

Application of SOUTHERN CALIFORNIA GAS )  
COMPANY for authority to update its gas )  
revenue requirement and base rates )  
effective January 1, 2008 (U 904-G) )  

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Application No. 06-12-\_\_\_\_  
Exhibit No. (SCG-24) \_\_\_\_\_

PREPARED DIRECT TESTIMONY  
OF HERBERT S. EMMRICH  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

DECEMBER 2006

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1 Customers are forecasted to grow by a net 69,000 in 2008, compared to 62,000  
2 recorded net growth in 2005.  
3

<u>Year</u>	<u>Millions</u>	<u>% change</u>
2001	5.070	1.22%
2002	5.137	1.33%
2003	5.198	1.19%
2004	5.266	1.31%
2005	5.328	1.18%
2006	5.393	1.21%
2007	5.460	1.24%
2008	5.529	1.27%

4  
5 **II. Forecast Methodology**

6 The total customer count is comprised of forecasts by customer class: three  
7 sectors of residential; total commercial; and total industrial. Major economic and  
8 demographic assumptions underlying the customer forecast came from Global Insight's  
9 Winter 2006 Regional forecast (state-level and the six most populous counties in  
10 SoCalGas' service territory) released in February 2006 and based on Global Insight's  
11 January 2006 US Economic Forecast. The Global Insight six-county forecast accounts  
12 for over 85% of the service area's total population and employment. This employment  
13 forecast was then slightly scaled upward to better reflect the total economic and  
14 demographic characteristics of SoCalGas' service area, based on recent recorded data for  
15 the aggregated twelve-county area that SoCalGas serves.

16 SoCalGas uses econometric and statistical techniques to develop quarterly-data  
17 forecasts of residential, commercial and industrial customers. (The complete detailed  
18 econometric models, equations and methods are shown in the workpapers corresponding  
19 to this Exhibit.)

20 Connected residential single-family and multi-family customers are a function of  
21 lagged authorized housing permits. A small third sector of the residential class --master  
22 meter customers (including sub-metered customers) -- is forecasted to decline at a  
23 constant 0.8% annual rate. This decline is consistent with its decline in recent recorded

1 years, and is mainly due to the fact that existing master meters are gradually being  
2 converted to individual meters.

3 The industrial class is defined as mining or manufacturing customers – those in  
4 North American Industry Classification System (NAICS) sectors 210 to 213 and 311 to  
5 339. Connected industrial customers are forecasted based on industrial employment, and  
6 are forecasted to decline 0.2% annually from 2005 to 2008.

7 The commercial class is defined as all other non-residential customers -- with the  
8 exception of less than 200 customers in the natural gas vehicle (NGV) fueling, electric  
9 generation, and wholesale sectors. Connected commercial customers are forecasted  
10 based on commercial employment (defined as total nonfarm employment except mining  
11 and manufacturing) and are predicted to grow 0.5% annually from 2005 to 2008.

12 Once the number of connected meters is forecasted for each customer class, it is  
13 split into active and inactive meters, where inactive meters are those with no billed gas  
14 use during a billing period. Inactive meters are forecasted by applying a factor to each  
15 customer class of forecasted connected meters. The factors used are based on seasonal  
16 and multi-year historical patterns of inactive meters for that particular customer class.  
17 The number of active meters is equal to the number of connected meters less the number  
18 of inactive meters. Table HSE-2 shows each customer class with its forecasted 2008  
19 active meters, and the percentage of its connected meters that are active.

20 In the customer model, forecasted annual net gain in meters is assumed to be  
21 equal to the annual year-end change in total connected customers. The net gain in meters  
22 is comprised of new meters set, plus resets less meters removed.

<u>Customer Class</u>	<u>Millions</u>	<u>As a % of Connected</u>
Residential single-family	3.593	98.2%
Residential multi-family	1.678	95.4%
Residential master meter	0.042	98.6%
Commercial	0.195	80.8%
Industrial	0.021	72.8%
<b>TOTAL</b>	<b>5.529</b>	<b>96.4%</b>

23 This concludes my prepared direct testimony.

1 **III. Qualifications**

2 My name is Herbert S. Emmrich. My business address is 555 West Fifth Street,  
3 Los Angeles, California 90013-1011. I am employed by Southern California Gas  
4 Company (SoCalGas) as Gas Demand Forecasting Manager in the Regulatory Affairs  
5 Department. I have been in this position since March 2004. I have previously testified  
6 before this Commission.

7 My academic and professional qualifications are as follows: I earned an  
8 undergraduate degree in Economics and Behavioral Sciences from California State  
9 University at Dominguez Hills in 1970 and a Master of Arts Degree in Economics from  
10 California State University at Long Beach in 1974. In addition, during the past 21 years,  
11 I held analyst, manager and director level positions in the Regulatory Affairs, Planning,  
12 Customer Services, Marketing, Gas Supply and Commercial and Industrial Services  
13 Departments of SoCalGas as follows:

14  
15 Demand Forecasting and Economic Analysis Manager, Regulatory Affairs  
16 Department (March 2004 – Present);  
17 Regulatory Strategy Manager, Regulatory Affairs Department (2003 –  
18 2004);  
19 Principal Regulatory Policy Analyst, Regulatory Affairs Department  
20 (2002 – 2003);  
21 Director of Special Projects, Commercial and Industrial Services  
22 Department  
23 (1997 - 1998);  
24 Director of Sales and Gas Supply Forecasting, Commercial and Industrial  
25 Services Department, (1995 - 1997);  
26 Project Manager, Gas Supply Department (1994 - 1995);  
27 Gas Supply Planning and Forecasting Manager, Gas Supply Department  
28 (1993 - 1994);  
29 Gas Demand Forecast Manager, Marketing Department (1991 – 1993);  
30 Project Manager, Customer Services Department, Southern California Gas  
31 Company (1990 - 1991);  
32 Senior Analyst, Strategic Planning Department (1984 - 1990).

33 My employment outside of SoCalGas has been in the areas of economics,  
34 environmental assessment, and business planning and energy sector development. I held

1 the positions of: Economist, Regional Economist and Environmental Assessment  
2 Manager at the U.S. Bureau of Land Management's Pacific Outer Continental Shelf  
3 Office, in Los Angeles, from 1975 to 1979; Economic Policy Supervisor and Issues and  
4 Policy Manager of Getty Oil Company from 1979 to 1984; and, Senior Energy Advisor  
5 of the U.S. Agency for International Development's Caucasus Office in Tbilisi, Republic  
6 of Georgia, from 1998 to 2002.

