

Application of Southern California Gas Company
for authority to update its gas revenue requirement
and base rates effective on January 1, 2016.
(U904G)

Application 14-11-004
Exhibit No.: (SCG-40)

**PREPARED DIRECT TESTIMONY OF
KHAI NGUYEN
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

JANUARY 2015



PREPARED DIRECT TESTIMONY
OF KHAI NGUYEN
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) 2016 Test Year General Rate Case Results of Operations report for changes in rates effective on January 1, 2015. 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 2016 Results of Operations report using revised Present Rate Revenues (PRR) effective January 1, 2015. This update shows that, relative to revenues at present rates calculated for 2016 using rates effective as of January 1, 2015, the base margin revenue¹ increase requested in the 2016 GRC is \$255 million. The revised PRR results of operations calculation reflects the increase in authorized base margin revenues for the adopted 2015 annual post-test year rate adjustment in SoCalGas’s 2012 GRC D.13-05-010, deferred gain on sale amortization D.08-07-046/ D.13-05-010, and rate recovery of Honor Rancho Expansion Project costs per D.14-06-007. Please refer to Appendix A of this testimony which includes the updated Summary of Earnings table KN - 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 KN – 1U are as follows:

<u>Line #</u>	<u>Description</u>	<u>Present Rates (2016\$) Updated</u>
1	Base Margin	\$1,996,480
18	Uncollectibles	\$6,075
19	Franchise Fees	\$28,595
22	Taxes on Income	\$3,261
25	Return	\$207,058
26	Ratebase	\$4,331,142
27	Rate of Return	4.78%

¹ Revenue 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 ORA 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.

1 **WITNESS QUALIFICATIONS**

2 My name is Khai Nguyen. My business address is 555 West Fifth Street, Los
3 Angeles, California, 90013-1011. I am currently employed by SoCalGas as the General
4 Rate Case Financial Analysis Manager responsible for developing the revenue requirement
5 forecasts for both SDG&E and SoCalGas.

6 I received a Bachelor of Science Degree in Accounting from California State
7 University, Northridge. I am a Certified Public Accountant (CPA) and a member of the
8 American Institute of Certified Public Accountants (AICPA) and the California Society of
9 Certified Public Accountants. I was first employed by SoCalGas in 1998 and have held
10 various positions in the Regulatory and Accounting and Finance areas of the company;
11 including Cost Accounting, Affiliate Billing & Costing, and Financial Systems. I have
12 previously testified before the Commission.

APPENDIX A

Table KN-1U
SOUTHERN CALIFORNIA GAS COMPANY
TEST YEAR 2016
SUMMARY OF EARNINGS
(Thousands of Dollars)

Line No.	Description	2016 Present Rates (2016\$)	2016 Proposed Rates (2016\$)
1	Base Margin	\$ 1,996,480	\$ 2,251,303
2	Miscellaneous Revenues	101,119	101,119
3	Revenue Requirement	\$ 2,097,599	\$ 2,352,421
<u>Operating and Maintenance Expenses</u>			
4	Gas Distribution	144,989	144,989
5	Transmission	41,049	41,049
6	Underground Storage	40,182	40,182
7	Engineering	131,284	131,284
8	PSEP	-	-
9	Procurement	3,993	3,993
10	Customer Services	356,208	356,208
11	Information Technology	23,624	23,624
12	Support Services	141,402	141,402
13	Administrative and General	432,403	432,403
14	Subtotal (2013\$)	\$ 1,315,133	\$ 1,315,133
15	Shared Services Adjustments	59,885	59,885
16	Reassignments	(98,365)	(98,365)
17	Escalation	65,399	65,399
18	Uncollectibles (0.312%)	6,075	6,850
19	Franchise Fees (1.4136%)	28,595	32,197
20	Total O&M (2016\$)	\$ 1,376,721	\$ 1,381,099
21	Depreciation	410,069	410,069
22	Taxes on Income	3,261	112,997
23	Taxes Other Than on Income	100,490	100,490
24	Total Operating Expenses	1,890,540	2,004,654
25	Return	207,058	347,767
26	Rate Base	4,331,142	4,336,247
27	Rate of Return	4.78%	8.02%
28	Derivation of Base Margin		
29	O&M Expenses (Line 19)	1,376,721	1,381,099
30	Depreciation (Line 20)	410,069	410,069
31	Taxes (Line 21+22)	103,750	213,487
32	Return (Line 24)	207,058	347,767
33	Revenue Requirement	2,097,599	2,352,421
34	Less: Miscellaneous Revenue (Line 2)	101,119	101,119
35	Base Margin (Line 1)	\$ 1,996,480	\$ 2,251,303

APPENDIX B

Base Margin and Revenue Requirement

SCG Present Rate Revenues (in thousands of dollars)

	2014 rates	2015 rates	2016 GRC	2015 to 2016 increase (decrease)
Authorized Base Margin in 2012GRC (1)	\$1,855,615	\$1,855,615	\$2,251,303	\$395,688
2013 attrition w/ffu	\$49,164	\$49,164		(\$49,164)
2014 attrition w/ffu	\$51,672	\$51,672		(\$51,672)
2015 attrition w/ffu		\$53,093		(\$53,093)
Cost of Capital Adjustment (2)	(\$25,431)	(\$25,431)		\$25,431
Deferred Gain on Sale Amortization (3)	\$3,024	\$3,108		(\$3,108)
Adjustment to Storage for Honor Rancho in 2013TCAP (4)	\$9,260	\$9,260		(\$9,260)
Base Margin (net Misc. Revenue, Includes FFU)	\$1,943,304	\$1,996,480	\$2,251,303	\$254,823
Net System Integration Adjustment	\$24,876	\$24,876	\$24,876	\$0
Other Adjustments to Base Margin:				
Adjusted Other Operating Costs and Revenues	\$138,214	\$155,586	\$137,971	(\$17,615)
AB32 Admin Fee from Base Margin	(\$5,280)	(\$5,280)	(\$5,053)	\$227
Brokerage Fee	(\$6,640)	(\$6,640)	(\$6,639)	\$1
Regulatory Accounts	\$88,125	\$196,248	\$38,588	(\$157,660)
EOR Revenue allocated to Other Classes	(\$5,400)	(\$6,283)	(\$6,503)	(\$220)
SW Adjustment (EG & NGV)	(\$2,311)	(\$2,025)	(\$3,366)	(\$1,341)
TLS Adjustments (NCCI/EG/WS/DGN)	(\$2,498)	(\$4,118)	(\$2,805)	\$1,312
Net BTS Revenue	\$16,880	\$14,257	\$16,878	\$2,621
Rate Revenues (excluding PPPS, Gas)	\$2,189,270	\$2,363,102	\$2,445,249	\$82,147

Notes

- (1) Per 2012 GRC D.13-05-010
- (2) Per D.12-12-034
- (3) Per D.08-07-046/D.13-05-010
- (4) Per D.14-06-007