SOUTHERN CALIFORNIA GAS COMPANY

REQUESTING REAUTHORIZATION OF THE

CUSTOMER INCENTIVE PROGRAM

(A.16-12-010)

(DATA REQUEST ORA-10)

Date Requested: September 8, 2017
Date Responded: September 22, 2017
Partial Response Submitted: October 2, 2017

QUESTION 1:

In Response to ORA-01 Question 6(b), SoCalGas provided a list of incentive payments, by year, made to customers since 2005, under the Current Programs.

Year	Payments
2005	$189,700
2006	$82,456
2007	$346,635
2008	$183,000
2009	$255,918
2010	$151,350
2011	$170,000
2012	$349,300
2013	$112,500
2014	$132,563
2015	$39,000
2016	$640,000

(a) Please provide the recorded volume of incremental gas throughput corresponding to the above incentive payment amounts by year made to customers since 2005.

(b) Please confirm whether the above incremental increases to gas throughput attributable to the Current Programs are captured and reflected in SoCalGas' gas throughput forecasts, and if not, please explain the reason for this.

(c) Should the proposed CIP be granted, please explain whether the incremental increases to SoCalGas gas throughput attributable to the proposed CIP would be captured and reflected in SoCalGas' gas throughput forecasts, and if not, please explain the reason for this.

(d) Is there a potential for the SoCalGas' gas throughput forecasts to underestimate the amount of throughput attributable to the proposed CIP? If so, how great of an underestimation could these throughput forecasts provide?

(e) What is the basis for the answer to question 1d?

RESPONSE 1:

(a) Due to record retention policies, SoCalGas only has information on incremental volumes dating back to 2010.

Year	Incremental Volumes
2010	32,675,442
2011	35,884,029
2012	35,673,237
2013	28,204,423
2014	31,221,629
2015	20,620,878
2016	23,057,184[1]

(b) As the incentive is required for these projects to come to fruition, these projects are outside of forecasts prior to the equipment startup. However, once the technology has become active, forecasts that are based on existing load would capture the increased load.

(c) Please see the response to Question 1(b) above.

(d) As SoCalGas forecasts do not include projects that have not started yet, CIP projects would not be included in SoCalGas forecasts. Once the projects become active, forecasts that are based on existing load would capture the increased load just like any other load. As such, the risk of underestimation would be same as for any other load.

(e) Please see the response to Question 1(d).

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[1] Estimated as Advice Letter is still under review

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QUESTION 2:

Starting at line 5 at page 5 of the above SoCalGas' testimony in Chapter 3, SoCalGas states:

> *SoCalGas has established an internal order to track the development costs of the proposed CIP at least 60 days prior to filing this application, and proposes that to the extent that embedded resources funded by SoCalGas' current general rate case (GRC) are used to develop and implement the CIP, the costs will be credited back to ratepayers as a one-time refund. Specifically, SoCalGas proposes to record the cost of the embedded resources used for CIP as a credit to the CFCA or NFCA. The allocation of these costs between the CFCA and NFCA will be based on the relative percentage of revenues generated by core and noncore customers, respectively, during the first year of the CIP.*

(a) Please define the term "embedded resources funded by SoCalGas' current general rate case (GRC) are used to develop and implement the CIP" as used in the above statement and identify the expected component embedded resources.

(b) Please provide SoCalGas' estimate of the annual costs of embedded resources funded in the current GRC which could be used to develop and implement the proposed CIP and credited back to ratepayers.

(c) If an annual SoCalGas estimate is available, then please provide an itemized breakdown of the embedded resource costs funded in the GRC. If no estimate could be provided in response to this request, then please state the reason for this and indicate the earliest date by which an estimate with an itemized breakdown could be provided by SoCalGas.

(d) Please identify what triggers potential credit back to ratepayers of embedded resources funded by the GRC and used to develop and implement the proposed CIP.

(e) Please explain how the credit back to ratepayers of embedded resources used to develop and implement the proposed CIP would be determined.

(f) Please explain whether the credit back to ratepayers could be triggered regardless of the extent of incentive payments received by customers and/or the amount of incentives received by SoCalGas shareholders.

(g) Should the proposed CIP be granted, please explain whether SoCalGas expects the use of embedded resources funded in the GRC to implement the proposed CIP on a regular continuing basis.

RESPONSE 2:

(a) Embedded resources are internal labor costs that are currently funded by SoCalGas' current general rate case (GRC). For example, labor costs incurred by Regulatory Affairs, Accounting, Legal and Commercial and Industrial Services Departments are recovered through the GRC but to the extent these resources are used to develop and implement the CIP, a shareholder funded program, the corresponding costs used are quantified for credit back to ratepayers through an adjustment to the fixed cost balancing accounts.

(b) Estimate of the annual costs of embedded resources to be used to develop and implement the proposed CIP are not available at this time as the proposed CIP has not been fully implemented.

(c) Please see the response to Question 1(b) above. The earliest date by which total "actual" costs with an itemized breakdown could be provided will likely be once a Commission decision is issued on this application and the corresponding advice letter is filed to modify applicable tariffs or Preliminary Statements associated with CIP.

(d) Activities subject to the time tracking requirements that would trigger potential credit back to ratepayers include but are not limited to application and testimony development and review, meetings to discuss the proposed CIP, forecasting, and preparing materials for briefings.

(e) As explained in the Prepared Direct Testimony of Reginald M. Austria (at 5), to the extent embedded resources are used in connection with the administration of the CIP, ratepayers will be refunded these costs through a credit to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) similar to the refund and allocation of the development/implementation costs of the CIP tariff.

These development, implementation, and ongoing costs to administer the program are tracked in SoCalGas' timekeeping system by individual employees.

(f) Please see the see the response to Question 1(e). The credit back to ratepayers will be triggered regardless of the extent of incentive payments are received by customers and/or the amount of incentives received by SoCalGas shareholders.

(g) Please see the see the response to Question 1(e).

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QUESTION 3:

Starting at line 13 at page 5 of the above SoCalGas testimony in Chapter 3, SoCalGas states:

> *In addition to costs associated with the development and implementation of the CIP tariff, SoCalGas will incur ongoing costs to administer the program. SoCalGas will separately track these costs. To the extent embedded resources are used in connection with the administration of the CIP, ratepayers will be refunded these costs through a credit to the CFCA and NFCA similar to the refund and allocation of the development/implementation costs of the CIP tariff.*

(a) Please define term "ongoing costs to administer the program" as used in the above statement.

(b) Since SoCalGas will incur "ongoing costs to administer the program," please explain the reason behind SoCalGas' plan to provide only a one-time refund for the credit back to ratepayers.

(c) Please provide SoCalGas' estimate of the monthly ongoing costs to administer the proposed CIP.

(d) Does SoCalGas intend for its shareholders to "incur ongoing costs to administer the program"?

(e) Please explain whether the current programs likewise make use of embedded resources to administer, and if so, please explain whether ratepayers received a credit back for the use of embedded resources to administer the current programs.

(f) Based on your response to item (d) above, please provide the recorded monthly cost to administer the current programs for the past ten years.

RESPONSE 3:

(a) Ongoing costs refer primarily to internal labor costs associated with program management activities. Costs to "administer the program" would include but are not limited to costs related to activities such as developing contracts, providing information on program eligibility, reviewing projects, reporting and tracking program performance.

(b) The one-time credit refers to the refund of embedded costs used in the development and implementation of the CIP tariff. The embedded costs used associated with the on-going administration will be refunded to ratepayers annually through the adjustment to the fixed cost balancing accounts.

(c) Based on the currently proposed CIP, SoCalGas estimates typical monthly ongoing costs to administer the proposed CIP will be approximately $1,000 which represents a portion of a full-time equivalent's time. This amount may vary depending on various factors including the amount of oversight and reporting required of the proposed CIP based on the final decision of this application.

(d) Yes, through the credit adjustment to the balancing accounts, the cost of embedded resources used are paid by shareholders.

(e) The current program is not required to credit the ratepayers for use of embedded resources. Ratepayers receive the benefit of additional load.

(f) SoCalGas objects to this request on the grounds that it is vague and ambiguous as to the phrase "Based on your response to item (d) above." SoCalGas assumes ORA meant to say "Based on your response to item (e) above." Based on this interpretation, SoCalGas responds as follows: Please see the response to answer 3(e) above.

QUESTION 4:

Starting at line 2 of page 7 of the above SoCalGas testimony in Chapter 1, SoCalGas states:

> *This program utilizes shareholder funds, isolating ratepayers from risk, and invests in technologies which have proven for many years to provide clean resilient, and affordable energy.*

Since customers that do not meet the Minimum Annual Quantity of natural gas that must be used may be subject to an incentive adjustment or refund[1], please confirm that customers share some of the risks of the proposed CIP program and are not entirely isolated from risk as implied in the above statement.

RESPONSE 4:

SoCalGas objects to this request on the grounds that it is compound and vague and ambiguous. The quoted testimony addresses isolating risk to ratepayers not to program participants. However, the question asks about isolating risk to program participants. As such, SoCalGas is unable to respond to this question.

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[1] See Chapter 2 Testimony in A.16-12-010, p.8.

QUESTION 5:

Starting at line 7 of page 9 of the above subject SoCalGas testimony in Chapter 2, SoCalGas states:

> *In addition, SoCalGas will commit to make whole the Public Purpose Program (PPP) surcharge resulting from the expected incremental gas load. As SoCalGas is only discounting and receiving the transmission revenue during the length of the contract, ratepayers are expected to benefit from increased PPP surcharge revenue. Any shortfall from the contracted expected PPP surcharge growth will be funded by SoCalGas Shareholders. See Attachment 1, Example 4 for an example.*

In Response to ORA-03 Questions 7(a) and (b) where ORA asked SoCalGas to explain the meaning of the statement "SoCalGas shareholder will guarantee that the ratepayers receive the PPP surcharge expected with the new load" and the how the Commission will keep track of all the amounts owed by the shareholders to the PPP Surcharge from the proposed CIP,

SoCalGas states in response that:

> *7(a) CIP shareholders will contribute to the PPP account any shortfalls that result from the expected additional PPP revenue. SoCalGas will compare the actual and expected incremental load and credit the PPP balancing account with any shortfall of incremental load occurs.*
>
> *7(b) SoCalGas tracks usage currently for the Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities Programs and will continue to this practice under the proposed CIP for purposes of comparing the actual and expected load. The difference in the PPP Surcharge will be paid for by shareholders in the proposed CIP. Currently, SoCalGas submits an annual report to the Commission on these programs. The Commission will be able to continue tracking the amounts owed by shareholders to the PPP surcharge through SoCalGas' annual report or any similar reporting mechanisms requested by the Commission.*

(a) Please clarify whether "CIP shareholders" in the above response refer to SoCalGas shareholders.

(b) Would it be accurate to say that the term "incremental gas load" only exists for purposes of applying the SoCalGas discounting on the transmission revenue during the length of the customer's CIP contract, i.e., during the first 59 months of the contract?

(c) Is it correct that because no discounts apply on the transmission revenues after the first 59 months when the CIP contract ends, then technically speaking, there is no more "incremental gas load" to be tracked, recorded and measured by SoCalGas even though the CIP-funded equipment may still continue to operate for the remaining years of its life?

(d) Since the SoCalGas discount will apply on the transmission revenues during the first 59 months of the CIP contract, would it be accurate to say that SoCalGas will commit to make whole the PPP Surcharge resulting from the expected incremental gas load to the extent that these occur during the first 59 months of the CIP contract? If not, please explain.

(e) Please clarify whether the statement "Any shortfall from the contracted expected PPP surcharge growth will be funded by SoCalGas Shareholders" pertain only to any shortfall from the PPP surcharge that occurs in the first 59 months where shareholders earn 100% revenue rather than to shortfalls in the PPP surcharge occurring beyond the first 59 months until the life of the CIP funded equipment.[2] If not, please explain.

(f) Would it be accurate to say SoCalGas tracks usage under the Current Programs and will continue this practice under the proposed CIP for purposes of comparing the actual and expected load only during the first 59 months of the CIP contract? If not, please explain.

RESPONSE 5:

(a) Yes, this is a clerical error. The response should say SoCalGas shareholders not CIP shareholders.

(b) SoCalGas objects to this request on the grounds that it is vague, ambiguous and unintelligible.

(c) SoCalGas does not propose to track incremental gas load after the CIP contract ends as the revenue from the new additional equipment flows to ratepayers.

(d) Yes, SoCalGas will commit to fund the PPP account any shortfalls that result from the expected additional PPP revenue from the proposed CIP.

(e) Yes, the funding of shortfall in the PPP surcharge will only occur during the CIP contract.

(f) SoCalGas objects to this request on the grounds it is compound and vague and ambiguous. Subject to its objections, SoCalGas responds as follows: Under the Current

[2] For the useful life of the technology as shown in Attachment 1 in Chapter 2.

Programs, SoCalGas tracks actual load for the duration of the contract. Under the proposed CIP, SoCalGas will track actual load and compare it to the contracted load.

QUESTION 6:

In response to ORA-04 Questions 1(d) and (e) wherein ORA asked SoCalGas to describe any other SoCalGas programs that incentivize or promote the use of the CHP and whether SoCalGas has any distributed generation customers considered to be a form of CHP, SoCalGas responded that it is one of the administrators of the statewide Self Generation Incentive Program (SGIP) which "provides incentives for eligible CHP systems."[3] In addition, SoCalGas acknowledges in the same response that it "also has a Distributed Energy Resources Services (DERS) Tariff which promotes the use of CHP."[4] SoCalGas states also that it "has distributed generation customers using technologies such as engines, fuel cells, and microturbines. If the waste heat is utilized, then it is considered CHP."[5]

(a) Please explain whether those who are qualified for incentive payments under the SGIP could also remain qualified for incentive payments under the proposed CIP if they meet the proposed CIP eligibility criteria.

(b) Please explain whether those who are qualified for incentive payments under the DERS tariff could also remain qualified for incentive payments under the proposed CIP if they meet the proposed CIP eligibility criteria.

RESPONSE 6:

(a) Yes, customers can qualify for both SGIP and the CIP as long as they meet the eligibility requirements of both programs

(b) Yes, customers can qualify for financing under DERS, a voluntary and elective program, and may qualify for incentive payments under the proposed CIP if they meet the requirements of both programs.

[3] Response to ORA-04 Question 1(d) and (e) in A.16-12-010.
[4] Id.
[5] Id.

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The response has been amended. Deletions are noted by a ~~strikethrough~~ and additions are in **red, bold and underline**.

QUESTION 7:

In response to ORA-05 Question 1.F(c), SoCalGas provided ORA with information in its annual advice letter approvals for the past 10 years. The information in these advice letters on the incremental net revenues received by SoCalGas shareholders under both the Core Pricing Flexibility Program (CPFP) and the Noncore Competitive Load Growth Opportunities Program (NCLGOP) current programs are summarized below.

SoCalGas Incremental Net Revenues[1]

Year	AL No.	Effective Date	Incremental Net Revenues from CPFP	Incremental Net Revenues from NCLGOP	Total Incremental Net Revenues
2006	AL 3740	5/31/2007	$ 413,866	$ 796,393	$ 1,210,259
2007	AL 3862	5/31/2008	$ 407,732	$ 869,172	$ 1,276,904
2008	AL 3986	5/31/2009	$ 255,421	$ 573,699	$ 829,120
2009	AL 4108	5/30/2010	$ 278,967	$ 500,091	$ 779,058
2010	AL4237	5/29/2011	$ 324,094	$ 706,761	$ 1,030,855
2011	AL 4364	6/1/2012	$ 479,366	$ 759,368	$ 1,238,734
2012	AL 4489	6/1/2013	$ 454,243	$ 857,448	$ 1,311,691
2013	AL 4640-G	6/1/2014	$ 597,769	$ 670,834	$ 1,268,603
2014	AL 4799	5/12/2016	$ 699,108	$ 666,116	$ 1,365,224
2015	AL 4961	6/1/2016	$ 973,603	$ 391,342	$ 1,364,945
2016					

(a) Please confirm that the information shown in the table above for years 2006 through 2015 are correct to the extent that these are collected from the SoCalGas response to ORA-05 Question 1.F(c). If SoCalGas believes there are inaccuracies to the table, then please make any necessary corrections to the table to make it accurate and explain the reason for the correction.

[1] For years 2006-2015, the information are based on SoCalGas response to ORA-05 Question 1.F (c).

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(b) Please provide the information for year 2016 to the extent that this data is already available.

(c) Please provide an estimate of the SoCalGas return on its investment under the existing programs based on the information on total incremental net revenues received by shareholders.

RESPONSE 7:

(a) The information shown in the table is correct.

(b) The final numbers are not yet approved for 2016, please refer to SoCalGas' Advice Letter (AL) 5133 filed on May 3, 2017 **(and subsequently revised with a substitute sheet on September 25, 2017)** and awaiting approval which submits the incremental net revenues of ~~$1,390,816~~ **$1,361,419** for the Core Pricing Flexibility Program and ~~$622,014~~ **$622,764** for the Noncore Competitive Load Growth Opportunities Program in 2016. ~~Please note that SoCalGas will be revising the incremental revenue reported in AL 5133 formally with the Commission.~~

(c) The estimated Return on Investment (ROI) **from 2006 through 2016,** ~~and~~ taking into account the projected incremental net revenues for 2016 as submitted in AL 5133**,** ~~on May 3, 2017~~ is ~~4.56~~ **4.55**.