

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS IN THE 2024 COST ALLOCATION PROCEEDING (A.22-09-015)**

**DATA REQUEST SET 5 FROM CLEAN ENERGY DATED JUNE 14, 2023**

**SO CAL GAS RESPONSE DATED: JUNE 28, 2023**

**5-1.** In Clean Energy DR 01-12, SoCalGas briefly describes the allocation of SoCalGas NGV station costs to the private and public fleet for development of the Compression Adder.

- a) Please provide a copy of the referenced E3 study, “Southern California Gas NGV Compression Rate Adder Calculation for the 2024 TCAP”, Final Report, April 7, 2022.

**Response 5-1a:**

**The following file contains confidential information and is being provided pursuant to the non-disclosure agreement executed on May 19, 2023, between SoCalGas and Clean Energy in A.22-09-015:**

Protected Material\_SCG NGV Compression Rate Adder 2024 TCAP Final Report – 4.7.2022.

- b) Is the methodology employed by E3 different than the method used by SoCalGas in previous Cost Allocation Proceedings?

**Response 5-1b:**

No, this cost allocation proceeding is using the same E3 methodology as from previous cost allocation proceedings.

- c) If yes, what are there changes to the methodology and what is the justification for making these changes.

**Response 5-1c:**

Not Applicable.

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- d) Please elaborate on the allocation of capital costs of joint use stations noted as Step 2 in E3's methodology. Specifically, what portion of capital costs from joint use stations are allocated to the compression rate adder?

**Response 5-1d:**

Please see Response 5-1a.

- e) Please elaborate on how other fixed costs, such as electric demand charges are allocated between the fleet and public access.

**Response 5-1e:**

Please see Response 5-1a.

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**5-2.** In the workpapers for Chapter 13, there is a table that summarizes the allocation of capital and O&M costs for total compressed volumes and Public Access volumes for SDG&E.

a) Please provide a similar table for SoCalGas.

**Response 5-2a:**

Please see Excel file, Ch13\_SCG 2024 TCAP NGV Compression Rate Adder.

b) Are all capital costs associated with NGV compressed gas service part of the Rate Base identified in the SDG&E table? If not, how are the other capital costs recovered.

**Response 5-2b:**

Yes, all capital costs associated with NGV compressed gas service are part of the Rate Base identified in the SDG&E table.

c) It appears that SDG&E splits the costs between public access and fleet based on volume. Does SCG use the same methodology?

**Response 5-2c:**

Yes, see Response 5-2a.

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**5-3.** Operating costs have generally risen over the past few years, due to inflation and other market factors. In the past five years, SoCalGas has added public access at four stations. SoCalGas has built or performed significant upgrades at several stations, designed for large truck access. Given these investments by SoCalGas and the inflationary pressures across all markets, what is driving the reduction in the compression adder for SoCalGas?

**Response 5-3:**

The higher volumes are driving the reduction in the compression adder for SoCalGas.

a) Please provide a comparison of the 2020 TCAP and 2024 CAP analysis for the capital and O&M cost components referenced in question 2 above.

**Response 5-3a:**

Please see Response 5-2a.

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- 5-4.** In Clean Energy DR 01-13, SoCalGas responded that the authorized cost for the compression rate adder is balanced in the NGV Class Subaccount of each utility's Core Fixed Cost Account (CFCA) and the subsequent year's overall NGV rate is adjusted for any over- or under-collections in the NGV Class Subaccount.
- a) Based on SoCalGas' response, would an under-collection of compression adder revenues based on an artificially high compressed volume forecast used for rate design result in higher rates for uncompressed customers in subsequent TCAP years?

**Response 5-4a:**

Yes, it could occur though the undercollection would be relatively small based on the shortfall in throughput. As an example for illustrative purposes, SoCalGas' revenue requirement for the compression rate adder is \$2.95 million for 2023, so if actual throughput was 5% lower than authorized throughput, the projected undercollection would be approximately \$0.15 million.

- b) If yes, how is this consistent with the principle that NGV uncompressed customers will not subsidize NGV compression customers.

**Response 5-4b:**

See Response 5-4a.

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**5-5.** The allocation of Base Margin costs for the NGV class is summarized in Chapter 9 Table 12. The total Base Margin Revenue Requirement for the NGV class is \$39,348 (\$000). Below is an extract from Chapter 13 Table 3 showing the costs put into the NGV uncompressed rate.

30	NATURAL GAS VEHICLES (a sempra-wide rate)									
31	Customer Charge, P-1	263	\$13.00	\$41	221	\$13.00	\$34	(\$7)	\$0.00000	0.1
32	Customer Charge, P-2A	115	\$65.00	\$90	162	\$65.00	\$127	\$37	\$0.00000	0.1
33	Uncompressed Rate Exclude CSITMA, GHG & CAT	178,769	\$0.22599	\$40,400	167,083	\$0.27222	\$45,483	\$5,082	\$0.04622	20.
34	Total Uncompressed NGV	178,769	\$0.22672	\$40,531	167,083	\$0.27318	\$45,644	\$5,113	\$0.04646	20.
35	Compressed Rate Adder	2,833	\$1.04173	\$2,951	10,232	\$0.91453	\$9,357	\$6,406	(\$0.12720)	-12
36	Low Carbon Fuel Standard (LCFS) Credit		(\$1.22702)			(\$0.39682)			\$0.83020	
37	<b>Uncompressed Rate Include CSITMA, CARB and GHG Exclude CAT</b>									
38	CSITMA Adder to Volumetric Rate	178,769	\$0.00032	\$57	167,071	\$0.00034	\$56	(\$1)	\$0.00002	4.1
39	CARB Adder to Volumetric Rate	178,769	\$0.00143	\$256	167,083	\$0.00160	\$267			
40	GHG End User Adder to Volumetric Rate	178,769	\$0.10911	\$19,505	167,083	\$0.11723	\$19,587			
41	Uncompressed Rate \$/therm		\$0.33685			\$0.39138			\$0.05453	16.
42	Combined transport & compressor adder & LCFS Credit \$/th		\$0.15156			\$0.90910			\$0.75754	499
43	<b>Other Adjustments:</b>									
44	TCA for CSITMA exempt customers		(\$0.00032)			(\$0.00034)			(\$0.00002)	4.1
45										
46	<b>TOTAL NGV SERVICE</b>	<b>178,769</b>	<b>\$0.35409</b>	<b>\$63,300</b>	<b>167,083</b>	<b>\$0.44835</b>	<b>\$74,912</b>	<b>\$11,611</b>	<b>\$0.09426</b>	<b>26</b>

a) Please identify the specific non-margin costs that increase the uncompressed revenue requirement from \$39,348 (Chapter 9 Table 12) to \$45,483 (Chapter 13 Table 3, line 33 above):

**Response 5-5a:**

Please see response to Clean Energy-06 question, 6-1.

See workpaper file, Ch13\_Gas Rates SCG – TCAP, tab; Other Op Costs, cell F24, Rows 65:89. Tab: Reg Accts, cell M45, Rows: 65:141

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- b) For each of these non-margin costs, please identify the primary drivers for these costs, the allocation methodology and how potential under-/over-collections of these costs are allocated.

**Response 5-5b:**

See Response 5-5a.

- c) On line 40 of Chapter 13 Table 3, the ‘GHG End User Adder to Volumetric Rate’ is \$19,505 (\$000). Please describe the costs in this account and how is any potential under-/over-collection of this account is allocated?

**Response 5-5c:**

In connection with the annual October regulatory account balance update filing, SoCalGas will incorporate the following year’s forecast of compliance costs and consignment revenues, including amortization of the current year’s projected year-end balances, in rates effective January 1 of the following year for GHG compliance costs, and as an annual natural gas California Climate Credit refunded to residential customers in April for consignment revenues. The forecast compliance cost and projected year-end balance in the End Users GHG Compliance Cost Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis excluding customers who are identified by the ARB as being Covered Entities in the Cap-and-Trade Program. The forecast compliance cost and projected year-end balance in the Company Facilities GHG Compliance Cost Subaccount will be allocated on an ECPT basis to all customers.

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**5-6.** On line 36 of Chapter 13, Table 3, the LCFS credit for compression adder is (\$0.39682):

a) Please describe how the compression adder was developed for the TCAP forecast.

**Response 5-6a:**

The LCFS credit was developed using the March, 2022 LCFS revenues divided by the updated Compression volumes.

b) Does this value reflect a forecast of future LCFS credit and RIN values? Or, is it an estimate based on current and/or historical balances in the LCFS account?

**Response 5-6b:**

See Response 5-6a.

c) How does the forecast of the LCFS credit impact the demand forecast for NGV compressed volumes?

**Response 5-6c:**

See Response 5-6a.



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- d) Please provide a summary of the LCFS credit provided to NGV customers in rates from January 1, 2018, through January 1, 2023. What portion of the credit for each year was due to amortization of LCFS credits generated prior to 2018.

**Response 5-6d:**

	LCFS Credit
Jan-18	\$ 0.00000
Jan-19	\$ 0.00000
Apr-19	\$ (0.19554)
Jan-20	\$ (0.26034)
May-20	\$ (0.21384)
Jan-21	\$ (0.78946)
Jan-22	\$ (0.78946)
Mar-22	\$ (1.22702)
Jan-23	\$ (0.42527)

No portion of the credit for each year was due to amortization of LCFS credits generated prior to 2018.

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**5-7.** Since the adoption of the GHG Balancing account in 2014, there has been growth in the RNG market and changes to SoCalGas' tariffs to allow for additional deliveries of RNG into the SoCalGas system.

- a) Does the RNG that SoCalGas purchases for use at its public access NGV stations impact SoCalGas' obligation under the Cap & Trade program? If so, how is the benefit passed on to customers?

**Response 5-7a:**

SoCalGas objects to the extent the question seeks irrelevant confidential and proprietary information that is not relevant to this proceeding nor reasonably calculated to lead to the discovery of admissible information. Subject to the foregoing, SoCalGas responds as follows: If the RNG is exempt under the requirements of California's Cap-and-Trade regulations then, yes. The benefit is passed on to customers in the form of lower emissions compliance costs collected in rates.

- b) Does other RNG transported by SoCalGas for use by other customers impact SoCalGas' compliance obligation under the Cap & Trade program? If so, how is the benefit passed on to customers?

**Response 5-7b:**

No.

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**5-8.** The costs underlying the NGV rates have increased significantly. The table below has been created based on the testimony and workpapers from the 2020 Triennial Cost Allocation Proceeding (A.18-07-015) and the 2024 Cost Allocation Proceeding (A.22-09-015).

**Response 5-8:**

Response to questions relative to 5-8 will be provided at a later date.

- a) For each of the base margin cost categories listed above, please identify why the allocation of costs to the NGV class has increased, despite an overall reduction in the throughput forecast for rate-making.
  
- b) Customer-related costs, are nearly doubled for the NGV class. Why did the customer-related LRMC and CAPEX increase for the NGV class, while decreasing for all other core customers?
  
- c) Medium pressure distribution costs also increase significantly for the NGV class.
  - i. Why did the marginal cost of MDP increase from \$198.08 to \$298.17/Mcfd peak day?
  
  - ii. Why did the marginal O&M costs for MDP increase by a factor of 2?
  
  - iii. Why did the A&G and General Plant increase by a factor of 5?
  
- d) There is also a higher allocation of Medium and High Pressure distribution costs to the NGV segment due to changes in the cost allocation factors – peak day and peak month demand. The peak day and peak month demand for NGV increased, while decreasing for all other core classes compared to the 2020 TCAP. More specifically, the Peak Day demand increased by 17% and the Peak Month demand increased by 9%.

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- i. Please explain the projected growth in peak day and peak month demand for the NGV sector given the annual throughput decline (Ch 9, Table 1) for a class that has less weather variability than other core customer classes.
  
  - ii. The throughput used for rate-making (Ch 13, Table 1), shows the residential class and NGV class annual average throughput decline by 7% from the 2020 TCAP volumes. Given that residential customers are much more weather sensitive than NGV customers, why would the distribution allocation factors (peak day and peak month) increase for NGV and decrease for Residential customers?
- e) In aggregate, how do these dramatic increases to the NGV marginal cost impact the allocation of base margin costs to the NGV sector and total NGV rate?