

Application No: A.17-05-  
Exhibit No.: \_\_\_\_\_  
Witness: R. Austria

Application of Southern California Gas Company  
(U 904 G) for Approval To Extend the  
Mobilehome Park Utility Upgrade Program.

Application 17-05-\_\_\_\_\_  
(Filed May 5, 2017)

**CHAPTER 4**  
**COST RECOVERY AND REGULATORY TREATMENT**  
**PREPARED DIRECT TESTIMONY OF**  
**REGINALD M. AUSTRIA**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

May 5, 2017

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my testimony is to sponsor the regulatory accounting treatment of costs  
3 for Southern California Gas Company’s (“SoCalGas”) Mobile Home Park (“MHP”) Program  
4 proposed in this Application. The MHP Program proposes a six-year continuation (i.e., Years  
5 2018 through 2023) of the three-year pilot program, which was authorized by the California  
6 Public Utilities Commission (“Commission”) in Decision (“D.”) 14-03-021, to provide safe and  
7 reliable utility service at MHPs and manufactured housing communities by transferring master-  
8 metered natural gas and electricity to direct utility service.<sup>1</sup>

9 **II. REGULATORY ACCOUNTING TREATMENT OF COSTS ASSOCIATED**  
10 **WITH THE MHP PROGRAM**

11 SoCalGas proposes to revise its existing Master Meter Balancing Account (“MMBA”) to  
12 record MHP conversion costs for the six-year extension (2018-2023) of the MHP Program  
13 proposed in this Application beyond the three-year Pilot approved in D.14-03-021, as shown in  
14 Attachment A. The regulatory accounting treatment and recovery of MHP conversion costs  
15 associated with the MHP Program will be substantially the same as the treatment authorized for  
16 SoCalGas’ three-year MHP Pilot Program.<sup>2</sup> In D.14-03-021, the Commission adopted the  
17 following ratemaking design for the MHP Pilot Program:

- 18 ▪ “To the Meter” (“TTM”) Costs – TTM costs are capitalized as ratebase and the  
19 associated incremental capital-related revenue requirements (i.e., depreciation,  
20 return and taxes) are charged (i.e., balanced) in the MMBA.
- 21 ▪ “Beyond the Meter” (“BTM”) Costs – BTM costs are capitalized as regulatory  
22 assets and are amortized over a ten-year period. The associated incremental

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<sup>1</sup> See Decision (“D.”) 14-03-021.

<sup>2</sup> See D.14-03-021 at pp. 48-51.

1 revenue requirements (i.e., amortization, return and taxes) are charged in the  
2 MMBA.

- 3 ■ Outreach Costs: Outreach costs are allocated as O&M and incurred for annual  
4 recovery in the MMBA.
- 5 ■ Project Management Office (“PMO”) Costs – Because the PMO supports both the  
6 Outreach, Planning and Construction, the PMO costs are allocated between  
7 capital and O&M based on the breakdown between outreach (as O&M) costs and  
8 Planning and Construction (as capital) costs. The MMBA records the PMO’s  
9 allocation of O&M costs, customer outreach costs and associated, incremental  
10 ongoing costs (including, but not limited to, adding additional full-time  
11 employees as deemed necessary).

12 The capital costs (TTM and BTM) recorded in the MMBA are recovered in rates in the  
13 year following the year the customer converts to direct utility service; while the O&M costs are  
14 recovered in rates as incurred. The annual amortization associated with the MMBA balance is  
15 based on actual recorded information and is authorized through SoCalGas’ annual regulatory  
16 account balance update filings.

17 As with costs incurred in the MHP Pilot Program, in accordance with D.14-03-021,  
18 SoCalGas proposes the following: “Review for reasonableness of ‘to the meter’ costs will occur  
19 in the general rate case where these costs are put into rate base. Review for reasonableness of  
20 ‘beyond the meter’ costs will occur in the first general rate case after service cut over.”<sup>3</sup>

### 21 **III. PROPOSED RATE RECOVERY OF THE MHP PROGRAM COSTS**

22 Similar to the Commission-approved rate recovery mechanism for MHP Pilot Program  
23 costs, SoCalGas proposes that the MHP Program costs be recorded in the MMBA in the same

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<sup>3</sup> D.14-03-021 at p. 77 (Ordering Paragraph 8).

1 manner as the MHP Pilot costs described above in section II, and incorporated in rates as  
2 follows:

- 3 1. TTM and BTM Cost – These capitalized costs will be recovered in rates in the  
4 year following the year the customer has converted to direct utility service.
- 5 2. O&M Costs – These costs will be recovered in rates as incurred and recorded in  
6 SoCalGas’ MMBA.

7 Capital and O&M costs will be incorporated in gas transportation rates in connection  
8 with SoCalGas’ annual October regulatory account balance update filing for rates effective  
9 January 1<sup>st</sup> of the following year.

10 For the MHP Program, SoCalGas proposes to request cost recovery in connection with its  
11 annual filing according to (1) park conversions completed and (2) park conversions anticipated  
12 to be completed at year-end, as follows:

- 13 1. MHP Conversions Completed – Include the actual revenue requirements  
14 associated with these completed MHP conversions for September through  
15 December of the current year as well as the entire twelve months of the  
16 following year.
- 17 2. MHP Conversions Anticipated To Be Completed by Year-End <sup>4</sup> – Include  
18 forecasted revenue requirements for MHP conversion projects where  
19 customers will be cut over to direct utility service by the end of the year.  
20 Forecasted revenue requirements will be calculated through the end of the  
21 current year as well as the entire twelve months of the following year.  
22 Any difference between the actual and forecasted revenue requirements

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<sup>4</sup> These projects represent MHP conversions (a) where a significant portion of the costs have already been incurred and (b) which are anticipated to be inspected by applicable jurisdictional authorities by the end of the year for customers to be cut over to direct utility service.

1 will be trued-up in connection with SoCalGas' next annual regulatory  
2 account balance update filing.

3 This cost recovery mechanism will provide more timely recovery of SoCalGas' MMBA  
4 balance which will help to avoid undercollected balances from accumulating in the account,  
5 thereby minimizing the rate impact on customers on a year-to-year basis during the six-year  
6 period of the MHP Program.

7 To the extent that the undepreciated balance of TTM costs and other PMO costs are  
8 incorporated in SoCalGas' next GRC, these costs will no longer be recorded to (and recovered  
9 through) SoCalGas' MMBA. Only the BTM meter costs will continue to be recovered through  
10 the SoCalGas' MMBA since these costs are recorded as a regulatory asset and amortized over a  
11 ten-year period on the basis of each individual MHP.

#### 12 **IV. CONCLUSION**

13 The recovery and regulatory accounting treatment of costs associated with SoCalGas'  
14 MHP Program are substantially consistent with the MHP Pilot Program previously authorized by  
15 the Commission, with the additional proposal to expand recovery of the MMBA balance.  
16 SoCalGas' proposed accounting treatment of the MHP Program costs is reasonable, and  
17 therefore should be adopted.

18 This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is  
3 555 West Fifth Street, Los Angeles, California 90013-1011. I am the Regulatory Accounts  
4 Manager of the Regulatory Accounts group within the Accounting and Finance Department  
5 which supports the regulatory accounting and reporting activities for SoCalGas. I have held my  
6 current position since April 1, 2002. I am responsible for managing SoCalGas' authorized  
7 regulatory balancing, tracking and memorandum accounts. My responsibilities include:  
8 implementing regulatory accounting procedures for compliance with Commission decisions;  
9 quantifying and recording the monthly entries and adjustments to the Commission-authorized  
10 regulatory account mechanisms; and managing the general administration of SoCalGas'  
11 authorized regulatory accounts. Prior to April 1, 2002, I was the Utility Accounting Manager for  
12 SoCalGas, in which capacity I had similar responsibilities to my current duties.

13 I received my Bachelor of Science degree in Accounting from California State  
14 University, Long Beach in 1982. I am a Certified Public Accountant and a member of the  
15 American Institute of Certified Public Accountants and the California Society of Certified Public  
16 Accountants. I began my employment with SoCalGas in 1983 in the Accounting and Finance  
17 Department. I have held various positions of increasing responsibility in Internal Audit, Cost  
18 Accounting, General Accounting, and Utility Regulatory Accounting before assuming my  
19 current position.

20 I have previously testified before the Commission.

# **ATTACHMENT A**



PRELIMINARY STATEMENT - PART V – BALANCING ACCOUNTS  
MASTER METER BALANCING ACCOUNT (MMBA)

1. Purpose

The MMBA is an interest bearing balancing account reflected on SoCalGas' financial statements. The purpose of the MMBA is to record the incremental costs associated with the conversion of master-metered service (i.e., Mobile Home Park Program) at mobile home parks and manufactured housing communities to direct utility service. Pursuant to Decision (D.) 1x-xx-xxx, the Mobile Home Park (MHP) Program is a six-year extension (2018-2023) of the Mobile Home Park Conversion Program which was a three-year (2015-2017), pilot program authorized in D.14-03-021.

2. Applicability

This account will be incorporated in gas distribution rates and apply to all gas distribution customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. Accounting Procedures

SoCalGas shall maintain the MMBA by recording entries at the end of each month as follows, net of FF&U, where applicable:

- a) A debit entry equal to the actual incremental revenue requirements (i.e., O&M and capital-related costs such as depreciation, taxes and return) associated with the "to the meter" Mobile Home Park conversion costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M ~~start-up~~ costs such as customer outreach, administration and other ongoing costs to administer the six-year MHP Program;
- b) A debit entry equal to the actual incremental revenue requirements (i.e., amortization, income taxes and return), of the regulatory asset balance associated with "beyond the meter" Mobile Home Park conversion costs amortized in rates over a ten-year period at SoCalGas' current authorized rate of return on ratebase;
- c) An entry equal to amortization of the MMBA balance as authorized by the Commission; and
- d) An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

5. Disposition

The balance in the MMBA will be amortized in connection with SoCalGas' annual regulatory account balance for gas transportation rates effective January 1 of the following year until mobile home park "to the meter" conversion costs are rolled into base rates in connection with a General Rate Case (GRC) or other applicable proceeding and "beyond the meter" costs are fully amortized over a ten-year period.

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4643  
DECISION NO. 14-03-021

ISSUED BY  
**Lee Schavrien**  
Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
DATE FILED May 9, 2014  
EFFECTIVE Jun 8, 2014  
RESOLUTION NO. \_\_\_\_\_