

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

**SOCALGAS**

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

November 2014

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





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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 4.7% over estimated 2015 rates, and 6.0% over 2014 rates.
- When comparing 2015 estimated rates to the 2016 GRC rates, the average residential bill will increase 5.5%.
- When comparing 2014 rates to the 2016 GRC rates, the average residential bill will increase 7.0%.

**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”).<sup>1</sup>

**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)
- (ii) franchise fee rate (see testimony Ragan Reeves, Ex. SCG-28);
- (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).

SoCalGas Proposals Resulting in Rate Changes:	Proposed 2016 Amounts
Base Margin \$ millions	\$2,251
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

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

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

The following tables show current and proposed gas transportation revenues and rates by major customer class. 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,<sup>4</sup> and (ii) the rates currently in effect in 2014.

**Table 1**  
Summary of Gas Bundled Revenue  
by Major Customer Class  
(\$ millions)

Customer Class	Total Revenues		Change		Total Revenues		Change		
	Estimated 2015	2016	\$	%	2014	2016	\$	%	
1 Residential	\$3,018	\$3,184	\$166	5.5%	\$2,976	\$3,184	\$208	7.0%	
2 Core Commercial & Industrial	\$836	\$867	\$31	3.7%	\$828	\$867	\$38	4.6%	
3 Other	\$87	\$88	\$1	0.8%	\$87	\$88	\$1	1.5%	
4 Total Core	\$3,942	\$4,139	\$197	5.0%	\$3,891	\$4,139	\$248	6.4%	
Noncore									
5 C&I	\$109	\$114	\$5	4.7%	\$108	\$114	\$6	5.6%	
6 Sempra-Wide EG	\$48	\$49	\$1	2.7%	\$47	\$49	\$2	5.0%	
7 Retail Noncore Average	\$157	\$163	\$6	4.1%	\$155	\$163	\$8	5.4%	
8 Wholesale	\$17	\$17	\$0	-0.4%	\$17	\$17	\$0	-1.1%	
9 Other	\$191	\$191	\$0	0.0%	\$191	\$191	\$0	0.0%	
10 SYSTEM TOTALS	\$4,306	\$4,510	\$204	4.7%	\$4,254	\$4,510	\$256	6.0%	

<sup>2</sup> For illustrative purposes, the commodity price reflected in these tables was effective on July 1, 2014; and, the PPP surcharges were effective January 1, 2014. See SoCalGas Advice Letter Nos. 4588 and 4552 for the commodity and PPP charges, respectively.

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

<sup>4</sup> D.13-05-010 (SoCalGas’ 2012 GRC decision) authorized an attrition increase in base margin for 2015, which has been applied. D.14-06-007 the Triennial Cost Allocation Proceeding authorized the Transition Adjustment, which is an adjustment to cost allocation, which is also reflected in the 2015 estimated rates.

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

Customer Class	Total Rates		Change		Total Rates		Change	
	Estimated 2015	2016	\$	%	2014	2016	\$	%
1 Residential	\$1.29131	\$1.36217	\$0.07086	5.5%	\$1.27326	\$1.36217	\$0.08891	7.0%
2 Core Commercial & Industrial	\$0.84937	\$0.88079	\$0.03142	3.7%	\$0.84182	\$0.88079	\$0.03897	4.6%
3 Total Core	\$1.14036	\$1.19743	\$0.05707	5.0%	\$1.12582	\$1.19743	\$0.07161	6.4%
Noncore								
4 C&I	\$0.07047	\$0.07377	\$0.00330	4.7%	\$0.06983	\$0.07377	\$0.00393	5.6%
5 Sempra-Wide EG	\$0.01610	\$0.01654	\$0.00044	2.7%	\$0.01576	\$0.01654	\$0.00078	5.0%
6 Retail Noncore Average	\$0.03470	\$0.03612	\$0.00142	4.1%	\$0.03426	\$0.03612	\$0.00186	5.4%
7 Wholesale	\$0.01074	\$0.01070	-\$0.00004	-0.4%	\$0.01081	\$0.01070	-\$0.00012	-1.1%
8 SYSTEM TOTALS	\$0.45117	\$0.47250	\$0.02133	4.7%	\$0.44571	\$0.47250	\$0.02680	6.0%

5 **III. RESIDENTIAL CUSTOMER BILL IMPACTS**

6 The following table provides estimates of the average monthly gas bill for residential  
7 customers, including commodity and transportation charges. This is based on the average  
8 residential customer usage of 39 therms per month. As shown below, the bill amount for the  
9 average customer usage of 39 therms per month would increase by \$2.75 per month, or 5.5%,  
10 when compared to estimated 2015 rates; and, by \$3.45 per month, or 7.0%, when compared to  
11 2014 rates.

**Table 3**  
Typical Monthly Residential Gas Bill  
at Present and Proposed Rates

	Average Monthly Bill		Change		Average Monthly Bill		Change	
	Estimated 2015	2016	\$	%	2014	2016	\$	%
Average Bill 39 therms/month	\$49.75	\$52.50	\$2.75	5.5%	\$49.05	\$52.50	\$3.45	7.0%

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

16 Amounts in the NGATMA<sup>5</sup> and SIMPBA accounts to be amortized will be allocated to  
17 rate classes and recovered through the transportation rates. The allocation method will be the

<sup>5</sup> 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.<sup>6</sup>

3 **V. CONCLUSION**

4 This concludes my prepared direct testimony.

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

11 I have previously testified before the Commission.