Company: Southern California Gas Company (U 904 G)
Proceeding: 2016 General Rate Case
Application: A.14-11-____
Exhibit: SCG-30

SOCALGAS

DIRECT TESTIMONY OF ROSE-MARIE PAYAN

(CUSTOMERS)

November 2014

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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SUMMARY

- Active customers are forecasted to increase from 5.606 million in 2013 to 5.710 million in 2016.
- Customer growth is forecasted to be 0.5%, 0.6% and 0.8% in 2014, 2015 and 2016, respectively.

SOCALGAS DIRECT TESTIMONY OF ROSE-MARIE PAYAN
CUSTOMERS

I. INTRODUCTION

A. Summary of Proposals

My testimony presents Southern California Gas Company's (SoCalGas') customer and new meter forecast for Test Year (TY) 2016.

B. Organization of Testimony

Section I discusses the forecast. Section II discusses the forecast methodology. This testimony does not discuss gas volumes, as SoCalGas is using the current adopted throughput forecast as its gas sales assumption, as adopted in the California Public Utilities Commission (CPUC) Decision 14-06-007, the Triennial Cost Allocation Proceeding Phase II Settlement Agreement.

C. Support To/From Other Witnesses

The customer forecast is used primarily to determine financial needs for certain customer services and new meter installations in TY 2016. For this purpose, total customers are defined as total active meters. Needs related to new meter installations are discussed in the testimony of witness Mr. Frank Ayala in Exhibit SCG-04. Cost estimates for customer service field operations resulting from forecasted gas customer growth are discussed in the testimony of witness Ms. Sara A. Franke in Exhibit SCG-10.

II. RECORDED DATA AND OVERVIEW

A. 2016 Forecast of SoCalGas Customers and New Meters

Year-average total active customers are forecasted to increase from 5.606 million in 2013 to 5.710 million in 2016. This represents a total three-year increase of 103,791 customers, and a compound annual growth rate of 0.61 percent. Table SCG-RMP-1 shows annual customers' recorded data from 2009 through 2013 and forecasted data from 2014 through 2016. Active customers are forecasted to grow by a net 25,227 from 2013 to 2014.

TABLE 1

TABLE SCG-RMP-1 SoCalGas Average Annual Total Active Meters		
Year	Active Meters	Annual % change
2009	5,480,314	0.2%
2010	5,616,668	0.7%
2011	5,549,177	0.6%
2012	5,576,355	0.5%
2013	5,606,113	0.5%
2014	5,631,340	0.5%
2015	5,667,131	0.6%
2016	5,709,903	0.8%

III. FORECAST METHODOLOGY

A. General Description

The total customer count comprises forecasts by customer class: three sectors of residential, total commercial, and total industrial. Recorded and forecasted housing-start assumptions underlying the residential customer forecast came from IHS Global Insight's February 2014 Regional forecast (the aggregate of the twelve counties in which SoCalGas serves customers).[1] The employment assumptions underlying the non-residential customer forecast are based on recorded data from the California Employment Development Department (the aggregate of the twelve counties in which SoCalGas serves customers). For the forecast, percentage growth rates for the aggregated largest six counties that SoCalGas serves were taken from Global Insight's February 2014 Regional forecast. Recorded employment data were then projected into the forecast period by applying Global Insight's forecasted percentage growth rates to the latest year of corresponding recorded data at the time the forecast was made.

SoCalGas uses econometric and statistical techniques to develop quarterly-data forecasts of residential, commercial and industrial customers. Detailed equations, methods and data are shown in the workpapers corresponding to this exhibit.

1. Residential

Connected residential single-family and multi-family customers are a function of lagged authorized housing starts. A small third sector of the residential class – master meter customers

[1] IHS Global Insight is an internationally recognized econometric forecasting firm. The firm's forecasts have been used in many regulatory proceedings.

(including sub-metered customers) – is forecasted to decline at a constant annual rate, consistent with its decline in recent recorded years as some existing master meters are gradually converted to individual meters.

2. Non-Residential

The industrial class is defined as mining or manufacturing customers – those in North American Industry Classification System (NAICS) sectors 210 to 213 and 311 to 339. Active industrial customers are forecasted based on industrial employment and are forecasted to grow gradually.

The commercial class is defined as all other non-residential customers – with the exception of less than 300 customers in the natural gas vehicle (NGV) fueling, electric generation, and wholesale sectors. Connected commercial customers are forecasted based on commercial employment (defined as total nonfarm employment except mining and manufacturing) and are predicted to rise by 1,435 meters from 2013 to 2016.

Once the number of connected meters is forecasted for each customer class, it is split into active and inactive meters, where inactive meters are those with no billed gas use during a billing period. Inactive meters are forecasted by applying a factor to each customer class of forecasted connected meters. The factors used are based on seasonal and multi-year historical patterns of inactive meters for that particular customer class. The number of active meters is equal to the number of connected meters less the number of inactive meters. Table SCG-RMP-2 shows each customer class with its forecasted 2016 active meters, and the percentage of its connected meters that are active.

TABLE SCG-RMP-2
SoCalGas Average 2016 Active versus Connected Meters

Customer Class	Millions	As a % of Connected
Residential single-family	3.680	98.0%
Residential multi-family	1.782	94.9%
Residential master meter	0.0402	98.4%
Commercial	0.1890	76.5%
Industrial	0.0192	N/A
TOTAL	5.710	96.1%

Table SCG-RMP-3 shows average annual active meters by customer class for each year, plus the forecasted three-year percentage change from recorded year 2013 through TY 2016.

TABLE SCG-RMP-3 Average Annual Active Meters by Customer Class					
Gas Customers	2013	2014	2015	2016	Total % Change, 2013 to 2016
Residential single-family	3,614,927	3,632,822	3,654,064	3,679,590	+ 1.8%
Residential multi-family	1,743,855	1,750,780	1,764,984	1,781,848	+ 2.2%
Residential master meter	40,895	40,661	40,454	40,248	- 1.6%
Commercial	187,544	188,058	188,470	188,979	+ 0.77%
Industrial	18,891	19,018	19,159	19,238	+1.84%
TOTAL	5,606,113	5,631,340	5,667,131	5,709,903	+ 1.85%

IV. CONCLUSION

In the customer forecast model, the projected annual net gain in meters is assumed to be end to the annual change in year-end total connected customers. The net gain in meters comprises new meter sets and reset meters, less meters removed.

This concludes my prepared direct testimony.

V. WITNESS QUALIFICATIONS

My name is Rose-Marie Payan. I am employed by Sempra Energy Utilities as a forecasting advisor in the Gas Regulatory Affairs Department for SoCalGas and SDG&E. My business address is 555 West Fifth Street, Los Angeles, California, 90013. In this role, am responsible for the development of the customer forecasts for SDG&E and SoCalGas. I have been in this position since August 2005.

My academic and professional qualifications are as follows: I earned an undergraduate degree in Economics from the University of California, Davis in 1990, and a Master of Arts Degree in Economics from the University of California, Santa Barbara in 1993. My employment outside of SoCalGas has been in the area of Economics. I held the positions of: Analyst at Micronomics, Consultant at Navigant Consulting; Economics Lecturer at California Polytechnic Institute, San Luis Obispo; and Adjunct Lecturer at California State University, Channel Islands, Diablo Valley College, Glendale Community College and California State University, Los Angeles.

GLOSSARY OF ACRONYMS

ACRONYM	DEFINITION
NAICS	North American Industry Classification System
NGV	Natural Gas Vehicle