

Application No.: A.03-09-

Exhibit No.: _____

Date: September 3, 2003

Witness: Reginald M. Austria

**PREPARED DIRECT TESTIMONY OF
REGINALD M. AUSTRIA
SOUTHERN CALIFORNIA GAS COMPANY**

September 3, 2003

2005 BIENNIAL COST ALLOCATION PROCEEDING

1 **TABLE OF CONTENTS**

2 **A. PURPOSE..... P-1**

3 **B. INTRODUCTION P-1**

4 **C. REGULATORY ACCOUNTS..... P-2**

5 1. **Affiliate Transfer Fee Account (AFTA) P-2**

6 2. **Brokerage Fee Account (BFA) P-3**

7 3. **Catastrophic Event Memorandum Account (CEMA) P-3**

8 4. **Core Fixed Cost Account (CFCA)..... P-4**

9 5. **Economic Practicality Shortfall Memorandum Account (EPSMA)**
10 **& Core Fixed Cost Account (CFCA).....P-4**

11 6. **Enhanced Oil Recovery Account (EORA) P-5**

12 7. **Hazardous Substances Cost Recovery Account (HSCRA) P-5**

13 8. **Interstate Transition Cost Surcharge Account (ITCSA) P-6**

14 9. **Intervenor Award Memorandum Account (IAMA) P-6**

15 10. **Montebello True-Up Tracking Account (MTTA) P-7**

16 11. **Natural Gas Vehicles Account (NGVA) P-7**

17 12. **Noncore Cost Revenue Memorandum Account (NCRMA)..... P-8**

18 13. **Noncore Fixed Cost Account (NFCA).....P-9**

19 14. **Noncore Fixed Cost Tracking Account (NFCTA) P-9**

20 15. **Noncore Storage Balancing Account (NSBA) P-11**

21 16. **PITCO/POPCO Transition Cost Account (PPTCA)..... P-11**

22 17. **PBOPS (Post Retirement Benefits Other Than Pensions) P-12**

23 18. **Research Development & Demonstration Expense Account (RDDEA) –**
24 **Base Margin Component P-13**

25 19. **Research Royalty Memorandum Account (RRMA) P-13**

26 20. **Self-Generation Program Balancing Account (SGPBA)..... P-14**

27 21. **El Paso Turned-Back Capacity Balancing Account (EPTBCBA) P-15**

28 22. **Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA) P-15**

23 23. **Aliso/Goleta Tracking Account (AGTA) P-16**

24 24. **Gas Industry Restructuring Memorandum Account (GIRMA) P-16**

25 25. **Blythe Operational Flow Requirement Memorandum Account (BOFRMA)P-17**

26 26. **CEMA Double Refund Tracking Account (CEMA-DRTA)..... P-18**

27 27. **Earthquake Valve Inspection Memorandum Account (EVIMA) P-18**

28 28. **Interconnect Charge Memorandum Account (ICMA) P-19**

29 29. **Pitas Point Franchise & Uncollectables Account (PPFUA) P-19**

30 30. **Zone Rate Credit Limitation Memorandum Account (ZRCLMA) P-19**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

31. Conservation Expense Account (CEA).....P-20
32. California Alternate Rates For Energy Account (CAREA) P-20
**33. Research, Development And Demonstration Expense Account (RDDEA) –
Public Interest Component P-20**
**34. Applicant Installation Trench Inspection Memorandum Account
(AITIMA) P-21**
D. SUPPLIER REFUNDS..... P-21
E. QUALIFICATIONS.....P-23

ATTACHMENT 1

1 update advice letter on October 15, 2003 for rates effective January 1, 2004. For rates effective
2 with the implementation of the 2005 BCAP, SoCalGas will file a late-filed exhibit in 2004 as
3 part of this 2005 BCAP application requesting authority to incorporate updated December 31,
4 2004 forecasted regulatory account balances into rates to become effective on January 1, 2005.
5 The late-filed exhibit will ensure that the January 1, 2005 rates are based on forecasted
6 regulatory account balances that reflect the most current information available. SoCalGas
7 proposes that the revenue requirements associated with the regulatory account balances as
8 presented in the late-filed exhibit be incorporated into the development of the adopted 2005
9 BCAP rates. The proposed cost allocation for all regulatory accounts is addressed in the
10 testimony of SoCalGas witness Mr. Steven R. Lango.
11

12 SoCalGas is proposing certain changes to regulatory accounts that result from either the
13 conclusion of the 1999 BCAP cycle or proposals contained in this 2005 BCAP application. The
14 following Section C describes those proposals.

15 The last section of this testimony, Section D, discusses the proposed refund plan for
16 supplier refunds received by SoCalGas.

17
18 Table 1 in Attachment 1 at the end of my testimony provides the current regulatory
19 account balances embedded in current rates and the proposed regulatory account balances as of
20 January 1, 2005. The proposed regulatory balances as of December 31, 2004 are based on
21 recorded balances at July 31, 2003 and forecasted activity for the remainder of 2003 through
22 calendar year 2004.

23 **C. REGULATORY ACCOUNTS**

24 **1. Affiliate Transfer Fee Account (AFTA)**

25
26 The AFTA was established by D.97-12-088 to record the transfer payment to
27 SoCalGas from Sempra Energy when an employee moves from SoCalGas to a Sempra
28 Energy affiliate. The AFTA is forecast to be overcollected by approximately \$52,000 as

1 of December 31, 2003. SoCalGas forecasts a zero balance in the AFTA at December 31,
2 2004; however, should payments be made in 2004, a revised forecast will be incorporated
3 in the late-filed exhibit for amortization over a 12-month period beginning January 1,
4 2005.

5 **2. Brokerage Fee Account (BFA)**

6 The BFA balances authorized noncore brokerage fee costs against recorded
7 noncore brokerage fee revenues. The BFA is forecast to be undercollected by \$5,000 as
8 of December 31, 2003 as a result of an unamortized residual balance related to the year
9 2002.

10 With the elimination of core subscription service at the end of 2003, SoCalGas
11 will no longer incur brokerage costs for noncore gas purchases. SoCalGas proposes that
12 any residual balance in the BFA at December 31, 2004 be transferred to the NFCA and
13 that the BFA be discontinued.
14

15 **3. Catastrophic Event Memorandum Account (CEMA)**

16 The CEMA was established to record expenses resulting from officially declared
17 disasters less any insurance recoveries for those expenses. The balance related to the
18 Northridge earthquake has been fully amortized as of December 31, 2002, except for a
19 minor residual overcollection balance of \$1,000. SoCalGas proposes to transfer the
20 balance to its fixed cost balancing accounts (i.e., CFCA and NFCA). Should any new
21 costs be incurred from officially declared disasters and recorded in this account,
22 SoCalGas will seek Commission approval for recovery of these costs in a separate
23 regulatory proceeding, consistent with past practice.
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

4. **Core Fixed Cost Account (CFCA)**

The CFCA balances non-gas fixed costs allocated to the core market against non-gas revenues collected in rates to recover these costs. The CFCA is forecasted to be overcollected by \$70 million as of December 31, 2003. This forecasted overcollection is primarily caused by including on September 1, 2003 the core customers allocation (approximately \$74.4 million) of the 2003 merger savings refund pursuant to D.03-08-027.

The CFCA is forecasted to be overcollected by \$92 million as of December 31, 2004. This forecasted overcollection is primarily caused by anticipated higher throughput above adopted throughput levels¹ for 2004 and inclusion of the \$2.9 million supplier refund as described in Section D of this testimony. SoCalGas proposes to include the forecasted CFCA balance in rates, to be amortized over 12-month period beginning January 1, 2005.

5. **Economic Practicality Shortfall Memorandum Account (EPSMA) & Core Fixed Cost Account (CFCA)**

The EPSMA tracks the shortfall in revenue that is recorded in the CFCA principally as a result of large core customers electing to transfer from core to noncore service. In both D.94-12-052 and D.97-04-082, SoCalGas was authorized to update the demand forecast to account for core to noncore migration and assign 20% of the revenue shortfall occurring in the CFCA directly to noncore customers. The EPMSA reflects a \$207,000 undercollection as of December 31, 2002, and the account is forecast to be overcollected by approximately \$12,000 at December 31, 2003.

¹ Adopted throughput levels were approved by the Commission in D.00-04-060 (1999 BCAP Decision).

1 In 2004, the EPMSA is forecasted to accumulate an additional undercollection of
2 approximately \$77,000 at December 31, 2004. SoCalGas proposes to amortize this
3 balance and record the corresponding entries into the CFCA over a 12-month period
4 beginning January 1, 2005.

5 **6. Enhanced Oil Recovery Account (EORA)**

6 The EORA balances EOR recorded revenue against allocated fuel costs and
7 forecast net EOR revenue. The EORA is forecast to be undercollected by \$8.2 million as
8 of December 31, 2003. This undercollection is primarily due to the continuing decline of
9 throughput in the EOR market as presented in the testimony of SoCalGas witness Ms.
10 Sharon R. Pope.
11

12 In 2004, the EORA is forecast to be undercollected by \$6.4 million at December
13 31, 2004 for the same reason. SoCalGas proposes to include the forecasted EORA
14 balance in rates to be amortized over 12-months, beginning January 1, 2005.

15 The forecast of EOR throughput and revenue for the 2005 BCAP is presented in
16 the testimony of Ms. Pope.
17

18 **7. Hazardous Substances Cost Recovery Account (HSCRA)**

19 The HSCRA was established to record hazardous substance clean-up and
20 insurance litigation costs related to manufactured gas plants, presently identified
21 Superfund sites, and other sites identified by the utility offset by recorded insurance
22 recoveries from third parties, insurance carriers and customers. Consistent with
23 Commission authorization (D.94-05-020), 90% of hazardous substance costs, 70% of
24 insurance litigation costs and a portion of any insurance recoveries (determined by an
25 adopted formula) are allocable to customers.
26

27 The HSCRA allocable to customers is forecasted to be undercollected by \$11.7
28 million as of December 31, 2003. The undercollection is primarily a result of the 90% of

1 the ratepayers' share of the total estimated 2003 costs (approximately \$15 million)
2 anticipated to be incurred to clean-up SoCalGas' hazardous waste sites, offset by
3 approximately \$3 million of allocated insurance recoveries.

4 In 2004, the HSCRA is forecasted to be undercollected by \$15.1 million resulting
5 from the 90% ratepayers' share of the total estimated 2004 costs (approximately \$18
6 million), offset by \$3 million of allocated insurance recoveries. SoCalGas proposes to
7 include this balance in rates, to be amortized over 12-months, beginning January 1, 2005.

8 **8. Interstate Transition Cost Surcharge Account (ITCSA)**

9
10 The ITCSA tracks the difference between SoCalGas' total capacity costs, net of
11 capacity allocated to the core, and revenue received by SoCalGas for core subscription
12 reservations, the authorized revenue requirement for noncore customers, and brokered
13 capacity. For ratemaking purposes, rates are based on forecasted balances in the ITCSA
14 at December 31 of the prior year and estimated stranded capacity costs for the current
15 year. SoCalGas forecasts a \$20.5 million overcollected balance as of December 31,
16 2003 and \$7.1 million of stranded capacity costs for 2004.

17
18 In 2004, the ITCSA is forecasted to be \$0.8 million overcollected as of
19 December 31, 2004, although it is estimated there will be \$7.6 million of stranded
20 capacity costs for 2005. The \$6.8 million net undercollected balance will be used to
21 calculate the noncore ITC surcharge beginning January 1, 2005.

22 **9. Intervenor Award Memorandum Account (IAMA)**

23
24 The IAMA was established to record authorized payments to intervenors for
25 recovery in rates. The IAMA is forecast to be undercollected by approximately \$241,000
26 as of December 31, 2003.

27 SoCalGas forecasts the balance in the IAMA to be zero at December 31, 2004;
28 however, should intervenor payments be made in 2004, an updated forecast will be

1 included in the late-filed exhibit proposing to incorporate the balance for amortization
2 over a 12-month period beginning January 1, 2005.

3 **10. Montebello True-Up Tracking Account (MTTA)**

4 Pursuant to the Amended Settlement Agreement approved by D.01-06-081,
5 SoCalGas was authorized to track the ratepayer's share (50%) of the actual net after tax
6 gains associated with the abandonment of the Montebello storage field to the \$30.0
7 million upfront refund provided to ratepayers over a twelve month period beginning
8 September 2001. The account activity is subject to audit for the period ended
9 December 31, 2003. SoCalGas anticipates a difference between the amount recorded in
10 the tracking account and the upfront refund. SoCalGas will include this difference in its
11 October 15 regulatory account update filing for amortization in rates over a 12-month
12 period beginning January 1, 2004. Therefore, SoCalGas does not expect to amortize a
13 balance in this account effective with the 2005 BCAP.
14

15 **11. Natural Gas Vehicles Account (NGVA)**

16 D.95-11-035 and Resolution G-3191 established the levels of NGV program
17 spending and NGV Research, Development and Demonstration (RD&D) spending over a
18 six-year period beginning December 21, 1995 and ending December 20, 2001. Although
19 tracked separately, the balances for the NGVA and NGV RD&D expense account are
20 combined for ratemaking purposes. On April 30, 2001 SoCalGas filed Advice Letter
21 3022 requesting funding through the end of year 2002. This request was subsequently
22 approved by the Commission in Resolution G-3322, dated January 23, 2002. The
23 Commission issued D.02-12-056 on December 19, 2002, granting SoCalGas authority to
24 extend its funding of the LEV program through 2003 at the levels previously authorized
25 in Resolution G-3322. The NGVA forecast balance reflects the information contained in
26
27
28

1 SoCalGas and SDG&E's joint application (A.) 02-03-047 requesting authority to
2 continue funding their respective LEV programs.

3 As of December 31, 2003, the combined accounts are forecast to be overcollected
4 by \$1.7 million primarily due to the over amortization (resulting from actual throughput
5 above authorized throughput levels) of the prior year's undercollected balance.

6 The NGV Account is forecasted to be overcollected by \$4.0 million as of
7 December 31, 2004 based on SoCalGas' 2004 forecast of mandatory and discretionary
8 program expenses consistent with past practice. However, in SoCalGas' Cost of Service
9 application (A.02-12-027), SoCalGas proposed to modify the NGV Account to exclude
10 "mandatory costs"² associated with the NGV program, as these costs will be treated like
11 base margin costs allocated to each customer class. Only "discretionary costs"³ will be
12 considered in the LEV program. Depending on the Commission's resolution on the
13 treatment and level of "discretionary" costs associated with the LEV program, the NGV
14 Account may continue to be maintained to track such costs in the future. SoCalGas
15 proposes to update the NGV account balance in the 2004 late-filed exhibit, consistent
16 with the Commission's decision on the LEV program, for amortization in rates over a 12-
17 month period beginning January 1, 2005.

18
19
20 **12. Noncore Cost Revenue Memorandum Account (NCRMA)**

21 The NCRMA was established by the Global Settlement (D.94-07-064) to record
22 the difference between authorized and recorded noncore revenue over the Global
23 Settlement period. The account is no longer necessary after the expiration of the Global
24

25
26

² Pursuant to D.02-12-056, mandatory LEV activities would be reviewed in each utility's cost of service
27 proceedings. Mandatory LEV activities involve the acquisition of alternate fuel use vehicles, operating and
28 maintenance costs and associated infrastructure, employee training, and accounting for the costs of these mandatory
activities.

³ Pursuant to D.02-12-056, discretionary LEV activities include customer service, training, research and
development and other "non-mandatory" LEV programs.

1 Settlement since balances were only recorded for ratemaking purposes in the event
2 noncore revenues exceed a threshold amount during the term of the Global Settlement.

3 The NCRMA is almost fully amortized as of December 31, 2003 except for a
4 minor residual balance (\$246.63) due to interest on the unamortized balance. SoCalGas
5 proposes to transfer the remaining account balance to the NFCA and discontinue this
6 account.

7 **13. Noncore Fixed Cost Account (NFCA)**

8 The 1999 BCAP authorized 75%/25% (ratepayer/shareholder) balancing account
9 treatment for the noncore market. Pursuant to D.02-12-017, the Commission
10 subsequently approved SoCalGas' proposal for interim 100% balancing account
11 protection beginning January 1, 2003 until the next BCAP decision.
12

13 SoCalGas forecasts a \$16.7 million undercollected balance as of December 31,
14 2003. This undercollection is primarily caused by the anticipated decline in gas
15 deliveries to electric generation customers and higher company use fuel and unaccounted
16 for gas expenses associated with higher fuel costs, offset by the noncore's allocation
17 (\$9.3 million) of the 2003 merger saving refund pursuant to D.03-08-027.
18

19 The NFCA is also forecasted to be undercollected by \$53.8 million as of
20 December 31, 2004 based on the continued decrease in throughput levels experienced in
21 the prior year. SoCalGas proposes that this balance be amortized over a 12-month period
22 beginning January 1, 2005.

23 **14. Noncore Fixed Cost Tracking Account (NFCTA)**

24 SoCalGas was authorized by D.90-09-089 to receive 100% tracking treatment for
25 noncore Minimum Purchase Obligation (MPO), Carrying Cost of Storage Inventory
26 (CCSI) and Take-or-Pay (TOP) costs. Seventy-five percent of these costs were recorded
27 in the Noncore Fixed Cost Account (NFCA) and 25% were recorded to the NFCTA.
28

1 After the Global Settlement eliminated the NFCA on July 31, 1994 (Global Settlement,
2 Appendix A, page 19), 100% of these costs were tracked in the NFCTA.

3 There are three active NFCTA subaccounts which are anticipated to be fully
4 amortized by December 31, 2004. However, should a variance between actual and
5 authorized costs occur in 2004, SoCalGas proposes to transfer the NFCTA balance to the
6 NFCA and include the updated NFCA balance in the 2004 late-filed exhibit for
7 amortization in rates over a 12-month period beginning January 1, 2005. Going forward,
8 SoCalGas proposes to discontinue the NFCTA and record these specific costs, with the
9 exception of MPO costs, in the NFCA. SoCalGas proposes to eliminate the Minimum
10 Purchase Obligation (MPO) calculation for the reason described below.
11

12 The MPO arises when the cost of gas purchased under high-priced California
13 supply contracts exceeds a reasonable amount that would be paid in a competitive
14 market. These MPO costs are treated as non-gas fixed costs that are allocated to core and
15 noncore customers (i.e., recorded in the CFCA and NFCTA, respectively). Since
16 SoCalGas has renegotiated its old California contracts from high fixed purchase prices to
17 competitive spot market gas prices using current market responsive indices, the MPO
18 calculation no longer serves its original intent which was to spread the excess gas costs
19 associated with high-priced California supply contracts to core and noncore customers.
20 Accordingly, SoCalGas proposes to cease calculating MPO costs and treat gas costs
21 associated with California production like any other commodity cost that would be
22 allocated to core procurement customers, subject to balancing account treatment in the
23 Purchased Gas Account (PGA).
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

15. Noncore Storage Balancing Account (NSBA)

The NSBA was established to balance non-gas costs for unbundled storage service and the reservation revenues collected from customers who contract for unbundled storage services. The NSBA provides for 50/50 sharing between ratepayers and utility shareholders for unbundled storage service and 100% balancing of unallocated storage costs. This account also records the amount of unbundled storage capacity that remains unsubscribed.

The NSBA is forecast to be undercollected by \$0.5 million as of December 31, 2003. This undercollection is primarily the result of the difference between the total unbundled storage revenue requirement and the amount of contracted unbundled storage services.

In 2004, revenues from contracted unbundled storage services are expected to decrease from the prior year due to the expiration of customers' storage contracts. In addition, the NSBA forecast reflects 100% at risk/reward for unbundled storage service beginning April 1, 2004 as proposed in SoCalGas' FRCA application, A.03-06-040. As a result, the NSBA is forecasted to be undercollected by \$1.7 million as of December 31, 2004. SoCalGas proposes to include the forecasted NSBA balance in rates to be amortized over 12-months, beginning January 1, 2005.

22
23
24
25
26
27
28

16. PITCO/POPCO Transition Cost Account (PPTCA)

The PPTCA was authorized by the Global Settlement to record the customer portion of buyout/buydown costs of the commercial settlements related to PITCO/POPCO and to record excess PITCO/POPCO gas costs. The Global Settlement expressly prohibited any new transition or excess gas costs to be recorded to the PPTCA after December 31, 1998.

1 For the period August 1, 1994 through December 31, 1998, SoCalGas recorded a
2 total of \$568.5 million in PITCO/POPCO transition/excess gas costs to the PPTCA.
3 Accounting adjustments of \$29.6 million primarily related to recoupment costs and
4 supplier refunds resulted in a net cumulative PITCO/POPCO transition/excess gas costs
5 of \$538.9 million. In accordance with the sharing methodology established by the Global
6 Settlement, \$105 million have been allocated to shareholders and \$434 million will have
7 been allocated to customers.

8 The PPTCA is forecast to be \$0.6 million overcollected at December 31, 2003
9 and is anticipated to have a \$7,000 residual overcollected balance at December 31, 2004.
10 SoCalGas proposes that the residual PPTCA balance be transferred to the CFCA and
11 NFCA based on the existing cost allocation methodology and that the PPTCA be
12 discontinued.
13

14 **17. PBOPS (Post Retirement Benefits Other Than Pensions)**

15 Pursuant to the 1999 BCAP decision, D.00-04-060, SoCalGas was ordered to
16 return \$8.7 million of PBOP overcollections related to years 1996 and 1997. SoCalGas
17 amortized \$5.1 million of this overcollection in 2000 and the remaining amount of \$3.6 in
18 2001.
19

20 SoCalGas recorded an \$81.6 million PBOP overcollection related to years 1998
21 through 2001. The overcollection primarily resulted from lower funding of SoCalGas'
22 PBOP trust due to investment gains in assets from the trust and decreases in service costs
23 related to changes in workforce levels. One-half of this estimated amount, approximately
24 \$40.8 million, was incorporated in rates effective January 1, 2002 to return this
25 overcollection to ratepayers. The remaining \$39.5 million overcollection, based on
26 updated actuals of \$80.3 million as of December 31, 2001, is currently being amortized
27 over a 12-month period effective January 1, 2003. In 2002, an additional \$23.9 million
28

1 PBOP overcollection had accumulated and is forecast to decrease by approximately \$1.4
2 million as 2003 funding requirements are anticipated to be higher than amounts
3 embedded in rates. The total PBOP overcollection balance is forecasted to be
4 approximately \$22.5 million at December 31, 2003. SoCalGas plans to include this
5 balance in its October 15 regulatory account balance update filing for amortization over a
6 12-month period beginning January 1, 2004.

7 With the eventual implementation of SoCalGas' Cost of Service application,
8 SoCalGas does anticipate a difference between actual funding requirements and PBOP
9 revenues embedded in COS rates. Accordingly, SoCalGas does not propose a balance at
10 December 31, 2004 to be amortized in 2005 rates.

11
12 **18. Research Development & Demonstration Expense Account (RDDEA) – Base**
13 **Margin Component**

14 The RDDEA tracks the difference between actual expenses associated with
15 authorized RD&D projects and authorized expenses included in rates. Pursuant to D.97-
16 07-054, SoCalGas has included the majority of its RD&D funding of \$8.5 million in base
17 margin.

18 The RDDEA balance related to the current PBR cycle is forecast to be zero at
19 December 31, 2004; however, should a balance exist at the end of the Cost of
20 Service/PBR cycle, SoCalGas proposes to include this balance in the late-filed exhibit for
21 amortization in rates over 12 months beginning January 1, 2005.

22
23 **19. Research Royalty Memorandum Account (RRMA)**

24 The RRMA records all royalties, licensing fees and other revenue attributable to
25 SoCalGas' RD&D projects. The RRMA is forecast to be fully amortized by December
26 31, 2003 except for a residual balance of approximately \$24,000 related to interest on the
27 unamortized overcollected balance during that year. SoCalGas plans to include this
28

1 balance in its October 15 regulatory account balance update filing for amortization in
2 rates over a 12-month period beginning January 1, 2004.

3 SoCalGas forecasts the RRMA balance to be zero at December 31, 2004;
4 however, should royalties revenues be collected in 2004, the balance will be incorporated
5 in the 2004 late-filed exhibit updating the RRMA forecasted balance for amortization in
6 rates over a 12-month period beginning January 1, 2005.

7 **20. Self-Generation Program Balancing Account (SGPBA)**

8 Pursuant to D.01-07-028, dated July 12, 2001, and D.01-03-073, dated March 27,
9 2001, the Commission authorized regulatory accounting treatment of the incremental
10 costs associated with SoCalGas' Self-Generation Program prescribed under Assembly
11 Bill (AB) 970. Self-generation, as defined in D.01-03-073, refers to distributed
12 generation technologies, such as microturbines, small gas turbines, wind turbines,
13 photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or
14 cogeneration). Self-generation units, with a 1.5 megawatt (MW) maximum system size
15 limit, are installed on the customer's side of the utility meter and provide electricity for all
16 or a portion of that customer's electric load.
17

18
19 SoCalGas forecasts an \$18.7 million undercollected balance at December 31,
20 2003 related to estimated program administrative costs (\$3.2 million) and incentive
21 funding (\$15.5 million).

22 SoCalGas forecasts the SGPBA to be undercollected in 2004 by approximately
23 \$16.4 million (i.e., program administrative costs of \$3.2 million and incentive funding of
24 \$13.2 million) and proposes to amortize this balance over a 12-month period beginning
25 January 1, 2005.
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

21. El Paso Turned-Back Capacity Balancing Account (EPTBCBA)

On July 17, 2002, the Commission issued D.02-07-037 establishing two rules for California natural gas and large electric utilities. The first rule requires the natural gas and large electric utilities to sign up for proportionate amounts of El Paso Natural Gas Company's (El Paso) turned-back capacity at specific delivery points to the extent that California replacement shippers do not sign up for the turned-back capacity. The second rule pre-approves and finds just and reasonable the California utilities' subscriptions to this turned-back capacity, as well as their existing capacity rights on interstate pipelines. The Commission also authorizes the utilities to release capacity to third parties under capacity release arrangements.

The EPTBCBA was established pursuant to D.02-07-037 to record the costs associated with the subscription, retention, and disposition of turned-back capacity on the El Paso interstate pipeline and any proceeds realized from the release of capacity to third parties. The EPTBCBA is forecasted to be undercollected by approximately \$1.5 million as of December 31, 2003. This amount reflects forecasted capacity brokering credits of approximately \$14.2 million.

The EPTBCBA is forecasted to be undercollected by approximately \$2.4 million as of December 31, 2004. This amount reflects forecasted capacity brokering credits of approximately \$13.8 million. SoCalGas proposes to amortize the balance over a 12-month period beginning January 1, 2005.

22. Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)

Pursuant to D.00-04-060, the total annual revenue requirement related to the Wheeler Ridge facilities was rolled into rates effective June 1, 2000. Accordingly, Schedule G-ITC was modified to eliminate the firm and interruptible volumetric charges, the zone rate credit, and fuel charge components of the tariff; however, the firm access

1 reservation charge was retained. The WRFACMA was established to track the
2 reservation charges for firm access charged under G-ITC tariff for future refund to
3 customers. SoCalGas forecasts the WRFACMA will be overcollected by approximately
4 \$3.4 million as of December 31, 2003.

5 SoCalGas forecasts the WRFACMA will be overcollected by approximately \$1.0
6 million as of December 31, 2004, based on anticipated reservation charges in 2004 being
7 similar to levels (\$77,000 per month) experienced in 2003. SoCalGas proposes to
8 amortize the balance over a 12-month period beginning January 1, 2005.

9
10 **23. Aliso/Goleta Tracking Account (AGTA)**

11 Pursuant to D.02-11-028, the AGTA was established to track the noncore
12 ratepayers' allocation of the net after-tax proceeds associated with the sale of the cushion
13 gas at the Aliso Canyon and Goleta storage fields. The AGTA is forecasted to be
14 undercollected by \$23,000 at December 31, 2003. SoCalGas plans to include this
15 balance in its October 15, 2003 regulatory account balance update filing for amortization
16 in rates over a 12-month period beginning January 1, 2004.

17
18 SoCalGas forecasts the AGTA balance to be zero at December 31, 2004;
19 however, should a residual balance exist, SoCalGas proposes the balance be transferred
20 to the NFCA and that the AGTA be discontinued.

21 **24. Gas Industry Restructuring Memorandum Account (GIRMA)**

22 The GIRMA was established to record the difference between the incremental
23 costs associated with the implementation of the regulatory market structure adopted in
24 D.01-12-018 (the GIR Decision) and revenues from rates to recover such costs as
25 authorized by the Commission. Pursuant to the Comprehensive Settlement Agreement
26 (CSA), SoCalGas was authorized to recover \$2.0 million (plus franchise fees and
27 uncollectibles) per year from the effective date of the CSA until the effective date of the
28

1 Commission decision re-establishing SoCalGas' authorized margin after the expiration of
2 the PBR period established for SoCalGas in D.97-07-054. Revenues also include pooling
3 service fees, imbalance fees, net revenues from the sale or purchase of gas beyond
4 tolerances provided under balancing rules, and the portion of rights trading fees
5 SoCalGas is entitled to retain.

6 Since implementation of GIR was delayed, no revenues have been realized or
7 recovered in rates to offset GIR-related costs. In addition, since the GIRMA was
8 established to record the actual revenue requirements associated with the implementation
9 of GIR prior to SoCalGas next Cost of Service, no costs have been recorded in GIRMA.
10 Consistent with the CSA, SoCalGas proposes that rates effective January 1, 2005 reflect
11 the \$2.0 million per year revenue requirement, prorated for any partial year, beginning
12 December 11, 2001, the effective date of the GIR decision, through April 1, 2004, the
13 anticipated effective date of SoCalGas' COS. The resulting revenue requirement to be
14 reflected in rates effective January 1, 2005 would be \$4,609,589. SoCalGas may update
15 the GIRMA balance in the 2004 late-filed exhibit based on the outcome of GIR-related
16 costs in SoCalGas' COS.
17
18

19 **25. Blythe Operational Flow Requirement Memorandum Account (BOFRMA)**

20 SoCalGas filed Advice Letter 3286 on August 26, 2003 requesting Commission
21 approval to establish the BOFRMA in order to track certain costs associated with
22 SoCalGas' Gas Acquisition Department's purchase and delivery of gas to sustain
23 operational flows at Blythe, thereby ensuring that gas is delivered to customers connected
24 to the southern portion of SoCalGas' system. Since it is difficult to determine if and
25 when SoCalGas will incur such costs to sustain the operational flows at Blythe, no
26 forecast is presented in this BCAP application. However, should a balance exist in the
27
28

1 BOFRMA, SoCalGas proposes that those costs, as presented in the 2004 late-filed
2 exhibit, be recovered in rates over a 12-month period beginning January 1, 2005.

3 **Other Modified and Discontinued Regulatory Accounts:**

4
5 **26. CEMA Double Refund Tracking Account (CEMA-DRTA)**

6 The CEMA-DRTA was established pursuant to D.98-12-051 to recover the
7 double refunding of the insurance proceeds related to the Northridge earthquake. This
8 “double refunding” resulted from SoCalGas initially recording the insurance proceeds as
9 a reduction in ratebase pursuant to D.97-07-054 thereby refunding the insurance proceeds
10 over the depreciable life of utility plant assets. The Commission, however, approved the
11 refund through the CEMA in D.97-06-064 which refunds the insurance proceeds over a
12 shorter period.
13

14 SoCalGas has fully recovered this shortfall and amortized the overcollection in
15 2001 that resulted from the delay in changing rates. SoCalGas proposes that this account
16 be discontinued.

17 **27. Earthquake Valve Inspection Memorandum Account (EVIMA)**

18 The EVIMA is intended to record costs related to the inspection of earthquake
19 valves in compliance with D.00-06-038. SoCalGas had forecasted a \$500,000
20 undercollected balance at December 31, 2001. However, in D.01-11-068 the
21 Commission denied SoCalGas’ request for recovery of these costs. The account balance
22 was subsequently written-off in November 2001. Accordingly, SoCalGas proposes that
23 this account be discontinued.
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

28. Interconnect Charge Memorandum Account (ICMA)

SoCalGas filed Advice Letter 2960 on September 22, 2000 requesting Commission approval to discontinue the authorized ICMA charge effective October 1, 2000 and that any remaining balance in the account be addressed in SoCalGas' next BCAP. However, SoCalGas filed Advice Letter 3081 on November 20, 2001 requesting Commission authority to directly refund to affected customers utilizing the Wheeler Ridge Interconnect facilities an overcollection in the ICMA of approximately \$562,000. The Commission approved this request with an effective date of December 30, 2001. SoCalGas completed the direct refund of the ICMA overcollection in February 2002; accordingly, SoCalGas proposes that the ICMA be discontinued.

29. Pitas Point Franchise & Uncollectables Account (PPFUA)

The PPFUA was established to track the difference between recorded and authorized franchise fee expenses resulting from the purchase and sale of Pitas Point gas. The PPFUA has been completely amortized in rates in prior years and SoCalGas does not anticipate any further activity to be recorded in this account. SoCalGas proposes that this account be discontinued.

30. Zone Rate Credit Limitation Memorandum Account (ZRCLMA)

The ZRCLMA was established to record the difference between the zone rate credits authorized in rates and the actual zone rate credits provided to customers transporting through Wheeler Ridge. The ZRCLMA is fully amortized as of December 31, 2002 except for a minor residual balance of \$822.42. SoCalGas proposes to transfer the residual balance to the NFCA and to discontinue the account.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

31. Conservation Expense Account (CEA)

The CEA records the difference in actual conservation demand-side management (DSM)/Direct Assistance Program (DAP) expenses for the 1997 through 2002 program years and authorized expenses included in rates. However, the CEA has primarily balanced only actual program spending in 2001 and 2002 against public purpose program (PPP) revenues collected from customers with the implementation of Assembly Bill (AB) 1002. Under AB 1002, PPP funds embedded in rates became a surcharge effective January 1, 2001 to be initially remitted on a quarterly basis to the State Board of Equalization for deposit in the Gas Consumption Surcharge Fund (GCSF), subject to reimbursement back to the utilities upon submission of a claim for reimbursement of expenses incurred.

The disposition of any underspent balance in the CEA, reduced for amounts approved by the Commission to carryover to the next program cycle, will be addressed in SoCalGas' annual gas surcharge rate filing. Accordingly, SoCalGas is proposing no amortization of the CEA balance in this BCAP application.

32. California Alternate Rates For Energy Account (CAREA)

The CAREA balances CARE energy bill discounts (including discounts on the service establishment charge) and program expenses against CARE surcharge revenues as reimbursed by the State pursuant to AB 1002. The balance in the CAREA is no longer amortized through the BCAP but is incorporated in SoCalGas' annual gas surcharge rate filing to amortize the forecasted balance in the CAREA as well as recover its projected program costs for the current year.

33. Research, Development And Demonstration Expense Account (RDDEA) – Public Interest Component

The RDDEA tracks the difference between actual expenses associated with SoCalGas' authorized "Public Interest" RD&D projects and authorized expenses

1 included in rates prior to implementation of AB1002 on January 1, 2001. Subsequent to
2 that date, actual expenses are compared to amounts reimbursed from the GCSF.

3 Pursuant to D.97-07-054, SoCalGas has included the public interest RD&D funding of
4 \$0.5 million in rates.

5 SoCalGas proposes that the balance in the RDDEA – Public Interest be
6 incorporated in its annual gas surcharge rate filing to amortize the forecasted balance as
7 well as recover its projected program costs for the current year. Accordingly, SoCalGas
8 is proposing no amortization of the RDDEA – Public Interest in this BCAP application.

9
10 **34. Applicant Installation Trench Inspection Memorandum Account (AITIMA)**

11 The purpose of the AITIMA is to record all nonrefundable inspection fees
12 charged by SoCalGas associated with individual applicant-installed projects under the
13 Applicant Installation Option, Section G, Rule No. 20, Gas Main Extensions, and to
14 record amounts subject to future reimbursement by ratepayers, upon final Commission
15 resolution of the Application for Rehearing of Decision No. 99-06-079. In D.03-03-032,
16 the Commission required inspection fees to become part of the job's costs subject to line
17 extension allowances. In addition, consistent with the Commission's order, the balance
18 in the AITIMA was recorded as a reduction to SoCalGas' ratebase. SoCalGas proposes
19 that this account be discontinued.
20

21
22 **D. SUPPLIER REFUNDS**

23 Pursuant to Stipulation and Settlement Agreement (FERC Docket No. RP97-288-009, et
24 al), SoCalGas received approximately \$2.9 million in March 2003. The refund was ordered by
25 the Federal Energy Regulatory Commission on July 17, 2002. Transwestern Pipeline Company
26 (Transwestern) was ordered to refund all revenues collected above the maximum tariff rates
27 under the negotiated rate transactions with Sempra Energy Trading Corp. and Richardson
28

1 Products Co., plus interest, to all firm shippers on Transwestern's system at the time of the
2 transactions. SoCalGas proposes to transfer the Transwestern refund balance, including interest
3 accrued from the date of receipt of the refund, to the CFCA. The forecasted CFCA balance,
4 including the Transwestern refund, would be amortized in rates over 12 months beginning
5 January 1, 2005.

6 This concludes my testimony.
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

E. QUALIFICATIONS

My name is Reginald M. Austria. I am employed by San Diego Gas & Electric Company (SDG&E). My business address is 555 W. 5th Street, Los Angeles, California.

I am the Regulatory Accounts Manager in the Regulatory Affairs department which supports the regulatory activities for both SDG&E and SoCalGas. I have held my current position since April 1, 2002. I am responsible for managing SoCalGas' authorized regulatory balancing, tracking and memorandum accounts. My responsibilities include: implementation of regulatory accounting procedures for compliance with Commission decisions; quantifying and recording the monthly entries and adjustments to the Commission-authorized balancing, tracking and memorandum accounts; and managing the general administration of SoCalGas' authorized regulatory accounts. Prior to April 1, 2002, I was the Utility Accounting Manager for SoCalGas, in which I had responsibilities similar to my current duties.

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

ATTACHMENT 1

Southern California Gas Company - 2005 BCAP

Present and Proposed Regulatory Account Balances³

Table 1

		1/1/03 AL 3196 Amortization (\$000)	1/1/05 Proposed BCAP 2005 Amortization (\$000)	2003/2005 Revenue Requirement Change - Incr/(Decr) (\$000)
1	Affiliate Transfer Fee Memorandum Account (ATFA)	(\$61)	\$0	\$61
2	Brokerage Fee Account (BFA)	\$46	\$0	(\$46)
3	Catastrophic Event Memorandum Account (Northridge)	\$0	\$0	\$0
4	Core Fixed Cost Account (CFCA)	(\$75,732)	(\$91,696)	(\$15,964)
5	Economic Practicality Shortfall Memorandum Account (EPSMA)	\$128	\$77	(\$51)
6	Enhanced Oil Recovery Account (EORA)	\$5,129	\$6,450	\$1,322
7	Hazardous Substance Cost-Recovery Account (HSCRA)	\$12,754	\$15,101	\$2,348
8	Interstate Transition Cost Surcharge Account (ITCSA)	\$2,829	\$6,837	\$4,008
9	Intervenor Award Memorandum Account (IAMA)	\$48	\$0	(\$48)
10	Montebello True-Up Tracking Account (MTTA)	\$0	\$0	\$0
11	Natural Gas Vehicle Account (NGV)	(\$2,236)	(\$4,007)	(\$1,770)
12	Noncore Cost/Revenue Memorandum Account (NCRMA)	\$0	\$0	\$0
13	Noncore Fixed Cost Account (NFCA)	\$3,259	\$53,801	\$50,542
14	Noncore Fixed Costs Tracking Account (NCFCTA)	(\$24)	\$0	\$24
15	Noncore Storage Balancing Account (NSBA)	(\$2,305)	\$1,746	\$4,051
16	PITCO/POPCO Transition Cost Account (PPTCA)	(\$106)	(\$7)	\$99
17	Post-Retirement Benefits Other Than Pensions (PBOPS) 2/	(\$39,548)	\$0	\$39,548
18	Research Development and Demonstration Expense Account (RDDEA)	\$0	\$0	\$0
19	Research Royalty Memorandum Account (RRMA)	(\$226)	\$0	\$226
20	Self-Generation Program Balancing Account (SGPBA)	\$1,884	\$16,413	\$14,529
21	El Paso Turned-Back Capacity Balancing Account (EPTCBA)	\$0	\$2,448	\$2,448
22	Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)	\$0	(\$974)	(\$974)
23	Aliso/Goleta Tracking Account (AGTA)	(\$1,106)	\$0	\$1,106
24	Gas Industry Restructuring Memorandum Account (GIRMA)**	\$0	\$4,610	\$4,610
		(\$95,268)	\$10,801	\$106,069

Assumptions

- 1/ Volumes used in the forecast were based on the 2005 BCAP Demand Forecast Summary.
- 2/ PBOPS overfunding during 1998 - 2001 was estimated at \$81.6 million of which half of this amount was refunded in 2002 and the remaining balance is currently being amortized in 2003 rates. 2002/2003 PBOP overcollections are forecasted to be approximately \$22 million.
- 3/ Parenthesis () signifies an overcollection.