

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY AND 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)

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SOCALGAS RESPONSE DATED: AUGUST 17, 2023

Questions on Ch 9 LRMC Study NGV Costs and Volumes:

- 8-1. In the LRMC study, the 2021 number of customers is used to calculate the marginal unit cost for Customer-related costs. This unit cost is then multiplied by a forecasted # of customers to determine the Unscaled LRMC for each class.

In the LRMC study, SoCalGas used 245 as the customer count for NGV in 2021. The forecasted customer count for NGV is 383 customers. This is an increase of over 50% in the number of customers from 2021 to 2024.

Please provide additional data to support this level of increase.

RESPONSE 8-1:

The forthcoming second errata to Chapter 9 will show the following updates to the SoCalGas LRMC Study: The 2021 number of uncompressed and compressed customers should be 340. This represents active meters. The forecasted average of 2024 to 2027 customer count for NGV should be 428. This will be corrected in the SoCalGas Rate Design model. The forecast for 2024 should be 396, which is approximately 16% increase from 2021, or approximately 5% per year.

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- 8-2. In the 2020 CAP filing, SoCalGas also used 245 as the NGV customer count for 2016, which was the base year used to calculate the marginal unit cost for NGV in that filing. The number of customers projected for the CAP period was 378 customers for 2020 through 2023. If the actual meter count in 2021 was the same as the meter count in 2016 and there was no NGV customer growth from 2016 to 2021, why would you expect the number of customers to increase by over 50% in the next few years?

RESPONSE 8-2

The 245 customer count for 2016 in the 2020 CAP filing included only uncompressed meters. The 378 customers included both compressed and uncompressed meters. This CAP's customer count increase is expected to be 16% increase from 2021, or approximately 5% per year. See Response to 8-1. As stated in [Chapter 3-Rose-Marie Payan Residential Core Markets including NVG The Price Forecast and the Core Brokerage Fee.pdf \(socialgas.com\)](#), "Most of the forecasted NGV growth is expected to stem from the public sector for public transit, goods movement, and trash haulers."

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8-3. The meter count prepared for the Demand Forecast in Chapter 3 (Payan) shows the NGV meter count in 2021 was 352 meters (325 uncompressed + 27 compressed) as shown on Ch 3 Workpapers p. 345 (tab NGV-2). The forecast # of meters for the period 2024-2027 is 383 as shown on Ch 3 Workpapers p. 346 (tab NGV-2).

2024	373
2025	380
2026	387
2027	393
average	383

- a. It appears the forecast annual meter count in the demand forecast workpaper is consistent with the value used in the LRMC study (Ch 9). Why use a different historical meter count for 2021 in the LRMC study from the value presented in the Demand Forecast?

RESPONSE 8-3a:

See Response 8-1.

- b. If the LRMC study were updated to reflect the 2021 meter count in the demand forecast Ch 3 workpapers, wouldn't the Customer-related Marginal unit cost for NGV be 30% lower?

RESPONSE 8-3b:

The forthcoming errata filing for Chapter 9 - SoCalGas LRMC Study shows the Customer-related Marginal unit cost for NGV is approximately 26% lower.

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8-4. The Customer Service & Information Cost is the largest component of customer-related O&M costs for the NGV class. According to the LRMC study, the Total Cost in 2021 was \$3.053 million.

a. What costs are included in this total?

RESPONSE 8-4a:

Customer Services and Information costs are for activities which include account management services to non-residential and residential customers; products and services for homebuilders and developers; services for capacity, pipeline, and storage; gas transmission planning; gas sustainability; environmental affairs; biofuels market development; clean energy innovations; and customer research, outreach, communication, and education and are booked to FERC Accounts 907 through 910. These costs are broken down between market segments and allocated by the number of customers. The NGV's Customer Services and Information costs are Clean Energy Transportation related charges.

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- b. According to the GRC testimony on CS&I, “these services include providing customer focused and timely communications regarding environmental and climate policies, conservation, safety and reliability of the natural gas system, and programs to help customers manage their energy usage more efficiently and effectively. Additionally, CS-I services include account management services for residential, small and medium business, commercial and industrial customers; clean transportation; energy markets; and, for the advancement of decarbonization, greenhouse gas emissions (GHGs) reductions and improvement to local air quality through supporting cleaner transportation, renewable gas options and the emerging hydrogen economy.” [A.22-05-015/-016 (cons.) Exhibit: SCG-16-2E, p. BCP-i]

Later in Mr. Prusnek’s testimony, he noted “The Clean Transportation team recorded total adjusted expenditures of \$0.607 million in 2021, of which \$0.471 million were labor costs and \$0.136 million were non-labor costs.” [ibid BCP-37]

Why would the 2021 recorded CS&I costs in the LRMC study for NGV be higher than the recorded 2021 costs presented in the GRC application?

RESPONSE 8-4b:

Mr. Prusnek’s testimony included only a part of the NGV costs. The remainder of the costs are addressed in SCG/Clean Energy Innovations/Exh No:SCG-12-WP-R/Witness: A. Infanzon testimony ([SCG-12-WP-R_Armando_Infanzon-Clean_Energy_Innovations_49449.pdf](#) ([socialgas.com](#)))

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Questions on Ch 16 – NGV Demand Forecast:

8-5. In the Rebuttal Testimony of Rose Marie Payan, she states:

A percentage of all new purchases, beginning in 2023, are required through 2029 when 100% of all new purchases must be zero emission buses. Transit bus fleets currently represent almost 38% of G-NGV volumes, so any decrease in transit volumes due to future regulatory requirements are not reflected in historical volumes. [Ch 16, p. 2:12-15]

- a. What is the basis for the estimate that Transit bus fleets represent 38% of G-NGV volumes?

RESPONSE 8-5a:

SoCalGas identified specific meters and associated volumes serving transit agencies. The aggregate transit volume represented 38% of all G-NGV volumes in 2022.

- b. How has the % of NGV volumes from transit bus fleets changed over the past 5 years?

RESPONSE 8-5b:

This information is not available.

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8-6. In Rebuttal Testimony, Ms Payan asserts “The COVID pandemic disproportionately impacted the movement of people, so any stations that served fleets such as transit buses or school buses experienced declines in volume.” [p. 3:2-4]

- a. Considering this was a temporary decline due to the pandemic, shouldn’t you exclude volumes from the COVID impacted period when developing a future forecast? If not, please explain why not.

RESPONSE 8-6a:

The COVID impacted period provided a lower growth rate consistent with our expectations that transit bus fleet volumes will decrease over time.

- b. Does SoCalGas use 3-year or 4-year average historical as the basis for the demand forecast of any other customer segment?

RESPONSE 8-6b:

In this CAP, the Gas AC, Gas Engine, and Exchange demand forecast are based on a 3-year average methodology.

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NGV customer size:

8-7. For Clean Energy DR 4.1d, SoCalGas provided a file with the monthly customer count for customers that fit the P2a (> 20,800 therms per month) and P1 (< 20,800 th) volume criteria.

- a. Please provide the total volume for P2a and P1 customers for that same period 2016 through April 2023. Please provide the volume on a monthly basis, using the same format in SoCalGas' response to Clean Energy DR 4.1d.

RESPONSE 8-7a:

Please see Excel files, TURN-06_Q8-7a_SoCalGas_NGV and TURN-06_Q8-7a_SDGE_NGV.

- b. Please provide the same monthly data – customer count and volume - for the meters taking Compressed gas service. Please differentiate between Fleet and Public Access meters.

RESPONSE 8-7b:

This data is not readily available.

- c. What types of fleets do NGV P-1 customers serve? Are they primarily serving light-duty vehicles, medium-duty vehicles or heavy-duty vehicles?

RESPONSE 8-7c:

SoCalGas does not have access to this information.

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Questions on Ch 13 Rate Design - NGV Compression Adder

8-8. The following data came Ch 13 Workpaper p. 2 of 3 Tab = NGV Station Cost.

NGV Station Throughput in THERMS			12,922,575	
O&M Expense	\$/th =	\$0.380	\$4,911	\$0.38
Electricity Expense Public & Priva	\$/th =	\$0.180	\$2,326	\$0.18
Electricity Expense Public	\$/th =	\$0.170		
Customer Related O&M			\$7,237	\$0.56

- a. What costs are included in the O&M expense (\$0.380/th) for the NGV compression Adder?

RESPONSE 8-8a:

The O&M expense includes various labor, non-labor, and associated loader related costs related to the operations and maintenance of the Company's NGV stations.

- b. Did you subtract the \$4.911 million of O&M expense associated with the compression service from the NGV class customer-related O&M used for the compressed rate? If not, why not?

RESPONSE 8-8b:

\$4.911 million of O&M expense is for public and private stations.

\$3.888 million of O&M expense is for public stations. The O&M expense is \$0.38 /therm.

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- c. Why is the Electricity Expense for Public access (\$0.170/th) lower than the Electricity Expense for Public & Priva (\$0.180/th)?

RESPONSE 8-8c:

The electricity expense was based on total values observed for private and public portions of all stations. Private portions have higher per therm costs than public portions, so the aggregate amount for joint use stations are higher than the public portion cost.

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Questions on Ch 9 A&G and General Plant Loaders:

8-9. Please provide a copy of SoCalGas FERC Form 2 for 2021 and 2022.

RESPONSE 8-9:

See pdf. files, ferc_scg_annual rpt-2021 and ferc_scg_annual_rpt_2022.

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8-10. Did SoCalGas use 2021 Recorded costs in the LRMC study (Ch 9) and the Embedded Cost study (Ch 8)?

- a. If both studies did not use 2021 recorded costs, why would you use costs from different years in these two studies?

RESPONSE 8-10a:

Both studies used 2021 recorded costs.

- b. If both studies are based on 2021 recorded costs, please explain the differences in the values reflected in the workpapers for Ch 8 and Ch 9 for Total Recorded A&G, Total General Plant, Total Transmission O&M and Total Storage O&M.

Total Transmission O&M

\$227,632,079		LRMC study, Ch 9	Workpapers on p. 3 of 23 Net O&M Tab
\$162,775,506		EC study, Ch 8	Workpapers on p. 4 of 20.

Total Storage O&M

\$84,614,222		LRMC study, Ch 9	Workpapers on p. 3 of 23 Net O&M Tab
\$66,915,603		EC study, Ch 8	Workpapers on p. 4 of 20.

RESPONSE 8-10b:

The LRMC study is subtracting the total O&M for Transmission and Storage. The Embedded Cost study is excluding those items that are not part of base margin.

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- c. Does the Embedded Cost study recover all O&M costs associated with Transmission and Storage?

RESPONSE 8-10c:
See Response 8-10b.

- d. If yes, shouldn't the Net O&M calculation in the LRMC study use the same Total Transmission O&M (\$163 million) and Total Storage O&M costs (\$67 million) from the Embedded Cost study?

Total Recorded A&G

\$743,492,511		LRMC study, Ch 9	Workpapers on p. 3 of 23 Net O&M Tab
\$680,717,468		LRMC study, Ch 9	Workpapers on p. 5 of 23 A&G Tab 1
\$581,485,783		EC study, Ch 8	Workpaper on p. 4 of 20

See Attachment A showing the A&G by account in each study.

RESPONSE 8-10d:
Not applicable.

- e. Why are there different Total Recorded A&G costs in the Embedded Cost study and the LRMC study?

RESPONSE 8-10e:
The LRMC study is subtracting the total A&G to calculated Net O&M. The Embedded Cost study is excluding those items that are not part of base margin.

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- f. The lower value in the LRMC study A&G Tab 1 appears to exclude Accts 927 Franchise Requirements and 930.1 General Advertising Expense? What impact does this have on the A&G loader?

RESPONSE 8-10f:

A&G Tab 1 excludes Accts 927 Franchise Requirements and 930.1 General Advertising Expense since these are not marginal costs. The impact on the A&G loader is not part of the calculations.

- g. Are the Franchise Requirements in Acct 927 part of the FF&U factor? If yes, wouldn't you remove this account from the Total A&G used to calculate the Net O&M?

RESPONSE 8-10g:

The Total A&G, including Franchise Requirements in Acct 927, are subtracted in the Net O&M calculation.

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- h. If the LRMC calculation of Net O&M used the Total Recorded A&G from in the Embedded Cost study (\$581 million), the resulting Net O&M would be higher. Wouldn't this decrease the A&G and Gen Plant loaders used in the LRMC study?

Total General Plant

\$2,298,849,117		LRMC study, Ch 9	Workpapers on p. 12 of 23 Gen Plan Tab
\$1,077,568,085		LRMC study, Ch 9	Workpapers on p. 11 of 23 GP1 Tab
\$2,275,205,953		EC study, Ch 8	Workpapers on p. 3 of 20.

RESPONSE 8-10h:

In the embedded cost study the (\$581 million) includes payroll taxes, and excludes non-base margin costs. And the Total General Plant costs from embedded costs study excludes PSEP costs. The calculation is not part of the LRMC workpapers.

- i. Why are the values different in the LRMC and Embedded Cost studies?

RESPONSE 8-10i:

Refer to Response 8-10h for an examination of the two primary distinctions between embedded cost studies and Long-Run Marginal Cost (LRMC). Specifically, embedded cost studies utilize non-base margin cost and omit PSEP (Pipeline Safety Enhancement Plan) costs. Further details can be found in Chapter 8, Page 2, lines 6 through 17.

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- j. The second value in the LRMC study was used to calculate the weighted RECC for General Plant. Why would you exclude half of the General Plant costs when calculating the RECC? What would the weighted average RECC be if you used all General Plant costs?

RESPONSE 8-10j:

This method is accepted in the workpapers supporting D.20-02-045. The weighted average RECC with all General Plant costs are not part of the workpapers.