

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY
FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES
EFFECTIVE JANUARY 1, 2017 IN THEIR
TRIENNIAL COST ALLOCATION PROCEEDING - PHASE 2**

(A.15-07-014)

(DATA REQUEST ORA-TCAP2-SCG-15)

QUESTION 1:

At pages 15-16 of the above subject regarding distribution-related marginal unit cost and marginal cost revenue, SoCalGas/SDG&E witness Mr. Chaudhury states : “The period for the regression analysis is 15 years: nine years of historical data (2005-2013) and six years of forecast data (2014-2019).” In the SCG 2017 TCAP LRMC Distribution Costs excel spreadsheet workpapers, specifically at Tab “Out Investment History” at Table 4: Load-Growth-Related Total, High & Medium Pressure Distribution Mains Historical Investments, the historical investment information on distribution mains presented under excel columns BJ through BM and at excel rows 13 through 21 are designated with the captions “New Business,” “Pressure Betterment,” “Contrib New Constr,” “ACT 378 Mtr Reg Stn,” and “Annual Total.” The information in Table 4 are stated in 2017\$. The workpapers of Mr.Chaudhury also provides the factor to escalate prices from 2013-2017 applicable to capital, which is 1.0876. ORA notes that in the recent A.14-11-004 2016 GRC for SoCalGas, SoCalGas witness on Gas Distribution capital expenditures (CAPEX) Frank Ayala presented information on the 2009-2014 SoCalGas recorded capital expenditures for gas distribution.¹ The information in the SoCalGas GRC gas distribution CAPEX workpapers are stated in 2013\$.

- a) Please explain whether the information on historical investment in the above described columns and rows represent the SoCalGas actual recorded historical investment for the period 2005-2013 shown in Table 4. If not, please so confirm and state what the costs shown represent.
- b) ORA observed a material difference when it compared a portion of the historical investment for the period 2009-2013 for “New Business” and “Pressure Betterment” shown at Table 4 of Mr. Chaudhury’s workpapers against those shown in the 2016 GRC workpapers for Exhibit SCG-04-CWP-R shown below:

¹ Exhibit SCG-04-R, Frank B. Ayala and workpapers in Exhibit SCG-04-CWP-R.

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Table 4 <u>Year</u>	Total Distribution Mains					
	<u>New Business</u>	<u>Pressure Betterment</u>	<u>Contrib. New Constr</u>	<u>ACT 378 Mtr, Reg Stn</u>	<u>Annual Total</u>	<u>Cumulative Total</u>
2005	130,600,833	68,569,217	(3,755,464)	4,468,683	199,883,269	199,883,269
2006	140,308,251	75,974,323	(16,001,924)	9,609,107	209,889,757	409,773,026
2007	97,059,456	47,815,313	(170,565)	5,959,329	150,663,533	560,436,559
2008	29,741,732	47,542,052	(391,549)	6,948,113	83,840,348	644,276,907
2009	15,311,812	36,443,478	(313,498)	4,350,817	55,792,608	700,069,515
2010	9,949,237	34,403,550	(734,630)	5,742,870	49,361,027	749,430,542
2011	12,421,550	5,698,970	0	7,429,092	25,549,612	774,980,154
2012	13,165,722	13,972,011	0	8,139,388	35,277,122	810,257,275
2013	17,147,077	1,008,112	3,112	7,950,652	26,108,954	836,366,229
2014	0	0	0			
Total	465,705,671	331,427,026	(21,364,518)	60,598,050	836,366,229	

Portion of Table 4 above for “New Business” and “Pressure Betterment” are reformatted to be comparable to SCG-04-CWP-R Table on gas distribution CAPEX:
(in Thousands of 2017 Dollars)

Description	2009	2010	2011	2012	2013
(a)	(b)	(c)	(d)	(e)	(f)
1.New Business	\$15,312	\$9,949	\$12,422	\$13,166	\$17,147
2.Pressure Betterment	\$36,443	\$34,404	\$5,699	\$13,972	\$1,008

From SCG-04-CWP-R on Gas Distribution
2009-2013 SoCalGas’ Recorded Capital Expenditures
(in Thousands of 2013 Dollars)

Description	2009	2010	2011	2012	2013
(a)	(b)	(c)	(d)	(e)	(f)
1.New Business	\$11,141	\$6,333	\$9,137	\$10,417	\$19,847
2.Pressure Betterment	\$13,320	\$11,476	\$15,092	\$12,900	\$12,385

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ORA restated the above in 2017\$ using SoCalGas factor for capital of 1.0876 shown below:
(in Thousands of 2017 Dollars)

Description	2009	2010	2011	2012	2013
(a)	(b)	(c)	(d)	(e)	(f)
1.New Business	\$12,117	\$6,888	\$9,937	\$11,330	\$21,586
2.Pressure Betterment	\$14,487	\$12,481	\$16,414	\$14,030	\$13,470

There is a material difference between the two sets of data on historical distribution investment on “New Business” and “Pressure Betterment” observed shown below:

Description	2009	2010	2011	2012	2013
(a)	(b)	(c)	(d)	(e)	(f)
1.New Business	\$3,195	\$3,061	\$2,484	\$1,836	\$(4,439)
2.Pressure Betterment	\$23,123	\$22,928	\$(9,393)	\$1,072	\$(11,377)

Please provide an explanation on why there could be a material difference between the two sets of data on historical gas distribution investment on “New Business” and “Pressure Betterment” as described above.

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RESPONSE 1:

- a) The information on historical investment in the above described columns and rows in Table 4 of Mr. Chaudhury's workpapers (SCG 2017 TCAP LRMC Distribution Costs excel spreadsheet) do not represent SoCalGas' actual historical investment costs for the period 2005-2013. Rather, Table 4 represents historical total annual footage for new business and pressure betterment by distribution pipe size and type valued at 2017 unit costs. These costs represent hypothetical costs if the historical new business and pressure betterment footage investments were to take place in 2017. This methodology has been used in previous BCAPs and TCAPs.
- b) The two sets of data on historical gas distribution investment on "New Business" and "Pressure Betterment" as described above are not comparable. Mr. Ayala's definition of distribution capital investment is different from that in Mr. Chaudhury's TCAP testimony. For example, Mr. Ayala defines distribution-related capital investment to include installation of gas mains and services (service lines), meter set assemblies (MSAs) and the associated regulator stations necessary to provide service to customers (see page FBA-89, Exhibit SCG-04-R). In Mr. Chaudhury's testimony, service lines and MSAs are part of the customer-related function.