

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-_____
Exhibit: SDG&E-39

**PREPARED DIRECT TESTIMONY OF
SCOTT WILDER
(GAS CUSTOMER FORECAST)**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



May 2022

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SUMMARY

- Annual average total gas customers are forecasted to increase from 903,649 in 2021 to 927,597 in 2024.
- Gas customer growth is forecasted to be 0.80%, 0.92%, and 0.90% in 2022, 2023, and 2024, respectively.

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**PREPARED DIRECT TESTIMONY
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(GAS CUSTOMER FORECAST)**

I. INTRODUCTION

A. Summary of Proposals

My testimony presents San Diego Gas & Electric Company's (SDG&E) gas customer and new meter forecast for Test Year (TY) 2024 General Rate Case (GRC).

B. Organization of Testimony

Section II of my testimony discusses the forecast. Section III discusses the forecast methodology. My testimony provides a forecast for active meters, which in turn is assumed to translate into customers. As such, new meters and new customers are used interchangeably herein.

C. Support To/From Other Witnesses

The gas customer forecast is used primarily to determine financial needs for certain customer services and new meter installations in TY 2024. For this purpose, total customers are defined as total active meters. Needs related to new meter installations resulting from forecasted gas customer growth are discussed in the Gas Distribution testimony of L. Patrick Kinsella (Exhibit (Ex.) SDG&E-04). Gas customer growth is discussed in the Customer Services - Field Operations testimony of David H. Thai (Ex. SDG&E-17) as it relates to the area of gas customer service field and meter reading operations. Gas customer growth also helps to determine revenues from service establishment charges, as discussed in the Miscellaneous Revenues testimony of Christine Fischer (Ex. SDG&E-42).

My testimony is limited to the gas customer forecast. The electric market customer forecast is discussed in the Electric Customer Forecast testimony of Kenneth E. Schiermeyer (Ex. SDG&E-40).

II. RECORDED DATA AND FORECAST OF CUSTOMERS AND NEW METERS

The annual average total gas customers are forecasted to increase from 903,649 in 2021 to 927,597 in 2024. This represents a total three-year increase of 23,948 customers and a compound annual growth rate of 0.886 percent. Table SRW-1 shows year-average total gas customers' recorded data from 2017 through 2021, and forecasted data from 2022 through 2024. The process and methodology by which this forecast was derived are described in Section III.

Table SW-1
San Diego Gas & Electric Company
Average Annual Total Gas Customers

Year	Gas Customers	% change
2017	880,394	0.56%
2018	886,024	0.64%
2019	891,930	0.67%
2020	897,763	0.65%
2021	903,649	0.660%
2022	910,917	0.80%
2023	919,299	0.92%
2024	927,597	0.90%

III. FORECAST METHODOLOGY

A. General Description

The total gas customer count includes quarterly-data forecasts for two major customer classes: residential meters, and commercial and industrial (C&I) meters. As stated in Section I.C above, total customers are defined as total active meters. For the residential market segment, SDG&E uses housing-starts as the basis of its forecast, because SG&E believes a housing start is an appropriate indicator completion likelihood, and once complete, the housing start is likely to lead to a new gas meter hookup. Recorded and forecasted housing-start assumptions underlying the residential customer forecast are from IHS/Markit Global Insight’s (Global Insight) November 2021 Regional Forecast for San Diego County.¹ The employment assumptions underlying the core C&I customer forecast used San Diego County recorded total nonfarm employment data from the California Employment Development Department.² Recorded employment data were then projected into the forecast period by applying Global Insight’s forecasted percentage growth rates of San Diego nonfarm employment to the latest year of corresponding recorded data at the time the forecast was made. Employment assumptions are utilized as the basis for the non-residential forecast because the business cycle drives production in commercial and industrial sectors. When economic activity contracts, businesses exit and

¹ IHS/Markit Global Insight is an internationally recognized econometric forecasting firm. The firm’s forecasts have been used in many regulatory proceedings, including Southern California Gas Company’s (SoCalGas) TY 2019 GRC.

² [Employment by Industry Data, available at http://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html.](http://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html)

1 active meters become inactive. However, when business activity is expanding, new commercial
2 and industrial meters are connected in our service territory.

3 SDG&E uses econometric and statistical techniques to develop quarterly-data forecasts of
4 residential and core C&I customers based on the data discussed above. The econometric models
5 are linear. Once a fitted relationship is established, a comparison is made between the historical
6 data and the predicted values for the most recent observed historical period. As a final step, the
7 model forecasts are calibrated to match up with the last recorded quarterly actuals so the forecast
8 and the historical trend are consistent. Detailed equations, methods, and data are shown in my
9 workpapers in Exhibit SDG&E-35-WP.

10 **B. Residential**

11 Residential customers are forecasted as a function of current and lagged authorized
12 housing starts. Total residential customers are forecasted to increase from 873,304 in 2021 to
13 896,990 in 2024, with average annual compound growth of 0.90%.

14 **C. Non-Residential**

15 Core C&I is defined as all other non-residential customers – except for approximately 50
16 large noncore C&I customers, approximately 40 customers in the natural gas vehicle (NGV)
17 fueling business, and about 100 electric generation customers. Core C&I customers are
18 forecasted based on total nonfarm San Diego County employment and are predicted to be 30,424
19 in 2024, a slight increase from the 2021 recorded core C&I customers of 30,163. The
20 employment assumptions underlying the non-residential customer forecast are based on recorded
21 data from the California Employment Development Department. For the forecast, percentage
22 growth rates for San Diego County were taken from Global Insight’s November 2021 Regional
23 Forecast.

24 Table SRW-2 shows gas customers by class for each year, plus the forecasted three-year
25 percentage change from recorded year 2021 through TY 2024.

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Table SW-2
San Diego Gas & Electric Company
Average Annual Gas Customers by Class

Gas Customers	2021	2022	2023	2024	Total % Change 2021 to 2024
Residential	873,304	880,418	888,738	896,990	23,686 or +2.7%
Core C&I	30,163	30,319	30,378	30,424	261 or + 0.9%
NGV	33	34	37	37	4 or + 12.1%
Noncore C&I	51	50	50	50	(-1) or (-2.0%)
Electric Generation	98	96	96	96	(-2) or (-2.0%)
TOTAL	903,649	910,917	919,299	927,597	23,948 or +2.7%

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IV. CONCLUSION

SDG&E's customer forecast model projects growth in total gas meters to increase from 903,649 in 2021 to 927,597 in 2024. Based on the foregoing, SDG&E requests the CPUC adopt this forecast.

This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Scott R. Wilder. I am employed by SoCalGas as a Business/Economics
3 Advisor in the Gas Regulatory Affairs Department for SoCalGas and SDG&E. My business
4 address is 555 West Fifth Street, Los Angeles, California 90013-1011.

5 I have held my current position since February 2004. Since 1993, I have been employed
6 at SoCalGas in various forecasting and analysis positions of increasing responsibility. From
7 1986 to 1993, I was employed by Pacific Gas and Electric Company in San Francisco in various
8 positions involving demand and economic forecasting, planning, and analysis. From 1982 to
9 1984, I worked as a Development Project Manager with the Southern Baptist International
10 Mission Board, working with farmers and engineers to build irrigation aqueducts in the Andes
11 Mountains of Peru.

12 I received a Bachelor of Science degree in Agricultural & Managerial Economics from
13 the University of California at Davis in 1982 and a Master of Science degree in Agricultural
14 Economics from U.C. Davis in 1986.

15 I have previously testified before the California Public Utilities Commission.

APPENDIX A
GLOSSARY OF TERMS

ACRONYM	DEFINITION
C&I	Commercial and Industrial
CPUC	California Public Utilities Commission
GRC	General Rate Case
NGV	Natural Gas Vehicle
SDG&E	San Diego Gas & Electric Company
TY	Test Year