Company:Southern California Gas Company (U 904 G)Proceeding:2019 General Rate CaseApplication:A.17-10-008Exhibit:SCG-48

SOCALGAS

DIRECT TESTIMONY OF RYAN HOM

(UPDATED RESULTS OF OPERATIONS REPORT)

January 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA



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SOCALGAS DIRECT TESTIMONY OF RYAN HOM UPDATED RESULTS OF OPERATIONS REPORT

In compliance with the California Public Utilities Commission's (Commission) Energy Rate Case Plan, adopted in Decision (D.) 07-07-004 and subsequently modified in D.14-12-025, the purpose of this testimony is to "update the results of operations exhibit by January 15 to incorporate any and all tariff changes which become effective on January 1 following the filing of the application."¹ For Southern California Gas Company's (SoCalGas) Test Year (TY) 2019 General Rate Case (GRC), this testimony updates the SoCalGas Results of Operations (RO) report for revised Present Rate Revenues (PRR) effective January 1, 2018. Tariff changes were implemented for rates effective on January 1, 2018 via Advice Letter (AL) 5238. This testimony shows that, relative to revenues at present rates calculated for TY 2019 using rates effective as of January 1, 2018, the base margin revenue² increase requested in the TY 2019 GRC is \$547 million. Generally, updates to base margin put forth in this PRR testimony reflect recorded values related to Commission directives, regulatory filings (e.g., advice letters), or the timing of when projects become operational. The result may be an increase or decrease when compared to forecasted values. The revised PRR RO calculations in this testimony reflect authorized base margin revenues for the 2018 annual post-test year rate adjustment adopted by the Commission in D.16-06-054 (SoCalGas' TY 2016 GRC Decision), Cost of Capital true up approved in D.17-07-005, rate recovery of Advanced Meter Infrastructure (AMI) costs AL 5134, and Pipeline Safety Enhancement Plan (PSEP) AL 5202.

Appendix A of this testimony includes the updated Summary of Earnings, Table RH-1U to show the comparison between the revised PRR using the 2018 effective rates (2019 Present Rates) and the TY 2019 revenue requirement (2019 Proposed Rates). The Summary of Earnings testimony of Khai Nguyen (Exhibit SCG-43-R) submitted in December 2017 presents the total revenue requirement, which remains unchanged by this PRR update. Appendix B presents details of the base margin changes.

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¹ D.07-07-004, Appendix A at A-30, paragraph 3.

² Revenue requirement is made up of two revenue components: base margin revenues, collected in customer rates, and miscellaneous revenues, collected in fees.

1	The updated li	ne items on Table RH-1U are as	s follows:
2	Line #	Description	Present Rates (2019\$) Updated
3			(thousands of dollars)
4	1	Base Margin	\$2,357,456
5	18	Uncollectibles	\$7,276
6	19	Franchise Fees	\$32,365
7	22	Taxes on Income	(\$100,870)
8	25	Return	\$202,305
9	26	Rate Base	\$6,755,680
10	27	Rate of Return	2.99%
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I have updated the RO model to reflect the changes discussed in this testimony.

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WITNESS QUALIFICATIONS

My name is Ryan Hom. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I am currently employed by SoCalGas as the GRC Financial Analysis Manager responsible for developing the revenue requirement forecasts for both SDG&E and SoCalGas.

I received a Bachelor of Science Degree in Economics and a minor in Management from University California, Irvine. I was first employed by SoCalGas in 2006 and have held various positions in the Customer Services, Regulatory Affairs and Accounting and Finance areas of the company.

I have not previously testified before the Commission.

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LIST OF ACRONYMS

ACRONYM	DEFINITION
AL	Advice Letter
AMI	Advanced Meter Infrastructure
Commission	California Public Utilities Commission
D.	Decision
GRC	General Rate Case
PRR	Present Rate Revenues
PSEP	Pipeline Safety Enhancement Plan
RO	Results of Operations
SoCalGas	Southern California Gas Company
TY	Test Year

APPENDIX A – SUMMARY OF EARNINGS TABLE

Table RH-1U SOCALGAS TEST YEAR 2019 SUMMARY OF EARNINGS

(Thousands of Dollars)

Line No.	Description	2019 Present Rates (2019\$)		2019 Proposed Rates (2019\$)	
1	Base Margin	\$	2,357,456	\$	2,904,554
2	Miscellaneous Revenues	Ψ	98,685	Ŷ	84,924
3	Revenue Requirement	\$	2,456,141	\$	2,989,477
	Operating and Maintenance Expenses				
4	Gas Distribution		157,111		157,111
5	Transmission		88,812		88,812
6	Underground Storage		60,074		60,074
7	Engineering		112,629		112,629
8	PSEP		83,156		83,156
9	Procurement		4,230		4,230
10	Customer Services		314,564		314,564
11	Information Technology		33,636		33,636
12	Support Services		154,514		154,514
13	Administrative and General		625,670		625,670
14	Subtotal (2016\$)	\$	1,634,396	\$	1,634,396
15	Shared Services Adjustments		54,665		54,665
16	Reassignments		(185,523)		(185,523)
17	Escalation		77,760		77,760
18	Uncollectibles (0.316%)		7,276		8,964
19	Franchise Fees (1.372%)		32,365		39,871
20	Total O&M (2019\$)	\$	1,620,938	\$	1,630,133
21	Depreciation & Amortization		606,830		606,830
22	Taxes on Income		(100,870)		128,807
23	Taxes Other Than on Income		126,939		126,939
24	Total Operating Expenses		2,253,836		2,492,708
25	Return		202,305		496,769
26	Rate Base		6,755,680		6,767,967
27	Rate of Return		2.99%		7.34%

APPENDIX B – BASE MARGIN AND REVENUE REQUIREMENT

SOCALGAS TEST YEAR 2019 GAS PRESENT RATE REVENUE (Thousands of Dollars)

	2017 rates	2018 rates	2019 GRC	2018 to 2019 increase/(decrease)
Authorized Base Margin in 2016 GRC (1)	\$2,105,281	\$2,105,281	\$2,904,553	\$799,272
2017 attrition w/ffu	\$74,033	\$74.033	, , ,	(\$74,033)
2018 attrition w/ffu	. ,	\$76,618		(\$76,618)
Cost of Capital True up Adjustment (2)		(\$30,324)		\$30,324
Base Margin (net Misc. Revenue, Includes FF&U)	\$2,179,314	\$2,225,608	\$2,904,553	\$678,945
AMI (with FF&U)	\$79,980	\$31,778		(\$31,778)
PSEP Outside of GRC (pre system integration w/ FF&U)	\$93,975	\$100,071		(\$100,071)
Adjustments to 2017 & 2018 Base Margin				
(as if AMI & PSEP are part of Base Margin)	\$2,353,269	\$2,357,457	\$2,904,553	\$547,096
PSEP System Integration Adjustment Other System Integration Adjustment	(\$2,130) \$36,770	(\$2,164) \$36,770	\$36,770	\$2,164 \$0
Other Adjustments to Base Margin:				
Adjusted Other Operating Costs and Revenues	\$34,949	\$32,642	\$71,821	\$39,179
PSEP from Base Margin			(\$99,529)	(\$99,529)
AB32 Admin Fee from Base Margin	(\$4,615)	(\$4,615)	(\$5,109)	(\$494)
Brokerage Fee	(\$8,171)	(\$8,171)	(\$8,169)	\$2
Regulatory Accounts	\$122,538	\$201,712	\$228,414	\$26,701
EOR Revenue allocated to Other Classes	(\$10,209)	(\$12,050)	(\$14,705)	(\$2,656)
SW Adjustment (EG & NGV)	(\$994)	(\$2,024)	(\$2,484)	(\$460)
TLS Adjustments (NCCI/EG/WS/DGN)	(\$1,264)	\$2,492	(\$1,256)	(\$3,748)
BTS Reg. Accounts	\$9,163	\$9,177.54	\$241,622	\$232,444
Rate Revenues (excluding PPPS, Gas)	\$2,529,307	\$2,611,227	\$3,351,927	\$740,700

(1) Per 2016 GRC D.16-06-054 (2) Per D.17-07-005

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