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Exhibit Number : ORA-4
Commissioner : M. Picker
ALJ : J. Wong, R. Lirag
Witness : M. Kanter



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2016
General Rate Case**

Miscellaneous Revenues

San Francisco, California
April 24, 2015

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MISCELLANEOUS REVENUES

2 I. INTRODUCTION

3 This exhibit presents the analyses and recommendations of the Office of
4 Ratepayer Advocates (ORA) regarding the Miscellaneous Revenues proposals of
5 San Diego Gas & Electric Company (SDG&E) and Southern California Gas
6 Company (SCG or SoCalGas), otherwise known as the Sempra Utilities (Sempra),
7 for Test Year (TY) 2016.

8 Miscellaneous Revenues are fees and revenues collected by the utility from
9 non-rate sources for the provision of specific products and services. Miscellaneous
10 revenues are incorporated into rates as a reduction to base margin requirements
11 charged to customers for utility service. SDG&E estimates it will receive \$2.968
12 million (13.4%) less Miscellaneous Revenues in 2016 compared to base year 2013
13 levels,¹ while SoCalGas estimates it will receive \$6.906 million (6.43%) less
14 Miscellaneous Revenues in 2016 compared to 2013 levels.²

15 II. SUMMARY OF RECOMMENDATIONS

16 The following summarizes ORA's recommendations:

- 17 • ORA recommends that the reduction to test year SDG&E revenue
18 requirements due to Miscellaneous Revenues be increased from
19 SDG&E's proposed \$19.225 million to \$20.344 million.
- 20 • ORA recommends that the reduction to test year SCG revenue
21 requirements due to Miscellaneous Revenues be increased from
22 SCG's proposed \$100.513 million to \$102.118 million.

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¹ Ex. SDG&E-34-R, p. MAS-1, line 11.

² Ex. SCG-32-R, p. MAS-1, line 12.

1 Table 4-1 compares ORA's and SDG&E's TY 2016 forecasts of
 2 Miscellaneous Revenues:

3 **Table 4-1**
 4 **SDG&E Miscellaneous Revenues for TY 2016**
 5 **(In Thousands of Dollars)**

| Description | ORA Recommended | SDG&E Proposed[1] | Amount | Percentage |
|---------------------------------------|-----------------|-------------------|-----------|------------|
| (a) | (b) | (c) | SDG&E>ORA | SDG&E>ORA |
| Electric Revenues | | | (d=c-b) | (e=d/b) |
| Service Establishment Charges | \$3,560 | \$2,730 | -\$830 | -23.33% |
| Other Electric Revenues | \$12,490 | \$12,490 | \$0 | 0.00% |
| Total Miscellaneous Electric Revenues | \$16,050 | \$15,220 | -\$830 | -5.17% |
| Gas Revenues | | | | |
| Service Establishment Charges | \$1,833 | \$1,553 | -\$280 | -15.27% |
| Other Gas Revenues | \$2,451 | \$2,451 | \$0 | 0.00% |
| Total Miscellaneous Gas Revenues | \$4,284 | \$4,005 | -\$280 | -6.52% |
| Total Miscellaneous Revenues | \$20,344 | \$19,225 | -\$1,110 | -5.46% |

6 Table 4-2 compares ORA's and SCG's TY 2016 forecasts of Miscellaneous
 7 Revenues:

8 **Table 4-2**
 9 **SoCalGas Miscellaneous Revenues for TY 2016**
 10 **(In Thousands of Dollars)**

| Description | ORA Recommended | SCG Proposed[1] | Amount | Percentage |
|-----------------------------------|-----------------|-----------------|----------|------------|
| (a) | (b) | (c) | SCG>ORA | SCG>ORA |
| Revenues | | | (d=c-b) | (e=d/b) |
| Service Establishment Charges | \$25,467 | \$24,875 | -\$593 | -2.33% |
| Misc Svs Rev Reconnect Charge | \$1,537 | \$1,498 | -\$39 | -2.53% |
| Residential Limited Parts Program | \$2,057 | \$2,030 | -\$27 | -1.32% |
| Third Party Revenues | \$1,159 | \$213 | -\$946 | -81.63% |
| Other Revenues | \$71,897 | \$71,897 | \$0 | 0.00% |
| Total (Including shared assets) | \$102,118 | \$100,513 | -\$1,605 | -1.57% |

11 **III. SDG&E MISCELLANEOUS REVENUES**

12 **A. Overview of SDG&E's Request**

13 Table 4-3 presents SDG&E's historical and test year Miscellaneous
 14 Revenues.

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Table 4-3
SDG&E Miscellaneous Revenues
Recorded 2009-2013 and Forecasted 2016³
(In Thousands of Dollars)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2016 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| SDG&E Electric Misc. Revenue - 451 | | | | | | |
| Service Establishment Charges | \$4,747 | \$4,191 | \$2,965 | \$2,825 | \$2,400 | \$2,730 |
| Collection Charges | \$2,181 | \$2,216 | \$2,092 | \$1,868 | \$1,608 | \$108 |
| Late Payment Charges | \$481 | \$370 | \$442 | \$428 | \$478 | \$447 |
| Returned Check Service Charge | \$242 | \$215 | \$226 | \$220 | \$223 | \$201 |
| Direct Access Fees | \$90 | \$131 | \$84 | \$80 | \$72 | \$91 |
| Cogeneration Reimbursement | \$248 | \$239 | \$236 | \$232 | \$224 | \$236 |
| Other Service Revenues | \$311 | \$45 | (\$29) | (\$55) | \$3 | \$332 |
| Sub-Total – 451 | \$8,300 | \$7,407 | \$6,016 | \$5,598 | \$5,008 | \$4,145 |
| Rent From Electric Properties - 454 | | | | | | |
| Rent from Electric Property | \$1,551 | \$1,589 | \$1,565 | \$1,434 | \$1,462 | \$1,628 |
| Special Facilities Charges | \$1,445 | \$1,128 | \$4,333 | \$8,271 | \$951 | \$1,722 |
| Customer Advances for Construction | \$1,513 | \$742 | \$814 | \$452 | \$601 | \$734 |
| Other Misc. Revenue | \$48 | \$80 | \$48 | \$55 | \$40 | \$57 |
| Sub-Total – 454 | \$4,557 | \$3,539 | \$6,760 | \$10,212 | \$3,054 | \$4,141 |
| Other Electric Revenues – 456 | | | | | | |
| Revenue Cycle Service Credits | (\$221) | (\$227) | (\$231) | (\$240) | (\$254) | (\$305) |
| Dist. Pole Attachment Fees | \$1,418 | \$2,317 | \$1,534 | \$1,554 | \$1,474 | \$1,611 |
| Shared Assets | \$4,912 | \$4,220 | \$4,697 | \$5,517 | \$7,035 | \$5,096 |
| Federal Energy Retrofit Program (FERP) | \$2,045 | \$1,505 | \$1,154 | \$929 | \$780 | \$457 |
| Other Misc. Revenue | \$206 | \$140 | \$128 | \$310 | \$84 | \$85 |
| Sub-Total – 456 | \$8,360 | \$7,955 | \$7,282 | \$8,070 | \$9,119 | \$6,944 |
| TOTAL ELECTRIC | \$21,217 | \$18,901 | \$20,058 | \$23,880 | \$17,181 | \$15,220 |
| SDG&E Gas Misc. Revenue - 488 | | | | | | |
| Service Establishment Charges | \$2,459 | \$2,125 | \$1,455 | \$1,407 | \$1,329 | \$1,553 |
| Collection Charges | \$935 | \$949 | \$896 | \$801 | \$689 | \$47 |
| Late Payment Charges | \$114 | \$70 | \$53 | \$42 | \$45 | \$66 |
| Sub-Total – 488 | \$3,508 | \$3,144 | \$2,404 | \$2,250 | \$2,063 | \$1,666 |
| Rent From Gas Properties - 493 | (\$2) | \$15 | \$17 | \$18 | \$18 | \$20 |
| Other Gas Revenues – 495 | | | | | | |
| Other Misc. Revenue | \$19 | \$12 | \$10 | \$5 | \$8 | \$8 |
| Customer Advances for Construction | \$180 | \$67 | \$81 | \$63 | \$88 | \$86 |

³ Ex. SDG&E-34-R-WP, p. 1. The numbers in the SDG&E's revised testimony do not match the numbers in their RO model; specifically the number \$17,181,000 for 2013 total electric Miscellaneous Revenues does not match the number \$16,141,000 in its RO model. SDG&E explained this discrepancy in an e-mail sent 4/16/2015 stating that "The amount in the RO model represents CPUC jurisdiction only, whereas the workpapers include a portion (\$1,040) that belongs to Electric Transmission. For revenue requirement purposes, we are only reporting the CPUC jurisdiction portion in the RO model." On 4/20/15, SDG&E supplied Ex. SDG&E-34-R Michelle Somerville Revised Testimony/Workpapers which clarified that the rest of the pre-2013 numbers for total electric Miscellaneous Revenues also included an Electric Transmission portion.

| | | | | | | |
|-------------------------------------|----------|----------|----------|----------|----------|----------|
| Shared Assets | \$1,396 | \$1,253 | \$1,418 | \$2,025 | \$2,641 | \$2,039 |
| Federal Government Retrofit Revenue | \$492 | \$364 | \$275 | \$227 | \$194 | \$186 |
| Sub-Total – 495 | \$2,091 | \$1,701 | \$1,792 | \$2,320 | \$2,931 | \$2,319 |
| TOTAL GAS | \$5,597 | \$4,860 | \$4,213 | \$4,588 | \$5,012 | \$4,005 |
| TOTAL MISC. REVENUE | \$26,814 | \$23,761 | \$24,271 | \$28,468 | \$22,193 | \$19,225 |

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B. ORA's Analysis

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ORA reviewed SDG&E's forecasts for Miscellaneous Revenues and recommends adjustments for some of them. Section 1 contains the adjustments to the Electric Department Miscellaneous Revenues. Section 2 contains the adjustments to the Gas Department Miscellaneous Revenues.

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1. Electric Service Establishment Revenues

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SDG&E proposed \$2,730,000 as its test year electric Service Establishment Charge revenues.⁴ SDG&E's forecast of electric Service Establishment Charge revenues is developed by successively adjusting the historical 2013 electric Service Establishment Charge revenues by SDG&E's estimates of 0.65%, 0.98%, and 1.20% total customer growth in the years 2014, 2015, and 2016.⁵ In the preceding 2012 general rate case, SDG&E used a historical 5 year average electric Service Establishment Charge revenues number where now SDG&E uses its base year electric Service Establishment Charge revenues number.⁶ SDG&E does not explain why it switched methodologies. Had SDG&E used a historical 5 year average electric Service Establishment Charge revenues number as before, its test year electric Service Establishment Charge revenues estimate would have been \$3,612,000 instead of \$2,730,000.⁷

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ORA's methodology is based on SDG&E's electric customer counts for the years 2009 to 2016, as well as the historical electric Service Establishment Charge

⁴ Ex. SDG&E-34-R-WP, p. WP-2.

⁵ Ex. SDG&E-34-R-WP, p. WP-2.

⁶ Ex. SDG&E-39 T_Cahill_Misc_Revenues, p. TJC-5, lines 9-11.

⁷ ORA Workpapers.

1 revenues. (The years 2009 to 2013 are the historical years; the remaining years are
 2 estimated.) Briefly, to get ORA’s estimated electric Service Establishment Charge
 3 revenues for the estimated years, each estimated year’s electric customer count
 4 estimate is multiplied by a scaling factor representing the average electric Service
 5 Establishment revenue per customer. The scaling factor is computed as the quotient
 6 of the historical average of electric Service Establishment Charge revenues divided
 7 by the historical average of electric customer counts. The difference between the
 8 two methodologies is illustrated by Table 4-4. (SDG&E’s test year numbers have
 9 been further adjusted as explained in SDG&E’s work papers.⁸)

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**Table 4-4
 Test Year Electric Service Establishment Charge Revenue**

| | | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|-----------------------------|-----------|-----------|-----------|-----------|
| SDG&E METHODOLOGY | Cust Growth Rate | | 0.65% | 0.98% | 1.20% |
| Non Remote | Estb Chrg | 2,400 | 2,416 | 2,439 | na |
| Remote | Estb Chrg | | 90 | 93 | na |
| Total | Estb Chrg | | 2,506 | 2,532 | 2,730 |
| | Customers | 1,405,218 | 1,414,346 | 1,428,204 | 1,445,387 |
| ORA METHODOLOGY | Estb Chrg/Custs | | 0.25% | 0.25% | 0.25% |
| | Estb Chrg | 2,400 | 3,484 | 3,518 | 3,560 |

12 ORA computes the quotient of the historical average of electric Service
 13 Establishment Charge revenues divided by the historical average of electric
 14 customer counts to get the scaling factor of 0.25%. Taking the test year as an
 15 example, this scaling factor is used to scale SDG&E’s electric customer test year
 16 total population estimate to get ORA’s test year estimate of \$3,560,000 for electric
 17 Service Establishment Charge revenues.

⁸ Ex. SDG&E-34-R-WP, p. WP-2 “The 2014-2015 forecasts are calculated using base year actuals adjusted by estimated annual customer growth for the period, since full Smart Meter benefits were realized in 2013. The TY2016 forecast is based on the same forecast methodology for the transactions, however, using \$5 for non-fielded orders and \$25 for fielded orders in an effort to move towards cost based fees.”

1 On the other hand, SDG&E computes the quotient of its estimated 2014
2 electric customer count by its actual 2013 electric customer count (1.0065) and
3 multiplies this quotient times the historical 2013 electric Service Establishment
4 Charge revenues to get its estimated 2014 electric Service Establishment Charge
5 revenues. SDG&E then computes the quotient of its estimated 2015 electric
6 customer count to its estimated 2014 electric customer count (1.0098) and multiplies
7 this quotient times its estimated 2014 electric Service Establishment Charge
8 revenue to get its estimated 2015 electric Service Establishment Charge revenue.
9 SDG&E then deviates a little from its previous pattern. In essence, SDG&E
10 computes the quotient of its estimated 2016 customer count to its estimated 2015
11 electric customer count (1.0120) and multiplies this quotient times its estimated 2015
12 electric Service Establishment Charge revenue to get a preliminary test year
13 estimate for test year electric Service Establishment Charge revenues; but this
14 preliminary estimate for test year electric Service Establishment Charge revenues is
15 further modified to get its final estimate for test year electric Service Establishment
16 Charge revenues of \$2,730,000.⁹

17 Underlying SDG&E's methodology is the assumption that annual electric
18 Service Establishment Charge revenues are exactly proportional to annual electric
19 total customer counts on a year by year basis from 2013 to 2016. SDG&E presents
20 no statistical basis for this stringent assumption. Also, SDG&E's estimates for annual
21 electric Service Establishment Charge revenues for the estimated years make no
22 use of the historical customer counts or the historical electric Service Establishment
23 Charge revenues previous to 2013. SDG&E's electric Service Establishment Charge
24 revenues estimates are subject to statistical fluctuation to a greater extent than
25 ORA's because SDGE&E makes less use of historical data than ORA does.
26 (Statistical estimates have less fluctuation if based on a larger sample.)

27 The issue is how to estimate the ratio of annual electric Service
28 Establishment Charge revenues to annual total electric customer counts. This issue

⁹ Ex. SDG&E-34-R-WP, p. WP-4.

1 is addressed by a well-developed statistical methodology called Ratio Estimation.¹⁰
2 ORA's methodology agrees with Ratio Estimation, whereas SDG&E's does not.

3 **2. Gas Service Establishment Revenues**

4 SDG&E proposed an estimate of \$1,553,000 as its test year gas Service
5 Establishment Charge revenues.¹¹ SDG&E's forecast of gas Service
6 Establishment Charge revenues is developed by successively adjusting the
7 historical 2013 gas Service Establishment Charge revenues by SDG&E's estimates
8 of 0.84%, 1.18%, and 1.41% total gas customer growth in the years 2014, 2015, and
9 2016 to get its estimate of the gas Service Establishment Charge growth.¹² In the
10 preceding 2012 general rate case, SDG&E used a historical 5 year average gas
11 Service Establishment Charge revenues number where now SDG&E uses its base
12 year gas Service Establishment Charge revenues number. SDG&E does not explain
13 why it switched methodologies.¹³ Had SDG&E used a historical 5 year average gas
14 Service Establishment Charge revenues number as before, its test year gas Service
15 Establishment Charge revenues estimate would have been \$3,612,000 instead of
16 \$2,730,000.¹⁴

17 ORA's methodology is based on SDG&E's gas customer counts for the years
18 2009 to 2016, as well as the historical gas Service Establishment Charge revenues.
19 (The years 2009 to 2013 are the historical years; the remaining years are
20 estimated.) Briefly, to get ORA's estimated gas Service Establishment Charge
21 revenues for the estimated years, each estimated year's gas customer count
22 estimate is multiplied by a scaling factor representing the average gas Service
23 Establishment revenue per customer. The scaling factor is computed as the quotient

¹⁰ William Cochran, "Sampling Techniques", Wiley & Sons (1977), p. 150-188.

¹¹ Ex. SDG&E-34—R-WP, p. WP-29.

¹² Ex. SCG-32-R-WP, p. WP-29.

¹³ Ex. SDG&E-39 T_Cahill_Misc_Revenues, p.TJC-11, lines 13-14.

¹⁴ ORA Workpapers.

1 of the historical average of gas Service Establishment Charge revenues divided by
 2 the historical average of gas customer counts. The difference between the two
 3 methodologies is illustrated by the following table. (SDG&E’s test year numbers
 4 have been further adjusted as explained in SDG&E’s work papers.¹⁵)

5 **Table 4-5**
 6 **Test Year Gas Service Establishment Charge Revenues**

| | | 2013 | 2014 | 2015 | 2016 |
|------------------------------------|-----------------------------|---------|---------|---------|---------|
| SDG&E METHODODOLOGY | Estb Chrg | 1,329 | 1,340 | 1,356 | 1,553 |
| | Cust Growth Rate | | 0.84% | 1.18% | 1.41% |
| ORA METHODODOLOGY | Customers | 861,573 | 868,851 | 879,130 | 891,506 |
| | Estb Chrg/Custs | | 0.21% | 0.21% | 0.21% |
| | Estb Chrg | 1,329 | 1,840 | 1,844 | 1,833 |

7 ORA computes the quotient of the historical average of Service Establishment
 8 Charge revenues divided by the historical average of gas customer counts to get the
 9 scaling factor of 0.21%. Taking the test year as an example, this scaling factor is
 10 used to scale SDG&E’s gas customer test year total population estimate to get
 11 ORA’s test year estimate of \$1,833,000 for gas Service Establishment Charge
 12 revenues.

13 On the other hand, SDG&E computes the quotient of its estimated 2014 gas
 14 customer count by its actual 2013 gas customer count (1.0084) and multiplies this
 15 quotient times the historical 2013 gas Service Establishment Charge revenues to get
 16 its estimated 2014 gas Service Establishment Charge revenues. SDG&E then
 17 computes the quotient of its estimated 2015 gas customer count to its estimated
 18 2014 gas customer count (1.0118) and multiplies this quotient times its estimated
 19 2014 gas Service Establishment Charge revenue to get its estimated 2015 gas

¹⁵ Ex. SDG&E-34-R-WP, p. WP-29 “The 2014-2015 forecasts are calculated using base year actuals adjusted by estimated annual customer growth for the period, since full Smart Meter benefits were realized in 2013. The TY2016 forecast is based on the same forecast methodology for the transactions, however, using \$5 for non-fielded orders and \$25 for fielded orders in an effort to move towards cost based fees.”

1 Service Establishment Charge revenues. SDG&E then deviates a little from its
2 previous pattern. In essence, SDG&E computes the quotient of its estimated 2016
3 customer count to its estimated 2015 gas customer count (1.0141) and multiplies
4 this quotient times its estimated 2015 gas Service Establishment Charge revenue to
5 get a preliminary test year estimate for test year electric Service Establishment
6 Charge revenues; but this preliminary estimate for test year electric Service
7 Establishment Charge revenues is further modified to get its final estimate for test
8 year gas Service Establishment Charge revenues of \$1,553,000.¹⁶

9 Underlying SDG&E's methodology is the assumption that annual gas Service
10 Establishment Charge revenues are exactly proportional to annual gas total
11 customer counts on a year by year basis from 2013 to 2016. SDG&E presents no
12 statistical basis for this stringent assumption. Also, SDG&E's estimates for annual
13 gas Service Establishment Charge revenues for the estimated years make no use of
14 the historical customer counts or the historical gas Service Establishment Charge
15 revenues previous to 2013. SDG&E's gas Service Establishment Charge revenues
16 estimates are subject to statistical fluctuation to a greater extent than ORA's
17 because SDG&E makes less use of historical data than ORA does. (Statistical
18 estimates have less fluctuation if based on a larger sample.)

19 The issue is how to estimate the ratio of annual gas Service Establishment
20 Charge revenues to annual total gas customer counts. This issue is addressed by a
21 well-developed statistical methodology called Ratio Estimation.¹⁷ ORA's
22 methodology agrees with Ratio Estimation, whereas SDG&E's does not.

23 **IV. SOCALGAS MISCELLANEOUS REVENUES**

24 **A. Overview of SCG's Request**

25 Table 4-6 presents the SoCalGas historical and test year miscellaneous
26 revenues.

27 ¹⁶ Ex. SDG&E-34-R-WP, p. WP-30.

¹⁷ William Cochran, "Sampling Techniques", Wiley & Sons (1977), pp. 150-188.

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Table 4-6
SoCalGas Miscellaneous Revenues
Recorded 2009-2013 and Forecast 2016¹⁸
(In Thousands of Dollars)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2016 TY |
|---|---------------|---------------|---------------|----------------|----------------|----------------|
| Service Establishment Charges Actual | 26,489 | 25,931 | 24,410 | 24,024 | 23,268 | 24,875 |
| Service Establishment Charges Accr | | | | | | |
| Misc Svcs Rev Reconnect Charge | 1,707 | 1,699 | 1,392 | 1,298 | 1,396 | 1,498 |
| Residential Limited Parts Program | 1,576 | 1,753 | 2,148 | 1,932 | 1,948 | 2,030 |
| Rev From Comm Parts Sales | 2,984 | 3,123 | 2,830 | 2,804 | 2,840 | 2,992 |
| Revs From Appl Connection Svc | 131 | 121 | 111 | 99 | 79 | 157 |
| Rev from Cust Owned NGV Station Maint | 131 | 151 | 114 | 87 | 91 | 115 |
| Pipeline Services Revenue | 1,794 | 449 | 128 | 13 | 80 | 80 |
| Rev From Late Pmt Chrg Actual | 476 | 502 | 484 | 460 | 479 | 480 |
| Revenue from Set Time Appt Svc Chrg | 68 | 73 | 89 | 54 | 48 | 67 |
| Rev Fr Airqual Prog Hndbk & Smnar | 5 | 6 | 4 | 5 | 0 | 3 |
| Rev for Seismic Services | 3 | 3 | 3 | 3 | 2 | 5 |
| Rev for Seismic Restores | 390 | 352 | 352 | 316 | 318 | 442 |
| Rev for Non-Seismic Restores | 21 | 19 | 14 | 11 | 12 | 16 |
| | 35,775 | 34,182 | 32,079 | 31,106 | 30,561 | 32,760 |
| Goleta Lease Fees | 39 | 56 | 60 | 57 | 63 | 64 |
| Aliso Rental for Telecom Sites | 146 | 182 | 187 | 203 | 246 | 224 |
| Rents for Prop Use - Non-tariff Gas | 216 | 216 | 193 | 219 | 287 | 327 |
| | 401 | 454 | 440 | 479 | 596 | 615 |
| Shared Assets Revenue - Gas Distrib | 19,468 | 24,086 | 30,752 | 39,466 | 49,319 | 46,937 |
| Honor Rancho Oil Rev | 3,928 | 4,611 | 7,282 | 9,219 | 6,164 | 5,163 |
| Aliso Shallow Zone | 308 | 269 | 377 | 2,415 | 2,963 | 2,827 |
| Aliso PEOC | 318 | 335 | 377 | 316 | 362 | 283 |
| PDR Sesnon Oil Reimb | 1,502 | 2,129 | 3,634 | 3,169 | 2,656 | 2,153 |
| Goleta Chevron Emissions Credits | 1,023 | 1,023 | 1,279 | 767 | 1,023 | 1,023 |
| Returned Check Charges Actual | 539 | 547 | 521 | 492 | 463 | 512 |
| Amortization of ITCCA | 2,710 | 3,177 | 3,278 | 4,387 | 2,983 | 3,481 |
| Sundry Trng Labor | 62 | 68 | 55 | 146 | 166 | 99 |
| Sundry Trng Materials | 39 | 34 | 43 | 66 | 84 | 53 |
| Oper Qualification Training | 2 | 0 | 0 | 0 | 0 | 0 |
| Line Item Billing Third Party Revenues | 89 | 78 | 46 | 73 | 62 | 41 |
| Line Item Billing Non-Tariff Third Party Rev | 128 | 89 | 317 | 635 | 1,118 | 172 |
| Other Rev Gas - Federal Proj Mgmt | 731 | 472 | -33 | 860 | 753 | 191 |
| Geographic Services | 4 | 4 | 78 | 73 | 80 | 77 |
| Aliso Crimson | 78 | 62 | 144 | 63 | 51 | 60 |
| Aliso Termo | 37 | 37 | 38 | 43 | 24 | 38 |
| Aliso Road Access Fees | 24 | 23 | 9 | 2 | 24 | 24 |
| Microwave Bandwidth Lease Revenue | 27 | 27 | 27 | 27 | 27 | 28 |
| Unrefunded CAC Balance | 2,743 | 5,041 | 5,418 | 4,462 | 4,968 | 3,976 |
| | 33,760 | 42,112 | 53,642 | 66,681 | 73,290 | 67,138 |
| Gain on Sale of Property | 2,972 | 2,972 | 2,972 | 2,972 | 2,972 | 0 |
| Grand Total (Including Shared Assets and ITCC) | 72,908 | 79,720 | 89,133 | 101,238 | 107,419 | 100,513 |
| Grand Total Excluding Shared Assets | 53,440 | 55,634 | 58,381 | 61,772 | 58,100 | 53,209 |

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¹⁸ Ex. SCG-32-R-WP (Revised), p. 1.

1 **B. ORA's Analysis**

2 ORA reviewed SCG's forecasts for miscellaneous revenues and recommends
3 adjustments for some of them.

4 **1. Service Establishment Revenues**

5 SCG proposed an estimate of \$24,875,000 as its test year Service
6 Establishment Charge revenues. This forecast is based on successively adjusting
7 the historical 4 year average Service Establishment Charge revenues by SCG's
8 estimates of 0.50%, 0.60%, and 0.80% total customer growth in the years 2014,
9 2015, and 2016 to get its estimate of the Service Establishment Charge growth.¹⁹
10 (The years 2010 to 2013 are the historical years; the remaining years are
11 estimated.) It should be noted that SCG's methodology differs from SDG&E's
12 methodology in that SDG&E used its historical 2013 Service Establishment Charge
13 revenues instead of the historical 4 year average Service Establishment Charge
14 revenues. No explanation is given for the inconsistency in the methodologies of the
15 two utilities. In the preceding 2012 rate case, SCG used a historical 5 year average
16 Service Establishment Charge revenues where now SCG uses a 4 year average
17 involving the years 2010-2013.²⁰ SCG explains its exclusion of 2013 from its 4
18 historical 4 year average as follows: "This forecast methodology utilizes the
19 available, applicable historical data and excludes the unusual activity in 2009 due to
20 the economic downturn."²¹

21 ORA's methodology is based on SCG's customer counts for the years 2009
22 to 2016, as well as the historical Service Establishment Charge revenues. (The
23 years 2009 to 2013 are the historical years; the remaining years are estimated.)
24 ORA use a 5 year historical average going back to 2009, rather than excluding 2010
25 as SCG does for two reasons. Firstly, five year averages are standardly used in this
26 context, as SCG and SDG&E did in the preceding 2012 general rate case. Secondly,

¹⁹ Ex. SCG-32-R-WP, p. WP-2.

²⁰ Ex. SCG-32-R T_I_Cahill_Misc_Revenues, p. TJC-2, lines 27-28.

²¹ Ex. SCG-32-R, p. MAS-3.

1 to deviate from that standard, a good reason must be produced. SCG’s statement
 2 that there was “unusual activity in 2009 due to the economic downturn”²² could just
 3 as easily been applied to 2010 as 2009 if one simply looks at Table 4-6. SCG has
 4 not providing sufficient rationale for its deviation from that standard. Thirdly,
 5 economic activity fluctuates. We cannot predict the future; there may be another
 6 downturn starting in 2016. Therefore subjective selectivity in selecting what is valid
 7 historical data should largely be avoided.

8 ORA’s estimated Service Establishment Charge revenues for the estimated
 9 years are obtained as follows; each estimated year’s customer count estimate is
 10 multiplied by a scaling factor representing the average Service Establishment
 11 revenue per customer. The scaling factor is computed as the quotient of the
 12 historical average of Service Establishment Charge revenues divided by the
 13 historical average of customer counts. The difference between the SCG’s and
 14 ORA’s methodologies is illustrated by the following table.

15 **Table 4-7**
 16 **Test Year Establishment Charge Revenue**

| | | 2010- 2013 avg | 2014 | 2015 | 2016 |
|------------------------|-------------------------|---------------------------|-------------|-------------|-------------|
| SCG METHODOLOGY | Estb Chrg | 24,408 | 24,530 | 24,677 | 24,875 |
| | Customers | 5,587,078 | 5,631,340 | 5,667,131 | 5,709,903 |
| | Cust Growth Rate | | 0.50% | 0.60% | 0.80% |
| | | 2009- 2013 avg | 2014 | 2015 | 2016 |
| ORA METHODOLOGY | Customers | 5,565,725 | 5,631,340 | 5,667,131 | 5,709,903 |
| | Estb Chrg/Custs | | 0.45% | 0.45% | 0.45% |
| | Estb Chrg | 24,408 | 25,117 | 25,277 | 25,467 |

17
 18

²² Ex. SCG-32-R, p. MAS-3.

1 As can be seen from Table 4-7, ORA computes the quotient of the historical
2 average of Service Establishment Charge revenues divided by the historical average
3 of customer counts to get the scaling factor of 0.45%. Taking the test year as an
4 example, this scaling factor is used to scale SCG's customer test year total
5 population estimate to get ORA's test year estimate of \$25,467,000 for Service
6 Establishment Charge revenues.

7 On the other hand, SCG computes the quotient of its estimated 2014
8 customer count by its historical 4 year average customer count (1.0050) and
9 multiplies this quotient times the historical 4 year average Service Establishment
10 Charge revenues to get its estimated 2014 Service Establishment Charge revenues.
11 SCG then computes the quotient of its estimated 2015 customer count to its
12 estimated 2014 customer count (1.0060) and multiplies this quotient times its
13 estimated 2014 Service Establishment Charge revenue to get its estimated 2015
14 Service Establishment Charge revenues. SCG then computes the quotient of its
15 estimated 2016 customer count to its estimated 2015 customer count (1.0080) and
16 multiplies this quotient times its estimated 2015 Service Establishment Charge
17 revenue to get its test year estimate of \$24,875,000 for Service Establishment
18 Charge revenues.

19 Underlying SCG's methodology is the assumption that annual Service
20 Establishment Charge revenues are exactly proportional to annual total customer
21 counts on a year by year basis from 2013 to 2016. SCG presents no statistical basis
22 for this stringent assumption. Also SCG's estimates for annual Service
23 Establishment Charge revenues for the estimated years make no use of the
24 historical Service Establishment Charge revenues previous to 2013. SCG's Service
25 Establishment Charge revenues estimates are subject to statistical fluctuation to a
26 greater extent than ORA's because SDGE&E makes less use of historical data than
27 ORA does. (Statistical estimates have less fluctuation if based on a larger sample.)

28 The issue is how to estimate the ratio of annual Service Establishment
29 Charge revenues to annual total customer counts. This issue is addressed by a well-

1 developed statistical methodology called Ratio Estimation.²³ ORA's methodology
 2 agrees with Ratio Estimation, whereas SCG's does not.

3 ORA recommends the estimate of \$25,467,000 for test year Service
 4 Establishment Charge revenues, based on the standard Ratio Estimation
 5 methodology described above.

6 2. Reconnection Charge Revenues

7 SCG proposed an estimate of \$1,498,000 as its test year Reconnection
 8 Charge revenues. The difference between the SCG's and ORA's methodologies is
 9 illustrated by Table 4-8.

10 **Table 4-8**
 11 **Reconnection Charge Revenues**

| | | 2009- 2013 avg | 2014 | 2015 | 2016 |
|------------------------|-------------------------|-------------------|-----------|-----------|-----------|
| SCG METHODOLOGY | Rcnct Chrg | 1,498 | 1,498 | 1,498 | 1,498 |
| | Growth Rate | | 0.00% | 0.00% | 0.00% |
| | Customers | 5,587,078 | 5,631,340 | 5,667,131 | 5,709,903 |
| ORA METHODOLOGY | Rcnct Chrg/Custs | | 0.03% | 0.03% | 0.03% |
| | Estb Chrg | 1,498 | 1,516 | 1,526 | 1,537 |

12 As can be seen from Table 4-8, ORA computes the quotient of the historical
 13 average of Reconnection Charge revenues divided by the historical average of
 14 customer counts to get the scaling factor of 0.03%. Taking the test year as an
 15 example, this scaling factor is used to scale SCG's customer test year total
 16 population estimate to get ORA's test year estimate of \$1,537,000 for Reconnection
 17 Charge revenues.

18 On the other hand, SCG assumes that its Reconnection Charge revenues are
 19 exactly equal to the historical average of its Reconnection Charge revenues for the
 20 years 2009 to 2013. It justifies its assumption that the historical average holds going
 21 forward to the period from 2014 to 2016 as follows: "This is an established service
 22 with no significant changes; therefore averaging the costs over a five year period

²³ William Cochran, "Sampling Techniques", Wiley & Sons (1977), pp. 150-188.

1 best reflects a reasonable estimate of the future annual revenue.”²⁴ This reasoning
2 ignores SCG’s own estimates of population growth.

3 ORA recommends the estimate of \$1,537,000 for test year Reconnection
4 Charge revenues based on the standard Ratio Estimation methodology described
5 above.

6 3. Residential Limited Parts Revenues

7 SCG proposed an estimate of \$2,030,000 as its test year Residential Limited
8 Parts revenues. The residential parts program provides replacement parts for gas
9 appliances. The difference between the SCG’s and ORA’s methodologies is
10 illustrated by Table 4-9.

11 **Table 4-9**
12 **Residential Limited Parts Revenues**

| SCG METHODOLOGY | | 2011- 2013 avg | 2014 | 2015 | 2016 |
|----------------------------|--------------------------------|---------------------------|-------------|-------------|-------------|
| | Res Lmtd Prts | 2,009 | 1,863 | 1,895 | 2,030 |
| ORA METHODOLOGY | Customers | 5,587,078 | 5,631,340 | 5,667,131 | 5,709,903 |
| | Res Lmtd Prts/Custs | | 0.04% | 0.04% | 0.04% |
| | Res Lmtd Prts | 2,009 | 2,029 | 2,042 | 2,057 |

13
14 As can be seen from Table 4-9, ORA computes the quotient of the historical
15 average of residential parts program revenues divided by the historical average of
16 customer counts to get the scaling factor of 0.04%. Taking the test year as an
17 example, this scaling factor is used to scale SCG’s customer test year total
18 population estimate to get ORA’s test year estimate of \$2,057,000 for residential
19 parts program revenues.

20 SCG’s work papers seem to imply that it takes the same population growth
21 factors it used for forecasting its Service Establishment Charge revenues, and now

²⁴ Ex. SCG-32-R, p. MAS-3, line 23.

1 uses these growth factors in the same way to forecast its Residential Limited Parts
2 revenues.²⁵ In fact, in the preceding 2012 general rate case, SCG took the same
3 population growth factors it used for forecasting its 2010, 2011, and 2012 Service
4 Establishment Charge revenues and did use them in the same way to forecast its
5 2010, 2011, and 2012 Residential Limited Parts revenues.²⁶ However in this rate
6 case, SCG did not use those population growth factors at all , but relied on a more
7 complicated procedure which it described as follows:

8 “The 2016 forecast is based on the five-year (2009-2013)
9 percentage yield of residential parts sales orders per customer service
10 field order, multiplied by the customer service field forecasted orders,
11 multiplied by the three-year historical average (2011-2013) of recorded
12 miscellaneous revenues per sales order.”²⁷

13 SCG’s use of two different time spans, (2009-2013) and (2011-2013), in the
14 course of its computation, is inconsistent and may lead to a biased estimate.

15 ORA recommends the estimate of \$2,057,000 for test year residential parts
16 program revenues, based on the standard Ratio Estimation methodology described
17 previously.

18 **4. Revenues for Third Party Services**

19 These services are offered to qualified third parties providing energy-related
20 and home safety-related products and/or services to residential and small
21 commercial industrial customers within SCG’s territory. Table 4-10 illustrates the
22 differences between ORA’s and SCG’s methodology for estimating these revenues.

23

24

25

²⁵ Ex. SCG-32-R-WP (Revised), p. 7 (The forecast growth rates for 2014, 2015, and 2016 listed in the table are the same as the forecast growth rates listed in the table of page 2 of the same work papers.)

²⁶ Ex. SCG-32-R T_I_Cahill_Misc_Revenues, p. TJC-3, lines 15-16.

²⁷ Ex. SCG-32-R, p. MAS-4, line 8.

1
2

Table 4-10
Revenues for Third Party Services

| | | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------|------------------------|-------------|-------------|-------------|-------------|
| SCG METHODOLOGY | <i>Commerce Energy</i> | 62 | 54 | 47 | 41 |
| | <i>Home Serve</i> | 1,118 | 1,500 | 750 | 172 |
| | | 1,180 | 1,554 | 797 | 213 |
| | <i>Commerce Energy</i> | 62 | 54 | 47 | 41 |
| ORA METHODOLOGY | <i>Home Serve</i> | 1,118 | 1,118 | 1,118 | 1,118 |
| | | 1,180 | 1,172 | 1,165 | 1,159 |

3 ORA accepts SCG’s commercial estimates for its revenues derived from
4 providing billing services to third parties providing energy-related and home-safety-
5 related services. However, SCG has not given any justification for its attrition
6 estimates on the residential side other than that these revenues are “primarily
7 dependent on external factors.”²⁸ There is no more reason to *a priori* suppose that
8 third parties will scale down than that SCG’s own customers will scale down.
9 Justification of this supposition would involve a statistical analysis of historical data.
10 Lacking such justification, ORA recommends maintaining the 2013 value of
11 \$1,118,000 as its residential estimate for revenues from third party services for the
12 years 2014 to 2016.

13 ORA recommends the estimate of \$1,159,000 for test year revenues for Third
14 Party Services.

²⁸ Ex. SCG-32-R, p. MAS-10, lines 15-16.