

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015
Exhibit: SCG-42-R

REVISED
PREPARED DIRECT TESTIMONY OF
SHARIM B. CHAUDHURY
(PRESENT AND PROPOSED GAS TRANSPORTATION REVENUES AND RATES)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



August 2022

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1 **REVISED PREPARED DIRECT TESTIMONY OF**
2 **SHARIM CHAUDHURY**
3 **(PRESENT AND PROPOSED GAS RATES RESIDENTIAL BILL IMPACTS)**

4 **I. INTRODUCTION AND SUMMARY**

5 The purpose of my testimony is to present the impacts of Southern California Gas
6 Company's (SoCalGas) Test Year (TY) proposals¹ in its 2024 General Rate Case (GRC)
7 application on: (1) bundled gas revenues by customer class, (2) bundled gas rates by customer
8 class, and (3) average residential non-CARE² customer gas bill. In addition, my testimony
9 proposes methods for allocating costs across customer classes for balances in new regulatory
10 accounts proposed in this GRC.

11 Based on SoCalGas's 2024 GRC proposals:

- 12 • 2024 system total bundled rates revenue is likely to increase by 19.2% relative to
13 that in 2022 and by 11.6% relative to that in 2023.
- 14 • 2024 estimated average residential non-CARE bill is likely to increase by 19.0%
15 over a 2022 bill and by 13.1% over a 2023 bill.

16 **II. PRESENT AND PROPOSED GAS BUNDLED REVENUES BY CUSTOMER**
17 **CLASS**

18 This section compares SoCalGas's illustrative TY 2024-proposed bundled revenues with
19 those in 2022 and 2023. Illustrative bundled revenues include the GRC base margin, Public
20 Purpose Program Surcharge (PPPS) revenue requirement, the cost of procuring natural gas for
21 SoCalGas's bundled core customers, and regulatory account balances.³ This GRC application
22 affects SoCalGas's base margin and does not impact PPPS revenue requirement, gas
23 procurement costs, or regulatory account balances. Therefore, SoCalGas held these costs,
24 excluding base margin, constant for the present versus proposed bundled revenues (and rates)
25 comparison.⁴

¹ Proposals affecting base margin, franchise fee and uncollectible costs.

² California Alternative Rates for Energy (CARE) is a low-income program whereby CARE program participants receive a 20% discount on their gas bills.

³ Core customers are residential and small commercial/industrial customers. SoCalGas provides gas transportation service to all customers; for bundled core customers, it also procures natural gas.

⁴ For illustrative purposes, the commodity price reflected in these tables are a forecast of 2022 gas prices; and the PPP surcharges were effective January 1, 2022. See SoCalGas Advice Letter Nos. 5884 and 5891 for the commodity and PPPS charges, respectively.

1 My testimony relies on the testimony of Ryan Hom, Ex. SCG-39 for TY 2024 proposed
 2 base margin of \$4,280 million, the testimony of Sara P. Mijares, Ex. SCG-29, for proposed
 3 franchise fee rate of 1.2259%, the testimony of Bernardita Sides, Ex. SCG-15, for proposed
 4 uncollectible rate of 0.3100%, the testimony of Albert J. Garcia, Ex. SCG-20, for California Air
 5 Resources Board’s proposed administrative fee of \$11 million, the testimony of William
 6 Kostelnik, Ex. SCG-08, for Pipeline Safety Enhancement Plan costs of \$253 million, and the
 7 testimony of Rae Marie Yu, Ex. SCG-38, for the proposed new regulatory accounts.

8 Table SBC-1 compares the present (as of March 1, 2022) and the TY 2024 GRC-
 9 proposed bundled revenues by major customer class. Present revenue allocations reflect the cost
 10 allocation results and sales volumes adopted in SoCalGas’s 2020 cost allocation proceeding, and
 11 implemented on May 1, 2020.⁵ Proposed 2024 revenue allocations reflect the Commission-
 12 ordered updates to the 2020 TCAP cost allocation studies to reflect more recent costs that
 13 SoCalGas will implement on January 1, 2023 rates.⁶ Relative to present bundled revenue, TY
 14 2024 GRC proposals lead to residential and core commercial/industrial customers’ share of
 15 bundles revenue to increase by 18.2% and 12.8%, respectively.

Table SBC -1					
Southern California Gas Company					
Summary of Gas Bundled Revenues by Major Customer Class					
2024 General Rate Case Application					
(\$ Millions)					
Customer Class	Present Revenues	Proposed	Change		
	Mar-22	Revenues 2024	\$	%	
1 Residential	\$3,753	\$4,436	\$683	18.2%	
2 C&I	\$1,122	\$1,265	\$143	12.8%	
3 Other Core	\$123	\$130	\$7	5.9%	
4 Total Core	\$4,997	\$5,831	\$834	16.7%	
5 Noncore C&I	\$281	\$322	\$41	14.7%	
6 EG	\$125	\$154	\$29	23.1%	
7 Retail Noncore Average	\$406	\$476	\$70	17.3%	
8 Wholesale	\$43	\$53	\$9	21.8%	
9 Other (BTS and UBS)	\$340	\$539	\$198	58.3%	
10 SYSTEM TOTALS	\$5,786	\$6,898	\$1,112	19.2%	

⁵ See SoCalGas Advice Letter No. 5609-G, available at <https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/5609.pdf>.

⁶ See SoCalGas Advice Letter No. 5907, available at <https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/5907.pdf>.

1 Table SBC-2 compares the illustrative 2023 and the TY 2024 GRC-proposed bundled
 2 revenues by major customer class. Both 2023 and the proposed 2024 revenue allocations reflect
 3 the Commission-ordered updates to the 2020 TCAP cost allocation studies to reflect more recent
 4 costs that SoCalGas will implement on January 1, 2023, rates. Relative to illustrative 2023
 5 bundled revenue, TY 2024 GRC proposals lead to residential and core commercial/industrial
 6 customers' share of bundled revenue to increase by 13.6% and 9.3%, respectively.

	Customer Class	Estimated	Proposed	Change	
		Revenues Jan-23 ⁷	Revenues 2024	\$	%
1	Residential	\$3,906	\$4,436	\$530	13.6%
2	C&I	\$1,157	\$1,265	\$108	9.3%
3	Other Core	\$124	\$130	\$6	5.1%
4	Total Core	\$5,187	\$5,831	\$644	12.4%
5	Noncore C&I	\$295	\$322	\$27	9.2%
6	EG	\$144	\$154	\$10	7.1%
7	Retail Noncore Average	\$439	\$476	\$37	8.5%
8	Wholesale	\$53	\$53	\$0	-0.3%
9	Other (BTS and UBS)	\$502	\$539	\$36	7.2%
10	SYSTEM TOTALS	\$6,181	\$6,898	\$717	11.6%

7 **III. PRESENT AND PROPOSED GAS BUNDLED RATES BY CUSTOMER CLASS**

8 Table SBC-3 compares the present (as of March 1, 2022) and the TY 2024 GRC-
 9 proposed bundled rates by customer class. The GRC proposals are likely to lead to a 18.2% and
 10 12.8% increase in bundled residential and core commercial/industrial rates, respectively, relative
 11 to present rates.

⁷ Includes revenues effective 3/1/2022 adjusted for expected 2023 GRC revenue requirements and other revenues expected to be implemented in 2023.

Table SBC -3
Southern California Gas Company
Summary of Gas Class Average Bundled Rates by Major Customer Class
2024 General Rate Case Application
(\$/Therm)

Customer Class	Present Rates	Proposed Rates	Change	
	Mar-22	2024	\$	%
1 Residential	\$1.59942	\$1.89061	\$0.29119	18.2%
2 Core C&I	\$1.12980	\$1.27391	\$0.14410	12.8%
3 Total Core	\$1.41146	\$1.64689	\$0.23543	16.7%
4 Noncore C&I	\$0.18159	\$0.20833	\$0.02675	14.7%
5 EG	\$0.04857	\$0.05980	\$0.01123	23.1%
6 Retail Noncore Average	\$0.09844	\$0.11548	\$0.01705	17.3%
7 Wholesale	\$0.02916	\$0.03553	\$0.00637	21.8%
8 BTS (\$/dth/day)	\$0.36798	\$0.58264	\$0.21466	58.3%
9 SYSTEM TOTALS	\$0.63295	\$0.75455	\$0.12160	19.2%

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Table SBC-4 compares the illustrative 2023 and the TY 2024 GRC-proposed bundled rates by customer class. The GRC proposals are likely to lead to a 13.6% and 9.3% increase in bundled residential and core commercial/industrial rates, respectively, relative to illustrative 2023 rates.

Table SBC -4
Southern California Gas Company
Summary of Gas Class Average Bundled Rates by Major Customer Class
2024 General Rate Case Application
(\$/Therm)

Customer Class	Estimated Rates	Proposed Rates	Change	
	Jan-23	2024	\$	%
1 Residential	\$1.66486	\$1.89061	\$0.22575	13.6%
2 Core C&I	\$1.16508	\$1.27391	\$0.10883	9.3%
3 Total Core	\$1.46500	\$1.64689	\$0.18190	12.4%
4 Noncore C&I	\$0.19085	\$0.20833	\$0.01748	9.2%
5 EG	\$0.05583	\$0.05980	\$0.00397	7.1%
6 Retail Noncore Average	\$0.10645	\$0.11548	\$0.00903	8.5%
7 Wholesale	\$0.03564	\$0.03553	-\$0.00011	-0.3%
8 BTS (\$/dth/day)	\$0.54332	\$0.58264	\$0.03932	7.2%
9 SYSTEM TOTALS	\$0.67608	\$0.75455	\$0.07848	11.6%

6

IV. RESIDENTIAL CUSTOMER BILL IMPACTS

Table SBC-5 provides estimates of average monthly gas bill for residential non-CARE customers, comprising gas commodity, transportation and PPPS costs. The bill is estimated using an average residential non-CARE customer usage of 36 therms per month based on the most recent five-year historical usage.⁸ As shown in the table below, under the GRC proposals, the average monthly bill for a residential customer with an average usage of 36 therms per month would increase by \$11.34 per month, or 19.0% when compared to 2022 rates, and would increase by \$8.27 per month, or 13.1% when compared to expected 2023 rates.

Table SBC -5				
Southern California Gas Company				
Average Monthly Residential non-CARE Gas Bills (36 Therms Average Monthly Usage)				
2024 General Rate Case Application				
(\$/Month)				
	Present	Proposed	Change	
	Mar-22	2024	\$	%
Average Bill	\$59.84	\$71.18	\$11.34	19.0%
	Estimated	Proposed	Change	
	Revenues	2024	\$	%
	Jan-23			
Average Bill	\$62.91	\$71.18	\$8.27	13.1%

V. PROPOSED COST ALLOCATION METHODS FOR NEW REGULATORY ACCOUNTS

SoCalGas witness Ms. Yu (Ex. SCG-38) proposes the creation of five new regulatory accounts. The Commission has not addressed the methods to allocate the future balances in these accounts across customer classes since these are new accounts. These accounts are Facilities Integrity Management Program Balancing Account (FIMPBA), Gas Safety Enhancement Programs Balancing Account (GSEPBA), Locate and Mark Balancing Account (LMBA), Hydrogen Refueling Station Balancing Account (HRSBA), and Litigated Project Costs Memorandum Account (LPCMA).

Ms. Yu summarizes the purpose of these regulatory accounts in her testimony. Except for the HRSBA, these new accounts reflect costs for activities that are likely to benefit all

⁸ The estimated bill does not include California greenhouse gas climate credit distribution to residential customers.

1 customer classes. As such, SoCalGas proposes to allocate the balances in these accounts across
2 customer classes using the Equal Percent Authorized Margin (EPAM) method. According to the
3 EPAM method, the balances in these accounts will be allocated across customer classes based on
4 each customer class's share of total GRC base margin allocated to that customer class. This
5 proposed method is consistent with how a regulatory account balance that benefits all customer
6 classes is allocated.⁹ SoCalGas proposes to allocate the future balances in HRSBA using the
7 Equal Cents Per Therm (ECPT) method. SoCalGas uses the ECPT method for the allocation
8 across customer classes of its Company-used gas (natural gas used in its distribution facilities
9 and natural gas vehicle stations).

10 **VI. CONCLUSION**

11 This concludes my prepared direct testimony.

⁹ For example, the balance in SoCalGas's Distribution Integrity Management Plan Balancing Account (DIMPBA) is allocated across all customer classes using the EPAM method.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Iftexharul (Sharim) Bar Chaudhury. I am employed by SoCalGas and
3 SDG&E as the Rate Design and Demand Forecasting Manager within the Regulatory Affairs
4 Department, which supports gas regulatory activities of both SoCalGas and SDG&E. My
5 business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I hold a
6 Bachelor of Arts degree in Economics from Illinois State University. I received my Master's and
7 Ph.D. degrees in Economics from the University of California, San Diego.

8 I have held my current position managing the rates group since August 2014 and have
9 been managing the demand forecasting group since April 2013. Prior to joining SoCalGas, I
10 worked at Southern California Edison Company from June 1999 to March 2013, holding several
11 positions of increasing responsibility, from Senior Analyst to Manager of Price Forecasting to
12 Manager of Long-Term Demand Forecasting. From October 1998 to May 1999, I worked at
13 National Economic Research Associates (NERA) as a Senior Consultant. Prior to joining NERA,
14 I worked at SoCalGas from 1991 to 1998, holding several positions of increasing responsibility,
15 starting as Marketing Analyst to Senior Economist in the Rate Design group to Manager of Rate
16 Design. I also worked for about a year at the California Energy Commission (CEC) in the
17 Demand Analysis Office.

18 I have previously testified before the Commission.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A

Glossary of Terms

Acronyms	Definition
CARE	California Alternative Rates for Energy
ECPT	Equal Cents Per Therm
EPAM	Equal Percent of Authorized Margin
FIMBA	Facilities Integrity Management Program Balancing Account
GRC	General Rate Case
GSEPBA	Gas Safety Enhancement Programs Balancing Account
HRSBA	Hydrogen Refueling Station Balancing Account
LMBA	Locate and Mark Balancing Account
LPCMA	Litigated Project Costs Memorandum Account
PPPS	Public Purpose Program Surcharge
SoCalGas	Southern California Gas Company
TY	Test Year

SoCalGas 2024 GRC Testimony Revision Log –August 2022

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-42	Sharim Chaudhury	SBC-1	Line 13	Changed “12.1” to “11.6”.
SCG-42	Sharim Chaudhury	SBC-1	Line 14	Changed “19.7” to “19.0”.
SCG-42	Sharim Chaudhury	SBC-1	Line 15	Changed “13.7” to “13.1”.
SCG-42	Sharim Chaudhury	SBC-2	Line 2	Changed “4,309” to “4,280”.
SCG-42	Sharim Chaudhury	SBC-2	Line 15	Changed “20.2” to “18.2” and “14.7” to “12.8”.
SCG-42	Sharim Chaudhury	SBC-2	Table SBC-1	Revised table.
SCG-42	Sharim Chaudhury	SBC-3	Line 6	Changed “14.0” to “13.6” and “9.6” to “9.3”.
SCG-42	Sharim Chaudhury	SBC-3	Table SBC-2	Revised table.
SCG-42	Sharim Chaudhury	SBC-3	Line 9	Changed “20.0” to “18.2”.
SCG-42	Sharim Chaudhury	SBC-3	Line 10	Changed “14.7” to “12.8”.
SCG-42	Sharim Chaudhury	SBC-4	Table SBC-3	Revised table.
SCG-42	Sharim Chaudhury	SBC-4	Line 3	Changed “14.0” to “13.6” and “9.6” to “9.3”.
SCG-42	Sharim Chaudhury	SBC-4	Table SBC-4	Revised table.
SCG-42	Sharim Chaudhury	SBC-5	Line 7	Changed “11.79” to “11.34” and “19.7” to “19.0”.
SCG-42	Sharim Chaudhury	SBC-5	Line 8	Changed “8.62” to “8.27” and “13.7” to “13.1”.
SCG-42	Sharim Chaudhury	SBC-5	Table SBC-5	Revised table.