

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY &
SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR
NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS EFFECTIVE
JANUARY 1, 2020 IN THE TRIENNIAL COST ALLOCATION PROCEEDING**

(A.18-07-024)

(3rd DATA REQUEST FROM THE CITY OF LONG BEACH ENERGY RESOURCES DEPARTMENT)

DATA RECEIVED: 2-28-19

DATE RESPONDED: 3-14-19

QUESTION 3-1:

Please refer to SoCalGas's January 25, 2019 response to Question 2-3 of Long Beach's second set of data requests, which states that "some SGIP costs allocated to other TLS customer classes will inherently be collected by the City of Long Beach in the system-wide transmission rate."

Please explain why this is reasonable when D.16-06-055 requires SGIP costs to be "borne by customer classes more in proportion to their participation."

RESPONSE 3-1:

SoCalGas's and SDG&E's proposed method allocates the costs based on the proportion of incentives paid to each **customer class** as was authorized in D.16-06-055. Customer classes are:

- Residential
- Core Commercial & Industrial
- Gas Air Conditioning
- Natural Gas Vehicle NGV
- Gas Engine
- Noncore Commercial & Industrial
- Non-core Electric Generation
- Wholesale

The only **customer classes** that received incentives and the only **customer classes** that are proposed to be allocated SGIP costs are:

- Residential,
- Core Commercial & Industrial
- Non-core Electric Generation

While decision D.16-06-055 identified how to allocate SGIP costs **to customer classes**, it did not identify how to allocate SGIP costs **within customer classes**. Therefore, no proposals are being made to change the allocation **within** customer classes, only the allocation **to customer classes**. The Tiers within each customer class include:

- Residential –Baseline/non-baseline rates.
- Core C&I – Tiers 1, 2 & 3
- Non-core Electric Generation – Distribution Level Service (Tiers 1 & 2) and Transmission Level Service

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In addition to the allocation within customer classes at each utility, there are further combinations of costs that occur *between* the utilities before the final tariff rate is complete. Combinations of costs between the utilities are:

- The costs allocated to SoCalGas's distribution level electric generation rate, tiers 1 & 2, are combined with the costs allocated to SDG&E's distribution level electric generation rates to form the Sempra-wide distribution level electric generation rates tiers 1 & 2.
- Since the Transmission Level Service Rate is a Sempra-wide rate applicable to all noncore customers receiving transmission level service, the costs allocated to SoCalGas's transmission level customers are combined with the costs allocated to SDG&E's transmission level customers to form the Sempra-wide Transmission Level Service Rate which is paid by all non-core customers receiving transmission level service by SoCalGas or SDG&E, including the City of Long Beach.

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QUESTION 3-2:

Please refer to SoCalGas's January 25, 2019 response to Question 2-6 of Long Beach's second set of data requests, which states that withdrawal capacity created by the reliability function is split between core and load balancing functions per the following table. How were these values of 840 MMcfd and 400 MMcfd determined in both summer and winter?

	Core	Load Balancing
Winter Withdrawal Capacity	840 MMcfd	400 MMcfd
Summer Withdrawal Capacity	400 MMcfd	840 MMcfd

RESPONSE 3-2:

The 21 Bcf of storage inventory allocated to the Reliability function provides a projected firm withdrawal capacity of 1,240 MMcfd on a year-round basis.

The summer average demand for Core including wholesale is approximately 30% of the total system summer average demand. 30% of 1,240 MMcfd is approximately 400 MMcfd, which, along with flowing supplies, should be sufficient for the Core and wholesale to meet its demand in the summer. The remainder of the summer withdrawal capacity (i.e., 840 MMcfd) would be allocated to the load balancing function. Additionally, 840 MMcfd summer withdrawal is intended to provide transportation customers more flexibility in managing their deliveries to actual usage without an unbundled storage program, and is intended to reduce the number of OFOs.

The total proposed winter withdrawal rate is 2,400 MMcfd, of which 2,000 MMcfd was allocated to the Core and Wholesale, leaving 400 MMcfd for Balancing. The 21 Bcf of Reliability inventory is intended to maintain a withdrawal rate of 1,240 MMcfd for both the Core and for Balancing, and taking out the 400 MMcfd for balancing results in 840 MMcfd remaining for the Core.

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QUESTION 3-3:

Please refer to SoCalGas's January 25, 2019 response to Question 2-6 of Long Beach's second set of data requests, which states that "[a]llocation of [storage reliability function] cost to customer classes is based the amount of withdrawal capacity used in winter (151 days) and summer (214 days)." Why is it reasonable to allocate an inventory function cost on the basis of withdrawal capacity?

RESPONSE 3-3:

Considering the principle of cost causation, Applicants recommend that the new Reliability function be allocated based on the amount of withdrawal capacity used in the winter and summer because the underlying purpose of the storage reliability function (i.e., cost causation) is to drive a base level of withdrawal capacity (i.e., 1,240 MMcfd) on a year-round basis.

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QUESTION 3-4:

Please refer to Appendix G to the Direct Testimony of Sim-Cheng Fung, at page G-2, Table 1.

- a. Please explain why FERC account 358 is not included in this table.
- b. Please explain why the \$97,344,000 in capital related costs is less than the sum of the capital related cost of existing storage (\$71.2 million) and the revenue requirement for ACTR (\$32.9 million) as reported in the Direct Testimony of Sim-Cheng Fung, at page 18, Table 22.

RESPONSE 3-4:

- a. FERC account 358 is not included in this table for allocation into injection, withdrawal and inventory functions because it relates to asset retirement costs for all underground storage plant.
- b. The difference between \$97,344,000 in capital-related costs and the sum of the capital related cost of existing storage (\$71.2 million) and the revenue requirement for ACTR (\$32.9 million) is the allocation of capital-related costs of general plant of \$6.8 million. General plant costs are not allocated to injection, withdrawal and inventory functions.

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QUESTION 3-5:

The table below summarizes the net book value in certain underground storage-related FERC plant accounts as reported in Appendix A to the Direct Testimony of Sim-Cheng Fung filed in this proceeding and in Phase 1 of the previous Triennial Cost Allocation Proceeding (A.14-12-017).

What capital investments have caused the increases in net book value reported in each of the FERC accounts listed in the Table? Please provide a response separately for each account listed.

	Year Ended 2013	Year Ended 2016
FERC ACCOUNT	Net Book Value (Thousands of Dollars)	
117.1	58,549	61,422
351	21,882	46,797
352	112,333	228,253
353	12,278	19,535
354	74,177	99,127
355	4,479	5,422
356	63,451	78,537
357	21,619	35,828

RESPONSE 3-5:

SoCalGas objects to this question as seeking information that is beyond the scope of this proceeding and irrelevant, and burden of this question clearly outweighs the likelihood that the information sought would lead to discovery of admissible evidence. Subject to and without waiving these objections, SoCalGas responds as follows. The embedded cost study uses recorded costs (as reported to the Commission in SoCalGas's FERC Form 2) as its inputs. In other words, the embedded cost study is not intended to explain why costs increased or decreased, but merely uses recorded costs as inputs. The table above shows that the recorded costs that were used in the prior TCAP and current TCAP for those categories which increased.

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QUESTION 3-6:

The table below summarizes the dollars recorded in SoCalGas's FERC Form 2 in certain underground storage-related FERC expense accounts as reported in Appendix A to the Direct Testimony of Sim-Cheng Fung filed in this proceeding and in Phase 1 of the previous Triennial Cost Allocation Proceeding (A.14-12-017).

Please explain why the recorded expense increased or decreased in each of these accounts. Please provide a response separately for each account listed.

	Year Ended 2013	Year Ended 2016
FERC ACCOUNT	O&M Expense (\$MM)	
814	12.56	13.664
816	5.483	6.526
818	4.388	3.393
824	8.172	9.114
825	1.352	0.651
831	0.539	1.823
832	4.813	0.928
833	4.393	0.205
835	0.751	0.965
836	1.228	0.735
837	1.286	1.649

RESPONSE 3-6:

Please see Response 3-5.

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QUESTION 3-7:

The table below summarizes the dollars recorded in SoCalGas's FERC Form 2 in certain A&G related FERC expense accounts as reported in Appendix A to the Direct Testimony of Sim-Cheng Fung filed in this proceeding and in Phase 1 of the previous Triennial Cost Allocation Proceeding (A.14-12-017).

Please explain why the recorded expense increased or decreased in each of these accounts. Please provide a response separately for each account listed.

	Year Ended 2013	Year Ended 2016
FERC ACCOUNT	A&G Expense (\$MM)	
920	51.447	77.573
923	72.63	114.478
924	3.256	4.767
925	34.068	37.627
930.2	9.391	12.07
931	17.483	24.07

RESPONSE 3-7:

Please see Response 3-5.

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QUESTION 3-8:

Please refer to SoCalGas's January 25, 2019 response to Question 2-9 of Long Beach's second set of data requests, which states that "[i]n order for Core to meet its peak day demand it can...utilize some of the 400 MMcfd of winter withdrawal allocated to Load Balancing."

- a. Could Core meet its peak day demand also using withdrawal capacity provided by its share of the 21 bcf in reliability storage inventory? Why or why not?
- b. If Core will meet its peak day demand using Load Balancing withdrawal capacity, then why is this winter withdrawal capacity allocated to the Load Balancing function and not the Core seasonal storage function?

RESPONSE 3-8:

- a. The question's wording is not completely clear to SoCalGas. As a point of clarification, the withdrawal capacity of 840 MMcfd provided by the new Reliability function storage inventory for the Core is included in the 2,000 MMcfd of withdrawal capacity allocated to Core and Wholesale. Therefore, and based on that clarification, SoCalGas would respond yes.
- b. Core is expected to meet its peak day demand as described in Chapter 1 (Dandridge), p. 7-10. Additionally, if needed, Core can utilize some of Load Balancing withdrawal capacity to meet its peak day demand.

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QUESTION 3-9:

Please refer to SoCalGas's January 25, 2019 response to Question 2-10 of Long Beach's second set of data requests, which states that SoCalGas is keeping load balancing winter injection capacity unchanged at 345 MMcfd. Why is SoCalGas proposing to keep load balancing winter withdrawal capacity unchanged while reducing core winter withdrawal capacity?

RESPONSE 3-9:

Load Balancing winter withdrawal has changed, please see below table, also Chapter 1 (Dandridge), p. 13, Table 3.

Load Balancing	Winter Withdrawal (MMcfd)
Current TCAP	525
2020 TCAP	400

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QUESTION 3-10:

Please refer to the Direct Testimony of Michelle Dandridge, at page 11, lines 16-19, which states, "Applicants are proposing that allocations to withdrawal for the summer be increased from 525 MMcfd to 840 MMcfd. Allocating 840 MMcfd withdrawal to the balancing function will provide transportation customers more flexibility in managing their deliveries to actual usage without an unbundled storage program."

Please explain why the load balancing function requires 840 MMcfd of summer withdrawal capacity, an amount greater than the sum of the past allocation of such capacity to load balancing (525 MMcfd) and to the unbundled storage program (206 MMcfd).

RESPONSE 3-10:

Allocating 840 MMcfd withdrawal to the balancing function is intended to provide transportation customers more flexibility in managing their deliveries to actual usage without an unbundled storage program, in particular for the summer when the increased reliance on intermittent renewables can produce swings in the demand for gas fired generation. Please refer to explanation in Response 3-2.