

Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-004
Exhibit: SCG-37-R

REVISED

SOCALGAS

DIRECT TESTIMONY OF GARY G. LENART
(REVENUES AT PRESENT AND PROPOSED RATES)

March 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



A  Sempra Energy utility

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SUMMARY

- This testimony presents the gas transportation revenue and rate changes and the estimated residential customer bill impacts associated with SoCalGas' 2016 GRC proposals.
- System total bundled rates revenue will increase 4.3% over effective 2015 rates.
- When comparing 2015 effective rates to the 2016 GRC rates, the average residential bill will increase 5.0%.

**SOCALGAS DIRECT TESTIMONY OF GARY G. LENART
(REVENUES AT PRESENT AND PROPOSED RATES)**

I. INTRODUCTION

The purpose of my testimony is to: (1) present a summary of the gas transportation revenue and rate changes that would result from the adoption of the Test Year 2016 General Rate Case (“GRC”) proposals of Southern California Gas Company (“SoCalGas”), and (2) present estimates of residential customer bill impacts. In addition, I describe SoCalGas’ proposals for the allocation of the Natural Gas Appliance Testing Memorandum Account (“NGATMA”) and the Storage Integrity Management Balancing Account (“SIMPBA”).¹

II. SUMMARY OF PRESENT AND PROPOSED GAS TRANSPORTATION REVENUES AND RATES

SoCalGas’ proposals in this proceeding would result in changes to:

- (i) total authorized base margin for transportation rates (see testimony of Khai Nguyen, Ex. SCG-34-R)
- (ii) franchise fee rate (see testimony Ragan Reeves, Ex. SCG-28-R);
- (iii) uncollectible rate (see testimony Evan Goldman, Ex. SCG-11);
- (iv) the balances for amortization of certain regulatory accounts (see testimony of Reginald Austria, Ex. SCG-33);
- (v) amounts for administrative fees paid to California Air Resources Board (see testimony Jill Tracy, Ex. SCG-17-R).

SoCalGas Proposals Resulting in Rate Changes:	Proposed 2016 Amounts
Base Margin \$ millions	\$2,241
Franchise Fee Rate	1.4136%
Uncollectible Rate	0.3120%
Research Development & Demonstration Expense Account (“RDDEA”) \$000's	(\$728)
NGATMA \$000's	\$1,944
General Rate Case Memorandum Account (“GRCMA”)	\$0
California Air Resources Board Admin Fees \$000's	\$4,966

¹ These regulatory accounts are described in the testimony of Reginald Austria, Exhibit (“Ex.”) SCG-33.

1 Rates and revenues for other components of the bundled rates, including commodity and
 2 Public Purpose Program (“PPP”) surcharge, would remain unchanged based on this application
 3 and, therefore, have been held constant for the present versus proposed comparison.² The
 4 transportation rates and revenues reflect the allocation of costs and sales volumes adopted in
 5 SoCalGas’ most recent cost allocation proceeding implemented on July 1, 2014,³ and updated for
 6 the January 1, 2015 Consolidated Rate Update⁴. The exception is the allocation of the
 7 NGATMA account, which SoCalGas proposes to allocate using the Equal Percent Authorized
 8 Margin method.

9 The following tables show current and proposed gas transportation revenues and rates by
 10 major customer class.

11
 12 **Table 1**
 13 Summary of Gas Bundled Revenue
 14 by Major Customer Class
 15 (\$ millions)

Customer Class	Total Revenues		Change	
	2015	2016	\$	%
1 Residential	\$3,135	\$3,292	\$157	5.0%
2 Core Commercial &				
3 Industrial	\$885	\$914	\$29	3.3%
4 Other	\$91	\$92	\$1	0.7%
4 Total Core	\$4,111	\$4,298	\$187	4.5%
Noncore				
5 C&I	\$130	\$135	\$5	3.6%
6 Sempra-Wide EG	\$54	\$55	\$1	2.2%
7 Retail Noncore Average	\$184	\$190	\$6	3.2%
8 Wholesale	\$20	\$20	\$0	-0.2%
9 Other	\$188	\$188	\$0	0.0%
10 SYSTEM TOTALS	\$4,504	\$4,697	\$193	4.3%

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² For illustrative purposes, the commodity price reflected in these tables was effective on July 1, 2014; and, the PPP surcharges were effective January 1, 2015. See SoCalGas Advice Letter Nos. 4588 and 4730 for the commodity and PPP charges, respectively.

³ See Decision D.14-06-007. Transportation rates and revenues reflect adjustments for System Integration, Backbone Transportation Service, and Sempra-wide rate adjustments.

⁴ See SoCalGas Advice Letter No. 4730 for Consolidated Rate Update effective January 1, 2015.

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Table 2
Summary of Gas Class Average Bundled Rates
by Major Customer Class
(\$/therm)

Customer Class	Total Rates		Change	
	2015	2016	\$	%
1 Residential Core Commercial &	\$1.34102	\$1.40816	\$0.06714	5.0%
2 Industrial	\$0.89937	\$0.92912	\$0.02974	3.3%
3 Total Core	\$1.18943	\$1.24350	\$0.05407	4.5%
Noncore				
4 C&I	\$0.08413	\$0.08718	\$0.00305	3.6%
5 Sempra-Wide EG	\$0.01824	\$0.01865	\$0.00041	2.2%
6 Retail Noncore Average	\$0.04079	\$0.04210	\$0.00131	3.2%
7 Wholesale	\$0.01298	\$0.01295	-\$0.00002	0.2%
8 SYSTEM TOTALS	\$0.47191	\$0.49211	\$0.02020	4.3%

6 **III. RESIDENTIAL CUSTOMER BILL IMPACTS**

7 The following table provides estimates of the average monthly gas bill for residential
8 customers, including commodity and transportation charges. This is based on the average
9 residential customer usage of 39 therms per month. As shown below, the bill amount for the
10 average customer usage of 39 therms per month would increase by \$2.61 per month, or 5.0%,
11 when compared to effective 2015 rates.

12 **Table 3**
13 Typical Monthly Residential Gas Bill
14 at Present and Proposed Rates
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	Average Monthly Bill		\$	Change %
	2015	2016		
Average Bill 39 therms/month	\$51.99	\$54.59	\$2.61	5.0%

16 **IV. ALLOCATION OF NGATMA and SIMPBA**

17 Amounts in the NGATMA⁵ and SIMPBA accounts to be amortized will be allocated to
18 rate classes and recovered through the transportation rates. The allocation method will be the

⁵ Pursuant to D.08-11-031, NGATMA is part of our base operations.

1 Equal Percent Authorized Margin method. This method is being proposed consistent with how
2 spending programs authorized in a GRC are allocated in-between cost allocation cycles.⁶

3 **V. CONCLUSION**

4 This concludes my revised prepared direct testimony.
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⁶ Cost allocation proceedings have occurred every 2 to 4 years.

1 **VI. WITNESS 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 Project Manager in the Regulatory
4 Affairs Department for SoCalGas and SDG&E.

5 I hold a Bachelor of Science degree in Business Finance and Computer Science from Bradley
6 University in Peoria, Illinois and a Master of Business Administration from California State
7 University at Northridge, California. I have been employed by SoCalGas since 1988, and have
8 held positions of increasing responsibilities in the Accounting, Strategic Planning, New Product
9 Development, Customer Service & Information, and Regulatory Affairs departments. I have
10 been in the gas rates department since 2006.

11 I have previously testified before the Commission.

SoCal Gas 2016 GRC Testimony Revision Log – March 2015

Exhibit	Witness	Page	Line	Revision Detail
SCG-37	Gary Lenart	GGL-ii		Second bullet-point, changed “4.7% to 4.3%” and “estimated” to “effective”; deleted “and 6.0% over 2014 rates”
SCG-37	Gary Lenart	GGL-ii		Third bullet-point, changed “estimated” to “effective”; changed “5.5% to 5.0%”; deleted “When comparing 2014 rates to the 2016 GRC rates, the average residential bill will increase 7%.”
SCG-37	Gary Lenart	GGL-1	Table	Changed Base Margin amount from “2,251” to “2,241”
SCG-37	Gary Lenart	GGL-2	5 and 6	Added “updated for the January 1, 2015 Consolidated Rate Update”
SCG-37	Gary Lenart	GGL-2	10-12	Deleted: “Since the revenue requirement is not proposed to be implemented until 2016, the tables below reflect the impact of this proposal on both (i) rates estimated to be in effect in 2015 due to existing GRC and cost allocation decisions, ⁷ and (ii) the rates currently in effect in 2014.”
SCG-37	Gary Lenart	GGL-2	FN2	Changed “January 1, 2014” to “January 1, 2015”; changed “4552” to “4730”
SCG-37	Gary Lenart	GGL-2	FN4	Deleted footnote and replaced with: “See SoCalGas Advice Letter No. 4730 for Consolidated Rate Update effective January 1, 2015.”
SCG-37	Gary Lenart	GGL-2	Table 1	Revised Table
SCG-37	Gary Lenart	GGL-3	Table 2	Revised Table
SCG-37	Gary Lenart	GGL-3	Table 3	Revised Table
SCG-37	Gary Lenart	GGL-3	10-11	Changed “\$2.75 to \$2.61”; changed “5.5% to 5.0%”; changed “estimated” to “effective”; Deleted 2014 discussion