SOUTHERN CALIFORNIA GAS COMPANY
TO ESTABLISH A DEMAND RESPONSE PROGRAM
(A.18-11-005)

(Cal PA Data Request-01)

DATE RECEIVED: November 20, 2018
DATE RESPONDED: December 6, 2018

Referring *to Chapter 4 Prepared Direct Testimony of Reginald M. Austria and Michael Foster on Behalf of Southern California Gas Company*, of Application 18-11-005, Application of Southern California Gas Company to Establish a Demand Response Program:

QUESTION 1:

Referring to page 2, lines 1-2, "SoCalGas proposes a three-year revenue requirement of $50.6 million to implement SoCalGas Demand Response Program and EDSP."

Please provide either a chart or an Excel spreadsheet that demonstrates how the revenue requirement was calculated.

RESPONSE 1:

Please refer to the Excel spreadsheet attached that demonstrates how the $50.6 million revenue requirement to implement the Demand Response Program and EDSP was calculated.

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QUESTION 2:

Referring to page 2, line 8-10, “will be incorporated in SoCalGas’ Public Purpose Program (PPP) surcharge rates effective January 1 of the following year”:

a. Please describe the SoCalGas Public Purpose Program surcharge rate.
b. Is this rate included in the General Rate Case Application?

RESPONSE 2:

a. As stated in SoCalGas’ Tariff G-PPPS, the surcharge rate is authorized to recover the cost of public purpose programs, such as low-income assistance, energy efficiency, and public interest research and development. The utility remits surcharge payments quarterly to the State Board of Equalization (BOE) by the last day of the month following a calendar quarter. The BOE deposits the payments in the Gas Consumption Surcharge Fund (Fund) with the State Treasurer. Utility public purpose programs are financed through monies appropriated to the Utility from the Fund by the Commission. The tariff can be located at: https://www.socalgas.com/regulatory/tariffs/tm2/pdf/G-PPPS.pdf

b. No, the PPPS rate is not included in the General Rate Case Application.

QUESTION 3:

Referring to page 3, lines 7-11, “Any over-expenditure at the end of the program cycle will not be recovered from ratepayers and will be borne by shareholders. Any underspending balance in the WDRPBA (Winter Demand Response Program Balancing Account) at the end of the program cycle will be addressed in connection with SoCalGas’ annual surcharge rate update filling for rates effective January 1 of the following year.”

a. Is there any mechanism to return underspent balances back to ratepayers?
b. Is the intention to pass down the exact requested balance, no more and no less, to ratepayers?

RESPONSE 3:

a. Yes. As indicated in the above reference, the proposed mechanism to return underspent balances to ratepayers is through SoCalGas’ existing annual surcharge rate update filing. This filing is submitted in November each year to update the Public Purpose Program revenue requirements for SoCalGas’ Energy Efficiency and California Alternate Rates for Energy programs; Public Interest Research, Development and Demonstration program administered by non-utility third party; and CPUC and Board of Equalization (BOE) administrative costs.

b. SoCalGas intends to refund any unspent funds (i.e., an overcollection balance recorded in the WDRPBA where actual costs incurred are lower than the requested authorized costs collected in PPP rates) at the end of the program cycle back to ratepayers. As a result, ratepayers’ costs for the program are capped at the amount of requested authorized costs or at actual program costs incurred if such costs are lower than the amount of requested authorized costs.

QUESTION 4:

Referring to page 3, lines 13-14, “the WDRMA was established to record costs associated with WDR programs in its service territory for the winter of 2016 as directed by the Director of Energy Division.”

Please provide a copy of the WDRMA Excel Spreadsheet, or a simplified summary.

RESPONSE 4:

Please refer to the Excel spreadsheet attached for the WDRMA as of September 2018.

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QUESTION 5:

Referring to page 4, line 1, "the WDRMA reflects a $4.3 million under collection balance."

a. Please describe what accounted for the under collection.
b. Please explain why the under collection needs to be included in PPP rates.

RESPONSE 5:

a. The $4.3 million under collection balance in the WDRMA relates to costs associated with the 2016-2017 winter demand response programs approved in Advice Letter No. (AL) 5035 and the 2017-2018 winter demand response program approved in AL 5233. None of these costs have been recovered in rates.

b. SoCalGas is requesting collection of the WDRMA balance to be included in the Public Purpose Program (PPP) Surcharge consistent with the intent of Assembly Bill (AB) 1002 and Public Utilities Code section 890 *et seq*. Public Utilities Code section 890 requires the Commission to establish a surcharge on all natural gas consumed in California to fund certain low-income assistance programs, cost-effective energy efficiency and conservation activities. The intent of the Winter Demand Response Program is to encourage customers to reduce natural gas during times of system stress.

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QUESTION 6:

Referring to page 5, lines 1-2, “the MEOMA currently reflects a $16.6 million under collection balance.”

a. Please provide a copy of the MEOMA Excel Spreadsheet, or a simplified summary.
b. Please describe what accounted for the under collection.

RESPONSE 6:

a. Please refer to the Excel spreadsheet attached for the MEOMA as of September 2018.

b. The current under collection balance relates to costs associated with Flex Alert, marketing, and engagement activities authorized in Decision (D.) 16-04-039 and D.17-05-004, which have not yet been recovered in rates. Recovery of this balance will be addressed in SoCalGas’ next general rate case or other applicable proceeding.

   As indicated in the Testimony of Reginald M. Austria and Michael Foster, page 5, lines 2-8, the MEOMA balance does not currently reflect the estimated costs of $2 million for the Winter Notification Marketing Campaign for the 2018-2019 winter season component of the Demand Response Program, which SoCalGas plans to incur and record in the MEOMA and seek recovery through PPPS rates in Application (A.) 18-11-005.

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QUESTION 7:

Referring to page 7, lines 19-20, "SoCalGas proposes to include these costs in the PPP surcharge rate and allocate to customer classes using Equal Percent of Margin method."

a. Please show the methodology and the calculations behind the Equal Percent of Margin method, as applied to the rate spread of this application.
b. Please explain why SoCalGas chose this method.

RESPONSE 7:

a. According to the Equal Percent of Allocated Margin (EPAM) method, costs are allocated across customer classes based on each customer class' share of total GRC base margin allocated to that customer class. The EPAM allocation factors used in this application are outlined in the table below. Starting with the EPAM factors authorized in CPUC Decision D.16-10-004, (highlighted in the table below), Natural Gas Vehicle (NGV), Electric Generation (EG), and wholesale customer classes are removed because the Demand Response Program and EDSP are not applicable to those classes. The resulting allocation factors are shown as "EPAM excl NGV, EG, EOR, UBS".

	Residential	C&I	Gas A/C	Gas Engine	NGV	Total Core	NCCI	EG & W/S	Total NonCore	Total System
EPAM excl EOR & UBS	80.3%	13.1%	0.0%	0.2%	0.8%	94.4%	2.9%	2.7%	5.6%	100.0%
remove NGV & EG & W/S	80.34%	13.05%	0.00%	0.21%		93.6%	2.86%		2.9%	96.5%
EPAM excl NGV, EG, EOR, UBS	83.28%	13.53%	0.00%	0.22%		97.0%	2.96%	0.00%	3.0%	100.0%

b. SoCalGas' Demand Response Program and EDSP are generally designed with the goal to reduce gas usage during times of anticipated stress on the natural gas system. SoCalGas believes that allocating the cost of the Demand Response Program and EDSP using each participating customer class' share of GRC authorized base margin to be a reasonable approach.