

Application No: A.18-11-  
Exhibit No.: \_\_\_\_\_  
Witness: Reginald M. Austria & Michael Foster

Application of SOUTHERN CALIFORNIA GAS  
COMPANY (U 904 G) to Establish a Demand  
Response Program

Application 18-11-\_\_\_\_\_  
(Filed November 6, 2018)

**CHAPTER 4**  
**PREPARED DIRECT TESTIMONY OF**  
**REGINALD M. AUSTRIA**  
**AND**  
**MICHAEL FOSTER**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

November 6, 2018

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1 Mathews, SoCalGas proposes a three-year revenue requirement of \$50.6 million to  
2 implement SoCalGas' Demand Response Program and EDSP.<sup>1</sup> In addition, SoCalGas proposes  
3 to include \$4.3 million of winter demand response (WDR) program costs that were recorded in  
4 its existing WDRMA for the 2016-2017 and 2017-2018 WDR Programs, estimated \$5.87 million  
5 for the upcoming 2018-2019 WDR Program,<sup>2</sup> and estimated \$2 million for the 2018-2019 winter  
6 notification marketing campaign recorded in the MEOMA,<sup>3</sup> in year 2020. The corresponding  
7 revenue requirements and rate impact, as described in detail in the direct testimonies of Darren  
8 Hanway, Nancy Carrell Lawrence, Toni Matthews, and Michael Foster, respectively, will be  
9 incorporated in SoCalGas' Public Purpose Program (PPP) surcharge rates effective January 1 of  
10 the following year as filed in SoCalGas' annual October PPP surcharge rate update rate filing  
11 (e.g., filing in October 2019 for PPP rates effective January 2, 2020).

12 **B. Summary of Revenue Requirement Results for SoCalGas DR Program and**  
13 **EDSP**

14 The summary of corresponding revenue requirements associated with cost of SoCalGas'  
15 DR Program and EDSP are \$50.6 million. Revenue requirements are based on direct,  
16 incremental costs including labor-related costs (e.g., vacation and sick time costs and payroll  
17 taxes).

18 **C. Cost Recovery Proposal for SoCalGas' DR Program and EDSP**

19 SoCalGas proposes to establish the Winter Demand Response Program Balancing  
20 Account (WDRPBA). The WDRPBA is an interest-bearing balancing account recorded on  
21 SoCalGas' financial statements. The purpose of the WDRPBA is to record the difference

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<sup>1</sup> This includes cost recovery for the winter notification marketing campaign component of the DR Program for 2019-2022 while the costs associated with the 2018-2019 winter season are being sought through SoCalGas Advice Letter 5369-A.

<sup>2</sup> Approved by Resolution G-3514.

<sup>3</sup> SoCalGas Advice Letter 5369-A.

1 between actual PPP revenue requirements incurred and the corresponding forecasted PPP  
2 revenue requirements incorporated in rates for SoCalGas' proposed DR Program and EDSP.  
3 The WDRPBA will separately track actual and forecasted revenue requirements by program  
4 cycle which consist of three winter seasons beginning with the 2019-2020 winter season through  
5 the 2021-2022 winter season. Costs recorded to the WDRPBA will also include other reasonable  
6 costs in the administration of SoCalGas DR Program and EDSP that may occur after the winter  
7 season period covered under the program cycle. Any over-expenditures at the end of the  
8 program cycle will not be recovered from ratepayers and will be borne by shareholders. Any  
9 underspending balance in the WDRPBA at the end of the program cycle will be addressed in  
10 connection with SoCalGas' annual PPP surcharge rate update filing for rates effective January 1  
11 of the following year.

12 **D. Disposition of Balance in the WDRMA**

13 The WDRMA was established to record costs associated with WDR programs in its  
14 service territory for the winter of 2016 as directed by the Director of Energy Division on  
15 September 13, 2016. The WDRMA was subsequently modified to record costs associated with  
16 SoCalGas' 2017-2018 and 2018-2019 WDR Programs, as directed by the Director of Energy  
17 Division on November 16, 2017.<sup>4</sup> SoCalGas' 2016-2017 WDR Program was established in  
18 response to the uncertainty surrounding the availability of gas storage and withdrawal  
19 capabilities at Aliso Canyon during the upcoming winter of 2016-2017. SoCalGas' 2017-2018  
20 and 2018-2019 WDR Programs as well as the upcoming winter notification marketing campaign  
21 for the 2018-2019 winter season, were implemented and established with the intent to support  
22 reliability during times of system stress.

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<sup>4</sup> Advice Letter 5223.

1 As of September 30, 2018, the WDRMA reflects a \$4.3 million undercollection balance  
2 (\$2.8 million relates to the 2016-2017 WDR Program and \$1.5 million relates to the 2017-2018  
3 WDR Program). These program costs incurred are discussed in further detail in the direct  
4 testimony of Darren Hanway. SoCalGas proposes to include the \$4.3 million undercollection  
5 balance, along with the estimated \$5.87 million 2018-2019 WDR Program costs that have yet to  
6 be incurred, in PPP rates in the initial year that rates are adjusted for the SoCalGas DR Program  
7 and EDSP.

8 **E. Disposition of Partial Balance in the MEOMA**

9 The MEOMA was established to record costs associated with marketing, education, and  
10 engagement and Flex Alert advertising in 2016 as directed by D.16-04-039. The MEOMA was  
11 subsequently modified to record costs associated with Flex Alert marketing, education, and  
12 engagement activities in 2017 by D.17-05-004, as well as Flex Alert funding in 2018.<sup>5</sup>

13 SoCalGas' 2016-2018 MEOMA was established in response to the uncertainty surrounding the  
14 availability of gas storage and withdrawal capabilities at Aliso Canyon during the summers of  
15 2016-2018. In 2018, the Commission's Energy Division directed SoCalGas to submit an advice  
16 letter for a winter notification marketing campaign for the 2018-2019 winter season, with the  
17 intent to support reliability during times of system stress.<sup>6</sup> This winter campaign is separate from  
18 other Flex Alert and marketing, education, and engagement activities recorded in the MEOMA,  
19 which supported summer electric system reliability. The notification campaign that will be  
20 implemented in winter 2018-2019 is proposed in Advice Letter 5369-A that was submitted on  
21 October 29, 2018.

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<sup>5</sup> Advice Letter 5369-A

<sup>6</sup> Advice Letter 5369-A

1 As of September 30, 2018, the MEOMA currently reflects a \$16.6 million  
2 undercollection balance, excluding any Winter Notification Marketing Campaign costs. Because  
3 the Winter Notification Marketing Campaign is a component of SoCalGas' DR Program,  
4 SoCalGas proposes to include the estimated \$2 million Winter Notification Marketing Campaign  
5 costs for the 2018-2019 winter season that has yet to be incurred, in PPP rates in the initial year  
6 that rates are adjusted for the SoCalGas DR Program and EDSP. Consistent with Commission  
7 direction, the remaining costs in the MEOMA will be addressed in SoCalGas' next general rate  
8 case or other applicable proceeding for recovery in rates from applicable SoCalGas customers.

9 This concludes my prepared direct testimony.

### 10 **III. QUALIFICATIONS**

11 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is  
12 555 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts  
13 Manager of the Regulatory Accounts group within the Accounting and Finance Department  
14 which supports the regulatory accounting and reporting activities for SoCalGas. I have held my  
15 current position since April 1, 2002. I am responsible for managing SoCalGas' authorized  
16 regulatory balancing, tracking and memorandum accounts. My responsibilities include:  
17 implementing regulatory accounting procedures for compliance with Commission decisions;  
18 quantifying and recording the monthly entries and adjustments to the Commission-authorized  
19 regulatory account mechanisms; and managing the general administration of SoCalGas'  
20 authorized regulatory accounts. Prior to April 1, 2002, I was the Utility Accounting Manager for  
21 SoCalGas, in which I had similar responsibilities to my current duties.

22 I received my Bachelor of Science degree in Accounting from California State  
23 University, Long Beach in 1982. I am a Certified Public Accountant and a member of the

1 American Institute of Certified Public Accountants and the California Society of Certified Public  
2 Accountants. I began my employment with SoCalGas in 1983 in the Accounting and Finance  
3 Department. I have held various positions of increasing responsibility in Internal Audit, Cost  
4 Accounting, General Accounting, and Utility Regulatory Accounting before assuming my  
5 current position.

6 I have previously testified before the Commission.



1 **DIRECT TESTIMONY OF MICHAEL FOSTER**

2 **IV. OVERVIEW AND SUMMARY OF NATURAL GAS RATE IMPACTS**

3 **A. Purpose**

4 The purpose of my prepared direct testimony on behalf of Southern California Gas  
5 Company (SoCalGas) is to sponsor the rate impacts associated with including in PPPs rate the  
6 proposed Demand Response Program Budgets as described by SoCalGas Cost Witness Darren  
7 Hanway, Nancy Carrell Lawrence, and Toni Mathews.

8 **V. NATURAL GAS RATE IMPACTS**

9 Demand Response Program Costs as described by testimonies of Darren Hanway, Nancy  
10 Carrell Lawrence, and Toni Mathews total \$15.7 million for 2019-2020, \$17.4 million for 2020-  
11 2021 and \$17.5 million for 2021-2022 for a grand total of \$50.6 million for 2019-2022. Further,  
12 as stated above in Reginald Austria’s testimony, SoCalGas proposes to include an additional  
13 \$12.2 million to year 2020 rates for recovery of two previous winter demand response programs  
14 and an upcoming winter DR program and Winter Notification Marketing Campaign. SoCalGas  
15 proposes to incorporate these costs into their Public Purpose Program (PPP) surcharge rates  
16 effective January 1 of the following year as filed in SoCalGas’ annual October PPP surcharge  
17 rate update rate filing. SoCalGas proposes to include these costs in rates as follows:

18 **Table 4-1 – Program Cost**

Programs (\$ in millions)	<b>Total</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Total Proposed Budgets	\$62.8	\$27,9	\$17.4	\$17.5
In rates beginning January of:		2020	2021	2022

19 SoCalGas Proposes to include these costs in the PPP surcharge rate and allocate to  
20 customer classes using Equal Percent of Margin (EPAM) method. Table 4-2 below shows the  
21 estimated bundled rate impact for years 2020-2022. The percent change in year 2020 is  
22 compared to current rates. Each subsequent percent change is compared to the previous year.

**Table 4-2**  
**Southern California Gas**  
**Demand Response Program – Gas**  
**Illustrative estimated Bundled Rate increase for Years 2020-2022**

Customer Class		Current Rates	2020		2021		2022	
Core-CARE		\$/th	\$/th	% change	\$/th	% change	\$/th	% change
	Residential	0.98319	0.99274	1%	0.98916	0%	0.98919	0%
	Commercial/ Industrial	0.61400	0.61772	1%	0.61633	0%	0.61634	0%
	Gas AC	0.51041	0.51177	0%	0.51126	0%	0.51127	0%
Core-Non CARE								
	Residential	1.15720	1.16675	1%	1.16318	0%	1.16320	0%
	Commercial/ Industrial	0.70318	0.70690	1%	0.70551	0%	0.70552	0%
	Gas AC	0.56554	0.56690	0%	0.56639	0%	0.56639	0%
	Gas Engine	0.53729	0.54024	1%	0.53913	0%	0.53914	0%
	Natural Gas Vehicle	0.46579	0.46579	0%	0.46579	0%	0.46579	0%
Noncore			-	-		-		-
	Commercial/ Industrial	0.08243	0.08298	1%	0.08277	0%	0.08278	0%

This concludes my prepared direct testimony.

**VI. QUALIFICATIONS**

My name is Michael W. Foster. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I received a Bachelor of Arts degree in Economics from the University of California, Santa Barbara in 1995. I received a Master of Business Administration degree from the Darden School of Business at the University of Virginia, Charlottesville in 2000.

As Principal Regulatory Economic Advisor, I support the gas transportation rates for both SoCalGas and SDG&E. This includes allocating authorized revenue requirements to customer rate classes, developing the design of the rate for each class, and computing the impact on customers' monthly bills.

I have previously testified before the Commission.