APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & 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)

DATA REQUEST SET 5 FROM CLEAN ENERGY DATED JUNE 14, 2023
SOCALGAS RESPONSE DATED: JUNE 28, 2023
SOCALGAS SUPPLEMENTAL RESPONSE DATED: JULY 6, 2023

5-8. The costs underlying the NGV rates have increased significantly. The table below has been created based on the testimony and workpapers from the 2020 Triennial Cost Allocation Proceeding (A.18-07-015) and the 2024 Cost Allocation Proceeding (A.22- 09-015).

NGV Allocated Margin

		A	B	C		D
		2024	2020		change	
		$000	$000	$000		% increase
1	Base Margin Costs:					
2	customer cost	$21,166	$10,784	$10,382		96%
3	medium pressure distribution cost	$6,661	$2,360	$4,301		182%
4	high pressure distribution costs	$5,292	$2,904	$2,388		82%
5	Scaled Margin Customer and Distribution costs	$23,037	$16,048	$6,989		44%
6	local transmission costs	$3,296	$996	$2,300		231%
7	Storage	$3,891	$2,163	$1,728		80%
8	Uncollectibles	$105	$70	$35		50%
9	NGV compression costs	$9,018	$2,964	$6,054		204%
10	Total Allocated Margin (excluding Backbone T)	$39,347	$22,241	$17,106		77%
11	Total Allocated Margin, excluding NGV compression costs	$30,329	$19,277	$11,052		57%

Sources:

Column A is from A.22-09-015 - SoCalGas and SDG&E 2024 Cost Allocation Proceeding

Rows 1 - 5, Base Margin Costs reflect Scaled LRMC from Ch 9, Table 11

Rows 6 - 9, Other Margin costs from Ch 9, Table 12

	Column B is from A.18-07-024 - SoCalGas and SDG&E 2020 Triennial Cost Allocation Proceeding (TCAP)					
	All rows from Ch 12 workpapers at p. 34					

a) For each of the base margin cost categories listed above, please identify why the allocation of costs to the NGV class has increased, despite an overall reduction in the throughput forecast for rate-making.

There are errors in the above Table, lines 1 -4 for the 2020 TCAP. These numbers should be unscaled. See corrected table below:

	NGV Allocated Margin					
		A	B	C		D
		2024	2020		change	
		$000	$000	$000		% increase
1	Base Margin Costs:					
2	customer cost	$21,166	$17,233	$3,933		23%
3	medium pressure distribution cost	$6,661	$3,772	$2,889		77%
4	high pressure distribution costs	$5,292	$4,641	$651		14%
5	Scaled Margin Customer and Distribution costs	$23,037	$16,049	$6,988		44%
6	local transmission costs	$3,296	$996	$2,300		231%
7	Storage	$3,891	$2,163	$1,728		80%

8	Uncollectibles	$105	$70	$35		50%
9	NGV compression costs	$9,018	$2,964	$6,054		204%
10	Total Allocated Margin (excluding Backbone T)	$39,347	$22,242	$17,105		77%
11	Total Allocated Margin, excluding NGV compression costs	$30,329	$19,278	$11,051		50%

Response 5-8a:

SoCalGas objects to this request to the extent it misstates testimony and to the extent it calls for a premature analysis of Clean Energy's testimony. Subject to the foregoing, SoCalGas responds as follows: In A.22-09-015, Chapter 9, Table 13, shows Proposed Allocation of Base Margin for NGV of 1.3% compared to Current Allocation of 0.9%. The reasons for the increase are answered in Responses 5-8 b) and c).

b) Customer-related costs, are nearly doubled for the NGV class. Why did the customer-related LRMC and CAPEX increase for the NGV class, while decreasing for all other core customers?

Response 5-8b:

Please see response to Clean Energy-06 Question, 6-1.
See workpaper, Ch 9_SCG 2024TCAP LRMC Customer Costs, tab: Meter cost detail.

Customer-related costs, are higher for the NGV class primarily due to the increase in meter costs and the purchase of new meters, mainly the Turbine Meters Size 10 meters that were used for the NGV class.

c) Medium pressure distribution costs also increase significantly for the NGV class.

i. Why did the marginal cost of MDP increase from $198.08 to $298.17/Mcfd peak day?

Response 5-8c.i:

The marginal cost of MDP increased due to higher capital and O&M costs.

ii. Why did the marginal O&M costs for MDP increase by a factor of 2?

Response 5-8c.ii:

The O&M cost for the Distribution system has increased in 2021 compared to 2016 due to the increase in work volume in various categories as well as the cost of services and/or materials. Since 2016, SoCalGas has responded to more USA tickets to locate and mark its facilities, leak surveyed more miles of pipeline, and repaired more leaks, all of which contribute to the safe operation and maintenance of the Distribution system. In addition, SoCalGas has experienced an increase in the cost of paving and installing anodes, driven by material prices and mandates from external agencies to meet their requirements.

iii. Why did the A&G and General Plant increase by a factor of 5?

Response 5-8c.iii:

The A&G and General Plant increased by a factor of 2 instead of 5 as shown in the question. The A&G and Plant factors increased due to the Net O&M (which is the denominator) decrease. See A.22-09-015, Chapter 9 testimony, Table 6. The exclusions from Bas Margin, mainly due to the Greenhouse Gas (GHG) requirements.
Please see response to Clean Energy-06 Question, 6-1. See workpaper, Ch 9_SCG 2024TCAP LRMC OM loader, tab: Net O&M.

d) There is also a higher allocation of Medium and High Pressure distribution costs to the NGV segment due to changes in the cost allocation factors – peak day and peak month demand. The peak day and peak month demand for NGV increased, while decreasing for all other core classes compared to the 2020 TCAP. More specifically, the Peak Day demand increased by 17% and the Peak Month demand increased by 9%.

i. Please explain the projected growth in peak day and peak month demand for the NGV sector given the annual throughput decline (Ch 9, Table 1)for a class that has less weather variability than other core customer classes.

Response 5-8d.i:

The G-NGV forecasts provided in the 2020 TCAP and the 2024 TCAP were both based on historical growth and did not include weather related factors. Other rate class forecasts were performed independently, so any difference in the peak day and peak month compared to other rate classes is not related.

ii. The throughput used for rate-making (Ch 13, Table 1), shows the residential class and NGV class annual average throughput decline by 7% from the 2020 TCAP volumes. Given that residential customers are much

more weather sensitive than NGV customers, why would the distribution allocation factors (peak day and peak month) increase for NGV and decrease for Residential customers?

Response 5-8d.ii:

See Response 5-8d.i.

e) In aggregate, how do these dramatic increases to the NGV marginal cost impact the allocation of base margin costs to the NGV sector and total NGV rate?

Response 5-8e:

See Response 5-8a. See also, Response 5-5 which was submitted on June 28, 2023.