

Rulemaking No.: 11-02-019  
Exhibit No.: \_\_\_\_\_

(U 904-G) and (U 902-M)

***SUPPLEMENTAL TESTIMONY OF SOUTHERN  
CALIFORNIA GAS COMPANY AND SAN DIEGO  
GAS & ELECTRIC COMPANY IN SUPPORT OF  
PROPOSED NATURAL GAS PIPELINE SAFETY  
ENHANCEMENT PLAN***

Before the

**Public Utilities Commission of the State of California**

December 2, 2011

I.

**SUPPLEMENTAL TESTIMONY OF GARY LENART**

As directed on page five of the November 2, 2011 Amended Scoping Memo and Ruling of the Assigned Commissioner, this Supplemental Testimony reflects the estimated rate impacts on various classes of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) customers if the same cost allocation and rate design principles used in the most recently adopted cost allocation or gas accord decision for those companies were to be employed here. These estimated rate impacts are being made to the Amended Pipeline Safety Enhancement Plan (PSEP) and Amended Testimony in Support of the PSEP, which are being served concurrently herewith.<sup>1/</sup>

The difference in estimated rate impacts between this Supplemental Testimony and the Amended Testimony in support of the PSEP is (i) the method used to allocate PSEP revenue requirement to customer classes; and, (ii) the rate design method used to collect the allocated revenue requirement for each customer class. As directed in the Amended Scoping Memo, this Supplemental Testimony reflects the same cost allocation and rate design principles as used in the most recently adopted cost allocation decisions for SoCalGas and SDG&E; and, the transmission costs have been treated consistently with past practices.

The revenue requirement for PSEP costs in this Supplemental Testimony are allocated based on the function of the underlying assets. These functions are Transmission and High Pressure Distribution. Transmission function costs are normally recovered through (i) end-use transportation rates; and, (ii) the backbone transmission rate. The Backbone Transmission Service rates for the utilities were determined in Commission Decision (D.) 11-04-032, which was based on a joint recommendation that fixed the cost basis.<sup>2/</sup> Because the cost basis for Backbone Transmission Service rates was set by the Commission in D.11-04-032 at \$135 million,

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<sup>1/</sup> SoCalGas and SDG&E are concurrently filing an Amended Pipeline Safety Enhancement Plan (PSEP) and serving amended testimony in support thereof, to exclude costs that were inadvertently included in the August 26, 2011 filing and supporting testimony, which SoCalGas and SDG&E intended to exclude.

<sup>2/</sup> See D.11-04-032, pp. 18-24.

1 this Supplemental Testimony does not reflect an increase in the Backbone Transmission Service  
2 rate. Instead, consistent with past practice,<sup>3/</sup> all PSEP costs related to Transmission function  
3 assets are treated as Local Transmission system costs<sup>4/</sup> for these illustrated rates. All PSEP costs  
4 related to Distribution function assets are treated as High Pressure Distribution system costs<sup>5/</sup> for  
5 these illustrated rates.

6 The rate design method illustrated in this Supplemental Testimony is not a line item  
7 surcharge as proposed in the PSEP. Rather, in order to comply with the Amended Scoping  
8 Memo, it is the same rate design method that is currently used for costs that are allocated to the  
9 Transmission and Distribution functions. That rate design method regards these costs as base  
10 margin costs and embeds them in the transportation rates.

11 The impact of these allocation and rate design methods is to change the impact among  
12 customer classes from a relatively narrow 10 to 13% range as proposed in the PSEP; to a much  
13 wider range of 8% to 80% in this Supplemental Testimony. Industrial customers, refineries and  
14 power plants would see rate increases of 40% to 80% for the PSEP if costs are allocated in this  
15 manner. Table 1 below illustrates the transportation rate, by class, resulting from the PSEP  
16 revenue requirement being allocated and collected in rates as described above. Table 2 contains a  
17 ten-year schedule of the PSEP covering Phase 1 for both the Proposed Case and the Base Case.  
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<sup>3/</sup> The past practice for adjusting the cost basis of the Firm Access Rights/Backbone Transmission Service rate has been by a specific Commission decision. The cost basis has never been adjusted for changes in the authorized base margin; for example, annual attrition adjustments have never been made to the cost basis. The only time the cost basis has been changed has been through a Commission decision

<sup>4/</sup> Local Transmission System costs are included in the System Integration adjustment and are allocated Cold-Year-Peak Month basis, which is 58% core/42% noncore.

<sup>5/</sup> High Pressure Distribution costs at SoCalGas are allocated at distribution-level Peak Month, which is 79% core/21% noncore. At SDG&E, High Pressure Distribution costs are allocated at distribution-level Peak Day, or 87% core/13% noncore.

**Table 1**  
**SoCalGas and SDG&E**  
**Impact of PSEP Application Supplement**  
**On Transportation Rates for Phase 1A<sup>6</sup>**

	Current	Proposed Case		Base Case	
<u>SoCalGas Rates \$/th</u>			% Change		% Change
Residential	\$0.52526	\$0.57174	8.8%	\$0.56500	7.6%
Avg Monthly Res Bill - \$/mo	\$38.96	\$40.79	4.7%	\$40.52	4.0%
Avg Monthly Res Bill w/out G-CP - \$/mo	\$21.56	\$23.40	8.5%	\$23.13	7.2%
Core Commercial & Industrial	\$0.30528	\$0.34152	11.9%	\$0.33625	10.1%
Gas Air Conditioning	\$0.07512	\$0.09297	23.8%	\$0.09038	20.3%
Gas Engine	\$0.09605	\$0.10934	13.8%	\$0.10738	11.8%
Natural Gas Vehicles	\$0.07993	\$0.10149	27.0%	\$0.09804	22.7%
Noncore C&I - Distribution Level Service	\$0.06529	\$0.09145	40.1%	\$0.08769	34.3%
Electric Generation - Distribution Level Service	\$0.02970	\$0.05387	81.4%	\$0.05053	70.1%
EOR - Distribution Level Service	\$0.02970	\$0.05387	81.4%	\$0.05053	70.1%
Transmission Level Service	\$0.01589	\$0.02875	80.9%	\$0.02558	61.0%
<u>SDG&amp;E Gas Rates \$/th</u>					
Residential	\$0.66424	\$0.74092	11.5%	\$0.73408	10.5%
Avg Monthly Res Bill - \$/mo	\$38.70	\$41.21	6.5%	\$40.98	5.9%
Avg Monthly Res Bill w/out G-CP - \$/mo	\$23.60	\$26.10	10.6%	\$25.88	9.7%
Core Commercial & Industrial	\$0.23968	\$0.28772	20.0%	\$0.28290	18.0%
Natural Gas Vehicles	\$0.07812	\$0.09994	27.9%	\$0.09645	23.5%
Noncore C&I - Distribution Level Service	\$0.14451	\$0.16103	11.4%	\$0.15992	10.7%
Electric Generation - Distribution Level Service	\$0.02920	\$0.05362	83.7%	\$0.05025	72.1%
Transmission Level Service	\$0.01590	\$0.02876	80.9%	\$0.02559	60.9%

<sup>6</sup> Surcharges reflected are for 2015. See Table 2 for ten-year rate schedule.

**Table 2**  
**Illustrative Impact of PSEP Application Supplement for Phase 1**  
**Proposed Case**

	2011	Phase 1A				Phase 1A & 1B						
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SoCalGas - \$/th</b>												
Residential	0.525	0.535	0.542	0.559	0.572	0.574	0.583	0.591	0.602	0.604	0.609	0.613
Avg Monthly Res Bill - \$/mo	38.96	39.34	39.61	40.29	40.79	40.87	41.23	41.57	41.98	42.07	42.25	42.40
Avg Monthly Res Bill w/out G-CP-\$/mo	21.57	21.95	22.22	22.90	23.40	23.48	23.84	24.17	24.58	24.68	24.86	25.01
Core Commercial & Industrial	0.305	0.313	0.318	0.332	0.342	0.343	0.350	0.357	0.365	0.367	0.370	0.373
Gas Air Conditioning	0.075	0.079	0.081	0.088	0.093	0.094	0.097	0.100	0.104	0.105	0.107	0.109
Gas Engine	0.096	0.099	0.101	0.106	0.109	0.110	0.112	0.115	0.118	0.119	0.120	0.121
Natural Gas Vehicle	0.080	0.085	0.088	0.096	0.101	0.101	0.105	0.109	0.114	0.115	0.117	0.118
Noncore C&I - Distribution	0.065	0.071	0.074	0.084	0.091	0.093	0.098	0.103	0.108	0.110	0.112	0.115
Electric Generation - Distribution	0.030	0.035	0.038	0.047	0.054	0.055	0.059	0.063	0.068	0.068	0.070	0.071
Enhanced Oil Recovery - Distribution	0.030	0.035	0.038	0.047	0.054	0.055	0.059	0.063	0.068	0.068	0.070	0.071
Transmission Level Service	0.016	0.021	0.023	0.027	0.029	0.025	0.028	0.032	0.036	0.036	0.037	0.037
<b>SDG&amp;E - \$/th</b>												
Residential	0.664	0.676	0.686	0.716	0.741	0.756	0.760	0.765	0.772	0.771	0.772	0.772
Avg Monthly Res Bill - \$/mo	38.70	39.08	39.40	40.40	41.21	41.69	41.82	41.99	42.21	42.17	42.21	42.21
Avg Monthly Res Bill w/out G-CP-\$/mo	23.60	23.97	24.30	25.29	26.10	26.58	26.72	26.88	27.11	27.07	27.11	27.11
Core Commercial & Industrial	0.240	0.248	0.254	0.273	0.288	0.295	0.299	0.302	0.307	0.306	0.307	0.308
Natural Gas Vehicle	0.078	0.083	0.087	0.094	0.100	0.100	0.104	0.108	0.113	0.113	0.115	0.117
Noncore C&I - Distribution	0.145	0.140	0.142	0.152	0.161	0.169	0.169	0.170	0.171	0.171	0.171	0.171
Electric Generation - Distribution	0.029	0.034	0.038	0.047	0.054	0.055	0.059	0.063	0.067	0.068	0.070	0.071
Transmission Level Service	0.016	0.021	0.023	0.027	0.029	0.025	0.028	0.032	0.036	0.036	0.037	0.037

**Base Case**

	2011	Phase 1A				Phase 1A & 1B						
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>SoCalGas - \$/th</b>												
Residential	0.525	0.535	0.541	0.554	0.565	0.566	0.568	0.571	0.576	0.574	0.573	0.572
Avg Monthly Res Bill - \$/mo	38.96	39.36	39.58	40.09	40.52	40.55	40.65	40.77	40.96	40.86	40.85	40.80
Avg Monthly Res Bill w/out G-CP-\$/mo	21.57	21.96	22.19	22.69	23.13	23.15	23.26	23.38	23.57	23.47	23.45	23.41
Core Commercial & Industrial	0.305	0.313	0.318	0.328	0.336	0.337	0.339	0.341	0.345	0.343	0.343	0.342
Gas Air Conditioning	0.075	0.079	0.081	0.086	0.090	0.091	0.092	0.093	0.095	0.094	0.094	0.093
Gas Engine	0.096	0.099	0.101	0.104	0.107	0.107	0.108	0.109	0.111	0.110	0.110	0.109
Natural Gas Vehicle	0.080	0.085	0.088	0.093	0.098	0.097	0.099	0.100	0.103	0.102	0.102	0.101
Noncore C&I - Distribution	0.065	0.071	0.074	0.081	0.088	0.088	0.090	0.091	0.094	0.093	0.092	0.092
Electric Generation - Distribution	0.030	0.035	0.038	0.045	0.051	0.051	0.052	0.054	0.056	0.055	0.055	0.055
Enhanced Oil Recovery - Distribution	0.030	0.035	0.038	0.045	0.051	0.051	0.052	0.054	0.056	0.055	0.055	0.055
Transmission Level Service	0.016	0.021	0.022	0.024	0.026	0.021	0.023	0.025	0.028	0.027	0.027	0.027
<b>SDG&amp;E - \$/th</b>												
Residential	0.664	0.676	0.685	0.711	0.734	0.747	0.749	0.752	0.757	0.755	0.755	0.753
Avg Monthly Res Bill - \$/mo	38.70	39.09	39.38	40.22	40.98	41.41	41.47	41.57	41.74	41.66	41.65	41.61
Avg Monthly Res Bill w/out G-CP-\$/mo	23.60	23.99	24.28	25.11	25.88	26.31	26.37	26.47	26.63	26.55	26.55	26.51
Core Commercial & Industrial	0.240	0.248	0.254	0.269	0.283	0.289	0.291	0.293	0.297	0.295	0.295	0.294
Natural Gas Vehicle	0.078	0.084	0.086	0.092	0.096	0.095	0.097	0.099	0.102	0.100	0.100	0.100
Noncore C&I - Distribution	0.145	0.141	0.143	0.151	0.160	0.168	0.168	0.168	0.168	0.167	0.167	0.167
Electric Generation - Distribution	0.029	0.035	0.038	0.044	0.050	0.051	0.052	0.054	0.056	0.055	0.055	0.054
Transmission Level Service	0.016	0.021	0.023	0.024	0.026	0.021	0.023	0.025	0.028	0.027	0.027	0.027