

Exhibit No: _____
Application: A.19-02-XXX
Witness: Reginald M. Austria
Chapter: 4

PREPARED DIRECT TESTIMONY OF
REGINALD M. AUSTRIA
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY

(REGULATORY ACCOUNTING)

February 2019

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1 **CHAPTER 4**

2 **PREPARED DIRECT TESTIMONY OF REGINALD M. AUSTRIA**

3 (REGULATORY ACCOUNTING)

4 **I. PURPOSE**

5 The purpose of my prepared direct testimony on behalf of Southern California Gas
6 Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, the Utilities)
7 is to sponsor the proposed regulatory accounting treatment and recovery of costs associated with
8 the Utilities' Renewable Natural Gas Tariff (RNGT), as described in the Direct Testimony of
9 Grant Wooden (Chapter 2).

10 **II. COST RECOVERY PROPOSAL FOR RNG TARIFF PROGRAM**

11 **A. Establishment of Renewable Natural Gas Tariff Balancing Account**
12 **(RNGTBA)**

13 The Utilities propose to establish separate RNGTBAs as interest-bearing balancing
14 accounts recorded on the Utilities' respective financial statements. Illustrative Preliminary
15 Statements are included as Attachment A (SoCalGas) and Attachment B (SDG&E).¹ For
16 SoCalGas, the RNGTBA consists of two subaccounts: the Commodity Charge Subaccount and
17 the Program Charge Subaccount. The purpose of the Commodity Charge Subaccount is to
18 record the RNG commodity costs the Utilities' opt-in core customers will pay for RNG
19 purchases to serve customers voluntary subscription level as well as to record the corresponding
20 revenues from the RNG Commodity Charge. The purpose of the Program Charge Subaccount is
21 to record the difference between RNGT administrative and marketing program costs and
22 revenues from SoCalGas' RNG Program Charge. The SDG&E RNGTBA will only record the

¹ See Chapter 2, Prepared Direct Testimony of Grant Wooden (Wooden Testimony) for SoCalGas' illustrative RNG Tariff.

1 difference between RNGT administrative and marketing program costs and the revenues from
2 SDG&E's RNG Program Charge.

3 **B. Disposition of the RNGTBA Balances**

4 The Commodity Charge Subaccount balance of SoCalGas' RNGTBA will be
5 incorporated in rates as necessary in connection with the Utilities' monthly Tier 1 advice letter
6 filing to establish the RNG Commodity Charge.² The RNG Program Charge will be established
7 separately for each utility based on a forecast of the utility's applicable RNGT costs,
8 corresponding customer participation, and accounting for an amortization of such costs. The
9 RNG Program Charge may be updated on an annual basis to amortize any under or over
10 collection balance in the Program Charge Subaccount of the RNGTBA for SoCalGas, and in the
11 RNGTBA for SDG&E. The updated RNG Program Charge will be reflected in the Utilities'
12 Tier 1 advice letters establishing the January RNG Rate. Together, the RNG Commodity Charge
13 and RNG Program Charge create the RNG Rate.³

14 While the Utilities are not proposing an end-date for the RNGT, should the Utilities be
15 ordered to end the program, any remaining balance in the RNGTBA will be addressed in the
16 Utilities' following general rate case or other applicable proceeding. Upon approval, the
17 Utilities would transfer the RNGTBA residual balances to applicable balancing accounts, as may
18 be directed by the Commission, for amortization in rates and termination of the RNGTBAs.

19 This concludes my prepared direct testimony.

² See Chapter 3, Prepared Direct Testimony of Andrew Cheung (Cheung Testimony) at pp. 6-7.

³ See Wooden Testimony at p. 8.

1 **III. QUALIFICATIONS**

2 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is
3 555 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts
4 Manager of the Regulatory Accounts group within the Accounting and Finance Department
5 which supports the regulatory accounting and reporting activities for SoCalGas. I have held my
6 current position since April 1, 2002. I am responsible for managing SoCalGas' authorized
7 regulatory balancing, tracking and memorandum accounts. My responsibilities include:
8 implementing regulatory accounting procedures for compliance with Commission decisions;
9 quantifying and recording the monthly entries and adjustments to the Commission-authorized
10 regulatory account mechanisms; and managing the general administration of SoCalGas'
11 authorized regulatory accounts. Prior to April 1, 2002, I was the Utility Accounting Manager for
12 SoCalGas, in which I had similar responsibilities to my current duties.

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

20

ATTACHMENT A

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
RENEWABLE NATURAL GAS TARIFF BALANCING ACCOUNT (RNGTBA)

Sheet 1

1. Purpose

The RNGTBA is an interest-bearing account recorded on SoCalGas' financial statements. The RNGTBA consists of two subaccounts:

- Renewable Natural Gas (RNG) Commodity Charge Subaccount; and
- Program Charge Subaccount

The purpose of the RNG Commodity Charge Subaccount is to record the RNG commodity costs SoCalGas and SDG&E opt-in core customers will pay for RNG purchases to serve their voluntary Subscription Level and the corresponding revenues from the sale of RNG. The purpose of the Program Charge Subaccount is to record the difference between RNG Tariff program administrative and marketing program costs and the corresponding program fees charged in rates to SoCalGas customers participating in the RNG Tariff program.

2. Applicability

The RNGTBA shall apply to gas customers participating in the RNG Tariff program.

3. Rates

See Disposition Section.

4. RNG Commodity Charge Subaccount - Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry for the RNG commodity costs SoCalGas and SDG&E opt-in core customers will pay for RNG purchases to serve their voluntary Subscription Level. The RNG premium is defined as the difference in the estimated monthly weighted average cost of RNG purchases (including the cost of any renewable attributes or credits that are bundled with the purchased RNG supply) and the estimated monthly weighted average cost of traditional natural gas purchases;
- b) A credit entry equal to the recorded SoCalGas and SDG&E RNG revenues, net of SoCalGas Rate Schedule G-CP, "Core Procurement Service" cost components including: 1) reservation charges associated with interstate pipeline capacity contracts entered into by the Utility pursuant to D.04-09-022 and D.02-06-023; 2) carrying cost of storage inventory pursuant to D.07-12-019; 3) backbone transportation service charges as described in D.11-04-032; and 4) authorized core brokerage fee; and
- c) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
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Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
RENEWABLE NATURAL GAS TARIFF BALANCING ACCOUNT (RNGTBA)

Sheet 2

(Continued)

5. Program Charge Subaccount - Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry to record the incremental administrative and marketing costs associated with the RNG Tariff program;
- b) A credit entry equal to the recorded RNG Program Charges to SoCalGas participants in the RNG Tariff program;
- c) An entry to reflect any transfer to or from other regulatory accounts as authorized by the Commission; and
- d) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

6. Disposition

The RNGTBA – RNG Commodity Charge Subaccount balance will be incorporated in rates as necessary in connection with SoCalGas’ and SDG&E’s Tier 1 advice letter submittals to establish the monthly RNG Rate. The RNGTBA - Program Charge Subaccount balance will be incorporated in the update of the RNG Program Charge rate in the Tier 1 advice letter submittal to establish the monthly RNG Rate effective January 1 of the following year. The remaining balance in the RNGTBA after the end of the program will be addressed in SoCalGas’ next general rate case or other applicable proceeding. Upon approval, SoCalGas will transfer the RNGTBA residual balance to an applicable balancing account, as may be directed by the Commission, for amortization in rates and termination of the RNGTBA.

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 Vice President
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ATTACHMENT B



PRELIMINARY STATEMENT

VI. BALANCING ACCOUNTS

RENEWABLE NATURAL GAS TARIFF BALANCING ACCOUNT (RNGTBA)

1. **Purpose**

The RNGTBA is an interest-bearing balancing account that is recorded on the Utility's financial statements. The purpose of the RNGTBA is to record the difference between RNG Tariff program administrative and marketing program costs and the corresponding program fees charged in rates to SDG&E customers participating in the RNG Tariff program.

2. **Applicability**

This account shall apply to all gas customers participating in the RNG Tariff except those specifically excluded by the Commission.

3. **Rates**

The RNGTBA shall be applied to rates as described in Section 5 below.

4. **Accounting Procedures**

The Utility shall maintain the RNGTBA by recording entries at the end of each month as follows, net of FF&U, where applicable:

- a. A debit entry to record the incremental administration and marketing costs associated with the RNG Tariff program;
- b. A credit entry equal to the recorded RNG Program Charges to SDG&E participants in the RNG Tariff program;
- c. An entry to reflect any transfer to or from other regulatory accounts as authorized by the Commission; and
- d. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the entries above at a rate equal to 1/12 of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. **Disposition**

The forecasted year-end balance of the RNGTBA will be incorporated in the annual update of the Program Charge rate in the Tier 1 advice letter submittal to establish the monthly RNG Charge effective January 1 of the following year. The remaining balance in the RNGTBA after the end of the program will be addressed in SDG&E's next general rate case or other applicable proceeding. Upon approval, SDG&E will transfer the RNGTBA residual balance to an applicable balancing account, as may be directed by the Commission, for amortization in rates and termination of the RNGTBA.

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