

SCGC DATA REQUEST
SCGC-SCG-DR-05
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS PARTIAL RESPONSE
DATE RECEIVED: JUNE 21, 2011
DATE RESPONDED: JULY 6, 2011

5.1. With respect to the table shown on page RCL-WP-1 of SCG-33-WP:

- 5.1.1 Please indicate which of the programs/activities listed in this table are non-tariffed products and services (“NTP&S”).
- 5.1.2 Do any other NTP&S activities currently exist that are not reflected on this table?
- 5.1.3 If the answer to the previous question is “yes,” please list those NTP&S activities.

SoCalGas Partial Response to 5.1:

Please note that responses to 5.1.4, 5.1.5 and 5.1.6 will be provided at a later date in a separate response template.

SoCalGas Response 5.1.1:

Please see attached workpaper that highlight which of the programs/activities listed in this table are NTP&S. NTP&S Services are indentified in the column titled Response to SCGC DR-5.1.1.



SCGC-DR-5.1.1
Response.xls

SoCalGas Response 5.1.2:

There are no other Non-tariffed products and services being offered by SCG other than those reflected on the chart.

SoCalGas Response 5.1.3:

Not applicable

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- 5.2. With respect to the “NTP&S subject to sharing mechanism” column on page RCL-WP-1 of SCG-33-WP:
- 5.2.1 What is the current sharing mechanism (if any) that currently applies to the revenues shown in that column?
 - 5.2.2 Does SoCalGas propose to continue the current sharing mechanism for the amounts reflected in this column?
 - 5.2.3 If the answer to the previous question is “no,” please explain what sharing mechanism SoCalGas proposes to apply to the figures shown in the column.
 - 5.2.4 Does SoCalGas propose that the revenues shown in that column be included as part of the \$103.2 million of miscellaneous revenues reflected in the summary of earnings shown in Table DH-1U?
 - 5.2.5 Does SoCalGas recommend to continuing this sharing proposal for the entire duration of the rate case cycle or for some other period? Please specify.

SoCalGas Response 5.2.1:

No sharing mechanism is currently in place for these NTP&S services indicated as subject to the proposed sharing mechanism column in RCL-WP-1 of SCG-33-WP.

SoCalGas Response 5.2.2:

No.

SoCalGas Response 5.2.3:

SoCalGas is not proposing a sharing mechanism for the amounts shown in the column. Only incremental revenues in excess of the TY2012 forecasts would be shared. The proposal is to share this 90/10 between shareholders and ratepayers.

SoCalGas Response 5.2.4:

Yes, they are included as part of the \$103.2 million of miscellaneous revenues reflected in the summary of earnings shown on Table DH-1U.

SoCalGas Response 5.2.5:

SoCalGas is proposing that this sharing mechanism remain in place.

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5.3 With respect to the “NTP&S subject to sharing mechanism” column on page RCL-WP-1 of SCG-33-WP:

- 5.3.1 If the actual revenues produced by the Residential Parts Program for the year 2012 exceed the \$1.521 million shown in the column, does SoCalGas propose to return 10 % of those revenues to ratepayers?
- 5.3.2 Would SoCalGas accomplish this returning of revenues by increasing the Miscellaneous Revenues amount in the Summary of Earnings for the Post Test Year period, 2013?
- 5.3.3 If the answer to the previous question is “no,” how would SoCalGas propose to accomplish this task?
- 5.3.4 Would the answer to the previous three questions be the same for each of the other NTP&S subject to sharing mechanism:
 - 5.3.4.1 Commercial Parts Program,
 - 5.3.4.2 NGV Station Maintenance Program,
 - 5.3.4.3 Goleta Lease Fees,
 - 5.3.4.4 Aliso Rental for Telcom Sites,
 - 5.3.4.5 Rents for Prop Use-Non-tariff Gas,
 - 5.3.4.6 Goelta Chevron Credits,
 - 5.3.4.7 Sundry Trng Materials,
 - 5.3.4.8 Line Item Billing Third Party Revenues,
 - 5.3.4.9 Anaheim Parking Lease Revenue,
 - 5.3.4.10 Aliso Crimson,
 - 5.3.4.11 Aliso Termo,
 - 5.3.4.12 Aliso Road Access Fees, or
 - 5.3.4.13 Rev-Geographic Services
- 5.3.5 If the answer to the previous question is “no” for any of the programs listed, please explain in detail the sharing mechanism that would apply to the incremental revenues.

SoCalGas Response 5.3.1:

SoCalGas is proposing that, if the revenues from the portfolio of NTP&S indicated above exceed the miscellaneous revenues adopted in the GRC, this increase in Miscellaneous Revenues would be shared 90/10 between ratepayers and shareholders on a gross revenues basis.

SoCalGas Response 5.3.2:

No.

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SoCalGas Response to 5.3 (Continued)

SoCalGas Response 5.3.3:

SoCalGas is proposing to refund these monies directly to customers as part of the Rewards and Penalties Balancing Account (RPBA). (See Exhibit SCG-33 at RCL-8, lines 26-28).

SoCalGas Response 5.3.4:

See Below:

SoCalGas Response 5.3.4.1:

Yes

SoCalGas Response 5.3.4.2:

Yes

SoCalGas Response 5.3.4.3:

Yes

SoCalGas Response 5.3.4.4:

Yes

SoCalGas Response 5.3.4.5:

Yes

SoCalGas Response 5.3.4.6:

Yes

SoCalGas Response 5.3.4.7:

Yes

SoCalGas Response 5.3.4.8:

Yes

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SoCalGas Response (Continued)

SoCalGas Response 5.3.4.9:

Yes

SoCalGas Response 5.3.4.10:

Yes

SoCalGas Response 5.3.4.11:

Yes

SoCalGas Response 5.3.4.12:

Yes

SoCalGas Response 5.3.4.13:

Yes

SoCalGas Response 5.3.5:

Not applicable.

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5.4. For new NTP&S activities:

- 5.4.1 Please describe the process that SoCalGas proposes to use to determine whether the NTP&S activity involves less than 50% or 50% or more of “the total utility cost to offer the services are incremental costs borne by shareholders.”
- 5.4.2 Please state when SoCalGas would propose to make this determination.
- 5.4.3 Please explain if SoCalGas proposes to make this determination only once for the entire program life or if the determination would be subject to periodic reevaluation.
- 5.4.4 How does SoCalGas propose to value of the services/assets that the ratepayers provide to support the NTP&S activity versus the value of the services/assets that the shareholders would provide to support the NTP&S activity?

SoCalGas Response 5.4.1:

SoCalGas proposes to review the business model of the NTP&S in question and examine the total costs of offering the service over its expected duration. SoCalGas would then estimate what percentage of these costs are incremental costs borne by shareholders. If these costs are equal to or greater than 50% of the projected total costs of offering the service SoCalGas would request that the service be subject to a 50/50 sharing mechanism, through the advice letter process.

SoCalGas Response 5.4.2:

SoCalGas proposes that it would make this determination in its Advice Letter filing before the Commission seeking authority to offer the NTP&S. If the Commission approves offering the service, it would also determine the appropriate sharing mechanism for the NTP&S in question.

SoCalGas Response 5.4.3:

SoCalGas proposes only one determination.

SoCalGas Response 5.4.4:

SoCalGas proposes that the value of the services and assets that are supported by ratepayers would be allocated to the project in accordance with the affiliate transaction rules.

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5.5. Regarding SoCalGas' proposal for an additional 50 basis point adder for new NTP&S activities:

5.5.1 Do the existing NTP&S rules allow for such an adder?

5.5.2 If the answer to the previous question is "yes," please provide specific references to the rules that provide the adder.

SoCalGas Response 5.5.1:

Yes. NTP&S are unregulated non-tariffed price and services that allow for the utility to charge market-based rates for the services offered as NTP&S.

SoCalGas Response 5.5.2:

Rule VII.D.2 requires that the Utility have a reasonable mechanism for treatment of benefits and revenues derived from offering such products and services. SoCalGas proposes that a 50/50 after tax net revenues sharing mechanism above a benchmark rate of return that includes an additional 50 basis point adder to compensate the utility for the additional risk it is incurring for NTP&S above that of traditional utility service as part of that "reasonable mechanism."

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5.6. With respect to the statement in Exhibit SCG-33 at lines 3-4 of RCL-4:

- 5.6.1 How would SoCalGas categorize its Type II NTP&S activities using the D.99-09-070 methodology?
- 5.6.2 How would SoCalGas categorize its Type III NTP&S activities using the D.99-09-070 methodology?

SoCalGas Response 5.6.1:

SoCalGas would categorize its Type II NTP&S activities as “active.”

SoCalGas Response 5.6.2:

SoCalGas would categorize its Type III NTP&S activities as “active.”

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- 5.7. With respect to the statement in Exhibit SCG-33 at lines 22-27 of RCL-6 and lines 1-4 of RCL-7:
- 5.7.1 Please provide a copy of every memo, study, report, or spreadsheet prepared by any employee of or contractor to Sempra or any of its subsidiaries within the last three years that addresses new NTP&S opportunities for SoCalGas.
 - 5.7.2 Please provide a copy of every document that was submitted to the Sempra Board of Directors within the last three years regarding new NTP&S opportunities for SoCalGas.
 - 5.7.3 Please provide a copy of any memo, study, report, or spreadsheet prepared by any employee of or contractor to Sempra or any of its subsidiaries within the last three years that identifies NTP&S opportunities for SoCalGas that should not be pursued because they are not cost effective under current Affiliate Transaction rules or current sharing mechanisms.

SoCalGas Response to 5.7.1

Please note that this is a revised response to the partial response provided on August 11, 2011.

RESPONSE REMOVED DUE TO CONFIDENTIALITY

Non Sensitive:

GFE Workshop Meeting Notes.pdf
Hyperion GFE Outreach Areas 2.pdf
July 1 DGUP Letter to SO CAL GAS.pdf
UTS Reference Projects.pdf
RFP/Attachment 1.pdf
RFP/Attachment 1.pdf
RFP/Attachment 3 – Digester Facility Data Sheet v2.pdf
Final Clean RFP 6-19.pdf

These documents are provided on an accompanying CD and are considered **confidential protected materials pursuant to the signed NDA in this proceeding.**

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Response to Question 5.7 (Continued)

SoCalGas Response 5.7.2:

Relevant documents are attached:

Potential New NTP&S include Bio-Gas condition in Bio-Gas Energy Production and as part of what SoCalGas has characterized as “New Opportunities” and included in the discussion of bio-fuels.

DOCUMENTS REMOVED DUE TO CONFIDENTIALITY

Mr. Lane did not rely upon any of these documents in his preparation of Exhibit SCG-33 or associated workpapers.

SoCalGas Response 5.7.3:

There are no memos, studies, report of spreadsheet prepared by any employee of or a contractor to Sempra or any of its subsidiaries that identifies NTP&S opportunities that should not be pursued because they are not cost effective under current Affiliate Transaction rules or current sharing mechanisms.

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- 5.8. With respect to the statement in Exhibit SCG-33 at lines 25-26 of RCL-8:
- 5.8.1 Please provide a detailed step by step description of the accounting for a circumstance where the Type III NTP&S activities would generate sufficient revenue to trigger a sharing between ratepayers and shareholders.
 - 5.8.2 Please provide a detailed step by step description of the accounting for a circumstance where the Type III NTP&S activities would generate insufficient revenue to trigger a sharing between ratepayers and shareholders.
 - 5.8.3 Would SoCalGas envision making a filing regarding the Type III NTP&S activities that showed the costs and revenues separately for each project and also showed the aggregate cost and revenue comparison or would SoCalGas only intend to provide the latter information?

SoCalGas Response 5.8.1:

Total revenues from the Type III NTP&S would be netted against all of the incremental costs (100% provided by shareholders). These incremental costs would include all incremental costs of offering the service including depreciation of incremental assets used to provide the service and the cost of incremental capital used to fund the incremental capital expenditures. This cost of capital would be set at the benchmark cost of capital. The benchmark cost of capital would be equal to the utilities authorized rate of return plus the 50 basis point risk adder, plus any additional (up to 50 basis point) public policy adder that the Commission authorized in the Resolution or other CPUC decision authorizing the offering the specific NTP&S. Should the revenues of this service exceed the incremental costs incurred by shareholders to offer the NTP&S, these revenues would be used first to offset any shortfall (i.e. incremental revenues are less than incremental costs) from previous periods caused by revenues not covering the utility's costs of offering the service. Once shareholders are made whole for previous revenue shortfalls, the remaining balance would be shared equally (on an after-tax basis) between ratepayers and shareholders.

To achieve an equal sharing (i.e. 50/50 Sharing on an after-tax basis) the pretax revenues are shared, with 62.79% going to ratepayers and 37.21% going to shareholders.

The portion allocated to shareholders then would be credited to ratepayers in the Rewards and Penalties Balancing Account (RPBA), thus flowing the benefits directly back to ratepayers.

SoCalGas Response 5.8.2:

There would be no sharing of revenues between ratepayers and shareholders. Any shortfall below the benchmark rate of return established by the CPUC for the NTP&S in question would be carried forward so as to afford the utility to earn its risk-adjusted cost of capital reflected by the benchmark rate of return.

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SoCalGas Response to 5.8 (Continued)

SoCalGas Response 5.8.3:

SoCalGas envisions making a filing showing the aggregate cost and revenue comparison on a service-by-service basis, not a project-by-project basis.

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5.9. With respect to the statement in Exhibit SCG-33 at lines 23-27 of RCL-10, for any given NTP&S activity:

5.9.1 Please describe in detail the accounting procedures that SoCalGas uses to identify the NTP&S costs that are paid by the ratepayers.

5.9.2 Please describe in detail the accounting procedures that SoCalGas uses to identify the NTP&S costs that are paid by the shareholders.

SoCalGas Response 5.9.1 and 5.9.2:

SoCalGas currently offers its NTP&S under a cost of service ratemaking framework.

Below describes the current accounting method utilized to track the incremental dollars which are, per the affiliate transactions rules shareholder expenses. There are no incremental ratepayer expenses.

1. After CPUC approval of a new NTP&S, accounting and reporting activities are the responsibility of the assigned business manager(s). The assigned manager works with the accounting department to set-up the appropriate accounting process following established procedures. These procedures are summarized as follows.
2. Work Order Authorization (WOA) – A SAP internal order (I/O) is set up to capture all incremental costs (both labor and non-labor) associated with the specific product or service. The WOA requires management approval prior to the establishment of the I/O by the accounting department.
3. As costs are incurred, the responsible manager, or designate(s), records each expense item to the appropriate internal order, cost center, and cost element. The use of the established SAP accounting process and coding allows for the periodic review of the incurred costs. This review ensures applicable program costs have been recorded properly.
4. As part of the monthly accounting close the costs recorded to the I/O are subject to overhead loading which ensures that all incremental costs associated with the product or service are included in the IO setup to track incremental costs.
5. The business manager is responsible for the review of expenses on a monthly basis to ensure accurate accounting of the related activity. Business managers are required to provide periodic reports for products and services under their area of responsibility.
6. A General Ledger (G/L) account is also established to record revenues associated with the specific product or service. The accounting department sets up the revenue account at the request of the responsible business manager.

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SoCalGas Response 5.9.1 and 5.9.2-Continued:

7. Revenue accounts are reconciled to ensure the recorded revenue has been appropriately assigned to the product or service.
8. Any actual program costs in excess of associated revenue on a forecasted basis are borne by the utility shareholders through the reduction of periodic net income.

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5.10. With respect to the statement in Exhibit SCG-33 at lines 4-12 of RCL-11:

- 5.10.1 Please provide a copy of SoCalGas' 2009 and 2010 Annual Report on Non-Tariffed Products and Services as filed with the CPUC.
- 5.10.2 Please provide a copy of SoCalGas' 2007 and 2008 Annual Report on Non-Tariffed Products and Services as filed with the CPUC.
- 5.10.3 Please provide a copy of SoCalGas' most recent audit of its Non-Tariffed Products and Services.

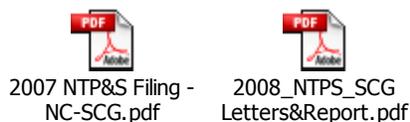
SoCalGas Response 5.10.1:

Attached are the documents requested:



SoCalGas Response 5.10.2:

Attached are the documents requested:



SoCalGas Response 5.10.2:

Attached are the documents requested:

