

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 24, 2017

Advice Letter 5123

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**Subject: Revision of Residential Gas Line Extension Allowances and
Ownership Charges in Rule No. 20 – Gas Main Extensions
and Rule No. 2 – Description of Service**

Dear Mr. van der Leeden:

Advice Letter 5123 is effective as of May 26, 2017.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957

RvanderLeeden@semprautilities.com

April 26, 2017

Advice No. 5123
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of Residential Gas Line Extension Allowances and Ownership Charges in Rule No. 20 – Gas Main Extensions and Rule No. 2 – Description of Service

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its Rule No. 20, Gas Main Extensions, and Rule No. 2, Description of Service, applicable throughout its service territory, as shown in Attachment A.

Purpose

This advice letter proposes to revise the line extension allowances described in Rule No. 20 and the cost of ownership charges described in Rule No. 20 and Rule No. 2.

Background

Section H.2, in Rule No. 20 and Section O.3.c.(3) in Rule No. 2 state that the Utility will periodically review the factors it uses to determine residential allowances and monthly ownership charges, respectively. If such review results in a change of more than five percent (5%) in either the allowances or ownership charges, the Utility will submit a tariff revision proposal to the Commission for review and approval. Such proposed changes shall be submitted no sooner than six (6) months after the last revision.

SoCalGas used the methodology authorized by the Commission in Decision (D.) 07-07-019 to calculate the residential line extension allowances and the cost of ownership charges. The last revision was filed on August 6, 2013, by Advice No. 4528, and made effective September 5, 2013.

Discussion

In March 2017, SoCalGas concluded a review of the factors it uses to determine its residential allowances and cost of ownership charges. This review revealed that updated factors produced changes in the allowances and ownership charges beyond the 5% threshold. Therefore, the allowances and cost of ownership charges should change as shown below:

Gas Residential Allowance	Current	Revised
Water Heating	\$ 546	\$ 625
Space Heat	\$ 623	\$ 677
Cooktop & Oven	\$ 96	\$ 110
Dryer Stub	\$ 133	\$ 155
Space Cooling	\$ 758	\$ 1,066
Total	\$ 2,157	\$ 2,634

Gas Ownership Charges/Per Month	Current	Revised
Customer Financed	0.31% of amount advanced	0.37% of amount advanced
Utility Financed	1.18% of additional costs	1.24% of additional costs

Attachment B illustrates the methodology underlying the calculations of both the updated residential allowances and monthly ownership charges.

This filing will not create any deviations from SoCalGas' tariffs, cause withdrawal of service from any present customers, or impose any more restrictive conditions than currently exist.

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is May 16, 2017. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is given below.

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@SempraUtilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this filing be approved on May 26, 2017, which is 30 calendar days from the date filed.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list for A.14-11-004, 2016 General Rate Case. Address change requests to the GO 96-B service list should be directed by electronic mail to tariffs@socalgas.com or call 213-244-2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director - Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Ray B. Ortiz

Phone #: (213) 244-3837

E-mail: ROrtiz@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 5123

Subject of AL: Revision of Residential Gas Line Extension Allowances and Ownership Charges in Rule No. 20 – Gas Main Extensions and Rule No. 2 – Description of Service

Keywords (choose from CPUC listing): Contracts

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.07-07-019

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: N/A

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 5/26/17

No. of tariff sheets: 6

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Rule Nos. 02 and 20; and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Ray B. Ortiz
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
ROrtiz@semprautilities.com
Tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 5123

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 53906-G	Rule No. 02, DESCRIPTION OF SERVICE, Sheet 8	Revised 49480-G
Revised 53907-G	Rule No. 20, GAS MAIN EXTENSIONS, Sheet 4	Revised 50096-G
Revised 53908-G	Rule No. 20, GAS MAIN EXTENSIONS, Sheet 12	Revised 50097-G
Revised 53909-G	Rule No. 20, GAS MAIN EXTENSIONS, Sheet 13	Revised 49483-G
Revised 53910-G	TABLE OF CONTENTS	Revised 53534-G
Revised 53911-G	TABLE OF CONTENTS	Revised 53905-G

Rule No. 02

DESCRIPTION OF SERVICE

(Continued)

O. Special Facilities (Continued)

3. Costs Charged to Applicant for Special Facilities. (Continued)

c. Ownership Charge. In addition to providing for the payment of charges under any other applicable tariff, the Applicant will pay ownership charge or charges for either Utility-financed or Customer-financed facilities. The monthly ownership charge for Utility-financed facilities includes depreciation, authorized return, income taxes, property taxes, Operation and Maintenance (O&M) expense, Administrative and General (A&G) expense, Franchise Fees and Uncollectibles (FF&U), property insurance and replacement, if needed, for 60 years at no additional cost to the customer. The monthly ownership charge for Customer-financed facilities includes property taxes, Operation and Maintenance (O&M) expense, Administrative and General (A&G) expense, Franchise Fees and Uncollectibles (FF&U), property insurance and replacement, if needed, for 60 years at no additional cost to the customer. At Utility's discretion, dependent on such factors as the Applicant's creditworthiness, longevity of the project, practicality of collecting periodic payments, administration of the contract and other factors, Utility may require Applicant to pay the monthly Utility-financed or Customer-financed charge, or a lump sum payment, or Utility may agree to other payment arrangements.

(1) Monthly Ownership Charge. At the Utility's option, the Applicant will be required to pay monthly Utility-financed or Customer-financed ownership charges, as follows:

<u>Type of Facility</u>	<u>Financing</u>	<u>Monthly Charge</u>
Distribution	Customer	0.37% of the amount advanced
	Utility	1.24% of the additional cost

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These monthly ownership charges will commence when the special facilities are first ready to serve, as determined by Utility. Utility will notify Customer of this date, through its first invoice. The monthly ownership charges to Customer will automatically change in the event the rates set forth in this Rule 2 change.

(2) Lump-Sum Payment. At Utility's option, the Applicant may be required to make an equivalent one-time payment in lieu of the monthly charge. The one-time payment will equal the estimated cost of the special facilities, plus the estimated cost of removal or abandonment less the estimated net salvage value of removed or abandoned materials. This payment will be required in the event that the Applicant terminates the use of the special facilities at any time within five (5) years immediately following the date the special facilities are first ready to serve.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5123
 DECISION NO. 07-07-019

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Apr 26, 2017
 EFFECTIVE May 26, 2017
 RESOLUTION NO. _____

Rule No. 20
GAS MAIN EXTENSIONS

Sheet 4

(Continued)

C. EXTENSION ALLOWANCES (Continued)

3. RESIDENTIAL ALLOWANCES. The allowance for Distribution Main Extensions, Service Extensions, or a combination thereof for Permanent Residential Service on a per-unit basis is as follows:

WATER HEATING	\$625
SPACE HEATING	\$677
COOKTOP & OVEN	\$110
DRYER STUB	\$155
SPACE COOLING	\$1,066

4. NON-RESIDENTIAL ALLOWANCES. The total allowance for both gas Main and Service extensions for Permanent Non-Residential service is determined by the Utility using the formula in Section C.2. Utility, at its election, may apply a Non-Residential Allowance Net Revenue Multiplier of five point four (5.4) as defined in Section I, when it serves as a reasonable proxy for the formula in section C.2.

Where the extension will serve a combination of residential and non-residential meters, residential allowances will be added to the non-residential allowances.

5. SEASONAL, INTERMITTENT, INSIGNIFICANT, AND EMERGENCY LOADS. When Applicant requests service that requires an extension to serve loads that are seasonal or intermittent, the allowance for such loads shall be determined using the formula in Section C.2. No allowance will be provided where service is used only for emergency purposes, or for Insignificant Loads.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5123
 DECISION NO. 07-07-019

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Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 12

(Continued)

I. DEFINITIONS (Continued)

COST-OF-SERVICE FACTOR. The Cost-of-Service (COS) factor is divided into the Net Revenue to determine the Utility's line extension allowance. The COS factor includes depreciation, authorized return, income taxes, property taxes, Operation and Maintenance (O&M) expense, Administrative and General (A&G) expense, Franchise Fees and Uncollectibles (FF&U), property insurance, and replacement of facilities, if needed, for 60 years at no additional cost to customer. For the purpose of calculating allowances, a COS factor of 14.85% will be used.

DISTRIBUTION MAINS. Mains which are operated at distribution pressure, and supply two (2) or more services or run parallel to the property line in a public right-of-way.

EXCAVATION. All necessary trenching, backfilling, and other digging to install extension facilities, including furnishing of any imported backfill material and disposal of spoil as required, surface repair and replacement, and landscape repair and replacement.

FRANCHISE AREA. Public streets, roads, highways, and other public ways and places where Utility has a legal right to occupy under franchise agreements with governmental bodies having jurisdiction.

INSIGNIFICANT LOADS. Small operating loads such as log lighters, barbecues, outdoor lighting, etc.

INTERMITTENT LOADS. Loads which, in the opinion of the Utility, are subject to discontinuance for a time or at intervals.

JOINT TRENCH. Excavation that intentionally provides for more than one service, such as gas, electricity, cable television, or telephone, etc.

MAIN EXTENSION. The length of main and its related facilities required to transport gas from the existing distribution facilities to the point of connection with the service pipe.

A Main Extension consists of new distribution facilities of the Utility that are required to extend service into an open area not previously supplied to serve an Applicant. It is a continuation of, or branch from, the nearest available existing permanent Distribution Main, to the point of connection of the last service. The Utility's Main Extension includes any required Substructures and facilities for transmission taps but excludes service connections, services, and meters.

METER SET ASSEMBLY. Meter, service pressure regulator, and associated fittings.

NET REVENUE. That portion of the total rate that supports Utility's extension costs and excludes such items as fuel costs, transmission, storage, public purpose programs, and other energy adjustment costs that do not support the extension costs.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5123
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Vice President
Regulatory Affairs

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Rule No. 20
GAS MAIN EXTENSIONS

Sheet 13

(Continued)

I. DEFINITIONS (Continued)

NON RESIDENTIAL ALLOWANCES NET REVENUE MULTIPLIER. This is a revenue-supported factor determined by Utility that is applied to the net revenues expected from non-residential loads to determine non-residential allowances.

OWNERSHIP CHARGE. The monthly ownership charge is a percentage rate applied against the remaining refundable balance after thirty-six (36) months from the date the Utility is first ready to serve. This charge recovers the cost of operating and maintaining customer-financed facilities that are not fully utilized. The Ownership Charge includes property taxes, Operation and Maintenance (O&M), Administrative and General (A&G), Franchise Fees and Uncollectibles (FF&U), property insurance, and replacement for 60 years at no additional cost. For the purpose of calculating Ownership Charge, a 0.37% per month factor will be used.

PERMANENT SERVICE. Service which, in the opinion of the Utility, is of a permanent and established character. This may be continuous, intermittent, or seasonal in nature.

PROTECTIVE STRUCTURES. Fences, retaining walls (in lieu of grading), barriers, posts, barricades, and other structures as required by the Utility.

RESIDENTIAL DEVELOPMENT. Five (5) or more dwelling units in two (2) or more buildings located on a single parcel of land.

RESIDENTIAL SUBDIVISION. An area of five (5) or more lots for residential dwelling units which may be identified by filed subdivision plans or an area in which a group of dwellings may be constructed about the same time, either by a builder or several builders working on a coordinated basis.

SEASONAL SERVICE. Gas service to establishments which are occupied seasonally or intermittently, such as seasonal resorts, cottages, or other part-time establishments.

SUBSTRUCTURES. The surface and subsurface structures which are necessary to contain or support the Utility's gas facilities. This includes, but is not limited to, equipment vaults and boxes, required sleeves for street crossings, and enclosures, foundations, or pads for surface-mounted equipment.

TRENCHING. See Excavation.

(TO BE INSERTED BY UTILITY)
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Regulatory Affairs

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SUBMITTED Apr 26, 2017
EFFECTIVE May 26, 2017
RESOLUTION NO. _____

TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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(Continued)

(TO BE INSERTED BY UTILITY)
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ATTACHMENT B

Advice No. 5123

SoCalGas Residential Allowance per End Use

SoCalGas Residential Allowance per End Use

Line			
1	Allocated Base Margin in Transportation Rates	Source: 2016 General Rate Case, D.16-06-054, includes attrition adjustment for year 2017	\$1,622,034,305
2	Non-Base Margin Items in Transportation Rates	Source: SoCalGas Advice Letter 5075. rates effective 01/01/2017	\$135,664,261
3	Revenue Requirement in Transportation Rates	Line 1 + Line 2	\$1,757,698,566
4	Items Not Used in Line Extension Rate		\$243,912,427
		Items Not Used in Line Extension Rate Are:	
		BBT Transmission Costs	\$ 46,121,661
		Local Transmission Costs	\$ 27,363,385
		Core Storage	\$ 34,763,119
		Non-Base Margin items in Transport Rate	\$ 135,664,261
5	Line Extension Basis	Line 3 - Line 4	\$1,513,786,139
6	Average Year Throughput Therms	Source: 2016 TCAP Decision D.16-10-004	2,435,159,711
7	Line Extension Rate (\$ per Therm)	Line 5 / Line 6	\$0.6216
8	Average UEC per End-Use in Therms	Source: SoCalGas and SDG&E Analysis of 2009 Residential Appliance Saturation Study	
		Water Heat	149
		Space Heat	162
		Cooking	26
		Clothes Drying	37
		Gas Air Conditioning	255
9	Net Revenue per End-Use	Line 7 * Line 8	
		Water Heat	\$92.76
		Space Heat	\$100.60
		Cooking	\$16.38
		Clothes Drying	\$23.06
		Gas Air Conditioning	\$158.36
10	Cost of Service Factor	Sources: Cost of Capital from CPUC D.12-12-034; Tax rates are statutory; Depreciation, O&M, A&G and FFU factors from TY 2016 General Rate Case	14.85% per year
			1.24% per month
		LACC factor reflects book depreciation, return on ratebase, income taxes, property taxes, and salvage.	
		LACC factor	10.720%
		O&M factor	1.829%
		A&G factor	1.466%
		FFU factor	0.141%
		60-year replacement multiplier	1.0491
11	Allowance per End-Use	Line 9 / Line 10.	
		Water Heat	\$625
		Space Heat	\$677
		Cooking	\$110
		Clothes Drying	\$155
		Gas Air Conditioning	\$1,066
12	Cost of Ownership Charge	Sources: Property tax factor is calculated using statutory rate; O&M, A&G and FFU factors from TY 2016 General Rate Case	4.44% per year
			0.37% per month
		Property Tax Factor	0.797%
		O&M factor	1.829%
		A&G factor	1.466%
		FFU factor	0.141%
		60-year replacement multiplier	1.0491