

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-_____
Exhibit: SCG-35

PREPARED DIRECT TESTIMONY OF
SCOTT WILDER
(CUSTOMER FORECAST)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2022

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SUMMARY

- Active customers are forecasted to increase from 5.87 million in 2021 to 6.00 million in 2024.
- Active customer growth is forecasted to be 0.73%, 0.72%, and 0.69% in 2022, 2023, and 2024, respectively.

Table SW-1
Southern California Gas Company
Average Annual Total Active Meters

Year	Active Meters	Annual % change
2017	5,743,571	0.75%
2018	5,776,600	0.58%
2019	5,811,748	0.61%
2020	5,845,774	0.45%
2021	5,873,160	0.55%
2022	5,915,878	0.67%
2023	5,958,210	0.73%
2024	5,999,248	0.71%

III. FORECAST METHODOLOGY

A. General Description

The total customer count is the sum of separate forecasts for five segments of customers: residential single-family, residential multi-family, residential master meter, total commercial, and total industrial. For the residential single-family and multi-family market segments, SoCalGas uses housing starts as the basis for its forecast.¹ SoCalGas believes a housing start is an appropriate indicator of completion likelihood, and once complete, the housing start is likely to lead to a new gas meter hookup. Recorded and forecasted housing-start assumptions underlying the residential customer forecast came from IHS/Markit Global Insight’s (“Global Insight’s”) November 2021 Regional Forecast (the aggregate of the twelve counties in which SoCalGas serves customers).²

The Industrial customer forecast is discussed in Section III.C. For the Commercial market segment, the employment assumptions underlying the customer forecast are based on recorded data from the California Employment Development Department³ (the aggregate of the twelve counties in which SoCalGas serves customers). For the forecast, percentage growth rates for the aggregated six largest-population counties that SoCalGas serves were taken from Global

¹ Residential master meter forecasts are discussed in section III.B.

² IHS Global Insight is an internationally recognized econometric forecasting firm. The firm’s forecasts have been used in many regulatory proceedings, including SoCalGas’ TY 2019 GRC.

³ Available at <http://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html>.

1 Insight's November 2021 Regional Forecast. Recorded employment data were then projected
2 into the forecast period by applying Global Insight's forecasted percentage growth rates to the
3 latest year of corresponding recorded data at the time the forecast was made. Employment
4 assumptions are utilized as the basis for the Commercial customer forecast because the business
5 cycle drives production in commercial sectors. When economic activity contracts, businesses
6 exit and active meters become inactive. However, when business activity is expanding, new
7 commercial meters are connected, and some inactive existing commercial meters tend to
8 reactivate.

9 SoCalGas uses econometric and statistical techniques to develop quarterly-data forecasts
10 of residential single-family, residential multi-family, and commercial customers based on the
11 data discussed above. The econometric models are linear. Once a fitted relationship is
12 established, a comparison is made between the historical data and the predicted values for the
13 most recent observed historical period. As a final step, the model forecasts are calibrated to
14 match the last recorded actuals, so the forecast and the historical trend are consistent. Detailed
15 equations, methods, and data are shown in my workpapers in Exhibit SCG-35-WP.

16 **B. Residential**

17 Connected residential single-family and multi-family customers are a function of lagged
18 authorized housing starts. A small third sector of the residential class – master meter customers
19 (including sub-metered customers) – is forecasted to decline at a constant annual rate, consistent
20 with its decline in recent recorded years as some existing master meters are gradually converted
21 to individual meters

22 **C. Industrial**

23 The industrial class is defined as mining plus manufacturing customers – those in North
24 American Industry Classification System (NAICS) sectors 210 to 213 and 311 to 339.
25 Businesses classified in this market segment include, but are not limited to, areas such as
26 chemical, food processing, mining, textile manufacturing, and transportation equipment.
27 Industrial customers are forecasted to decline at a constant annual rate, consistent with their decline in
28 recent recorded years.

29 **D. Commercial**

30 The commercial class is defined as all other non-residential and non-industrial customers
31 – except for fewer than 500 customers in the natural gas vehicle (NGV) fueling, electric

1 generation, and wholesale sectors. Businesses classified in this market segment include, but are
 2 not limited to, areas such as construction, health care, laundry, lodging, office, restaurants, and
 3 retail. Connected commercial customers are forecasted based on commercial employment
 4 (defined as total non-farm employment except mining and manufacturing) and are predicted to
 5 increase by 782 meters from 2021 to 2024.

6 **E. Connected Customers Split to Active and Inactive**

7 Once the number of connected meters is forecasted for each customer class, it is split into
 8 active and inactive meters, where inactive meters are those with no billed gas use during a billing
 9 period. Inactive meters are forecasted by applying a factor to each customer class of forecasted
 10 connected meters. The factor used to splice out inactive customers for the forecast period is
 11 based on a three-year average period of the inactive meters' share in total connected meters for
 12 each of four individual and separate quarters in the time series. The intention is to capture
 13 seasonal and multi-year historical patterns of inactive meters for that customer class for each
 14 quarter of the year. The number of active meters is equal to the number of connected meters,
 15 less the number of inactive meters. Table SW-2 shows each customer class with its historical
 16 2021 active meters and the percentage of its connected meters that were active.

17 **Table SW-2**
 18 **Southern California Gas Company**
 19 **Average 2021 Active versus Connected Meters: Recorded Values**

<u>Customer Class</u>	<u>Active Customers</u> <u>(Millions)</u>	<u>As a % of</u> <u>Connected</u>
Residential single-family	3.79	98.6%
Residential multi-family	1.84	95.6%
Residential master meter	0.04	98.2%
Commercial	0.19	75.7%
Industrial	0.02	63.3%
TOTAL	5.87	96.6 %

20 Table SW-3 shows the average annual active meters by customer class for the historical
 21 year 2021, plus the three-year forecast for 2022 through 2024.

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2
3

Table SW-3
Southern California Gas Company
Average Annual Active Meters by Customer Class

Active Gas Customers	2021	2022	2023	2024	Total Change 2021 to 2024
Residential single-family	3,790,736	3,814,617	3,839,406	3,863,332	72,596 (+1.9%)
Residential multi-family	1,839,450	1,857,865	1,875,644	1,893,115	53,665 (+2.9%)
Residential master meter	38,610	38,301	37,994	37,690	-920 (-2.4%)
Commercial	188,690	189,577	189,804	189,902	1,212 (+0.6%)
Industrial	15,674	15,518	15,362	15,209	-465 (-3.0%)
TOTAL	5,873,160	5,915,878	5,958,210	5,999,248	126,088 (+2.1%)

4 **IV. CONCLUSION**

5 SoCalGas’s customer forecast model projects growth in total active meters to increase
6 from 5.87 million in 2021 to 6.00 million in 2024. Based on the foregoing, SoCalGas requests
7 that the CPUC adopt this forecast.

8 This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Scott R. Wilder. I am employed by SoCalGas as a Business/Economics
3 Advisor in the Gas Regulatory Affairs Department for SoCalGas and SDG&E. My business
4 address is 555 West Fifth Street, Los Angeles, California 90013-1011.

5 I have held my current position since February 2004. Since 1993, I have been employed
6 at SoCalGas in various forecasting and analysis positions of increasing responsibility. From 1986
7 to 1993, I was employed by Pacific Gas and Electric Company in San Francisco in various
8 positions involving demand and economic forecasting, planning, and analysis. From 1982 to
9 1984, I worked as a Development Project Manager with the Southern Baptist International
10 Mission Board, working with farmers and engineers to build irrigation aqueducts in the Andes
11 Mountains of Peru.

12 I received a Bachelor of Science degree in Agricultural & Managerial Economics from
13 the University of California at Davis in 1982 and a Master of Science degree in Agricultural
14 Economics from U.C. Davis in 1986.

15 I have previously testified before the California Public Utilities Commission.

APPENDIX A
GLOSSARY OF TERMS

ACRONYM	DEFINITION
CPUC	California Public Utilities Commission
NAICS	North American Industry Classification System
NGV	Natural Gas Vehicle
SoCalGas	Southern California Gas Company
TY	Test Year