

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

Application 10-12-006
Exhibit No.: (SCG-42)

**PREPARED DIRECT TESTIMONY OF
DEBORAH A. HIRAMOTO
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

JANUARY 2011



**PREPARED DIRECT TESTIMONY
OF DEBORAH A. HIRAMOTO
UPDATED RESULTS OF OPERATIONS REPORT
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

The purpose of this testimony is to update Southern California Gas Company's (SoCalGas) 2012 Test Year General Rate Case Results of Operations report for changes in rates effective on January 1, 2011. In compliance with the Commission's Energy Rate Case Plan as updated by D.07-07-004, Appendix A, p. A-30, paragraph 3, this filing updates the SoCalGas 2012 Results of Operations report using revised Present Rate Revenues (PRR) effective January 1, 2011. This update shows that, relative to revenues at present rates calculated for 2012 using rates effective as of January 1, 2011, the base margin revenue¹ increase requested in the 2012 GRC is \$250 million. The revised PRR results of operations calculation reflects the increase in authorized base margin revenues for the adopted 2011 annual post-test year rate adjustment in SoCalGas's 2008 GRC D.08-07-046, and Gas Company Tower (GCT) Equity Interest and Equity Income adjustment per Advice Letter 4159. Please refer to Appendix A of this testimony which includes the updated Summary of Earnings table DH - 1U and Appendix B for the detail of the base margin increase as provided by SoCalGas witness Mr. Gary Lenart. The updated line items on Table DH – 1U are as follows:

<u>Line #</u>	<u>Description</u>	<u>Present Rates (2012\$) Updated</u>
1	Base Margin	\$1,770,783
17	Uncollectibles	\$4,818
18	Franchise Fees	\$26,242
21	Taxes on Income	\$59,803
24	Return	\$153,324
26	Rate of Return	4.18%

¹Revenue requirement is made up of two revenue components: base margin revenues, collected in customer rates, and miscellaneous revenues. Miscellaneous revenues are comprised of fees and revenues collected by the utility from non-rate sources for the provision of specific products or services.

1 I have updated the Results of Operations (RO) model to reflect the changes
2 discussed in this testimony and a copy will be provided to DRA pursuant to Public Utilities
3 Code Section 583. A copy of the PRR Update RO model will also be provided to other
4 parties who have requested it and signed a non-disclosure agreement.
5

1 **WITNESS QUALIFICATIONS**

2 My name is Deborah A. Hiramoto. My business address is 555 W. 5th Street, Los
3 Angeles, California, 90013. I am employed by SoCalGas as the GRC Financial Analysis
4 Manager.

5 I received a Bachelor of Science degree in Business Administration from California
6 State University, Los Angeles where my area of concentration was Accounting. I have
7 been employed by SoCalGas in various positions since 1988. My experience includes
8 assignments in General Accounting, Gas Accounting, Financial Planning, and Regulatory
9 Affairs.

10 My current responsibilities include managing the development of the revenue
11 requirement in the SoCalGas and SDG&E 2012 GRC proceeding. I have previously
12 testified before this Commission under my former name Deborah A. Yee.

APPENDIX A

Table DH-1U
SOUTHERN CALIFORNIA GAS COMPANY
TEST YEAR 2012
SUMMARY OF EARNINGS

(Thousands of Dollars)

(Includes January 1, 2011 Base Margin update as required by the Rate Case Plan)

Line No.	Description	2012 Present Rates (2012\$)	2012 Proposed Rates (2012\$)
1	Base Margin	\$ 1,770,783	\$ 2,021,113
2	Miscellaneous Revenues	103,197	103,197
3	Revenue Requirement	\$ 1,873,980	\$ 2,124,310
<u>Operating and Maintenance Expenses</u>			
4	Gas Distribution	132,337	132,337
5	Transmission	32,448	32,448
6	Underground Storage	28,859	28,859
7	Engineering	94,452	94,452
8	Procurement	3,639	3,639
9	Customer Services	324,534	324,534
10	Information Technology	47,472	47,472
11	Support Services	121,314	121,314
12	Administrative and General	379,828	379,828
13	Subtotal (2009\$)	\$ 1,164,883	\$ 1,164,883
14	Shared Services Adjustments	34,794	34,794
15	Reassignments	(81,970)	(81,970)
16	Escalation	60,827	60,827
17	Uncollectibles (0.278%)	4,818	5,499
18	Franchise Fees (1.4593%)	26,242	29,895
19	Total O&M (2012\$)	\$ 1,209,593	\$ 1,213,927
20	Depreciation	369,672	369,672
21	Taxes on Income	59,803	140,981
22	Taxes Other Than on Income	81,588	81,588
23	Total Operating Expenses	1,720,656	1,806,168
24	Return	153,324	318,141
25	Rate Base	3,665,224	3,665,224
26	Rate of Return	4.18%	8.68%
27	Derivation of Base Margin		
28	O&M Expenses (Line 19)	1,209,593	1,213,927
29	Depreciation (Line 20)	369,672	369,672
30	Taxes (Line 21+22)	141,391	222,569
31	Return (Line 24)	153,324	318,141
32	Revenue Requirement	1,873,980	2,124,310
33	Less: Miscellaneous Revenues (Line 2)	103,197	103,197
34	Base Margin (Line 1)	<u>\$ 1,770,783</u>	<u>\$ 2,021,113</u>

APPENDIX B

Base Margin and Revenue Requirement

	SCG Present Rate Revenues (in thousands of dollars)			2011 to 2012
	2010 rates	2011 rates	2012GRC	increase (decrease)
Authorized Base Margin in 2008GRC (1)	\$1,610,510	\$1,610,510	\$2,021,113	\$410,603
2009 attrition w/FFU	\$52,898	\$52,898		(\$52,898)
2010 attrition w/FFU	\$51,880	\$51,880		(\$51,880)
2011 attrition w/FFU		\$53,915		(\$53,915)
GCT Equity Interest and Income Adj. (2)		\$1,580		(\$1,580)
Base Margin (net Misc. Revenue, includes FFU)	\$1,715,288	\$1,770,783	\$2,021,113	\$250,330
Net System Integration Adjustment	\$12,635	\$13,161	\$24,221	\$11,060
Other Adjustments to Base Margin:				
Adjusted Other Operating Costs and Revenues	\$58,663	\$51,946	\$58,683	\$6,737
Brokerage Fee	(\$7,064)	(\$5,681)	(\$7,067)	(\$1,386)
Regulatory Accounts	\$22,632	\$69,977	\$21,880	(\$48,097)
EOR Revenue allocated to Other Classes \$000	(\$4,408)	(\$5,029)	(\$5,233)	(\$204)
SW Adjustments (EG & NGV)	\$617	\$457	\$143	(\$315)
TLS Adjustments (NCCI/EG/WS/DGN)	\$4,392	\$5,877	\$3,644	(\$2,233)
Net FAR Revenue- \$000	(\$1,061)	(\$6,107)	(\$7,491)	(\$1,384)
Rate Revenues (excluding PPPS, Gas)	\$1,801,694	\$1,895,384	\$2,109,893	\$214,508

Notes

(1) Per 2008 GRC D.08-07-046

(2) Per Advice Letter 4159