

Exhibit No.: \_\_\_\_\_  
Application: A.18-07-  
Witness: S. Nasim Ahmed  
Chapter: 6

**PREPARED DIRECT TESTIMONY OF**  
**S. NASIM AHMED**  
**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

(REGULATORY ACCOUNTS)

July 2018

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1 **CHAPTER 6**

2 **PREPARED DIRECT TESTIMONY OF S. NASIM AHMED**

3 **(REGULATORY ACCOUNTS – SOCALGAS)**

4 **I. PURPOSE**

5 The purpose of my direct testimony is to present Southern California Gas Company’s  
6 (SoCalGas) tariff-related modifications associated with proposals sponsored by various  
7 witnesses in this Triennial Cost Allocation Proceeding (TCAP). In addition, SoCalGas seeks  
8 direction from the California Public Utilities Commission (Commission) as to whether the  
9 existing Preliminary Statement tariff provisions for SoCalGas’ regulatory accounts are to remain  
10 in effect unless and until such time as modifications are proposed and adopted by the  
11 Commission. The exception would be where a provision in a regulatory account tariff contains a  
12 clear termination date. Finally, SoCalGas requests that the Commission definitively establish  
13 SoCalGas’ annual regulatory account balance update process.

14 **II. OVERVIEW**

15 The rates authorized in Decision (D.) 16-10-004, Phase 2 of SoCalGas’ 2017 TCAP,  
16 became effective January 1, 2017. As authorized by the Commission, SoCalGas subsequently  
17 filed its annual regulatory account balance update by Advice Letter No. (AL) 5202 in October  
18 2017, requesting authority to incorporate estimated December 31, 2017 regulatory account  
19 balances into rates effective January 1, 2018.<sup>1</sup> The Commission granted such authority on  
20 December 18, 2017.

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<sup>1</sup> AL 5202, Annual Regulatory Account Balance Update for Rates Effective January 1, 2018, filed on October 16, 2017.

1 In prior cost allocation proceedings, SoCalGas undertook the exercise of forecasting  
2 regulatory account balances and presented them in testimony. However, those forecasts, for the  
3 most part, have limited useful value given that those forecasts are derived in the absence of any  
4 decisions authorized by the Commission after the filing of the TCAP application that could  
5 impact the period in which those forecasts would apply. For instance, forecasts derived in this  
6 TCAP (covering the years 2020 - 2022) would be based on the base margin from the 2016  
7 General Rate Case (GRC), and not the pending 2019 GRC (covering the years 2019 - 2021 or  
8 2022). As a result, there would be little correlation between forecasts derived from what  
9 SoCalGas' authorized base margin will be in the upcoming TCAP period. The forecasts  
10 provided in the cost allocation proceedings have been superseded by SoCalGas' annual  
11 regulatory account balance update filing as such regulatory account forecasts reflect the latest  
12 available information. In order to avoid any confusion in the presentation of customer rate  
13 impacts of SoCalGas' TCAP proposals, I am not sponsoring any regulatory account balance  
14 forecasts in this TCAP.

15 The regulatory account balances currently authorized for amortization in SoCalGas'  
16 transportation rates are summarized in Attachment A, Table 1. These recorded balances, instead  
17 of forecasts, will be used to provide the illustrative rates included in the testimony of witness  
18 Sharim Chaudhury (Chapter 12). SoCalGas expects to file annual regulatory account balance  
19 updates in October 2018 and October 2019, the latter of which will represent the balances used  
20 to set rates effective January 1, 2020, when this TCAP is expected to be implemented.

21 The following section includes proposed changes to SoCalGas' Preliminary Statement  
22 resulting from proposals included in the testimony of other witnesses to this application. Unless  
23 described below, SoCalGas is not proposing modifications to any of the other regulatory

1 accounts included in its Preliminary Statement, or to the Annual Regulatory Account Balance  
2 Update process described previously, as part of this application for the 2020 TCAP period.

### 3 **III. PROPOSED MODIFICATIONS TO SOCALGAS' PRELIMINARY STATEMENT**

#### 4 **A. Noncore Storage Balancing Account (NSBA)**

5 The NSBA balances authorized costs for unbundled storage service with revenues  
6 collected from customers who contract for storage service under the unbundled storage program.  
7 In addition, the NSBA records net revenues from hub services collected under SoCalGas' G-  
8 PAL (Operational Hub Service) tariff. D.16-06-039, Phase 1 of SoCalGas' prior TCAP,  
9 provided for a sharing mechanism between ratepayers and shareholders for the net revenues from  
10 the sale of unbundled storage and hub services. As discussed by witness Michelle Dandridge  
11 (Chapter 1), SoCalGas proposes to eliminate the unbundled storage program in this TCAP.  
12 Accordingly, the NSBA will be modified to eliminate the provisions related to the unbundled  
13 storage program and the sharing mechanism.

#### 14 **B. Storage Inventory for Balancing Function Memorandum Account (SIBFMA)**

15 As discussed in Chapter 1 (Dandridge), SoCalGas and SDG&E (Applicants) propose to  
16 increase the allocation of storage inventory from 8 Bcf to 16 Bcf for the balancing function. The  
17 16 Bcf of storage inventory includes a low inventory allocation of 8 Bcf to accommodate for 8%  
18 monthly balancing, when customers create negative imbalances by delivering less gas into the  
19 system than what they use. When negative imbalances are created by customers, there needs to  
20 be gas and inventory space allocated for the gas that is being undelivered by the customers.  
21 Applicants propose that SoCalGas procure the 8 Bcf of gas for this balancing function.

22 SoCalGas proposes to establish the SIBFMA, a memorandum account recorded on  
23 SoCalGas' financial statements. The purpose of the SIBFMA is to record the cost of gas used by

1 customers as a result of customers creating negative cumulative imbalances up to the 8%  
2 monthly imbalance position. As customers reduce or cure their negative cumulative imbalances  
3 (i.e., customers deliver more gas into the system than what they use), the SIBFMA will record a  
4 credit for the cost of gas associated with the reduction in the negative cumulative imbalance  
5 position. In addition, the SIBFMA will record the carrying cost of average monthly inventory  
6 balance of the gas purchase for this balancing function. The proposed method to allocate the  
7 SIBFMA in rates is discussed in Chapter 12 (Chaudhury). SoCalGas proposes to include the  
8 SIBFMA balance in its annual regulatory account balance update filing for amortization in the  
9 subsequent year's rates. As discussed in Chapter 1 (Dandridge), the proposal for SoCalGas to  
10 procure the gas for the balancing function is linked with the SIBFMA proposal and the rate  
11 recovery of the SIBFMA balance, as described above.

### 12 **C. Reliability Function Cost Memorandum Account (RFCMA)**

13 As discussed in Chapter 1 (Dandridge), Applicants propose a new reliability function  
14 consisting of 21 Bcf of gas and inventory space needed to provide withdrawal capability for  
15 daily operational needs throughout the year. Applicants propose that SoCalGas procure the 21  
16 Bcf of gas for the reliability function.

17 SoCalGas proposes to establish the RFCMA, an interest-bearing memorandum account  
18 recorded on SoCalGas' financial statements. The purpose of the RFCMA is to record the  
19 revenue requirement (i.e., return, income and property taxes) on the gas purchase and other  
20 related costs (e.g., transportation) for procuring the 21 Bcf of gas. The proposed method to  
21 allocate the RFCMA in rates is provided in Chapter 12 (Chaudhury). SoCalGas proposes to  
22 include the RFCMA balance in its annual regulatory account balance update filing for  
23 amortization in the subsequent year's rates. In its next GRC proceeding, SoCalGas may propose  
24 to include in its rate base the 21 Bcf of gas for the reliability function, and upon Commission

1 approval, the RFCMA will be revised to no longer record the revenue requirement on the 21 Bcf  
2 of gas. Any residual balance in the RFCMA after amortization will be transferred to Core Fixed  
3 Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) based on the approved  
4 allocation method and the RFCMA will be eliminated. As discussed in Chapter 1 (Dandridge),  
5 the proposal for SoCalGas to procure the gas for the reliability function is linked with the  
6 RFCMA proposal and the rate recovery of the RFCMA balance, as described above.

7 **D. Core Fixed Cost Account (CFCA)**

8 As discussed in Chapter 1 (Dandridge), SoCalGas proposes eliminating the unbundled  
9 storage program, so storage capacities allocated to wholesale core customers (Southwest Gas and  
10 City of Long Beach) from the unbundled storage program in the last TCAP period will now be  
11 from the core storage assets in this TCAP. Because the CFCA balances revenues from core  
12 customers to recover the related authorized core storage costs, the revenues from Southwest Gas  
13 and City of Long Beach to recover their respective allocation of authorized core storage assets  
14 should also be balanced in the CFCA.

15 This concludes my prepared direct testimony.

1 **IV. QUALIFICATIONS**

2 My name is S. Nasim Ahmed. I am employed by SoCalGas. My business address is 555  
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Principal Regulatory Accounts  
4 Advisor in the Regulatory Accounts group within the Accounting and Finance Department which  
5 supports the regulatory activities for SoCalGas. I have held my current position since October  
6 2002. My responsibilities for SoCalGas' regulatory balancing, tracking, and memorandum  
7 accounts include implementation of regulatory accounting procedures for compliance with  
8 Commission decisions, quantifying and recording the monthly entries and adjustments to the  
9 regulatory accounts, and preparing forecasted balances for regulatory accounts for inclusion in  
10 SoCalGas' annual compliance filings.

11 I began my employment at Pacific Lighting Corporation, then the parent company of  
12 SoCalGas, in 1987 in the Internal Audit Department. I have held various positions of increasing  
13 responsibility in Internal Audit, General Accounting, and Utility Regulatory Accounting before  
14 assuming my current position.

15 I received my Bachelor of Science degree in Accounting from California State  
16 University, Long Beach in 1987

17 I have previously testified before the Commission.

# ATTACHMENT A

**Southern California Gas Company - 2020 TCAP  
Present Regulatory Account Balances <sup>1/</sup>  
(Over) / Under Collection  
Table 1**

	Regulatory Account Name	7/1/2018 Present Amortization AL 5238 (MMS)
1	Affiliate Transfer Fee Account (ATFA)	(\$0.2)
2	Biogas Conditioning/Upgrading Services Balancing Account (BCSBA)	(\$0.0)
3	Backbone Transmission Balancing Account (BTBA)	(\$9.1)
4	Core Fixed Cost Account (CFCA)	\$134.8
5	Compression Services Balancing Account (CSBA)	(\$0.0)
6	Company Use Fuel for Load Balancing Account (CUFLBA)	(\$0.5)
7	Compressor Station Fuel & Power Balancing Account (CFPBA)	\$1.7
8	CSI Thermal Program Memorandum Account (CSITPMA)	\$13.6
9	Distributed Energy Resource Services Balancing Account (DERSBA)	(\$0.2)
10	Economic Practicality Shortfall Memorandum Account (EPSMA)	\$0.7
11	Enhanced Oil Recovery Account (EORA)	(\$4.3)
12	FERC Settlement Proceeds Memorandum Account (FSPMA)	\$0.3
13	Gain/Loss on Sale Memorandum Account (GLOSMA)	\$0.2
14	Hazardous Substance Cost-Recovery Account (HSCRA)	\$1.4
15	Integrated Transmission Balancing Account (ITBA) <sup>2/</sup>	\$2.1
16	Intervenor Award Memorandum Account (IAMA)	\$1.1
17	Master Meter Balancing Account (MMBA)	\$5.3
18	New Environmental Regulation Balancing Account (NERBA)	
	- Admin Fees Subaccount	\$1.5
	- Subpart W Subaccount	\$0.1
19	Noncore Fixed Cost Account (NFCA)	(\$3.2)
20	Noncore Storage Balancing Account (NSBA)	\$10.3
21	Pension Balancing Account (PBA)	(\$2.9)
22	Post-Retirement Benefits Other than Pensions Balancing Account (PBOPBA)	(\$1.7)
23	Pipeline Safety & Reliability Memorandum Account (PSRMA)	\$5.8
24	Research Royalty Memorandum Account (RRMA)	(\$0.1)
25	Rewards & Penalties Balancing Account (RPBA)	\$0.6
26	Safety Enhancement Capital Cost Balancing Account (SECCBA)	\$64.2
27	Safety Enhancement Expense Balancing Account (SEEBA)	\$28.4
28	Self-Generation Program Memorandum Account (SGPMA)	\$24.0
29	System Operator Gas Account (SOGA)	\$0.1
30	System Reliability Memorandum Account (SRMA)	\$7.8
31	Transmission Integrity Management Program Balancing Account (TIMPBA)	\$21.5
	Total	\$303.4

**Notes**

1/ Balances exclude franchise fees and uncollectibles.

2/ Balance reflects combined SoCalGas and SDG&E ITBA balances re-allocated between utilities based on cold year throughput.