

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 5620G
As of May 15, 2020

Subject: Update to the Cost of Capital Mechanism (CCM) to Reflect Decision (D.) 19-12-056.

Division Assigned: Energy

Date Filed: 04-15-2020

Date to Calendar: 04-22-2020

Authorizing Documents: D1912056

Disposition:	Accepted
Effective Date:	05-15-2020

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Ray B. Ortiz

213-244-3837

tariffs@socalgas.com

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov



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@socalgas.com

April 15, 2020

Advice No. 5620
(U 904 G)

Public Utilities Commission of the State of California

Subject: Update to the Cost of Capital Mechanism (CCM) to Reflect Decision (D.) 19-12-056

Southern California Gas Company (SoCalGas) hereby submits for California Public Utilities Commission (Commission or CPUC) approval updates to its Preliminary Statement, Part XIV, CCM, applicable throughout its service territory, as shown on Attachment A.

Purpose

This submittal complies with Ordering Paragraph (OP) 7 of D.19-12-056, approved on December 19, 2019, for the CCM to continue to be in effect through the 2020 Cost of Capital cycle.

Background

On April 22, 2019, concurrent with the other major energy utilities in California,¹ SoCalGas filed its Test Year (TY) 2020 Cost of Capital Application (A.) 19-04-018. The Commission subsequently consolidated the utilities' applications into one proceeding, A.19-04-014 (consolidated). On December 19, 2019, the Commission approved D.19-12-056, adopting a TY 2020 Cost of Capital for each utility, including SoCalGas, beginning January 1, 2020 through December 31, 2022. D.19-12-056 also ordered continuation of the existing CCM through the 2020 Cost of Capital cycle.²

¹ Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company also filed respective TY 2020 Cost of Capital Applications with the Commission on April 22, 2019.

² D.19-12-056, OP 7, at 55.

When implementing D.19-12-056, SoCalGas inadvertently did not update its Preliminary Statement, Part XIV, CCM. Accordingly, SoCalGas hereby submits this Advice Letter (AL) to make the necessary updates in accordance with D.19-12-056.

Tariff Revisions

SoCalGas' requested revisions are largely clerical in nature, primarily related to updating the references to the TY 2020 Cost of Capital, clarifying that the applicable Moody's utility bond index used for calculating the CCM is based on each utility's credit rating, and simplifying some of the existing tariff language. Of note, the revised tariff now specifies that for SoCalGas, the currently established CCM benchmark rate is 4.029%, which is the Moody's October 2018 through September 2019 monthly averages of the A-rated utility bond index.³

SoCalGas proposes to update its Preliminary Statement, Part XIV, CCM, as shown on Attachment A.

Protest

Anyone may protest this AL 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 AL, which is May 5, 2020. The address for mailing or delivering a protest to the Commission is:

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). Due to the COVID-19 pandemic and the shelter at home orders, SoCalGas is currently unable to receive protests or comments to this AL via U.S. mail or fax. Please submit protests or comments to this AL to via e-mail to the address shown below on the same date it is mailed or delivered to the Commission.

³ See D.17-07-005, at 4, "The CCM is based on: . . . (2) an index based on the average 12-month October through September period of Moody's A utility bonds (for utilities rated better than BBB+ and lower than AA-) and Moody's Baa utility bonds (for BBB+ credit-rated utilities and lower)."

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

Effective Date

SoCalGas believes that this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. Therefore, SoCalGas respectfully requests that this submittal become effective on May 15, 2020, which is 30 days from the date submitted.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A.19-04-014. Address change requests to the GO 96-B service list should be directed via e-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 via e-mail at Process_Office@cpuc.ca.gov.

/s/ Ronald van der Leeden

Ronald van der Leeden
Director – Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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

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

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A
Advice No. 5620

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 57471-G	PRELIMINARY STATEMENT, PART XIV, COST OF CAPITAL MECHANISM (CCM), Sheet 1	Original 49082-G
Original 57472-G	PRELIMINARY STATEMENT, PART XIV, COST OF CAPITAL MECHANISM (CCM), Sheet 2	
Revised 57473-G	TABLE OF CONTENTS	Revised 57470-G
Revised 57474-G	TABLE OF CONTENTS	Revised 57336-G

PRELIMINARY STATEMENT
PART XIV
COST OF CAPITAL MECHANISM (CCM)

Sheet 1

A. OVERVIEW

Pursuant to Decision (D.) 19-12-056, the Cost of Capital Mechanism (CCM) if triggered, provides for an adjustment to SoCalGas' authorized cost of long-term debt based on actual costs and an update to SoCalGas' authorized Return on Common Equity (ROE) up or down by one-half of the change in the applicable 12-month average Moody's utility bond index.

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D,N

B. EFFECTIVE DATE/DURATION

The CCM was established for SoCalGas by the Commission in D.13-03-015, reaffirmed in D.19-12-056, and shall be effective until modified or terminated by further action of the Commission.

D,N
N

C. DESCRIPTION OF MECHANISM

In the year of a Cost of Capital (COC) filing, the CCM is not in effect because the COC proceeding will set new rates for the following year. The CCM applies in the years when SoCalGas does not file a COC application.

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|
N

The CCM is triggered when the October through September 12-month average of the applicable Moody's utility bond index is more than 100 basis points (1.00 percent) higher or lower than the benchmark. The index applicable to each utility is based on each utility's credit rating.

D,N
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D,N

Pursuant to D.13-03-015, Ordering Paragraph 7, applied in D.19-12-056 SoCalGas shall use Moody's long-term utility bond index in determining whether the CCM's 100-basis point dead band is triggered, based upon SoCalGas' credit rating. The currently established CCM benchmark rate is 4.029%, which is the Moody's October 2018 through September 2019 monthly averages of the A-rated utility bond index.

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L

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5620
DECISION NO. 19-12-056

ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Apr 15, 2020
EFFECTIVE May 15, 2020
RESOLUTION NO. _____

PRELIMINARY STATEMENT
PART XIV
COST OF CAPITAL MECHANISM (CCM)
 (Continued)

Sheet 2

C. DESCRIPTION OF MECHANISM (Continued)

When an automatic adjustment is triggered, the costs of capital components are updated and a new rate of return is computed as follows:

- a. The ROE is adjusted by one-half of the difference between the applicable 12-month average Moody's utility bond index and the benchmark.
- b. Costs of long-term debt and preferred stock are updated to reflect actual August month-end embedded costs in the trigger year, forecasted interest rates for variable long-term debt, and new long-term debt and preferred stock scheduled to be issued.
- c. The currently authorized capital structure is used to calculate an updated rate of return, which is submitted by advice letter on October 15 of the trigger year to be effective January 1 of the following year. There is no change to the authorized capital structure.
- d. The CCM benchmark is reestablished.

Pursuant to D.13-03-015, should SoCalGas' credit rating change or a catastrophic event occurs that materially impacts its COC and/or capital structure during the three-year interval between full COC applications, SoCalGas may instead file a COC application.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5620
 DECISION NO. 19-12-056

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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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)
 ADVICE LETTER NO. 5620
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Dan Skopec
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 Regulatory Affairs

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(Continued)

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 5620
 DECISION NO. 19-12-056

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ISSUED BY

Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED Apr 15, 2020
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