

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

A.10-12-005
(Filed December 15, 2010)

Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.

A.10-12-006
(Filed December 15, 2010)

Application: A.10-12-006
Exhibit No.: SCG-232

**PREPARED REBUTTAL TESTIMONY OF
TODD J. CAHILL
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

OCTOBER 2011



TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	RESIDENTIAL and commercial parts	1
III.	PIPELINE SERVICES	2
IV.	RENT	2
V.	CRUDE OIL	3
VI.	TRAINING ACTIVITY	4
VII.	FEDERAL ENERGY RETROFIT PROGRAM	4
VIII.	SUMMARY AND CONCLUSION	4

**PREPARED REBUTTAL TESTIMONY OF
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I. INTRODUCTION

The following rebuttal testimony regarding miscellaneous revenues addresses the intervener testimony dated September 2011 of The Utility Reform Network (TURN).

Specifically, my testimony rebuts the following points:

- TURN's adjustments to seven categories of miscellaneous revenues, with the exception of Rent and Training Activity, should not be adopted.

My testimony is organized as follows:

- Section II – Residential and Commercial Parts
- Section III – Pipeline Services
- Section IV – Rent
- Section V – Crude Oil
- Section VI – Training Activity
- Section VII – Federal Energy Retrofit Program
- Section VIII – Summary and Conclusion

II. RESIDENTIAL AND COMMERCIAL PARTS

TURN has recommended that SCG's forecast of residential and commercial parts be increased by \$181,000. TURN's forecasting methodology uses a two-year (2009-2010) average in dollars per customer multiplied by TURN's 2012 customer (active meter) base. TURN justifies this methodology by arguing that because prices were updated in 2008 for both of these programs (and again in 2010 for commercial parts), that a five-year historical average is inappropriate.

1 In forecasting customer service revenues that have a considerable history of recorded
2 data, with some year-to-year variations, SoCalGas has consistently applied the five-year average
3 (adjusted for 2010-2012 growth) as the basis of the forecasts. Both the Residential and
4 Commercial parts program fit this pattern, and it is appropriate to apply the forecast in a manner
5 consistent with other customer service revenues.

6 **III. PIPELINE SERVICES**

7 SoCalGas proposes a 2012 test year forecast for Pipeline Service revenues of \$0. TURN
8 proposes \$709,000 for Pipeline Services.

9 TURN's forecasting methodology for Pipeline Services is similar to how SoCalGas
10 generally forecasts customer service-related revenues and SoCalGas would normally agree that
11 such a methodology is appropriate. However, SoCalGas provides these services at the request of
12 different customers and expects very little to no activity in 2012. In fact, SoCalGas received
13 \$449,000 in 2010, which is less than half the revenue received in 2009. Specifically, projects
14 related to military installations and other campus-style projects have greatly decreased,
15 supporting SoCalGas' assertion that this service will diminish to zero.

16 17 **IV. RENT**

18 SoCalGas proposes a 2012 test year forecast for Rent from Property Used in Operations
19 revenues of \$586,000. TURN proposes \$666,000 for Rent from Property Used in Operations, a
20 difference of \$80,000.

21 TURN identifies additional leases that are likely to be renewed. SoCalGas acknowledges
22 that these leases will likely be renewed, and therefore agrees to the adjusted revenues suggested
23 by TURN.
24

1 **V. CRUDE OIL**

2 In my December 2012 direct testimony, SoCalGas proposed a 2012 test year forecast for
3 Crude Oil revenues of \$5,562,000. However, SoCalGas workpapers show a forecast of
4 \$6,654,000. TURN correctly identifies a disconnect between SoCalGas testimony and
5 workpapers. Further, SoCalGas recognizes that its testimony should reflect the correct amount
6 shown in its workpapers. TURN proposes a forecast for Crude Oil revenue of \$7,215,000, which
7 is an additional amount of \$561,000 as compared to SoCalGas' workpapers.

8 The majority of the difference between SoCalGas and TURN relating to the 2012
9 forecast of Crude Oil sales is TURN's use of a new oil price forecast (August 31, 2011) to
10 establish 2012 forecasted revenues. Energy price forecasts are continually revised and vary
11 (upwards and downwards) with each update according to the conditions at the time, including the
12 impacts from weather, the economy and political conditions. SoCalGas was required to pick a
13 point in time that provided a reasonable forecast of oil prices needed to submit its testimony. It
14 is unreasonable to pick at random a future price on a particular day and use it to forecast future
15 pricing.

16 TURN's method of arbitrarily picking another point in time in the future to update the
17 price forecast also circumvents the GRC process. The Commission, in the Rate Case Plan,
18 explicitly denies Applicants the opportunity to update their showing for updated information
19 except for very limited items called for by the GRC update scheduled for early 2012. TURN
20 essentially argues that the latest information should be used instead of the forecast available to
21 Applicants at the time of filing. Given that SoCalGas does not have the opportunity to update its
22 entire showing in this manner, it objects to the subjective replacement of such data. TURN's
23 proposal to use another oil price forecast should be rejected.

1 **VI. TRAINING ACTIVITY**

2 SoCalGas forecasts revenue from training activity as \$73,000 in test year 2012. TURN
3 revises SoCalGas' estimate and provides a forecast of \$108,000, citing a calculation error
4 recognized by SoCalGas in TURN data request 14, question 15. SoCalGas acknowledges this
5 calculation error and agrees with TURN's revised forecast.

6
7 **VII. FEDERAL ENERGY RETROFIT PROGRAM**

8 SoCalGas forecasts revenue from the Federal Energy Retrofit Program of \$440,000 for
9 test year 2012. TURN provides a forecast of \$526,000 for test year 2012, which is an additional
10 amount of \$86,000. TURN's forecast is based on a five-year average that includes 2010.

11 SoCalGas used a five-year average from 2005-2009 to establish its forecast. SoCalGas
12 maintains that using the as-filed five-year forecast is appropriate, similar to how SoCalGas
13 forecasts other categories such as customer service revenues, and therefore sees no justifiable
14 reason to update its forecast as TURN suggests.
15

16 **VIII. SUMMARY AND CONCLUSION**

17 SoCalGas recognizes the adjustments recommended by TURN to both Rent and Training
18 Activity categories. Furthermore, as discussed above, SoCalGas acknowledges the need that
19 Crude Oil testimony be updated to be consistent with workpapers of the same category. Other
20 than these exceptions, TURN's recommended forecasts for these miscellaneous revenue item
21 adjustments are unwarranted, and SoCalGas' miscellaneous revenue forecast should be adopted.

22 This concludes my prepared rebuttal testimony.