

**SAN DIEGO GAS AND ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY
2009 BIENNIAL COST ALLOCATION PROCEEDING (A.08-02-001)
[1ST DATA REQUEST TO SOUTHERN CALIFORNIA EDISON]**

Subject: Direct Testimony of Dr. Michael Alexander:

QUESTION 1:

Please provide workpapers for the proposal to replace the existing Peaking Rate as described beginning on page 23 of the above referenced testimony. If workpapers do not exist, please provide an example of how this proposal would be calculated. Please provide response in the form of working Excel spreadsheets with complete formulas and relevant data.

RESPONSE 1:

SCE did not develop working papers for its proposed replacement (called "G-MSA" in the testimony) for the existing Peaking Rate. Its concept was theoretical. However, a more complete description is included below. It is worth noting that this rate would only be applied to customers which are connected to competing pipelines as well as to the SoCalGas/SDG&E system (I will refer to these as "G-MSA customers".)

The fundamental concept behind SCE's alternative G-MSA rate is that all customers impose certain costs on the system, regardless of their throughput. This cost should be recovered from the customers in question (i.e. on a cost-causation basis). If those G-MSA customers take gas from the competing pipeline, their throughput volumes on the SoCalGas system are correspondingly diminished and their load factors are lowered. Therefore, unlike the situation for customers who are only connected to SoCalGas/SDG&E, these costs cannot be recovered effectively on a volumetric basis. Therefore these costs should be recovered in the initial customer charge, which guarantees that the non-volumetric costs of the customer are fully recovered.

Since these non-volumetric costs would be recovered on a fixed charge basis, they do not need to also be recovered through the volumetric charge and therefore the (class specific) volumetric charge may be lowered appropriately.

The simplest rate design would include all of the non-volumetric costs as fixed costs, remove them from the class average volumetric rate, and charge the remainder to G-MSA customers on a volumetric basis.

In the future, when more data is available on use under the G-MSA rate, consideration should be given to the question of how to account for overhead charges, such as A&G, which are really not specific to the customer's plant, nor to the customer's throughput. Consideration should also be given to how balancing costs (i.e. the allocated amount of storage for balancing) should be collected. While SCE has some preliminary thoughts on this matter, it would be premature to consider them, prior to gathering more data.

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To put it another way, there are the following types of costs:

1. Customer specific equipment (meters, extension lines, etc), which would generally be independent of the volume of throughput.
2. Customer specific serving charges (such as billing), which would be independent of the volume of throughput
3. Shared equipment (transmission lines, pumping stations, etc.) which would be generally independent of the volume of throughput, although it would be sensitive to the need to build to the meet system resource needs for peaking purposes
4. Volumetric costs (such as compressors, wear and tear on the equipment, etc.) which do vary with the volume of throughput.
5. Overhead charges (such as A&G) which are neither customer specific nor volumetric
6. Balancing and related charges which are normally charged on a volumetric basis.

Under the proposed G-MSA tariff, the customer specific costs (#1 and 2) would be recovered exclusively in the fixed customer charge. All other costs (#3, 4, 5, and 6) would be collected on a volumetric basis, based on the allocators used for other customers in the same rate class.

However, because #3 is sensitive to the need to build system resources for peaking purposes, and that amount would be undercollected from G-MSA customers (since they might have an extremely low load factor), SoCalGas would have no obligation to serve these customers, in fact, their interruption priority would be below that of interruptible customers. Currently, SoCalGas is obligated to expand its system when the peak throughput reaches a certain percentage of its system capacity. However, under SCE's proposal, the throughput of G-MSA customers would not be included in this calculation, since it lacks any obligation to serve them.

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QUESTION 2:

Please provide electronic copies of all ongoing data requests and responses from other parties in this proceeding.

RESPONSE 2:

Attached please find SCE's DR No. 1 that was sent to DRA. SCE did not receive a response from DRA.



An EDISON INTERNATIONAL Company

Gloria M. Ing
Senior Attorney
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November 26, 2008

Via email and US Mail

Rashid A. Rashid, Esq.
California Public Utilities Commission
Legal Division, Room 4107
505 Van Ness Avenue
San Francisco, CA 94102-3214

Dear Rashid:

Re: SCE Data Request No. 1 to DRA in BCAP Phase II

Attached please find Southern California Edison Company's first data request to the Division of Ratepayer Advocates ("DRA") in the BCAP Phase II (A. 08-02-001). Please provide DRA's response no later than Thursday, December 11, 2008 by sending DRA's response to the following email addresses:

Gloria.ing@sce.com
Michael.Alexander@sce.com

Please let me know if DRA will have any difficulty with meeting the December 11, 2008 deadline.

Very truly yours,


Gloria M. Ing

GMI:1588527

SCE Data Request No. 1 to DRA
A. 08-02-001 (Phase II)

SCE DR. No. 1 to DRA

Subject: Embedded Cost

Reference: Direct Testimony of Pearlie Sabino p 3. line 27 through page 4 line 4

1. Please explain fully and in detail the theoretical justification for DRA's assertion that:

"SoCalGas' modifications to the proposed embedded cost method should, at a minimum, provide the same percentage share of cost allocation as the LRMC/NCO shown in this testimony, and include:

Modifying the Administrative & General (A&G) cost allocation by allocating 50% of A&G costs on the basis of the average year throughput, in particular, on an equal cents per therm basis (ECPT)"