

Exhibit No.: _____
Application: A.18-07-
Witness: Gary G. Lenart
Chapter: 11

PREPARED DIRECT TESTIMONY OF
GARY G. LENART
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

(PROPOSED OPTIONAL CORE EG RATE)

July 2018

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE	1
II. OVERVIEW OF PROPOSED OPTIONAL CORE EG RATE.....	1
III. REASON FOR A CORE EG RATE OPTION	3
A. The Small EG Customer Class Does Not Have a Cost Based Rate	3
B. Small EG Customer Demand and Other Core Rates	4
IV. RATE CALCULATION.....	4
V. QUALIFICATIONS.....	8
APPENDIX A.....	A-1

1 Under SoCalGas' current tariffs, small EGs can be served under two noncore rate
 2 schedules (Schedules GT-NC and G-TLS²) and one core rate schedule (Schedule G-10).
 3 SoCalGas is proposing a new cost-based core rate schedule for small EG customers (Schedule
 4 GO-CEG) to provide this segment of customers an additional option. Table 1 below compares
 5 the customer charge and volumetric rates for the current rate options and the proposed Core
 6 Small EG Rate.

Table 1			
Comparison of Rates			
	Schedule G-10 (core)	PROPOSED Schedule GO- CEG (core)	Schedule GT- NC (noncore)
customer charge \$/month	\$15.00	\$50.00	\$50.00
volumetric rate \$/therm	\$0.237	\$0.133	\$0.129

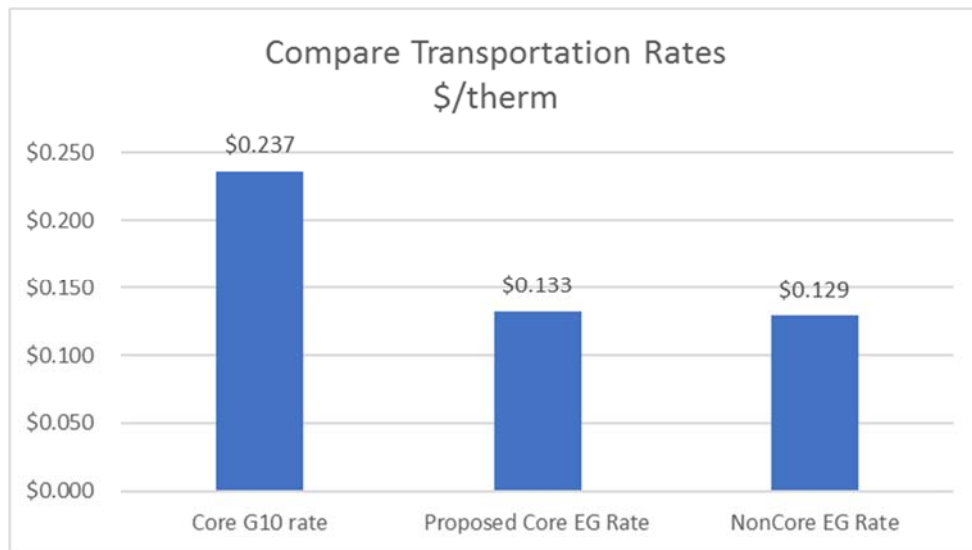
8 The Core EG Rate would be an optional rate for applicants for new service and existing
 9 customers. As a core rate, Core EG Rate customers may receive transportation and procurement
 10 services (i.e., bundled service), or, they may receive core transportation only service and obtain
 11 gas supplies through a core aggregator. All small EGs will continue to have access to existing
 12 core and non-core rate options commensurate with various service levels which exist under the
 13 aforementioned current tariff schedules.

² Tariff Schedule G-TLS is for service directly from transmission pressure lines. This rarely occurs at a small EG facility and this rate is more commonly used by the largest power generating plants, refineries, and wholesale customers.

1 **III. REASON FOR A CORE EG RATE OPTION**

2 **A. The Small EG Customer Class Does Not Have a Cost Based Rate**

3 The chart³ below shows a comparison of the proposed cost-based Core EG Rate to the
4 current G-10 rate and the current noncore EG rate (under Schedule GT-NC). The proposed
5 Core EG Rate⁴ is lower than the core G-10 rate. This shows that small EG customers are not
6 paying a cost based rate for their class. If they were, then the core EG rate would be equal to
7 the core G-10 rate. Instead the chart is showing that small EG customers that elect core C&I
8 service are paying a subsidy to the rest of the core C&I class. Since noncore service has a
9 lower reliability level than core service, the Core EG Rate is justifiably higher than the
10 noncore EG rate, as shown in the chart below.



11
12 As with existing facilities that have both commercial and electric generation equipment,
13 (or both industrial and electric generation equipment), a separate meter may be required in order
14 to elect Core EG Rate tariff service. The cost of the separate core EG meter would be incurred

³ Based on expected gas demand of 250KW fuel cell.

⁴ Based on expected gas demand of 250KW fuel cell.

1 by the customer. Standard line allowances could apply for new customers, which can be applied
2 to installation costs.

3 **B. Small EG Customer Demand and Other Core Rates**

4 There are demands for service from small EG customers. In the year 2000, core service
5 for electric generation became available under Schedule G-10. Since then, SoCalGas' small EG
6 customer class has grown to 235 customers, with 59 receiving core-service under Schedule G-10,
7 and 176 under Schedule GT-NC. With this existing customer base and the possibility of more in
8 the future, it is time to begin to recognize small EG as a distinct customer class.

9 The new Core EG Rate will be another core rate designed specifically for a distinct
10 customer class. Shown below are other core rate classes.

Other Core Rates Available	# Customers in 2017
Natural Gas Vehicle Stations	378
Gas Engine Water Pumping	712
Gas Air Conditioning	4
Small EGs on the Core G-10 rate	59
Small EGs on the noncore GT-NC rate	176

11
12 **IV. RATE CALCULATION**

13 A cost-based transportation rate of 13.3¢/therm and a \$50.00/month customer charge is
14 being proposed based on:

- 15 i. Marginal unit costs for Customer-related costs;
- 16 ii. Marginal unit costs for Medium and High Pressure Distribution-related costs;
- 17 iii. All other operating costs allocated to the core C&I rate class; and

1 iv. All regulatory accounts, excluding the Core Fixed Cost Account (CFCA).⁵

2 The marginal unit costs for Customer-related and Medium and High Pressure
3 Distribution-related system costs are discussed in Chapter 9 (Schmidt-Pines). All other costs
4 allocated to the core C&I rate class are found in the same chapter and are being incorporated into
5 the proposed Core EG Rate on a per therm basis. Since the objective of this proposal is to
6 establish a cost-based transportation rate, and not to allocate authorized costs to the Core EG
7 Rate class, the effective cost based transportation rate was established using the demand profile
8 of the average core eligible non-core EG of approximately 126,000 therms/year and a 61% load
9 factor.

10 Based on this proposed process for calculating a cost-based rate, the proposed Core EG
11 Rate would be as shown below in Table 3. SoCalGas is proposing a single-tiered, volumetric
12 rate with a monthly customer charge. The customer charge was set to be the same as the noncore
13 customer charge.

14
15

⁵ The CFCA is not included because there will not be an over-or-under collection. This is due to there being no costs allocated to this new rate class.

TABLE 3				
Caclulation of Cost Based Core EG Rate				
Description	Average Core C&I \$/therm		Proposed Core EG \$/therm	
Estimated annual gas use therms/year	992,705,676		126,121	
# Customers	203,514		1	
annual use/meter	4,878		126,121	
Scaled Customer Related cost \$/customer/year	\$922		\$922	
# customers	203,514		1	
Customer Related \$/customer/year	\$187,699,629	\$0.189	\$922	\$0.007
effective \$/therm				
annual gas use therms/year	992,705,676		126,121	
average therms/day	2,719,742		346	
load factor	50%		61%	
peak day therms/day	5,457,062		566	
peak day mmbtu/day	545,706		57	
mmbtu/mcf	1.0343		1.0343	
peak day mcf/day	527,626		55	
Scaled MPD Marginal \$/peak day mcf/d	\$123.95		\$123.95	
MPD \$'s/customer/year	\$65,399,471	\$0.066	\$6,783	\$0.054
Estimated annual gas use therms/year	992,705,676		126,121	
average therms/month	82,725,473		10,510	
peak therms/month	116,860,240		10,510	
peak mmbtu/month	11,686,024		1,051	
mmbtu/mcf	1.0343		1.0343	
peak mcf/month	11,298,836		1,016	
Scaled HPD Marginal \$/peak month mcf	\$2.53		\$2.53	
HPD \$'s/customer/year	\$28,541,118	\$0.029	\$2,567	\$0.020
Other Costs Allocated to Core C&I Class: <u>\$/therm</u>				
Local Transmission \$0.008	\$7,967,511		\$1,012	
Seasonal Storage \$0.013	\$13,329,616		\$1,693	
load balance \$0.008	\$7,496,462		\$952	
Uncollectible \$0.001	\$1,019,860		\$130	
Un Accounted & AMI \$0.007	\$7,440,761		\$945	
Regulatory accounts - excl CFCA \$0.018	\$17,939,068		\$2,279	
CFCA \$0.041	\$40,235,522		\$0	
EOR Adjustment \$0.000	\$288,254		\$37	
Other Costs	\$95,717,053	\$0.096	\$7,049	\$0.056
Proposed Core EG Transportation Charge	\$377,357,271	\$0.380	\$17,321	\$0.137
Rate Design:				
Customer Charge \$/month			\$50.00	
customer charge revenue \$'s			\$600	
Volumetric Revenue \$'s/year			\$16,721	
Volumetric Transportation Rate \$/therm			\$0.133	

1 SoCalGas is proposing that the transportation revenue received from the Core EG Rate be
2 credited to the CFCA. This may have the impact of reducing core transportation rates.

3 The proposed GO-CEG tariff attachment was created based on the existing Schedule G-
4 10 tariff. The special conditions in the GO-CEG tariff are essentially the same as the Special
5 Conditions in the G-10 tariff except: (i) the "Space Heating Only" condition in G-10 was not
6 included in GO-CEG because it would not apply and (ii) Special Condition 5 is specifically
7 applicable to Core EG Rate customers. See Appendix A which contains the proposed tariff
8 schedule.

9 This concludes my prepared direct testimony.

1 **V. QUALIFICATIONS**

2 My name is Gary G. Lenart. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013-1011. I am employed by SoCalGas as a Market Advisor in the Customer
4 Service & Information department. I have been in my current position since December 2014. In
5 this position I am responsible for policy, tariff application, and market analysis for the
6 Commercial, Industrial and Energy Markets.

7 I have been employed by SoCalGas since 1988, and have held various positions of
8 responsibility including: General Ledger Accountant for Pacific Interstate Company (an
9 interstate pipeline affiliate) and Financial Analyst for Pacific Enterprises Oil & Gas Company
10 (an oil exploration and production affiliate). I also worked as an analyst in the Strategic
11 Planning & Economic Analysis department, Financial Analyst for the New Product Development
12 department, Principle Economic Analyst, and Natural Gas Transportation Rates Manager for the
13 Regulatory Affairs department.

14 I hold a Bachelor of Science degree in Business Finance and Computer Science from
15 Bradley University in Peoria, Illinois and a Master of Business Administration from California
16 State University at Northridge, California.

17 I have previously testified before the Commission.

APPENDIX A

Proposed Tariff Schedule GO-CEG

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

APPLICABILITY

Applicable to core non-residential natural gas service to those small electric generation customers that are defined as eligible for core service in Rule No. 23.B ^{1/}. This includes both procurement service (GO rates) and transportation-only service (GTO rates) including Core Aggregation Transportation (CAT).

TERRITORY

Applicable throughout the service territory.

RATES

Customer Charge

Per meter, per month \$50.00/month

^{1/} Per Rule 23:

Core Service Priority 1 includes:

- 1) All residential usage regardless of size.
- 2) All nonresidential usage less than 20,800 therms per active month, excluding usage reclassified to noncore service pursuant to customer request.
- 3) All electric generation, refinery and enhanced oil recovery (EOR) usage less than 20,800 therms per active month electing core service.

Core Service Priority 2A includes:

- 1) All nonresidential usage of 20,800 therms or greater per active month eligible for core service, not electing noncore service.

Noncore Service includes:

- 1) commercial and industrial usage electing noncore service,
- 2) electric generation, EOR, and refinery usage less than 20,800 therms per active month electing noncore service,

all usage ineligible for core service, including (a) refinery and EOR usage of 20,800 therms or greater per active month and (b) all electric generation usage from generators greater than 1 megawatt (MW) system rated generating capacity, based on net continuous power output with usage of 20,800 therms or greater per active month.

N

 N

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. GO-CEG
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED _____
 EFFECTIVE _____
 RESOLUTION NO. _____

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

(Continued)

RATES (Continued)

All Procurement, Transmission, and Commodity Charges are billed per therm.

GO-CEG: Applicable to natural gas procurement service to non-residential core customers, including service not provided under any other rate schedule.

Procurement Charge: ^{2/}	G-CPNR	35.830¢
<u>Transmission Charge</u> :	GPT-CEG	13.300¢
Commodity Charge:	GO-CEG	49.130¢

GO-CEGC: Core procurement service for previous non-residential transportation-only customers returning to core procurement service, including CAT customers with annual consumption over 50,000 therms, as further defined in Schedule No. G-CP.

Procurement Charge: ^{2/}	G-CPNRC	29.770¢
<u>Transmission Charge</u> :	GPT-CEG	13.300¢
Commodity Charge:	GO-CEGC	43.070¢

GTO-CEG ^{4/}: Applicable to non-residential transportation-only service including CAT service, as set forth in Special Condition 13.

Transmission Charge:	GTO-CEG	13.450¢ ^{3/}
----------------------	---------------	-----------------------

^{2/} This charge is applicable for service to Utility Procurement Customers as shown in Schedule No. G-CP, in the manner approved by D.96-08-037, and subject to change monthly, as set forth in Special Condition 4.

^{3/} This charge is equal to the core commodity rate less the following two components as approved in D.97-04-082: (1) the weighted average cost of gas; and (2) the core brokerage fee.

^{4/} CAT Transmission Charges include a 0.150 cents per therm debit to amortize an undercollection in the FERC Settlement Proceeds Memorandum Account during 2018 as authorized in Advice No. 5202 approved on December 18, 2017.

N

 N

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. GO-CEG
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED _____
 EFFECTIVE _____
 RESOLUTION NO. _____

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

(Continued)

RATES (Continued)

Cap-and-Trade Cost Exemption 0.000¢/therm

The Cap-and-Trade Cost Exemption is applicable to customers who are identified by the California Air Resources Board (CARB) as being Covered Entities for their Greenhouse Gas (GHG) emissions as part of the Cap-and-Trade program. A customer who is supplying fuel to a facility on behalf of the owner (e.g., tolling arrangement) of a facility that has been identified by CARB as a covered Entity, may receive the Cap-and-Trade Cost Exemption if so authorized by the facility owner and agreed to by the Utility. Applicable Cap-and-Trade Cost Exemptions may be provided from the date CARB identifies a customer as being a Covered Entity, or provided based upon documentation satisfactory to the Utility for the time period for which the customer was a Covered Entity, whichever is earlier.

Minimum Charge

The Minimum Charge shall be the applicable monthly Customer Charge.

Late Payment Charge

A late payment charge may be added to a customer's bill whenever a customer fails to pay for services under this schedule as set forth in Rule No. 12, Payment of Bills, and for CAT customers, as set forth in Rule No. 32.

Additional Charges

Rates may be adjusted to reflect any applicable taxes, franchise fees or other fees, regulatory surcharges, and interstate or intrastate pipeline charges that may occur.

SPECIAL CONDITIONS

Applicable to Both Procurement and Transportation-Only Customers

1. Definitions: The definitions of principal terms used in this schedule are found either herein or in Rule No. 1, Definitions.
2. Number of Therms: The number of therms to be billed shall be determined in accordance with Rule No. 2.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. GO-CEG
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED _____
 EFFECTIVE _____
 RESOLUTION NO. _____

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

(Continued)

SPECIAL CONDITIONS (Continued)

Applicable to Both Procurement and Transportation-Only Customers (Continued)

3. Interruption of Service: Service under this schedule is subject to interruption in whole or in part without notice in case of actual or anticipated shortage of natural gas resulting from an insufficient supply, inadequate transmission or delivery capacity or facilities or storage requirements. The Utility will not be liable for damages occasioned by interruption of service supplied under this schedule. Such interruption of service shall be made in accordance with Rule No. 23.
4. Rate Changes: The Utility will file core procurement rate changes on the last business day of each month to become effective on the first calendar day of the following month, except the Cross-Over Rate, which will be filed on or before the 9th calendar day of each month to be effective on the 10th calendar day of each month.
5. Separate Metering: Service for Core EG under this tariff schedule will require separate metering from other gas uses the customer may have, unless agreed to in writing by the Utility. Regardless, all gas used for Core EG is required to be under Schedule No. GO-CEG.
6. Noncore Service Election: Customers served hereunder may elect to be reclassified as noncore. Eligibility requirements are defined in Rule No. 1. Customers electing noncore service status must sign the required natural gas service agreement and have electronic meter reading equipment installed at the customer's expense as a condition of noncore service. Those customers who have a signed commitment to this schedule must fulfill their obligation to that commitment prior to being reclassified as noncore.
7. Utility Service Agreement: Noncore customers transferring to service under this schedule and core customers using over 250,000 therms/year who wish to take transportation-only service to their single facility must execute a Master Services Contract (Form No. 6597) and Schedule A, Intrastate Transmission Service (Form No. 6597-1). Customers wishing to aggregate service for multiple core facilities must execute a Core Transport Agent Agreement for Core Aggregation Service (Form No. 6536-A).

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. GO-CEG
DECISION NO.

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

(Continued)

SPECIAL CONDITIONS (Continued)

Applicable to Both Procurement and Transportation-Only Customers (Continued)

- 8. Term of Service: The term of service hereunder is one month except the following: Noncore customers transferring to service under this schedule shall be obligated to a minimum five-year term of core service under either this schedule or other core tariff schedules. Customers previously taking transportation-only service who elect to return to utility procurement service, including CAT customers using over 50,000 therms in the last 12 months, shall be obligated to the cross-over procurement rate for a period of one year as further defined in Schedule No. G-CP. Upon expiration of the applicable one-year or five-year commitment, the customer shall be on a month-to-month term thereafter.
- 9. Core and Noncore Service Split: If the customer splits its gas requirements between service under this schedule and noncore service under Schedule No. GT-NC, the customer shall be required to specify a fixed monthly quantity for service hereunder by month for the term of the customer's contract. The monthly contract quantity breakdown may be established on the basis of seasonal variations in the customer's usage in accordance with the customer's historic usage pattern. The Utility reserves the right to accept or reject such requested quantities after considering the customer's historic usage pattern and other evidence provided by the customer regarding operational changes affecting the customer's consumption. Notwithstanding that monthly quantities are fixed for the term of the contract, the customer may request increases to the monthly quantities subject to approval by the Utility. In the event an increase in procurement service is approved, the incremental monthly quantity shall be subject to the Cross-Over Rate and the entire core quantity shall become subject to a new five-year term.
- 10. Change of Customer's Apparatus or Equipment: In the event customers make any material change, either in the amount or character of their gas appliances or equipment, written notice to the Utility must be made in accordance with Rule No. 29, Change of Customer's Apparatus or Equipment.

Applicable to Transportation-Only Customers

- 11. Transportation-Only Service Option: Customers electing this service option must make arrangements for the purchase and delivery of gas supplies to the SoCalGas system to be transported by the Utility as set forth in Rule No. 32. The GTO-CEG rate is available to non-residential core customers with a minimum usage of 250,000 therms annually, either through an individual meter or from a group of end-use meters, where each end-use meter is classified as core usage and located within the Utility's service territory. Core customers who do not meet the above minimum may opt to aggregate their loads with other core customers and contract for core aggregation service from an authorized ESP, as set forth in Rule No. 32.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. GO-CEG
DECISION NO.

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____

N
N

Schedule No. GO-CEG
OPTIONAL CORE ELECTRIC GENERATION SERVICE
(Includes GO-CEG, GO-CEGC, AND GTO-CEG Rates)

(Continued)

SPECIAL CONDITIONS (Continued)

Applicable to Transportation-Only Customers

12. Gas Transportation Rules: Transportation service under this schedule is subject to the terms and conditions established in Rule No. 30, Transportation of Customer-Owned Gas, and Rule No. 32, Core Aggregation Transportation.
13. Gas Imbalance Service: Transportation Imbalance Service shall be provided to the customer, the customer's ESP or marketer/shipper under Schedule No. G-IMB.
14. Customer Responsible for Billing Under Core Aggregation Transportation: The customer is ultimately responsible for the payment of billing charges assessed to the customer's aggregator for services rendered under this schedule. See Rule No. 32 for further details.
15. Gas Exchange Arrangements: Customers having existing gas exchange arrangements with the Utility must exchange the maximum amount of gas allowable under those arrangements prior to the delivery of customer-owned natural gas to the Utility for transportation, unless otherwise agreed to by the Utility.
16. Core Aggregation Transportation Customer Notices and Billing: SoCalGas shall continue to read customer meters, send customers legally required notices and bill inserts pursuant to Public Utilities Code 454(a), and provide customers with all other regular SoCalGas services. This includes direct billing, unless the customer specifies in the electronic Service Request DASR effective with the implementation of D.98-02-108, that SoCalGas bill the ESP or marketer/shipper for all charges.
17. Disputed Bills: All disputes between customers and their Aggregator shall be resolved solely by customers and the Aggregator, and such disputes shall not be subject to Commission jurisdiction. All disputes between the Utility and customers or between the Utility and Aggregators shall be subject to Commission jurisdiction.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. GO-CEG
DECISION NO.

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED _____
EFFECTIVE _____
RESOLUTION NO. _____