA NATIONAL	44,777,066	24	\$532,073,766	482,920	\$1,101.78	
PEOPLES GAS LIGHT AND COKE	70,920,970	10	\$797,569,223	714,487	\$1,116.28	

3

1 Compared to 2016, the GRC-proposed average residential gas bills for 2019 are 23.6%
2 higher for SoCalGas and 28.0% higher for SDG&E. Applying these increases to 2016 bills
3 (assuming the same usage) would result in average annual 2019 residential gas bills of \$487.25
4 (\$40.60 per month) for SoCalGas and \$478.07 (\$39.84 per month) for SDG&E. These bill
5 amounts are within the lowest 12% of the large gas utilities' bills in the above table—even
6 before cost-escalating the other utilities' 2016 bills to 2019.

7 Thus, while SoCalGas' and SDG&E's residential customers' average gas bill resulting
8 from the TY 2019 GRC proposals is higher relative to their current gas bills, the average gas bill
9 comparison with other large gas utilities in the nation does not support parties' statements that
10 the bills are unaffordable or unreasonable.

11 **B. EDF's Proposal to Move Core Customers' Daily Demand Forecasting**
12 **Function to the Gas Procurement Group Is Contrary to Commission**
13 **Decisions**

14 EDF proposes to move core customers' daily demand forecasting responsibilities from
15 the Demand Forecasting Group in Regulatory Affairs Department (referred by EDF as RDFG) to
16 the Gas Procurement Group.¹⁹ In Decision (D.) 07-12-019, the Commission addressed the
17 Omnibus Application (A.) 06-08-026, a joint application by SoCalGas, SDG&E, and Southern
18 California Edison (SCE) proposing changes to natural gas operations and service offerings. The
19 Application proposed to implement provisions of two settlement agreements, the Continental
20 Forge Settlement and the Edison Settlement.²⁰ This decision granted in part, and denied in part,
21 the proposals put forth in that application.

22 Prior to D.07-12-019, core customers' daily demand forecasting functions resided with
23 the Gas Procurement Group. Exhibit A of the Edison Settlement Agreement contained a
24 proposed modification to applicable tariffs to transfer core demand forecasting functions to the
25 Demand Forecasting Group in Regulatory Affairs.²¹ Pursuant to D.07-12-019, with core

¹⁹ Ex. EDF-01 (Lander) at 17.

²⁰ D.07-12-019 at 2-3.

²¹ May 30, 2006, Settlement among Sempra, SoCalGas, SDG&E, Edison, and Edison International ("Edison Settlement"), Exhibit A, Tariff Rule 1 at Sheet 4.

1 balancing to a forecast,²² it appears that the Commission desired a group independent of the Gas
2 Procurement Group to develop core's daily demand forecast for balancing purposes. In terms of
3 which organization should perform the demand forecasting functions, the Commission noted: "It
4 would be inefficient to require SoCalGas to duplicate within the System Operator function, the
5 modeling and forecasting expertise that exists within its Regulatory Affairs Department."²³ To
6 continue the daily demand forecast being developed by a group independent of the Gas
7 Procurement Group, which has been a requirement for over ten years established in another
8 proceeding's scope and decision, the Commission should reject this proposal.

9 **III. CONCLUSION**

10 For the reasons provided in this testimony, the arguments by Indicated Shippers, CFC
11 Foundation, and NDC that SoCalGas' and SDG&E's proposed 2019 GRC revenue requirements
12 would make natural gas rates unreasonable or usage unaffordable for their customers should be
13 rejected by the Commission after also considering the impact on customers' bills. The
14 Commission should also reject the EDF proposal to move the core customers' daily demand
15 forecasting responsibilities from the Demand Forecasting Group in Regulatory Affairs to the Gas
16 Procurement Group.

17 This concludes my prepared rebuttal testimony.
18

²² D.07-12-019 at 110 (Finding of Fact (FOF) 48).

²³ *Id.* at 107 (FOF 29).