

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY &  
SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR  
NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS EFFECTIVE  
JANUARY 1, 2020 IN THE TRIENNIAL COST ALLOCATION PROCEEDING**

**(A.18-07-024)**

**(DATA REQUEST CAL ADVOCATES-DR-038)**

**DATA RECEIVED: 2-7-19**

**DATE RESPONDED: 2-22-19**

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**QUESTION 1:**

In response to DR 014 Q1(b), the Applicants state that “The 20th percentile line length was used instead of the 10th or 20th percentile of respective distributions, or the average cost for the bottom 10% or 20%, because the cost distribution was not available when the study was prepared.” It has been six (6) months since the Application was filed. In DR-025 Q4(a), which is a follow-up to DR-014 Q1(b), the Public Advocates Office asked SoCalGas to state whether the cost distribution referenced in this response is now available? And if not, when does SoCalGas project it to be available? In addition, SoCalGas was asked to state whether an update with respect to this aspect could be easily performed when the cost distribution is available?

In response to the data request follow-up in DR-025 Q4(a), SoCalGas’ response provides an Excel file of a study analysis using the cost distribution information for the average cost for the bottom 20%. The response states that “SoCalGas maintains that its original study results are reasonable because they were produced under a reasonable approach, based on SoCalGas’s understanding of D.17-09-035, as discussed on page 8, Chapter 12 (Chaudhury).” The Excel file shows at tab “Meter cost detail” the calculation of the weighted average meter and regulator CAPEX cost per customer. For Single Family (SF), the file in the response shows a hardcoded amount of \$172.67 per customer at cell M46 under the column for average meter and regulator CAPEX per customer. The amount of \$172.67 per customer is escalated to 2020\$ in tab “cust 5 CAPEX.” The escalated amount becomes \$195.45 per customer. That escalated amount is shown in the tab “cust MUC” for the SoCalGas calculation of the marginal unit costs at cell E12. As shown in tab “cust MUC,” SoCalGas applies a weighted RECC factor for meters & regulators to this escalated amount. This results in an annualized marginal investment cost for meters and regulators for the SF class in the amount of \$18.72 per customer. Combined with other elements of the marginal unit costs, the result shown for the LRMC Rental method SF residential customer cost for 20th percentile minimum observed is \$224.26 per customer.

In addition, in workpapers for Chapter 9 testimony, SoCalGas witness Ms. Schmidt-Pines provides an Excel file for minimum observed costs – 20th percentile. The tab “Meter cost detail” for this set of workpapers also indicates a hardcoded amount of \$172.67 per customer at cell M45 under the column for average meter and regulator CAPEX per customer. The amount of \$172.67 per customer is escalated to 2020\$ in tab “cust 5 CAPEX.” The escalated amount becomes \$195.45 per customer. That escalated amount is shown in the tab “cust MUC” for the SoCalGas calculation of the marginal unit costs at cell E12. As shown in tab “cust MUC,” SoCalGas applies a weighted RECC factor for meters & regulators to this escalated amount. This results in an annualized marginal investment cost for meters and regulators for the SF class in the amount of \$18.72 per customer. Combined with other elements of the marginal unit

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costs, the result shown for the LRMC Rental method SF residential customer cost for 20th percentile is \$266.54 per customer.

The Public Advocates Office notes that there is a difference in the LRMC Rental customer cost amount in the two files provided for the 20<sup>th</sup> percentile. While the meter costs appear to be similar, there is a noted substantial difference in the annual service line amount between the two files. The response file uses the amount of \$1,231.66/customer while the workpaper file uses \$1,773.76/customer.

With these in mind, please respond below:

- (a) Please provide the basis for the calculation that results in the amount shown for SF average meter and regulator CAPEX in the hardcoded amount of \$172.67/customer which is used in the SoCalGas calculation of the marginal unit costs in both the response to DR-025 Q4 and the workpaper for Chapter 9.
- (b) Please provide the basis for the service line cost calculation that results in the difference noted as described above.
- (c) Please fully explain the reason for the difference noted above for the service line calculations.
- (d) Please fully explain the reason for the difference noted above for the result of the LRMC rental method SF residential customer cost for the 20th percentile as shown in these two files.
- (e) Please explain the difference between these two files and confirm which file represents the minimum observed costs for the 20th percentile.

**RESPONSE 1:**

- (a) The SF average meter and regulator CAPEX cost of \$172.67/customer is the cost of Size 1 meter and regulator, which represents the cheapest meter and regulator cost for residential customers. This is shown in the file "SCG 2020 LRMC Customer Costs 20<sup>th</sup> percentile min 0119 no links.xls", tab, Meter costs detail, cell I7.

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- (b) The basis for the service line cost calculation that results in the difference noted as described above is the difference in the two methodologies in calculating minimum service line cost.
  - (c) The response files in DR-025, Q4(a) calculated the new business service line cost by averaging the lowest 20% of new business service jobs performed in 2015 – 2017. In workpapers for Chapter 9 testimony, minimum service line cost was estimated by multiplying the 20th percentile line-length in feet for half-inch plastic pipe (the cheapest service line pipes) by the average cost of half-inch plastic pipe per foot.
  - (d) The difference noted for the result of the LRMC rental method SF residential customer cost for the 20th percentile as shown in these two files is attributable to the difference in the calculation of minimum service line costs.
  - (e) See Response (d). The file containing Response DR-025, Q4(a) yields a lower minimum service line cost, relative to workpapers for Chapter 9 testimony.