SB 695 Compliance Report Data Request
To California Public Utilities Commission, Energy Division

Southern California Gas Company

January 24, 2020

Southern California Gas Company (SoCalGas) appreciates the opportunity, pursuant to Senate Bill (SB) 695 and Cal. Pub. Util. Code §913 (PUC Section 913), to recommend actions that can be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals, including goals for reducing emissions of greenhouse gases. Within the framework approved by the California Public Utilities Commission (CPUC or Commission) and the Legislature, SoCalGas seeks to allocate costs fairly across its customer classes. SoCalGas recognizes that allocations of certain components of gas service costs in rates are beyond its direct control. SoCalGas' objective in developing the 2020 data request response is to provide useful information that the CPUC may consider as it prepares its annual report for the Governor and Legislature.

This data request response is structured according to the Energy Division's request. Part I of this response provides a description of SoCalGas' gas revenue requirements and rates, sales forecasts and recorded sales, the energy burden by baseline territory and service territory, and proceeding outlook of anticipated rate changes from May 1, 2020 through April 30, 2021, along with the amount of the change if it is known.

Part II of this response provides an overview of SoCalGas' opening comments, overall rate policy, an overview of management control of rate components, and a summary of policies and recommendations for limiting customer rate impacts while meeting the State's energy and environmental goals for reducing greenhouse gases.

I. Section 913 Study and Report

1. Revenue Requirements Effective January 1, 2020

A. Major Categories of Gas Revenue Requirements

Gas Revenue requirements are commonly grouped into the following four major categories, as shown in table 1: Energy Costs or Weighted Average Cost of Gas (WACOG), Transportation Gas Storage, and Public Purpose Programs.

Table 1 - Major Categories of Rate Revenue

Revenue Component	2019		2020	
	Rate Revenue ($000)	Percentage	Rate Revenue ($000)	Percentage
Energy	$1,091,030[1]	24.0%	$887,990[2]	18.8%
Transportation[3]	$3,104,461	68.2%	$3,470,632	73.5%
Storage[4]	*$23,695*	*0.5%*	*$25,050*	*0.5%*
Public Purpose Program	$357,877	7.9%	$363,299	7.7%
TOTAL	**$4,553,369**	**100%**	**$4,721,921**	**100%**

B. Description of Key Categories and Trends in Gas Revenue Requirement Components

The revenue requirements outlined in the previous section directly align with rate components. At the highest level, gas rates can be described as revenue requirements divided by sales forecasts, so both revenue requirement changes and demand variations impact actual rates for gas service. Increases in the forecasted revenue requirements will impose upward pressure

[1] Actual recorded revenue.
[2] Represents estimates of the residential, core C&I, and NGV energy revenue and was derived by multiplying the 2018 CGR forecast throughput projection for 2020 by the gas price forecast for 2020.
[3] The transportation component includes Authorized Base Margin, amortization of regulatory accounts, other operating costs, System Integration, and Sempra-wide adjustments. Core Backbone Transportation Service (BTS) revenues of $104,853 for 2019 and $136,529 for 2020 are excluded as they are included in the Energy component of this table. When these core BTS values are added to the transportation component, the transportation line ties to the total presented in Table 2 below.
[4] A subset of transportation revenue requirement; represents costs allocated to be recovered from the Unbundled Storage Program

on rates and decreases in the forecasted revenue requirements will impose downward pressure on rates. The rate pressures created by changes in the revenue requirements are modulated by differences between actual sales and the prior forecasts that were used to set rates. Adjustments in the allocation of the revenue requirements across customer classes and tiers also impact the rates experienced by individual customers.

Customer sales volatility over time also directly impacts the rates paid by gas customers. If revenues collected from customers are impacted (higher or lower) due to volatility in sales, future rates will be adjusted (decreased or increased) so that revenues collected are at authorized levels. SoCalGas reviews sales forecasts for its service territory during cost allocation proceedings, which are currently on a three-year cycle.

- Gas energy revenue requirements are forecast to represent approximately 18.8% of the total gas revenue requirements in 2020. In 2019, gas energy revenue requirements represented about 24.0% of the total authorized gas revenue. The share of gas energy revenue requirements is expected to decrease from 2019 to 2020.
- Transportation revenue requirements are estimated to be about 73.5% of the total gas revenue requirements in 2020. For 2019, the transportation revenue requirements were about 68.2% of the total authorized gas revenue requirement. The transportation revenue requirement increase for 2020 was due primarily implementation of the General Rate Case (GRC) decision, partially offset by an authorized decrease in the amortizations of the regulatory accounts.
- Costs allocated to the unbundled storage program comprised of approximately 0.5% of the total gas revenue requirements in 2019 and is forecasted to be 0.5% in 2020.
- Public Purpose Program (PPP) revenue requirements, including California Alternate Rates for Energy (CARE) Discount and Energy Efficiency, will represent approximately 7.7% of the total gas revenue requirements in 2020, down slightly from 7.9% 2019.

C. Revenue Requirement by CPUC Proceeding

The transportation revenue requirements for January 1, 2020 are listed below in table 2, along with the relevant Proceeding, CPUC Decision, CPUC Resolution, or Advice Letter (AL).

Table 2 – SoCalGas Revenue Requirements effective January 1, 2020 by CPUC Proceeding (Consolidated Year-End filing AL 5562)

Proceeding	Source	Revenue Requirement ($000)	Percentage
Base Margin	GRC D.19-09-051, AL 5536 & 5541	$2,775,872	77.0%
Net System Integration/ BTS Adjustment	TCAP D.16-10-004	($184,321)	-5.1%
LUAF/ Company Use Gas/ Well Incidents / Exchange	TCAP D.16-10-004 and AL 5530	$24,473	0.7%
Leak Abatement Program	CPUC Resolution G-3538	$68,728	1.9%
GHG Costs	D.15-10-032, D.18-03-017 & AL 5530	$328,285	9.1%
Regulatory Accounts	AL 5530, 5536 & 5539	$310,124	8.6%
Sempra-wide Rates, EOR Adjustments	TCAP D.16-10-004	($18,964)	-0.5%
BTS	TCAP D.16-10-004, GRC D.19-09-051, AL 5530, 5536 & 5539	$302,964	8.4%
TOTAL		**$3,607,161**[5]	**100%**

D. Bundled Residential Class Revenue Requirement by Rate Component

The dollar amounts of each bundled residential class revenue requirement by rate component that sums to the total bundled residential class revenue requirement effective January

[5] See FN 3 for clarification on how this value relates to Table 1.

1, 2020, with corresponding percentage contribution to the total bundled residential class revenue requirement, is listed below in table 3.

Table 3 - Major Categories of Residential Rate Revenue		
Revenue Component	**2020**	
	Rate Revenue ($000)	**Percentage**
Energy	$626,101[6]	19.1%
Transportation[7]	$2,415,774	73.8%
Public Purpose Program	$232,477	7.1%
TOTAL	**$3,274,352**	**100%**

2. Sales Forecasts and Recorded Sales

A. Demand Forecasts

Southern California Gas Company (SoCalGas) is the principal distributor of natural gas in Southern California, providing retail and wholesale customers with transportation, exchange and storage services, and also procurement services to bundled core customers. SoCalGas is a gas-only utility and, in addition to serving the residential, commercial and industrial markets, provides gas for enhanced oil recovery (EOR) and electric generation (EG) customers in Southern California. San Diego Gas &Electric Company (SDG&E), Southwest Gas Corporation, the City of Long Beach Municipal Oil and Gas Department, and the City of Vernon are SoCalGas' four wholesale utility customers. SoCalGas also provides gas transportation services across its service territory to a border crossing point at the California-Mexico border at Mexicali to ECOGAS Mexico S. de R.L. de C.V. which is a wholesale international customer located in Mexico.

[6] Represents estimates of the residential energy revenue and was derived by multiplying the 2018 CGR forecast throughput projection for 2020 by the gas price forecast for 2020.

[7] The transportation component includes Authorized Base Margin, amortization of regulatory accounts, other operating costs, System Integration, and Sempra-wide adjustments as of January 1, 2020, SoCalGas and SDG&E 2016 Triennial Cost Allocation Proceeding implementation.

The figure and table below contain a five-year forecast for the years 2020-2024. The forecast was prepared as part of the 2018 California Gas Report.

Figure 1 – Composition of SoCalGas' Requirements (Bcf/Year)
Average Temperature and Normal Hydro Year (2020)

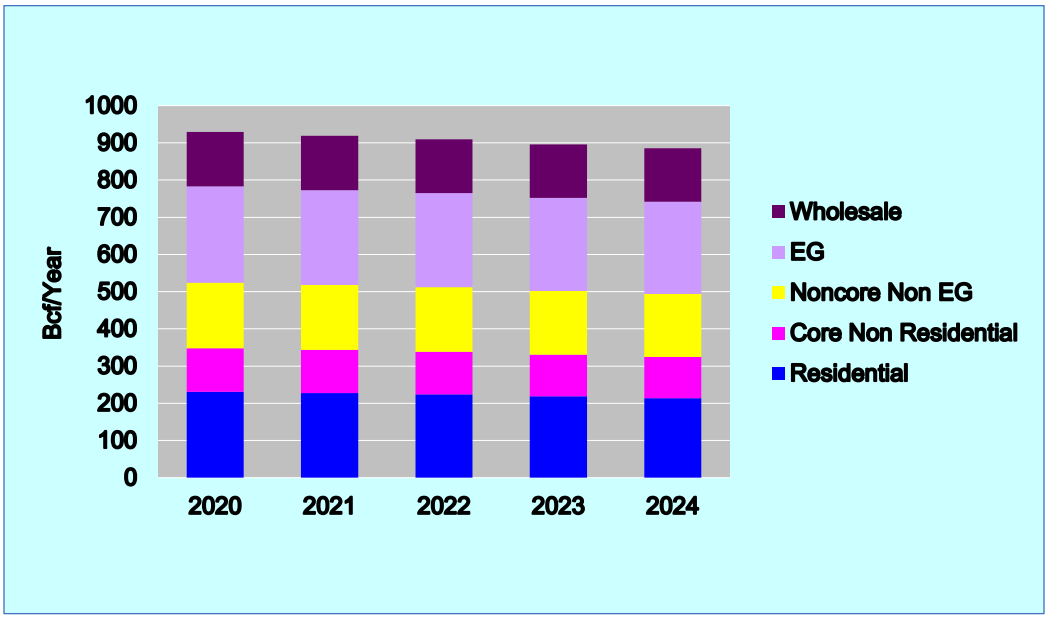

Table 4 – SoCalGas Demand Forecast (Bcf/Year)
Average Temperature and Normal Hydro Year (2020-2024)

Bcf	2020	2021	2020	2023	2024
Residential	231	228	224	218	214
Core Non-Residential	117	116	115	112	111
NonCore Non EG	176	175	173	171	169
EG	259	254	253	250	246
Wholesale	147	147	145	144	143
TOTAL	**930**	**919**	**910**	**896**	**885**

The table above shows the projected average year gas demand over the five-year period covering 2020 to 2024. Gas demand in 2020 is expected to total 930 Bcf. By 2024, the load is expected to have declined to 885 Bcf. Based on the 2018 California Gas Report (CGR), the average year load is expected to decline at an approximate average annual rate of 1%. The load forecast for gas demand is expected to decline due to the combined effects of modest economic growth, CPUC-mandated energy efficiency goals, including compliance with SB350 goals. Additional drivers that taper the forecast to 2023 include the strengthening of renewable

electricity goals, declines in commercial and industrial demand, continued increased use of non-utility pipeline systems by enhanced oil recovery customers, and the savings linked to implementation of SoCalGas' Advanced Meter Program.

B. Recorded Demand

SoCalGas served more than 6 million connected customers in 2019. The annual throughput, at actual weather was 869 Bcf in 2019, or approximately 2,381 MMcf/d. The 2019 load reflects a 39 MMcf/d increase relative to the 2018 total system throughput of 2,342 MMcf/d, which was reported in the 2019 California Gas Report Supplement.

3. Energy Burden by Baseline Territory and Service Territory

A. Energy Burden Data by Baseline Territory

The following table provides the annual 2019 energy burden data by baseline territory and service territory for Non-CARE, CARE, and all bundled residential customers using 2019 recorded average usage data.

Table 5 – Energy Burden Data by Baseline Territory

Non-CARE	**Climate Zone**		
	1	**2**	**3**
Average Monthly Usage	34.24	34.83	51.05
Average Monthly Bill	$41.11	$41.68	$60.59
Average Annual Income	$101,902	$76,135	$90,758
Average Monthly Income	$8,491.83	$6,344.62	$7,563.17
Gas Burden	0.48%	0.66%	0.80%
CARE	**Climate Zone**		
	1	**2**	**3**
Average Monthly Usage	27.36	36.52	61.09
Average Monthly Bill	$26.34	$34.26	$57.69
Average Annual Income	$54,075	$45,631	$69,044
Average Monthly Income	$4,506.29	$3,802.61	$5,753.65
Gas Burden	0.58%	0.90%	1.00%
All Customers	**Climate Zone**		
	1	**2**	**3**
Average Monthly Usage	32.43	35.45	52.53
Average Monthly Bill	$37.22	$38.96	$60.16
Average Annual Income	$89,298	$64,973	$87,548
Average Monthly Income	$7,441.52	$5,414.45	$7,295.70
Gas Burden	0.50%	0.72%	0.82%

B. Source of Household Income Data

The source of income is from Nielsen Claritas household-level data, February 2019. For each household, the mid-point of the income range was selected for this analysis. Usage and bill data are from SoCalGas' database, monthly averages for calendar-year 2019.

4. Rate Outlook from May 1, 2020 to April 30, 2021

A. Listing of Pending Proceedings

The following table contains a listing of pending proceedings that are likely to affect rates. Ultimately, the timing and level of impact of these pending proceedings on rates will be determined by the Commission.

\

\

\

\

\

\

\

\

\

\

\

\

\

\

\

Table 6 – Listing of Pending Proceedings									
No	**Filing Name**	**Proceeding Reference** (e.g. AL or Application #)	**Filing Date**	**Requested/ Expected Implementation Date**	**Requested Dollar Amount**			**Description**	**Impacted Rate**
					Total Cost	**2020 RRQ**	**Mid-2020 RRQ**		
1	Pipeline Safety Enhancement Plan (PSEP) 2018 Reasonableness Review	A.18-11-010	13-Nov-18	2020	$811 million	N/A	$185.8 million	PSEP reasonableness review requesting rate recovery for costs of 83 pipeline safety projects and recorded in their authorized regulatory accounts. Pursuant to D.16-08-003, SoCalGas and SDG&E have been authorized partial (50%) interim rate recovery of PSEP costs, subject to refund, and have previously incorporated costs associated with this application into rates	Transportation Core increases by 3.15 cents/therm. Non-core transportation increases 0.51 cents/therm.
2	2020 Triennial Cost Allocation Proceeding (TCAP) application	A.18-07-024	31-Jul-18	2020 to 2022	N/A	N/A	N/A	Cost Allocation Proceedings reallocate costs between customer classes to maintain cost-based transportation rates.	Transportation Core increases by 0.87 cents/therm. Non-core transportation increases 0.96 cents/therm.
3	Application to Establish a Demand Response Program	A.18-11-005	6-Nov-18	2020 to 2022	N/A	N/A	$27.9 million	This application to establish a Demand Response (DR) Program (Application) from winter 2019 through 2022.	PPPS Residential increases by 0.95 cents/therm, PPPS Core C&I increases by 0.37 cents/therm. PPPS Non-core C&I increases 0.05 cents/therm.
4	SoCalGas Gas Cost Incentive Mechanism (GCIM) Year 25 Application	A.19-06-009	14-Jun-19	2019	N/A	N/A	$16.8 million	SoCalGas filed the Gas Cost Incentive Mechanism (GCIM) Year 25 Application with the CPUC, providing its report on gas supply and core storage activity for the 12-month GCIM year ending March 31, 2019 (Year 25) and submitting its request for CPUC approval of a shareholder award of $16,798,695 for its Year 25 performance.	Core procurement rates will increase 0.43 cents per therm.

Table 6 – Listing of Pending Proceedings									
No	**Filing Name**	**Proceeding Reference** (e.g. AL or Application #)	**Filing Date**	**Requested/ Expected Implementation Date**	**Requested Dollar Amount**			**Description**	**Impacted Rate**
					Total Cost	**2020 RRQ**	**Mid-2020 RRQ**		
5	Low Income Applications for SoCalGas	A.19-11-006	9-Nov-19	2021 to 2026	N/A	N/A	CARE budget of $149 - $156 million, ESAP budget of $131 - $136 million	D.19-09-022 directed the IOUs to file 2021-2026 Applications for their ESAP and CARE programs.	PPPS Residential noncare increases by $0.00049-$.01794/ therm, PPPS Core C&I noncare increases by $.000063 - $.01936/ therm. PPPS Non-core C&I increases $.00063-$.01835/ therm.
6	SoCalGas 2020 Flex Alert Marketing Campaign Application	A.19-11-018	22-Nov-19	2021	N/A	N/A	$8.9 million	Application to establish 2020 Flex Alert Campaign and seek cost recovery for costs associated with the implementation of Flex Alert Campaigns for 2018 and 2019, as well as upcoming 2020 Flex Alert Campaign.	Bundled Noncare Residential increases by $0.00305/therm, PPPS Core C&I increases by $.00118/ therm. PPPS Non-core C&I increases $.00018/therm.
7	SoCalGas Energy Efficiency Incentive Award for Program Years (PY) 2017 and 2018	Advice No. 5509	3-Sep-19	2021	N/A	N/A	$3.5 million	SoCalGas submits for approval by the California Public Utilities Commission (Commission) its PY 2017 and PY 2018 Energy Efficiency (EE) Incentive Mechanism award in the amount of $3,548,464 included in Table 1 below. This submittal is made in compliance with Decisions (D.)13-09-023, D.15-10028, and D.16-08-019.	Transportation Core increases by 0.09 cents/therm. Non-core transportation increases 0.004 cents/therm.

B. New Proceedings Likely to be Filed between May 1, 2020 and April 30, 2021

Gas Cost Incentive Mechanism (GCIM) Year 26 - SoCalGas will file its GCIM Year 26 application in June 2020. SoCalGas is required to file an application each June to address its performance under the GCIM for the previous April 1- March 31 period (GCIM Year). For reference, SoCalGas' GCIM Year 25 application filed in June 2019 recognized actual gas purchase costs subject to the GCIM of $1,369 million, while the benchmark cost was $1,474 million. Therefore, SoCalGas was able to purchase gas at $105 million below the GCIM benchmark resulting in a ratepayer benefit of $88 million in lower gas costs and a shareholder reward of $17 million.

Safety Integrity Management Program (SIMP) - SoCalGas plans to file an application in 2020 to recover its remaining SIMP undercollection for the 2016-2018 period. In connection with SoCalGas' 2016 GRC Application, SoCalGas implemented its proposed SIMP to identify and mitigate potential storage well safety and/or integrity issues. The Commission approved SoCalGas' SIMP proposal in Decision (D.)16-06-054 and authorized a three-year revenue requirement of $19.5 million. SoCalGas exceeded the authorized revenue requirement for the three-year period and was subsequently authorized in Resolution G-3544 to recover $6.82 million (35% above the authorized revenue requirement) through a Tier 3 advice letter filing (AL 5253). SoCalGas will be requesting recovery of the remaining undercollection above 35% through an application.

Natural Gas Leak Abatement Compliance Plan Ratemaking Forecast - SoCalGas plans to submit a Tier 3 Advice Letter in March 2020 to provide 2021 and 2022 cost forecasts for Leak Abatement program activities. D.17-06-015 directs SoCalGas compliance plans to: a) identify the incremental costs associated with each individual Best Practice, Pilot Projects and Research & Development (R&D), broken down by type of expenditure including capital, operations and maintenance, and administrative; b) provide the justifications consistent with the criteria to evaluate Pilot Projects and R&D in Pub. Util. Code § 740.1; and c) the proposed allocation methodology for amortization of the account and the corresponding Commission decision authorizing the allocation methodology. SoCalGas' previously approved compliance plan for

2018, 2019, and 2020, submitted by AL 5211 and AL 5211-B, included annual forecasted revenue requirements of $6.1 million, $61.7 million, and $69.5 million, respectively.

C. Anticipated Rate Changes During May 1, 2020 and April 30, 2021

In addition to potential rate changes due to pending decisions or resolutions as described above, rates are updated each year through the recurring advice letters listed in table 7 below:

Table 7 – SoCalGas Anticipated Rate Changes During 2020

Description	To be filed	Expected Implementation	Impacted Rate	Directional Impact	Revenue Requirement Impact ($000)	Reason for Revenue Requirement Request
Gas Regulatory Account Update AL	October 2020	January 2021	Gas Transportation	Decrease	$363,800	Refer to footnote 8
Gas Consolidated AL	December 2020	January 2021	Gas Transportation	Increase	$397,847	Refer to footnote 8 & 9
Gas Public Purpose Program Update AL	October 2020	January 2021	PPP Surcharge	Increase	$34,468	Refer to footnote 8

Gas Regulatory Account Update AL - This advice letter serves to update the amounts in the regulatory accounts to be amortized in rates over the next year.

Gas Consolidated AL - This advice letter consolidates advice letters that are routinely filed each year to be placed in rates the next year. This includes items such as the regulatory Account Update, authorized cost changes for the Advanced Meter Infrastructure. any attrition index authorized in the General Rate Case to be applied to the revenue requirement, Cost of Capital adjustments, and Energy Efficiency Awards.

Gas Public Purpose Program Update AL - The state's natural gas and electric utilities collect funds from core and non-EG noncore customers for gas related energy efficiency programs, low-income programs including the California Alternative Rates for Energy (CARE) subsidy, and for the California Energy Commission's natural gas research and development

[8] Shows change from 2019 to 2020. This is an annual routine filing in which the specific financial impact for January 2021 has not been determined.
[9] Gas Consolidated AL 5562 shows change from 2019 to 2020.

program. The annual budget for these public purpose programs is set in various recurring program-related Commission proceedings. The CARE program revenue requirement for SoCalGas' customers in 2019 was $110 million and is $124 million in 2020.

II. Section 913 Study and Report

1. Opening comments

In this part, SoCalGas addresses PUC Section 913 and provides an overview of SoCalGas' overall rate policy, an overview of management control of rate components, and a summary of policies and recommendations for limiting customer rate impacts while meeting the State's energy and environmental goals for reducing greenhouse gases. SoCalGas hopes that the CPUC will consider the recommendations set forth in this report, which SoCalGas believes can have a measurable near-term impact on its total cost of delivering safe, reliable, and cost-effective gas services to its customers in California.

2. Overall Rate Policy

Absent market-based prices for natural gas transportation service, SoCalGas' overall rate policy is to follow the cost causation principle whereby rates are based on the costs incurred to provide its customers with safe and reliable gas service. SoCalGas understands that its customers value safety, low rates, transparency and stability. Therefore, SoCalGas also seeks to minimize the impact of rate adjustments when they are made by phasing in impacts to avoid rate shock whenever possible. SoCalGas, like the other gas utilities in California, makes monthly advice letter filings that are publicly available to change the gas commodity rate which is based on the monthly cost of gas. SoCalGas also files for an annual gas transportation and Public Purpose Program surcharge rate change in January of each year. In addition, SoCalGas submits any required rate update filings within the year in response to specific Commission decisions that affect SoCalGas' revenue requirement.

The cost causation principle discussed above drives SoCalGas rate policy for both the allocation of costs between customer classes as well as within customer classes. When examining intra-class rate structures, costs should be recovered in rates that reflect how those costs are incurred, and SoCalGas tend to propose changes when it appears that an intra-class subsidy may be occurring.

In the 2020 TCAP application, filed on July 31, 2018 (A.18-07-024), SoCalGas has proposed changes to align residential rates more closely with the underlying costs of serving residential customers. Residential rates have a customer charge, and a two-tiered volumetric charge with a higher second tier rate. The customer charge (the charge a customer incurs at zero level of gas consumption) is to recover the fixed cost of hooking up a customer to SoCalGas' delivery system. These fixed costs include installation and maintenance of the gas service lines, meters, regulators, meter reading, customer billing, maintenance of facilities, and vehicles and equipment. The portion of fixed customer costs that are not recovered in the customer charge are recovered in the volumetric rates, causing volumetric rates to be higher than the underlying variable (with respect to gas volume consumption) costs. Therefore, in the 2020 TCAP application, SoCalGas has proposed to increase the residential customer charge to approximately $10/month while at the same time reducing volumetric rates. The current monthly customer charge of approximately $5 per month was set by the Commission in December 1994 (D.94-12-052) and has not changed since then, while the fixed costs of customer hookup have since gone up. Having a cost-based higher customer charge and lower volumetric rates are likely to lower volatility in month-to-month customer bills caused by volatility in weather conditions in winter months. In the upcoming 2020 TCAP decision, SoCalGas hopes that the Commission will adopt SoCalGas's proposed higher customer charge and lower volumetric rates to alleviate residential intra-class rate subsidy.

3. Management Control of Rate Components

In order to keep rates reasonable, SoCalGas works proactively to lower gas costs and participates actively in interstate pipeline rate cases to make sure that transportation costs are just and reasonable. Also, in addition to safety and reliability, SoCalGas prioritizes operational efficiency and cost containment. In light of these priorities, SoCalGas performs continuous reviews of its systems and operations to identify areas for improved performance. Performance-based incentive mechanisms, such as the Gas Cost Incentive Mechanism, align shareholder and customer interests and result in operational efficiencies and lower rates. However, there are some key drivers that affect customers' rates that fall outside of SoCalGas' control. These include: gas commodity prices, actual sales volumes, weather, natural disasters, interest rates, economic and demographic growth, permitting process delays, and compliance with new

environmental regulations and CPUC requirements. Despite these factors, SoCalGas works hard to manage its costs across all categories to make efficient and effective use of revenues collected from customers.

4. Utility Policies and Recommendations for Limiting Costs and Rate Increases While Meeting State's Energy and Environmental Goals for Reducing Greenhouse Gases

In this section, SoCalGas offers a set of recommendations for actions that the Commission may consider as it prepares its own annual report to the Legislature and Governor on measures that can be undertaken in the coming year to limit utility costs and rate increases. These recommendations center on factors largely out of the scope of the utilities' control and are expected to have a significant impact on utility costs and resultant customer rates in the near- to medium-term.

SoCalGas continues to use best operating and infrastructure investment practices to limit rate increases while still meeting California's energy efficiency and greenhouse gas reduction goals. SoCalGas continues to participate in the development of renewable energy sources, such as Renewable Natural Gas (RNG) and distributed energy, which will reduce GHG emissions in California. RNG and renewable energy resources provide environmental benefits and could be useful alternatives to contracting for capacity on interstate pipelines.

The impact to SoCalGas' customers from energy efficiency, low income energy efficiency, CARE, technology research, development, and demonstration (RD&D) is shown in table 8 below.

Table 8 – Revenue Requirement as of January 1, 2020
($ millions)

	Core	Non-Core	Total
Energy Efficiency	$86	$7	$93
Low Income Energy Efficiency	$134	$0	$134
CARE	$81	$43	$124
RD&D	$10	$0	$11

Natural gas is a clean, abundant and affordable energy source that can help California address climate change and reduce smog while supporting a strong economy; and policy that delivers choice to our customers at reasonable rates puts our state in the best position to successfully achieve its goals. In the coming year, SoCalGas recommends that several key State policies and procedures should be shaped to support more effective, efficient and beneficial use of revenues collected from SoCalGas' customers. SoCalGas believes that the State will have to weigh its environmental goals that cause significant upward cost pressures against its desire to moderate impacts on customers' rates for gas service. Here is a list of items in which policy decisions could drive customer rate impacts.

- SoCalGas adheres to a cost-effectiveness framework in the Natural Gas Leak Abatement Rulemaking, R.15-01-008, to align with the intent of Senate Bill (SB) 1371 to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions across operational areas such as transmission, storage, and distribution.[10] SoCalGas is recording incremental program costs to a two-way balancing account, Natural Gas Leak Abatement Balancing Account (NGLAPBA) to track and record any incremental costs authorized in Resolution G-3538. SoCalGas has encouraged the adoption of objective criteria that will be used to develop a list of cost-effective, technologically feasible mitigation activities and technologies that help achieve methane emission reductions in top emissions source categories. SoCalGas has received a Phase II decision of the proceeding in August 2019, which contained a cost-effectiveness framework which encourages utilities to pursue measures even if they have poor cost-effectiveness. It is premature for this proceeding to be incorporated into the applicable general orders, and that penalties will be incurred by Class A Utilities (SoCalGas and PG&E) should methane emissions not be reduced at least 20% below 2015 level by 2025, in the form of LUAF rate recovery restrictions.
- Combined Heat and Power (CHP): CHP reduces overall energy use by using waste heat to generate power. Efficient CHP entails low carbon generation and its widespread use will have greenhouse gas reducing benefits. Both the CPUC and the California Energy Commission have supported the development of CHP to meet California's energy needs

[10] *See* SB 1371 (Statutes 2014, Chapter 525), codified in CAL. PUB. UTIL. CODE § 975 (h)(1).

because this source has the potential to contribute substantially to reducing California's Greenhouse Gas Emissions.[11] SoCalGas supports policies and programs that encourage the installation of CHP.

- Recommend that State policy regarding the promotion of renewable energy to generate electricity does not overlook the benefits of fuel cell technology. Fuel cell technology used for micro-grids allows for more reliable generation of electricity. A State policy promoting the use of RNG in fuel cells for generation and water heating has the potential for significant emission reductions.
- SoCalGas recommends that flexibility be given to utilities in their energy efficiency and greenhouse gas programs in order to allow utilities to respond quickly to customer and market demands. The regulatory application process could expedite the launch of new products and services. By authorizing more limited market or technology applications and pilot programs an expedited decision process may be achieved.
- Performance-Based Incentives Mechanisms: Continue to support the utilization of performance-based mechanisms to motivate utilities to implement programs that will lead to an overall reduction in costs and improve the efficiency of utility operations. These mechanisms work because (1) they align customers' and shareholder interests; (2) they measure a utility's performance relative to a market-based benchmark; and (3) they reduce the regulatory burden.

In summary, California leads the nation in promoting the reduction of GHG emissions, adoption of advanced technologies, and expenditures on public purpose programs mandated by law. The costs associated with implementing these policies place upward pressure on utilities' rates. In addition, due to the mild weather and implementation of energy efficiency measures, the gas usage per customer in California is far below the national average. These factors lead to higher rates overall but also lower customers' bills. SoCalGas supports the above-referenced policies. To promote achievement of these important statewide goals, utilities should be provided more flexibility in implementing mandates and requirements in order to achieve lower costs for all customers.

[11] Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to examine the Integration of GHG Standards in its Procurement Policies, pp. 221, R.06-04-009.

SOUTHERN CALIFORNIA GAS COMPANY

CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)
ENERGY DIVISION (ED)

(ED Data Request-02)

Date Requested: April 6, 2020
Date Responded: April 17, 2020

QUESTION 01:

We request that you provide the following data as a supplement to the response your utility originally provided in response to Part II of the data request issued January 3, 2020 to provide data to fulfill the requirements of Public Utilities Code Sec. 913.1(b) ("Utility Study and Report"). Specifically, the response should supplement your response to the following: Management Control of Rate Components Describe and discuss your utility management's policies and practices for controlling costs and rate increases for customers in general, and for different customer classes.

Energy Division is requesting that your utility identify and quantify specific cost savings estimated to be realized over the period corresponding to General Rate Case (GRC) application A.17-10-008/007. We suggest that you organize your response based on the Fueling Our Future initiative referenced in A.17- 10-008/007 and refer you to Table HS/RC-1 (SCG) and Table HS/RC-2 (SDG&E) in SCG-03-R/SDG&E-03-R of that application. The table(s) in your response should show by functional area how cost savings could flow to customers for each year 2019 – 2021 for either Operating and Maintenance (O&M) or Capital cost savings (or both). These cost savings could be a continuation of cost savings initiatives existing prior to the filing of A. 17-10-008/007 or new cost savings initiatives associated with SCG's 2019 GRC and SDG&E's 2019 GRC Phase I.

We request that the table(s) in your response include at least five line items by operational area, and further request that you present the percent of total cost savings to total cost for each functional area over the 2019 – 2021 period (e.g. one total for the three year period per functional area). In selecting these line items by functional area, please strive to show a minimum overall cost savings of 5% averaged for the functional areas selected. Please also provide narrative discussing the table(s).

SOUTHERN CALIFORNIA GAS COMPANY

CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)
ENERGY DIVISION (ED)

(ED Data Request-02)

Date Requested: April 6, 2020
Date Responded: April 17, 2020

RESPONSE 01:

Quantification of cost savings over the General Rate Case (GRC) period is achieved through reductions that are already incorporated or reflected in the authorized revenue requirement, therefore specific quantification of cost savings over the 2019-2021 period is not applicable beyond the tables/information already presented in testimony. To further clarify, the Fueling our Future (FOF) enterprise wide initiative generated savings that were passed back to ratepayers in the form of a lower overall revenue requirement authorized in the 2019 GRC Decision (D.)19-09-051. As referenced in Table HS/RC-1 (SCG) and Table HS/RC-2 (SDG&E) in SCG-03-R/SDG&E-03-R and discussed on page 32 of the final decision, the Commission adopted savings of $42.760 million for SoCalGas and $26.231 million for SDG&E. These savings were immediately realized upon implementation of the TY 2019 GRC rates and will continue to benefit ratepayers until the TY 2024 GRC decision is implemented.

Any new companywide cost savings initiatives implemented by SoCalGas or SDG&E will be reflected as a proposal in the TY 2024 GRC or as reductions to the historical data used to build the cost forecasts for that rate case.