Application No: A.15-07-
Exhibit No.:
Witness: S. Nasim Ahmed

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for Authority to Revise their Natural Gas Rates Effective January 1, 2017 in this Triennial Cost Allocation Proceeding Phase 2	A.15-07-____ (Filed July 8, 2015)

PREPARED DIRECT TESTIMONY OF

S. NASIM AHMED

SOUTHERN CALIFORNIA GAS COMPANY

AND

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

July 8, 2015

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PREPARED DIRECT TESTIMONY

OF S. NASIM AHMED

I. PURPOSE

The purpose of my direct testimony on behalf of Southern California Gas Company (SoCalGas) is to (1) present the forecasts of the SoCalGas December 31, 2016, regulatory account balances to be incorporated into the Triennial Cost Allocation Proceeding (TCAP) adopted rates; (2) propose a true-up mechanism to amortize in rates the additional unamortized over- or undercollection that remains in the Core Fixed Cost Account (CFCA) at the end of each year if it exceeds a 10% threshold; (3) propose the elimination of the 2008-2011 program cycle in the Research Development & Demonstration Expense Account (RDDEA) as it is no longer required with the residual balance to be transferred to other regulatory accounts; (4) propose a refund plan for the charges accumulated in the Curtailment Violation Penalty Account (CVPA); and (5) establish the System Operator Gas Account (SOGA).

II. OVERVIEW

The rates authorized in Decision (D.) 14-06-007, SoCalGas' 2013 TCAP, became effective July 1, 2014. As authorized by the California Public Utilities Commission (Commission), SoCalGas subsequently filed its annual regulatory account balance update by advice letter in October 2014, requesting authority to incorporate estimated December 31, 2014, regulatory account balances into rates effective January 1, 2015.[1] The Commission granted such authority on December 17, 2014. The October 15, 2014, regulatory account balance update reflects the latest available information on the regulatory account balances, including forecasts of other regulatory accounts authorized in other proceedings. SoCalGas expects to file annual regulatory account balance updates in October 2015 and October 2016, which will supersede the

[1] Advice No. 4700 filed on October 15, 2014.

forecast being provided in Section III in order to confirm that rates are based on forecast regulatory account balances that reflect the latest available information for incorporating into rates effective January 1, 2017.

Section III presents the forecasts for the regulatory accounts and the proposed CFCA true-up mechanism. Section IV describes the proposal for the elimination of the 2008-2011 program cycle of the RDDEA and the disposition of the residual balance in the account, Section V describes the proposal for refunding the charges accumulated in the CVPA, and Section VI describes the proposal to establish the SOGA. The rate impact of the regulatory account balances is addressed in the direct testimony of Mr. Bonnett.

As discussed in detail in the following section, the forecast December 31, 2016, regulatory account balances are summarized in Table 1 and are based on recorded activity through March 2015. SoCalGas proposes to include the forecast regulatory account balances presented in Section III in rates to be amortized over a 12-month period beginning January 1, 2017.

III. FORECAST OF REGULATORY ACCOUNT BALANCES AS OF DECEMBER 31, 2016

A. Affiliate Transfer Fee Account (ATFA)

The ATFA was established by D.97-12-088 to record the transfer payment to SoCalGas from Sempra Energy when an employee moves from SoCalGas to a Sempra Energy affiliate. The ATFA is forecast to be fully amortized as of December 31, 2016. Should payments be made in the remaining months of 2015 and in 2016, a revised forecast will be incorporated in the annual regulatory account balance update filing.

B. Backbone Transmission Balancing Account (BTBA)

Pursuant to D.11-04-032, D.11-03-029, and Resolution G-3488, the BTBA consists of three subaccounts: the BTBA Subaccount, IT Cost Subaccount, and Discount Cost Subaccount. The purpose of the BTBA Subaccount is to record the difference between the authorized Backbone Transmission Service (BTS) revenue requirement and BTS revenues from firm and interruptible access to SoCalGas' backbone transmission system. The BTBA Subaccount will also record the costs of providing discounts to interruptible BTS and firm BTS with alternate receipt point rights. In addition, the BTBA Subaccount will record net revenues from off-system deliveries in excess of any applicable system reliability costs and system implementation costs for off-system delivery service. The purpose of the IT Cost Subaccount is to record information technology costs incurred to enhance BTS. The purpose of the Discount Cost Subaccount is to record the costs of providing discounts to firm BTS without alternate receipt point rights.

The BTBA is forecast to be $3.8 million undercollected as of December 31, 2016. The forecast undercollected balance is due to the authorized BTS revenue requirement exceeding the BTS revenues.

C. Core Fixed Cost Account (CFCA)

The CFCA balances an authorized margin (excluding the transmission revenue requirements recorded in the BTBA and Integrated Transmission Balancing Account (ITBA)) and other non-gas costs allocated to the core market with revenues collected in rates intended to recover these costs. The CFCA also records the core portion of costs for funding SoCalGas' Gas Assistance Fund (GAF) program pursuant to Advice No. 4168. In addition, in accordance with Advice No. 4177-A, filed pursuant to D.07-08-029, D.10-09-001, and Resolution G-3489, the CFCA will be credited for the core's allocation of the System Modification Fee (SMF) charged to California Producers to offset the system modification costs that have been incorporated in base rates in connection with SoCalGas' 2012 General Rate Case (GRC).

The CFCA is forecast to be undercollected by $2.7 million as of December 31, 2016. The forecast undercollected balance is due to accumulated interest as SoCalGas projects to recover its authorized margin and other non-gas costs for the year.

On an annual basis, SoCalGas complies with the longstanding practice of submitting an advice letter to update its revenue requirement for projected year-end regulatory account balances for incorporating into rates effective January 1 of the subsequent year. Any differences between the projected year-end regulatory account balances and the actual recorded balances at December 31 remain unamortized during the subsequent year. Consistent with its longstanding practice, SoCalGas waits until the following year's advice letter filing to incorporate any unamortized differences into rates on January 1 of the subsequent year.

The table below shows the results of the CFCA for the last five years. During these years, the CFCA recorded unamortized differences ranging from $141 million undercollected to $63.6 million overcollected. Based on absolute differences, on average, SoCalGas carried an additional $52.8 million annually of an unamortized balance in its CFCA. Comparing these amounts to the recorded CFCA margin for the months of September through December, the variance is on average 10.6%.

Table Comparing CFCA Unamortized Balance to Recorded Margin			
Year	Unamortized Balance at Year-end - (Over) / Under-Collected	CFCA Recorded Margin (Sept-Dec)	Percentage
2010	(36.4)	469.0	7.8%
2011	(63.6)	484.5	13.1%
2012	21.2	485.5	4.4%
2013	1.9	514.0	0.4%
2014	141.0	543.2	26.0%
Average (absolute)	52.8	499.2	10.6%

Rather than wait another year to recover or refund any significant unamortized balance in the CFCA, SoCalGas proposes the following rate trigger mechanism detailed below to determine whether a true-up of rates will be made for the unamortized portion of the CFCA balance. Based on historical experience, SoCalGas considers 10% or higher to be significant to warrant a true-up for the unamortized balance in rates. The following steps describe how the rate trigger mechanism will work.

- SoCalGas will total the authorized margin recorded in the CFCA for the last four months of the year and compare 10% of the total amount to the unamortized portion of the CFCA balance.
- If the unamortized portion of the CFCA balance is greater than 10% of the total amount, then SoCalGas will file an advice letter proposing to update rates for the unamortized portion of the CFCA balance.
- SoCalGas will file a Tier 2 advice letter by February 28th in the following year requesting the rate update to be effective April 1. Rates will be updated to reflect recovery or refund of the unamortized portion of the CFCA balance over the remaining nine months of the year.

For example, in the Table above, only years 2011 and 2014 would trigger a rate true-up under this proposed mechanism.

D. Compression Services Balancing Account (CSBA)

Pursuant to D.12-12-037, the Commission authorized SoCalGas to offer a new optional tariff service for non-residential customers requiring natural gas compression above the standard line pressure for the customer's end-use application. SoCalGas will own, operate, and maintain on the customer's premises equipment associated with the compression of natural gas to provide gas service at the pressure requested by the customer in accordance with a service contract. The costs for providing this service are to be paid only by customers who elect this service. However, to the extent that embedded resources funded in base rates are used to provide compression services, SoCalGas ratepayers will be reimbursed through a credit to the CSBA in which the balance will be amortized in rates the following year. The CSBA is forecast to be $0.3 million overcollected as of December 31, 2016.

E. Company Use Fuel for Load Balancing Account (CUFLBA)

Pursuant to D.09-11-006, the CUFLBA was established to balance the difference between actual costs for company-use fuel for load balancing purposes with the revenues intended to recover these costs. The CUFLBA is forecast to be $30,000 undercollected as of December 31, 2016.

F. Compressor Station Fuel and Power Balancing Account (CFPBA)

Pursuant to D.08-07-046, SoCalGas' 2008 GRC, the CFPBA was established to record actual costs for electricity used in the operation of SoCalGas' compressor stations. The CFPBA is forecast to be undercollected by $0.3 million as of December 31, 2016.

G. California Solar Initiative Thermal Program Memorandum Account (CSITPMA)

The CSITPMA was established to record expenses associated with the California Solar Initiative (CSI) Thermal Program pursuant to D.10-01-022. In compliance with AB 1470, the Commission established the CSI Thermal Program to provide incentives to promote the installation of solar water heating systems in homes and businesses that displace the use of natural gas.

The CSITPMA is forecast to be undercollected by $9.8 million as of December 31, 2016. The forecast undercollected balance is primarily due to projected incentive payments and other program expenses for the year.

H. Economic Practicality Shortfall Memorandum Account (EPSMA)

The EPSMA, which is not recorded on SoCalGas' financial statements, tracks the shortfall in revenue that is recorded in the CFCA principally as a result of large core customers electing to transfer from core to noncore service. In D.14-06-007, SoCalGas was authorized to update the demand forecast to account for core to noncore migration and assign 20% of the revenue shortfall occurring in the CFCA directly to noncore customers (remaining 80% is recovered from core customers). The EPSMA is forecast to be undercollected by $0.7 million as of December 31, 2016. SoCalGas proposes to amortize and record the corresponding entries into the CFCA over a 12-month period beginning January 1, 2017.

I. Enhanced Oil Recovery Account (EORA)

The EORA balances an authorized margin (excluding the transmission revenue requirements recorded in the BTBA and ITBA) and other non-gas costs allocated to the EOR market with revenues collected in rates intended to recover these costs. In addition, in accordance with Advice No. 4177-A, filed pursuant to D.07-08-029, D.10-09-001, and

Resolution G-3489, the EORA will be credited for the EOR's allocation of the SMF charged to California Producers to offset the system modification costs that have been incorporated in base rates in connection with SoCalGas' 2012 GRC.

The EORA is forecast to be overcollected by $0.6 million as of December 31, 2016. The forecast overcollected balance is primarily due to higher throughput-related revenues for the year.

J. FERC Settlement Proceeds Memorandum Account (FSPMA)

The original purpose of the FSPMA was solely to record the El Paso Settlement Proceeds allocable to Core Aggregation Transportation (CAT) customers pursuant to D.03-10-087. The FSPMA was modified to include the CAT customers' share of all FERC settlement proceeds received from other companies settling with the State of California for their involvement in the 2000-2001 energy crisis.

The FSPMA is forecast to have a residual overcollected balance of $7,000 as of December 31, 2016, due to accumulated interest for the year.

K. General Rate Case Memorandum Account (GRCMA)

The purpose of the GRCMA as approved in Resolution G-3460 was to record the shortfall or overcollection resulting from the difference between rates currently in effect for utility service and the final rates adopted by the Commission in D.13-05-010 in Application (A.) 10-12-006, SoCalGas' 2012 GRC. The GRCMA was to be amortized in rates over 31 months beginning on June 1, 2013 through December 31, 2015.

The GRCMA is addressed in A.14-11-004, SoCalGas' 2016 GRC. In the testimony of Mr. Austria, the GRCMA was forecast to be zero or close to a zero balance as of December 31, 2015, so SoCalGas proposed to transfer any residual balance to the CFCA and Noncore Fixed Cost Account (NFCA) and eliminate the GRCMA.

L. Greenhouse Gas Balancing Account (GHGBA)

Pursuant to D.14-12-040, the purpose of the GHGBA is to record costs incurred to comply with the California Cap and Greenhouse Gas (GHG) Emissions and Market-Based Compliance mechanisms (Cap-and-Trade Program) regulations imposed by the Air Resources Board. The GHGBA consists of three subaccounts: End Users GHG Compliance Cost Subaccount, Company Facilities GHG Compliance Cost Subaccount, and Consignment Revenues Subaccount. The purpose of the End Users GHG Compliance Cost Subaccount is to record costs and corresponding revenues associated with emission allowances and/or offsets purchases for SoCalGas' natural gas deliveries to end users. The purpose of the Company Facilities GHG Compliance cost Subaccount is to record costs and corresponding revenues associated with emissions allowances and/or offsets purchases for SoCalGas' covered facilities. The purpose of the Consignment Revenues Subaccount is to record revenues received from consignment of natural gas supplier allowances for auction.

Prior to the establishment of the GHGBA, Cap-and-Trade program costs related to GHG emissions and the corresponding authorized cost in GRC base rates were recorded in the C&T Facilities and C&T End User Subaccounts of the New Environmental Regulation Balancing Account (NERBA). In compliance with D.14-12-040, SoCalGas transferred the year-end 2014 balances from the two NERBA subaccounts to the GHGBA. However, in Advice No. 4700, SoCalGas requested and received approval to amortize the NERBA C&T Facilities Subaccount in 2015 rates. Since the balance in the NERBA C&T Facilities Subaccount was transferred to the GHGBA Company Facilities GHG Compliance Cost Subaccount, the amortization revenues in 2015 rates associated with the transferred balance are recorded in the associated GHGBA Subaccount. SoCalGas is party to a current greenhouse gas rulemaking (R.14-03-003) in which, among other things, the disposition of the GHGBA is being addressed. Pending resolution of the

GHGBA in R.14-03-003, a forecast of the GHGBA balance as of December 31, 2016, is not presented in this application. Once a Commission decision on the disposition of GHGBA in R.14-03-003 is issued, a forecast of the GHGBA will be included in SoCalGas' next regulatory account balance update filing.

M. Hazardous Substance Cost Recovery Account (HSCRA)

The HSCRA was established to record hazardous substance clean-up and insurance litigation costs related to manufactured gas plants, presently identified federal Superfund sites, and other sites identified by the utility offset by recorded insurance recoveries from third parties, insurance carriers, and customers. The HSCRA is forecast to be undercollected by $11.8 million as of December 31, 2016. The forecasted undercollected balance is due to the ratepayers' 90% share of clean-up costs.

N. Integrated Transmission Balancing Account (ITBA)

Pursuant to D.06-04-033, D.06-12-031, Resolution G-3407, and D.11-04-032, SoCalGas was authorized to establish the ITBA to record the difference between the authorized transmission system revenue requirement and the corresponding transmission system revenues that are not reflected in the BTBA. In addition, pursuant to D.13-05-010, the ITBA is authorized to record costs associated with testing, management, removal, and disposal of PCBs existing in SoCalGas' natural gas system.

SoCalGas' ITBA is forecast to be undercollected by $4.8 million as of December 31, 2016. The forecast undercollected balance is primarily due to authorized transmission system costs exceeding the projected transmission revenues.

Under System Integration, the forecast balances for SoCalGas' ITBA and SDG&E's ITBA are combined and re-allocated between the two utilities based on the adopted cold-year throughput. After combing and re-allocating the projected 2016 year-end balances, SoCalGas' re-allocated ITBA balance is forecast to be undercollected by $10.2 million.

O. Intervenor Awards Memorandum Account (IAMA)

The IAMA was established to record authorized payments to intervenors for recovery in rates. The IAMA is forecast to be fully amortized as of December 31, 2016. Should intervenor payments be made in the remaining months in 2015 and in 2016, an updated forecast will be included in the annual regulatory account balance update filing.

P. New Environmental Regulation Balancing Account (NERBA)

Pursuant to D.13-05-010, the purpose of the NERBA was to record the difference between actual costs and authorized costs in rates associated with the new greenhouse gas requirements. Per D.14-12-040, SoCalGas established a Greenhouse Gas Balancing Account and Greenhouse Gas Memorandum Account to record Cap-and-Trade Program costs related to GHG emissions associated with SoCalGas' covered facilities and natural gas deliveries to end users. As a result, the NERBA consists of two subaccounts: AB32 Admin Fee Subaccount and Subpart W Subaccount. The purpose of the AB32 Admin Fee Subaccount is to record the difference between actual administrative fees paid to the California Air Resources Board (CARB) and the associated authorized cost in base rates. The purpose of the Subpart W Subaccount is to record the operating and maintenance (O&M) and capital-related costs associated with the monitoring and reporting requirements of Subpart W to the GHG Mandatory Reporting Rule issued by the US Environmental Protection Agency and the associated authorized costs in base rates.

Pursuant to D.13-05-010, the NERBA is effective January 1, 2012, and will continue for the four-year GRC cycle through December 31, 2015. The NERBA is addressed in SoCalGas' 2016 GRC, A.14-11-004, which includes, among other things, continuation of its authorized ratemaking treatment and current allocation method for the next GRC period. Pending resolution of the NERBA in SoCalGas' 2016 GRC application, a forecast of the NERBA balance as of December 31, 2016, is not presented in this application. As SoCalGas is amortizing an overcollected balance for the NERBA AB32 Admin Fee Subaccount of $1.1 million effective January 1, 2015, the same overcollected balance will be retained as a placeholder for the proposed amortization in rates over the 12-month period beginning January 1, 2017. Once a Commission decision in SoCalGas' 2016 GRC application is issued, an updated forecast of the NERBA will be included in SoCalGas' October 2016 regulatory account balance update filing.

Q. Noncore Fixed Cost Account (NFCA)

The purpose of the NFCA is to balance an authorized margin (excluding the transmission revenue requirements recorded in the BTBA and ITBA) and other non-gas costs allocated to noncore customers (excluding EOR) with corresponding revenues to recover such costs. The NFCA also records the noncore portion of costs for funding SoCalGas' GAF program pursuant to Advice No. 4168. In addition, in accordance with Advice No. 4177-A, filed pursuant to D.07-08-029, D.10-09-001, and Resolution G-3489, the NFCA will be credited for the noncore's allocation (excluding EOR) of the SMF charged to California Producers to offset the system modification costs which have been incorporated in base rates in connection with SoCalGas' 2012 GRC.

The NFCA is forecast to be undercollected by $3.4 million as of December 31, 2016. The forecasted undercollected balance is primarily due to lower throughput-related revenues for the year.

R. Noncore Storage Balancing Account (NSBA)

The NSBA balances authorized costs for unbundled storage service with revenues collected from customers who contract for storage service under the unbundled storage program.

In addition, the NSBA records net revenues from hub services collected under SoCalGas' G-PAL (Operational Hub Service) tariff. D.08-12-020, Phase I of SoCalGas' 2009 BCAP, established a sharing mechanism for the NSBA between ratepayers and shareholders for net revenues for a six-year period beginning in January 1, 2009. D.14-06-007 authorized the sharing mechanism to continue through the end of 2015. Consistent with the proposal in the testimony of Mr. Watson in Phase I of SoCalGas' TCAP A.14-12-017 for the sharing mechanism related to the unbundled storage program for the next TCAP period, the accounting treatment for the sharing mechanism as it relates to the authorized costs and related revenues for the NSBA should also be extended for the same period.

The NSBA is forecast to have a residual overcollected balance of $14,000 as of December 31, 2016, as revenues for the year are projected to equal authorized costs.

S. Pension Balancing Account (PBA)

The purpose of the PBA is to balance the difference between the forecast and actual minimum contributions to SoCalGas' pension fund. The authorized pension revenue requirement and the related actual pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (*i.e.*, for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBA records an adjustment for the difference in pension costs embedded in authorized and actual depreciation along with the related return.

Pursuant to D.13-05-010, the PBA is effective January 1, 2012, and will continue for the four-year GRC cycle through December 31, 2015. The PBA is addressed in SoCalGas' 2016 GRC, A.14-11-004, which includes, among other things, the pension funding revenue requirement and the continued amortization of the PBA balance on an annual basis during the 2016 GRC period. Pending resolution of the PBA in SoCalGas' 2016 GRC application, a forecast of the PBA balance as of December 31, 2016, is not presented in this application. As SoCalGas is amortizing an overcollected PBA balance of $19.7 million effective January 1, 2015, the same overcollected balance will be retained as a placeholder for the proposed amortization in rates over the 12-month period beginning January 1, 2017. Once a Commission decision in SoCalGas' 2016 GRC application is issued, an updated forecast of the PBA will be included in SoCalGas' October 2016 regulatory account balance update filing.

T. Post-Retirement Benefits Other than Pension Balancing Account (PBOPBA)

The purpose of the PBOPBA is to balance the difference between the annual Post Retirement Benefits Other than Pension (PBOP) costs embedded in authorized rates and the actual tax-deductible contributions to the PBOP Trust. The authorized PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related PBOP costs capitalized in ratebase and inter-company PBOP costs (*i.e.*, for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

Pursuant to D.13-05-010, the PBOPBA is effective January 1, 2012, and will continue for the four-year GRC cycle through December 31, 2015. The PBOPBA is addressed in SoCalGas' 2016 GRC, A.14-11-004, which includes, among other things, the PBOP funding requirement and the continued amortization of the PBOPBA balance on an annual basis during the 2016 GRC period. Pending resolution of the PBOPBA in SoCalGas' 2016 GRC application, a forecast of the PBOPBA balance as of December 31, 2016, is not presented in this application. As SoCalGas is amortizing an overcollected PBOPBA balance of $21.1 million effective January 1, 2015, the same overcollected balance will be retained as a placeholder for the proposed amortization in rates over the 12-month period beginning January 1, 2017. Once a Commission decision in SoCalGas' 2016 GRC application is issued, an updated forecast of the PBOPBA will be included in SoCalGas' October 2016 regulatory account balance update filing.

U. Research Royalty Memorandum Account (RRMA)

The RRMA records all royalties, licensing fees, and other revenue attributable to SoCalGas' Research, Development, and Demonstration projects. The RRMA is forecast to have a residual overcollected balance of less than $1,000 as of December 31, 2016, due to accumulated interest for 2016. Should SoCalGas receive royalty payments in the remaining months in 2015 and in 2016, a revised forecast will be incorporated in the annual regulatory account balance update filing.

V. Rewards and Penalties Balancing Account (RPBA)

The RPBA records rewards and penalties based on the incentive mechanisms associated with SoCalGas' energy efficiency programs. The RPBA also records the ratepayer's share of net revenues associated with SoCalGas' Mover Services Program (MSP) approved in Advice No. 4124.

The RPBA is forecast to have an overcollected balance of $0.3 million as of December 31, 2016, due to revenues projected for the MSP in 2016.

W. Self-Generation Program Memorandum Account (SGPMA)

Pursuant to D.02-02-026, D.01-09-012, D.01-07-028, D.01-03-073, and the CSI adopted in D.05-12-044 and D.06-01-024 and modified in D.06-12-033, the Commission authorized the regulatory accounting treatment of the incremental costs associated with SoCalGas' Self-Generation Incentive Program (SGIP) prescribed under AB 970. Self-generation, as defined in D.01-03-073, refers to distributed generation technologies, such as microturbines, small gas turbines, wind turbines, fuel cells, and internal combustion engines.

Pursuant to D.14-12-033, SoCalGas is authorized to recover an $8.0 million annual revenue requirement for SoCalGas' SGIP for the years 2015 through 2019. As a result, SoCalGas forecasts to collect its 2017 SGIP annual revenue requirement in transportation rates beginning January 1, 2017.

X. System Reliability Memorandum Account (SRMA)

The purpose of the SRMA is to record certain costs associated with the Utility System Operator's purchase and delivery of gas to sustain operational flows on the SoCalGas and SDG&E system. In addition, the SRMA will record adjustments in compliance with Advice Nos. 4291-A, 4394-B, and 4513-A and their respective Memoranda In Lieu of Contract (MILC) consistent with Resolutions G-3468, G-3476, and G-3485, respectively.

In order to amortize the costs recorded in the SRMA, SoCalGas is required to submit for approval by the Commission an annual compliance report detailing system reliability purchases and sales. On October 1, 2013, SoCalGas submitted its annual compliance report for the period of September 1, 2012, through August 31, 2013, in Advice No. 4547. With the Commission's approval of Advice No. 4547 on March 17, 2014, SoCalGas included the net costs with the related MILC adjustments in Advice No. 4700 for amortization in 2015 rates. On September 19, 2014, SoCalGas submitted Advice No. 4690 for its annual compliance report for system reliability transactions for the period of September 1, 2013 through August 31, 2014. Pending the approval of Advice No. 4690, a forecast of system reliability costs for proposed amortization in 2017 rates is not presented in this application. Upon approval of Advice No. 4690, SoCalGas will include the system reliability costs in its next regulatory account balance update filing.

IV. ELIMINATION OF 2008-2011 PROGRAM CYCLE IN THE RESEARCH DEVELOPMENT & DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

The purpose of the RDDEA is to record the difference between authorized costs in rates and actual costs associated with non-public interest research, development, and demonstration programs.

The 2008-2011 program cycle of the RDDEA is forecast to have a residual overcollected balance of $1,000 as of December 31, 2016. As SoCalGas no longer anticipates incurring any expense related to this program cycle, SoCalGas proposes to transfer the residual balance to the CFCA and NFCA based on the allocation methodology consistent with this account and eliminate the 2008-2011 program cycle.

V. REFUND PLAN FOR CHARGES ACCUMULATED IN THE CURTAILMENT VIOLATION PENALTY ACCOUNT (CVPA)

The purpose of the CVPA is to record actual revenues from the assessment of penalties for violation of curtailment. The CVPA is forecast to have an overcollected balance of $1.6 million, including accumulated interest as of December 31, 2016, as a result of penalties collected from SoCalGas' customers from the four curtailment events described below.

A. Curtailment Event 1

On December 27, 2012, SoCalGas initiated a localized curtailment of interruptible noncore customers in the northern San Joaquin Valley (SJV) system. As a result of this curtailment event, SoCalGas collected $1.4 million in curtailment charges from 42 noncore customers.

Consistent with the approach that was proposed and approved for SoCalGas in D.14-06-007, SoCalGas proposes to refund the $1.4 million, including interest, for this curtailment event as a bill credit to those noncore customers who curtailed. Each customer's refund amount will be a pro-rata share of the balance based on its usage in a comparable non-curtailment period.

SoCalGas believes that this is the most equitable approach, avoiding windfalls to customers who began service after the curtailment period and rewarding customers for complying with the curtailment order. The one-time bill credit will apply to noncore customers who were asked to curtail and complied with the curtailment order. Specifically, the credit will apply to customers who meet the following criteria: (1) had an active noncore account during the curtailment period; (2) were asked to curtail gas usage; and (3) did not violate curtailment. Each customer's refund will be based on its typical consumption when not curtailed. A customer's typical consumption is based on the monthly consumption for the same month that it was curtailed, one year prior to consumption, which would be December 2011. The customer's monthly consumption as a percentage of the total consumption for all applicable customers will determine the customer's pro-rate share of the refund.

B. Curtailment Events 2 and 3

On December 6, 2013, SoCalGas notified customers that it would be curtailing Standby Procurement Service beginning December 7, 2013. In a separate event on February 6, 2014, SoCalGas again notified customers that it would be curtailing Standby Procurement Service beginning February 6, 2014. In both events, the curtailment of Standby Procurement Service was necessitated by the inadequate quantities of gas being delivered into the SoCalGas system. As a result of these two curtailment events, SoCalGas collected $0.2 million in curtailment charges from 13 customers consisting of noncore end use customers, noncore contracted marketers, and one core transportation agent. Unlike the first curtailment event that was specific to the SJV system, these two events were system-wide, potentially affecting all customers. SoCalGas deemed that significant end-use curtailments were imminent absent a curtailment of standby procurement service (which allows customers to supply less than 90% of their usage).

As such, SoCalGas proposes to refund the curtailment penalties for these two events by transferring the amount including interest to the CFCA and NFCA and amortize these regulatory account balances in transportation rates over a 12-month period beginning on January 1, 2017. Similar to the refund plan for Curtailment Event #1, the allocation between the CFCA and NFCA will be based on customer usage that occurred in December 2012 and February 2013 for those CAT customers and noncore customers who were asked to curtail and complied with the curtailment order, respectively.

C. Curtailment Event 4

On November 3, 2014, SoCalGas initiated a localized partial curtailment on interruptible noncore customers in order to facilitate Pipeline Safety Enhancement Plan work. As a result of this curtailment event, SoCalGas collected $24 in curtailment charges from 1 noncore customer. Because the amount of curtailment charges for this event is so small, SoCalGas proposes to transfer the amount to the NFCA and amortize the balance in transportation rates over a 12-month period beginning January 1, 2017.

VI. ESTABLISHMENT OF THE SYSTEM OPERATOR GAS ACCOUNT (SOGA)

As described in the testimony of Mr. Borkovich, SoCalGas proposes to modify Rule 41 to allow its Operational Hub to buy and sell gas in support of the cashout activity related to its California Producer Operational Balancing Agreements (CPOBA) and resolution of pipeline Operational Balancing Agreements (OBA). Based on this proposal, SoCalGas proposes to establish the System Operator Gas Account (SOGA), an interest-bearing memorandum account that is reflected on SoCalGas' financial statements. The purpose of the SOGA is to record cost and revenue transactions resulting from operational imbalance and cashout provisions associated with the CPOBA and the administration of pipeline OBA. The proposed method to allocate the SOGA in rates is sponsored by Mr. Bonnett.

This concludes my prepared direct testimony.

VII. QUALIFICATIONS

My name is S. Nasim Ahmed. I am employed by SoCalGas. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I am the Principal Regulatory Accounts Advisor in the Regulatory Accounts group within the Accounting and Finance Department which supports the regulatory activities for SoCalGas. I have held my current position since October 2002. My responsibilities for SoCalGas' regulatory balancing, tracking, and memorandum accounts include implementation of regulatory accounting procedures for compliance with Commission decisions, quantifying and recording the monthly entries and adjustments to the regulatory accounts, and preparing forecasted balances for regulatory accounts for inclusion in SoCalGas' annual compliance filings.

I received my Bachelor of Science degree in Accounting from California State University, Long Beach in 1987. I began my employment at Pacific Lighting Corporation, then the parent company of SoCalGas, in 1987 in the Internal Audit Department. I have held various positions of increasing responsibility in Internal Audit, General Accounting, and Utility Regulatory Accounting before assuming my current position.

I have previously submitted testimony before the Commission.

Appendix A

Southern California Gas Company - 2017 TCAP
Present and Proposed Regulatory Account Balances 1/
(Over) / Under Collection
Appendix A

	Regulatory Account Name	1/1/2015 Present Amortization AL 4730 (MM$)	1/1/2017 Proposed Amortization 3/ (MM$)	Revenue Requirement Change - Incr / (Decr) (MM$)
1	Affiliate Transfer Fee Account (ATFA)	($0.1)	$0.0	$0.1
2	Backbone Transmission Balancing Account (BTBA)	$14.0	$3.8	($10.2)
3	Core Fixed Cost Account (CFCA)	$124.6	$2.7	($121.9)
4	Compression Services Balancing Account (CSBA)	($0.3)	($0.3)	($0.0)
5	Company Use Fuel for Load Balancing Account (CUFLBA)	$0.1	$0.0	($0.0)
6	Compressor Station Fuel & Power Balancing Account (CFPBA)	$5.4	$0.3	($5.1)
7	CSI Thermal Program Memorandum Account (CSITPMA)	$10.3	$9.8	($0.6)
8	Curtailment Violation Penalty Account (CVPA)		($1.6)	($1.6)
9	Economic Practicality Shortfall Memorandum Account (EPSMA)	$0.9	$0.7	($0.1)
10	Enhanced Oil Recovery Account (EORA)	($2.1)	($0.6)	$1.5
11	FERC Settlement Proceeds Memorandum Account (FSPMA)	($0.8)	($0.0)	$0.8
12	General Rate Case Memorandum Account (GRCMA)	$51.1	$0.0	($51.1)
13	Greenhouse Gas Balancing Account (GHGBA)			
	- Company Facilities GHG Compliance Cost Subaccount	$3.2	$0.0	($3.2)
14	Hazardous Substance Cost-Recovery Account (HSCRA)	$2.7	$11.8	$9.1
15	Integrated Transmission Balancing Account (ITBA) 2/	$3.0	$10.2	$7.2
16	Intervenor Award Memorandum Account (IAMA)	$1.0	$0.0	($1.0)
17	New Environmental Regulation Balancing Account (NERBA)			
	- Admin Fees Subaccount	($1.1)	($1.1)	$0.0
18	Noncore Fixed Cost Account (NFCA)	$11.2	$3.4	($7.8)
19	Noncore Storage Balancing Account (NSBA)	$2.1	($0.0)	($2.2)
20	Pension Balancing Account (PBA)	($19.7)	($19.7)	$0.0
21	Post-Retirement Benefits Other than Pensions Balancing Account (PBOPBA)	($21.1)	($21.1)	$0.0
22	Research Development & Demonstration Expense Account (RDDEA) - 2008 - 2011 cycle	($0.5)	($0.0)	$0.5
23	Research Royalty Memorandum Account (RRMA)	($0.4)	($0.0)	$0.4
24	Rewards & Penalties Balancing Account (RPBA)	$5.5	($0.3)	($5.8)
25	Self-Generation Program Memorandum Account (SGPMA)	$8.0	$8.0	$0.0
26	System Reliability Memorandum Account (SRMA)	$9.8	$0.0	($9.8)
	Total	$206.9	$6	($200.8)

Notes

1/ Balances exclude franchise fees and uncollectibles.

2/ Balance reflects combined SoCalGas and SDG&E ITBA balances re-allocated between utilities based on cold year throughput.

3/ Proposed amortization based on recorded data through March 2015.