Company:	Southern California Gas Company (U 904 G)
Proceeding:	2019 General Rate Case
Application:	A.17-10-008
Exhibit:	SCG-44-2R

SECOND REVISED

SOCALGAS

DIRECT TESTIMONY OF JAWAAD A. MALIK

(POST-TEST YEAR RATEMAKING)

April 6, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SoCalGas

A Sempra Energy utility®

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TAX REFORM UPDATE

Pursuant to the Assigned Commissoner's Scoping Memorandum and Ruling issued on January 29, 2018 (Scoping Memo), this exhibit has been revised to reflect the impact of the Tax Cuts and Jobs Act (TCJA) on the SoCalGas TY 2019 General Rate Case. The TCJA was signed into federal law on December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SCG-37-2R), served concurrently with this exhibit. A roadmap of this TCJA-related submission and impacts on other witnesses' areas is provided in the Case Management Exhibit SCG-49/SDG&E-49.

SUMMARY

My testimony for Southern California Gas Company's (SoCalGas') post-test year (PTY) ratemaking framework proposes:

- A four-year term (2019-2022) for this general rate case (GRC) cycle, with SoCalGas' next test year in 2023.
- A PTY ratemaking mechanism to adjust authorized revenue requirements for:
    - Labor and non-labor costs based on IHS Markit Global Insight's forecast,
    - Medical costs based on Willis Towers Watson's forecast, and
    - Calculating PTY capital-related revenue requirements using:
        - an escalated 5-year average level of capital additions, and
        - a forecast for Pipeline Safety Enhancement Plan (PSEP) capital additions beyond Test Year (TY) 2019.
- Continuation of the currently authorized Z-factor mechanism.
- An attrition year revenue requirements increase of:

($ in millions)	2020		2021		2022	
Revenue Requirements Increase	8.08%	$236.9	6.09%	$192.9	6.03%	$202.6

SECOND REVISED SOCALGAS DIRECT TESTIMONY OF JAWAAD A. MALIK (POST-TEST YEAR RATEMAKING)

I. INTRODUCTION

A. Summary of Proposals

My testimony requests that the California Public Utilities Commission (Commission) approve SoCalGas' PTY ratemaking mechanism proposal to provide an appropriate level of authorized revenues in 2020, 2021, and 2022 (Post Test Year period, or PTY period). The mechanism would provide sufficient revenues to support the principles and policies described throughout this case and summarized in the prepared direct testimony of SoCalGas witness Mr. Bret Lane (Exhibit SCG-01).

SoCalGas proposes a PTY ratemaking mechanism to adjust its authorized revenue requirement in the post-test years by applying separate attrition adjustments for operating and maintenance (O&M) expenses (including a separate attrition adjustment for medical expenses[1]), capital-related costs and exogenous cost changes (see Section III). Adoption of this mechanism will provide SoCalGas with sufficient revenues during the PTY period to continue providing safe and reliable service to its customers, while providing shareholders a reasonable opportunity to earn the rate of return (ROR) previously authorized by this Commission.

SoCalGas proposes:

(1) A four-year term (2019-2022) for this GRC cycle;

(2) Using IHS/Markit Global Insight's (GI) utility cost escalation factors to determine PTY O&M escalation (excluding medical expenses[2]);

(3) Adopting Willis Towers Watson's actuarial forecasts and escalations to determine PTY medical expenses;

(4) Calculating PTY capital-related revenue requirements using:

  (a) An escalated 5-year average level of capital additions, and

  (b) A forecast for Pipeline Safety Enhancement Plan (PSEP) capital additions beyond TY 2019, and

(5) Continuing of the currently authorized Z-Factor mechanism.

[1] Escalation is proposed to be applied to net medical expenses (i.e., after reassignments to capital).

[2] Franchise fees and uncollectible expense are also excluded from O&M escalation.

Using the current GI 2020, 2021, and 2022 forecasted utility cost escalation factors, SoCalGas' proposal would result in the following attrition year revenue requirements increases:

($ in millions)	2020		2021		2022	
Revenue Requirements Increase	8.08%	$236.9	6.09%	$192.9	6.03%	$202.6

B. Organization of Testimony

My prepared direct testimony will confirm SoCalGas' position on the following: a 4-year period (including three attrition years) is the suitable term for the TY 2019 GRC; the proposed calculation and post-test year revenue requirement adjustment mechanism is appropriate in order to continue to operate in a safe and reliable manner; the existing Z-Factor revenue requirement adjustment mechanism should be retained; and the use of existing annual PTY advice letter regulatory filings to update the authorized revenue requirements per the adopted PTY ratemaking mechanism is still proper.

II. TERM

SoCalGas proposes a four-year GRC term of 2019-2022, with its next GRC cycle beginning with TY 2023. SoCalGas was granted a four-year GRC cycle in its 2004, 2008, and 2012 proceedings.[3] In A.14-11-003/-004 (cons.), Office of Rate Payer Advocates (ORA) recommended that SoCalGas be granted a four-year GRC term to allow for "better utility financial and operational management of spending and investment."[4] In September 2015, the ORA, San Diego Gas & Electric Company (SDG&E) and SoCalGas entered into a separate settlement agreement in A.14-11-003/-004 (cons.) and jointly filed a related petition for modification of D.14-12-025, to change the current three-year GRC cycle in the rate case plan to a four-year GRC cycle. The Commission did not adopt the separate settlement agreement,[5] and denied the petition,[6] but directed Energy Division to hold a workshop to explore "whether a longer GRC cycle is worth pursuing."[7]

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[3] In decisions D.04-12-015, D.08-07-046, and D.13-05-010, respectively.

[4] D.16-06-054 at 281 (*citing* ORA Exhibit 398 at 13).

[5] *See* D.16-06-054 at 4.

[6] *See* D.16-06-005.

[7] *Id.* at 6.

As discussed in the GRC cycle workshop[8] held on January 11, 2017, SoCalGas supports the adoption of the 4-year GRC term because it would free up scarce resources needed to litigate a GRC every three years and to allow the utility to maintain focus on safe, and reliable operations and customer responsibilities. Over the last several years, the GRC filing process has become more complex and subject to extended delays, which is now compounded by new processes, reviews, and reporting required by the Risk OIR decisions incorporating Safety Model Assessment Proceeding (S-MAP) and Risk Assessment and Mitigation Phase (RAMP) procedures.

Moving to a four-year GRC cycle would give both the Commission and the utilities more flexibility to manage additional responsibilities created by the integrated S-MAP, RAMP and GRC proceedings. The four-year GRC term would reduce the administrative burden on all parties, and allow the utility to more effectively operate its business while implementing new risk mitigation and accountability structures, processes and reporting requirements.

III. POST-TEST YEAR RATEMAKING MECHANISM

A. Background

SoCalGas is proposing a four-year GRC framework with attrition adjustments in the second, third and fourth years (2020, 2021, and 2022). The traditional GRC framework provides for an annual attrition mechanism for interim adjustments to the test-year revenue requirements in the post-test years. Attrition mechanisms should provide reasonable and consistent funding for operating expenses and capital investments. The proposed attrition increases in 2020, 2021, and 2022 account for expected increases in costs due to inflation and increased capital investments (capital additions). Without an explicit attrition adjustment, SoCalGas would not have a reasonable opportunity to earn its authorized ROR after TY 2019.

In the TY2016 GRC application, SoCalGas proposed a PTY ratemaking mechanism that would adjust its authorized revenue requirements by applying separate attrition rates to O&M and capital-related costs, consistent with the current proposal. The Commission approved a settlement between SoCalGas, ORA, and other parties that adopted a 3.5% attrition year escalation for 2017 and 2018 post-test years. Although the settlement adopted a specific attrition

[8] ORA, SDG&E and SoCalGas entered into a separate settlement agreement in A.14-11-003/-004 (cons.) to change the current three-year GRC cycle to a four-year GRC cycle. The Commission denied this petition, but directed Energy Division to hold a workshop to explore options. *See* D.16-06-005.

rate, ORA did not oppose a post-test year ratemaking mechanism consistent with SoCalGas' initial proposal to include a separate escalation factor for O&M and capital-related costs.[9]

In Pacific Gas and Electric Company's (PG&E) 2014 and 2017 GRC proceedings, the Commission approved a two-part post-test year mechanism that escalates O&M and capital-related costs by separate attrition factors.[10] PG&E's 2017 application stated that "a critical element of a fundamentally sound attrition mechanism is the recognition that expense escalation and growth in rate base are separate and distinct drivers for Post-Test Year cost growth and should be reflected in the attrition mechanism accordingly."[11] The Commission ultimately approved a settled fixed dollar amount for PG&E's post-test year period; however, the underlying mechanism used to determine the attrition amounts reaffirmed the need to properly distinguish unique drivers for O&M and capital-related costs.

SoCalGas expects to make significant annual capital investments in the TY 2019 GRC. As described in the prepared direct testimony of SoCalGas witnesses Ms. Diana Day and Ms. Jamie York (Exhibit SCG-02/SDG&E-02, Chapter 1 and 3, respectively), SoCalGas' capital program will continue to focus on investments necessary to build and maintain safe and reliable infrastructure and to mitigate safety risks identified in the RAMP proceeding. This theme and content is emphasized throughout the testimony of all SoCalGas witnesses sponsoring TY 2019 cost forecasts, and aligns with SoCalGas' mission to maintain and enhance its safety-focused culture. Consequently, the level of estimated capital expenditures leading up to and including TY 2019 are part of an ongoing investment effort, which will continue beyond the test year period. Therefore, the PTY attrition mechanism should reflect the anticipated growth in capital additions in excess of depreciation in the PTY period.

There are three elements to the SoCalGas' proposed 2020, 2021, and 2022 attrition adjustment:

(1) O&M margin and medical expense escalation (excluding franchise fees and uncollectible expense);

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[9] *Report on the Results of Operations for SDG&E and SoCalGas Company, Test Year 2016 General Rate Case*, A.14-11-003/004, ORA-23 at 4.

[10] D.14-08-032 at 653; *see also* D.17-05-013 at 246; *see also Report on the Results of Operations for PG&E, Test Year 2017 General Rate Case*, A.15-09-001, ORA-21 at 22-24.

[11] D.17-05-013 at 49.

(2) Growth in capital-related margin; and

(3) Z-factor revenue requirement adjustment (if applicable).

Appendix 1 provides calculations of the 2020, 2021, and 2022 SoCalGas revenue requirements using the current forecasted 2020, 2021, and 2022 O&M and capital GI cost escalation factors.

As part of this framework, SoCalGas proposes to absorb increased operating costs from customer growth through productivity improvements.

B. Proposed Post-Test Year O&M Margin Escalation

1. Escalatable O&M Margin

Revenue Requirement is a term used for the calculation of total O&M and capital-related costs necessary to support SoCalGas' rate base to be collected from utility ratepayers. The revenue requirement is collected in two components: miscellaneous revenues and base margin. The escalation mechanism of the base margin component is the topic of this section. SoCalGas will not seek escalation of any miscellaneous revenues.

The O&M portion of base margin includes the direct and indirect O&M expenses. The base to which our proposed O&M escalation factor will be applied is called "escalatable margin." SoCalGas proposes to escalate total O&M margin, excluding medical expenses, franchise fees and uncollectible expense. SoCalGas also proposes to separately escalate medical expenses (see Section III.B.3) and provide attrition adjustments for growth in capital-related margin (see Section III.C). Escalation on miscellaneous revenues will not be requested, because miscellaneous revenues are proposed to be fixed amounts for the post-test year period and franchise fees and uncollectible expense items are not subject to escalation (as they are proposed to be applied as fixed rates for the post-test year period).

2. O&M Margin Escalation Factors

SoCalGas is proposing a post-test year ratemaking mechanism that escalates O&M costs using IHS/Markit Global Insight's Power Planner (GI) forecast as described in the testimony of Mr. Scott Wilder (Exhibit SCG-40). Mr. Wilder's testimony describes how he uses the GI Power Planner Forecast to develop separate weighted average labor and non-labor O&M escalation factors, and then creates a single weighted average labor and non-labor O&M escalation factor based on 2016 recorded expenses. For PTY attrition calculation purposes (see Appendix 1), SoCalGas has used the GI 1st Quarter 2017 forecast (released in April 2017), which resulted in single weighted average O&M escalation factors and the associated revenue requirements are:

($ in millions)	2020		2021		2022	
O&M Margin Escalation	2.70%	$38.6	2.58%	$37.8	2.53%	$38.2

The Commission's Rate Case Plan, D.07-07-004, requires SoCalGas to update its cost escalation forecasts, as part of the GRC Update Testimony, within 280 days of its Application filing. SoCalGas therefore proposes that the latest GI forecast available in June 2018 be used to determine the labor and non-labor TY 2019 O&M escalation indices, and will continue into the PTY period.

3. Medical Cost Escalation

The second component of the O&M PTY ratemaking mechanism is an adjustment to medical costs. Medical costs have grown at a higher rate than the broad-based inflation in the general economy. Because SoCalGas' medical costs are expected to increase faster than general utility cost inflation, medical costs are escalated separately based on actuarial forecasts, as described in the prepared direct testimony of Ms. Debbie Robinson (Exhibit SCG-30). The actuarial forecast by Willis Towers Watson, which is based on preliminary 2017 renewal rates, is more reflective of the cost trends in Southern California. SoCalGas notes that this forecasted rate is similar to the post-test year medical expense escalation rate (7.0%) that Southern California Edison Company (SCE) proposed in its Test Year 2018 GRC.[12] The proposed medical expense escalation based on Willis Towers Watson's actuarial forecast and the associated revenue requirements are:

($ in millions)	2020		2021		2022	
Medical Cost Escalation	6.50%	$4.5	6.00%	$4.4	5.50%	$4.3

C. Post-Test Year Capital Additions

The second component of the proposed PTY ratemaking mechanism is the adjustment to capital-related revenue requirements to reflect the cost of plant additions. The capital-related portion of the revenue requirement consists of authorized returns on rate base, depreciation

[12] *Southern California Edison 2018 General Rate Case, Workpapers, RO-Post-Test Year Ratemaking, SCE-09 Volume 01, Chapter X* at 8 (Sept. 2016).

expense, and taxes.[13] Growth in capital-related costs (depreciation, taxes and authorized return) are primarily determined by the relationship between capital additions and depreciation. Capital additions in excess of depreciation will drive rate base growth and therefore the growth in capital-related costs. SoCalGas proposes that during the post-test years its rate base and associated revenue requirements be adjusted to reflect the impact of forecasted capital additions. SoCalGas is not proposing to adjust the rate base elements of materials and supplies, customer advances or working cash. SoCalGas is proposing rate base adjustments for the phase down of Internal Revenue Code (IRC) section 168(k) bonus depreciation and the repairs deduction, as ordered in D.16-06-054.[14]

SoCalGas expects to continue to make significant annual capital investments during the TY 2019 GRC term, SoCalGas proposes that the TY 2019 GRC PTY capital-related margin adjustment mechanism should also reflect the anticipated growth in capital additions in excess of depreciation in the PTY period.

1. 5-Year Capital Additions Average

SoCalGas proposes to use the escalated five-year average level of capital additions (2015-2016 recorded and 2017-2019 forecast as presented in this TY 2019 GRC) as a proxy for the annual PTY 2020, 2021, and 2022 actual level of capital additions. This methodology is similar to the PTY mechanism approved in the 2014 & 2017 PG&E GRC proceedings, which relied on a seven-year average of capital additions to derive attrition adjustments for its capital-related revenue requirement.[15] SoCalGas also requested a seven-year average methodology in the 2016 GRC PTY application, and although it was not ultimately settled on, the methodology

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[13] We call the Depreciation, Tax, and Return associated with Capital "capital-related costs" and distinguish that from the actual or forecasted spend of capital itself. When capital dollars are spent and become rate base, they are recovered through revenue requirement as capital-related costs.

[14] D.16-06-054 at 192. The rate base component reduction is identified in D.16-06-054, Appendix B at 3.

[15] D.14-08-032 at 656, 659-660; *see also* D.17-05-013 at 50; *see also* A.15-09-001, ORA-21 at 3 ("To estimate post-test year capital additions, ORA recommends that the Commission adopt the same methodology from PG&E's 2014 GRC. Thus, for this GRC, post-test year capital additions would be based on using an escalated 7-year (2011-2017) average level of capital additions as a proxy for the post-test year (2018, 2019, and 2020) levels of capital additions.").

was not opposed by ORA in that case.[16] In this application, SoCalGas is requesting to use a five-year average of capital additions in place of the seven-year average, because doing so better captures the current utility business environment. SoCalGas' capital program is continuing to evolve with a primary focus on increasing investment in utility safety and reliability and supporting California's energy and environmental initiatives. The five-year average includes recorded and forecasted capital additions which incorporates the company's historical capital trend, but is also forward looking – focusing on the critical improvements within our service territory that are aimed at mitigating safety risk and providing clean and reliable energy. A five-year average also serves to normalize year-to-year variability in utility spending and eliminates the administrative burden of conducting line-by-line reviews of forecasted capital spending.

To briefly summarize the calculation methodology,[17] SoCalGas developed its PTY calculation of the capital-related revenue requirements using a consistent methodology (rate base, depreciation and taxes)[18] and consistent escalation factors, used throughout this GRC request. The 2015-2019 capital additions by major plant category are escalated to the appropriate PTY dollars and then averaged. Capital escalation is based on GI gas plant indices, as described in the testimony of Mr. Scott Wilder (Exhibit SCG-40). For example, the 2015-2019 capital additions would be escalated into 2019 dollars and then averaged. To determine the capital additions for 2020, 2021, and 2022, the five-year average capital addition amount is escalated to the appropriate PTY dollars using the above-mentioned GI indices. A weighting factor is applied to the plant additions to determine the weighted average plant additions to be included in rate base for the PTY period. Incremental net depreciation, amortization and deferred taxes are also calculated using the TY ratios, in order to determine the weighted average rate base for each PTY.

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[16] *Joint Motion of SDG&E, SoCalGas Company and ORA for Adoption of Settlement Agreement Re the Post-Test Year Period* at 3, fn 6, A.14-11-003/004 ("ORA did not oppose Applicants' proposal to use an escalated 7-year average of capital additions as a proxy for the 2016 and 2017 post-test years, but recommended using recorded 2014 and authorized 2015 and 2016 capital additions to calculate the 7-year average.")(*citing* Ex. 398 ORA/Tang at 21:17-20).

[17] My workpapers (SCG-44-WP-2R page 3 through SCG-44-WP-2R page 15) contain a detailed narrative description of each step in the calculation process.

[18] The estimates contained in this section were calculated using current federal and state tax laws enacted through the filing date of this testimony.

As described in the aforementioned Section 1 above, SoCalGas' proposed incremental capital-related revenue requirements are:

($ in millions)	2020	2021	2022
Capital-Related Revenue Requirements Increase[19]	$179.3	$115.5	$117.8

2. Pipeline Safety Enhancement Plan Capital Additions

The Commission directed SoCalGas to include certain PSEP costs as part the 2019 General Rate Case per D. 16-08-003:

> Southern California Gas Company and San Diego Gas & Electric Company are authorized to include in their 2019 General Rate Case (GRC) application all Pipeline Safety Enhancement Plan costs not the subject of prior applications, including possible review of any remaining 2018 Phase 1A and 1B capital costs. Future GRC applications could include Pipeline Safety Enhancement Plan costs until implementation of the Plan is complete.[20]

The detail of the PSEP projects and the associated costs are discussed primarily in the prepared direct testimony and work papers of Mr. Rick Phillips (Exhibit SCG-15). SoCalGas proposes that the PSEP capital-related costs not fully reflected in the TY 2019 revenue requirement be included as part of the PTY attrition to ensure that shareholders are provided the necessary revenues to have a reasonable opportunity to earn its authorized ROR in the PTY period.[21] The adjustment is necessary because majority of PSEP capital expenditures are expected to close to plant in service in 2020, 2021, and 2022, and therefore the associated capital-related costs will not be fully reflected in the TY 2019 revenue requirement.

In SCE's 2012 GRC final decision (D.12-11-051), the Commission adopted a post-test year adjustment for costs not fully reflected in the test year:

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[19] Annual revenue requirement adjustments include the rate base impacts of the subject attrition year estimated capital additions plus the residual weighting of the prior year estimated capital additions.

[20] D.16-08-003 at 16, OP 5.

[21] The calculation methodology for the PSEP capital-related revenue requirements are included in workpapers SCG-44-WP-2R JAM PSEP-1 through SCG-44-WP-2R JAM PSEP-11.

> It is reasonable to adopt a separate 2013 forecast for CSBU O&M to reflect integration of SmartConnect deployment costs into general rates because the PTYR would not adequately adjust for the unique set of costs transferred.[22]

Furthermore, in SCE TY 2012 GRC final decision (D.12-11-051), the Commission stated that:

> A PTYR is reasonable and adopted which includes the following: Separately adopted 2013 CSBU O&M and capital expenditures escalated in 2014.[23]

As described in the aforementioned section 2 above, SoCalGas' proposed incremental PSEP capital-related revenue requirements are:

($ in millions)	2020	2021	2022
PSEP Capital-Related Revenue Requirements Increase	$13.7	$34.4	$41.6

3. Post Test Year Total Capital-related Revenue Requirements

As described in the aforementioned Section 1 and 2 above, SoCalGas' proposed incremental total capital-related revenue requirements are:

($ in millions)	2020	2021	2022
Capital-Related Revenue Requirements Increase	$179.3	$115.5	$117.8
PSEP Capital-Related Revenue Requirements Increase	$13.7	$34.4	$41.6
Total Capital-Related Revenue Requirements Increase	$193.0	$149.9	$159.4

D. Z-factor Mechanism

SoCalGas proposes to continue the existing Z-factor mechanism, unchanged for this

[22] D.12-11-051 at 847, COL 254.

[23] D.12-11-051 at 876, COL 524.

2019-2022 GRC term.[24] The mechanism uses a series of eight criteria[25] outlined in D.94-06-011 to identify exogenous cost changes that qualify for rate adjustments prior to the next GRC test year. If all eight criteria are met, the Z-factor mechanism allows for rate adjustments for only the portion of the Z-factor costs not already contained in SoCalGas' annual revenue requirement and only for costs that exceed a $5 million deductible per event.

In the case of a potential Z-factor event, SoCalGas will notify the Commission's Executive Director of the event by letter, providing all relevant and available information about the event, and will activate the Z-factor Memorandum Account for potential entries. Following this notification, SoCalGas would have the option to file an application for a revenue requirement supplement if the Z-factor event exceeds the $5 million per event deductible.

IV. REGULATORY FILINGS

Currently SoCalGas updates PTY revenue requirements through an annual advice letter filing. SoCalGas proposes to continue this process and will file an annual advice letter on or before November 1 (beginning November 1, 2019) to update the authorized revenue requirement, according to the adopted PTY ratemaking mechanism. The resulting customer rate adjustments to recover the updated revenue requirement would be effective the following January 1. The advice letter will contain all calculations necessary to update the revenue requirement for the subsequent year.

V. CONCLUSION

SoCalGas' proposal is a fair and reasonable mechanism to provide the foundation for financial stability in the post-test years. This proposal accounts for the major cost drivers impacting the Company, which allows SoCalGas to provide safe and reliable service to its customers, comply with regulations, and manage its operations as prudent financial stewards.

This concludes my prepared direct testimony.

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[24] *See* SoCalGas' current Preliminary Statement (Part VI) for a description of the operation of the Z-factor mechanism, *available at* www.socalgas.com/regulatory/tariffs/tm2/pdf/ZFA.pdf.

[25] In D.97-07-054 ("SoCalGas PBR Decision"), the Commission established a Z-factor mechanism for SoCalGas based on the same nine criteria established for D.94-06-011. In *Decision on SoCalGas Company and SDG&E Company's Phase 2 Post-Test Year 2004 Ratemaking, Earnings Sharing, Incentive Proposals, and 2004 Incentive Proposals* ("SDG&E/SoCalGas 2004 COS Phase II Decision"), D.05-03-023 at 78, OP 2, the Commission authorized SDG&E and SoCalGas to file for rate adjustments using the mechanism described in the Settlement Agreement); *see also* D.05-03-023, Appendix C at 12. The eliminated criteria provided that the costs and events are not part of the rate update mechanism.

VI. WITNESS QUALIFICATIONS

My name is Jawaad A. Malik. My business address is 555 West Fifth Street, Los Angeles, California 90013. I am employed by SoCalGas as Vice President of Accounting and Finance for SoCalGas.

I have been in my current position since March, 2017. In my current position my responsibilities include overseeing financial planning and budgeting, financial and regulatory reporting, treasury management, accounting operations, financial systems and business controls, and financial and regulatory analysis for SoCalGas.

I have been employed by SoCalGas since 2007 and have held positions of increasing responsibility, including Director of Financial and Operational Planning, General Rate Case Program Manager, Financial Planning Manager and Sarbanes Oxley (SOX) and Business Controls Supervisor. Prior to joining SoCalGas, I have held various finance and auditing related roles, including Manager of credit risk at the Los Angeles Department of Water and Power, and as an insurance auditor for the California Department of Insurance.

I have a bachelor's degree in accounting from California State University, Los Angeles, and a master's degree in business administration with an emphasis in finance from Pepperdine University. I am also a certified public accountant.

I have not previously testified before the California Public Utilities Commission.

APPENDIX A – POST TEST YEAR ESCALATION EXAMPLES

SOUTHERN CALIFORNIA GAS COMPANY
Exemplary Calculation of 2020, 2021 and 2022 Revenue Requirements
(Using GI 1st Quarter 2017 Forecast)

Line No.	Description	($ in Millions) Rev Req*	Escalation
1	**2019 Total Revenue Requirement**	**$ 2,930.8**	
2	Less: 2019 Misc. Revenues	$ 83.1	
3	Less: 2019 Capital Related Margin	$ 1,300.7	
4	Less: 2019 Medical Expense	$ 69.6	
5	Less: 2019 Franchise & Uncollectible	$ 47.9	
6	2019 Escalatable O&M	$ 1,429.4	
7	2020 O&M Escalation Rate	*2.70%*	
8	2020 O&M Escalation $ (L6 * L7)	$ 38.6	$ 38.6
9	2020 Medical Escalation Rate	*6.50%*	
10	2020 Medical Escalation $ (L4 * L9)	$ 4.5	$ 4.5
11	2020 Capital Related Costs (as Proposed)	$ 193.0	$ 193.0
12	2020 O&M (L6 + L8)	$ 1,468.1	
13	2020 Medical Expense (L4 + L10)	$ 74.1	
14	2020 Capital Related Costs (as Proposed) (L3 + L11)	$ 1,493.7	
15	2020 Misc. Revenue	$ 83.1	
16	2020 F&U	$ 48.6	$ 0.7
17	**2020 Revenue Requirement (Sum of Lines 12 through 16)**	**$ 3,167.7**	**$ 236.9**
18	Less: 2020 Misc. Revenues	$ 83.1	
19	Less: 2020 Capital Related Costs (as Proposed)	$ 1,493.7	
20	Less: 2020 Medical Expense	$ 74.1	
21	Less: 2020 Franchise & Uncollectible	$ 48.6	
22	2020 Escalatable O&M	$ 1,468.1	
23	2021 Based Margin Escalation Rate	*2.58%*	
24	2021 O&M Escalation $ (L22 * L23)	$ 37.8	$ 37.8
25	2021 Medical Escalation Rate	*6.00%*	
26	2021 Medical Escalation $ (L20 * L26)	$ 4.4	$ 4.4
27	2021 Capital Related Costs (as Proposed)	$ 149.9	$ 149.9
28	2021 O&M (L22 + L24)	$ 1,505.9	
29	2021 Medical Expense (L20 + L26)	$ 78.6	
30	2021 Capital Related Costs (as Proposed) (L19 + L27)	$ 1,643.6	
31	2021 Misc. Revenue	$ 83.1	
32	2021 F&U	$ 49.3	$ 0.7
33	**2021 Revenue Requirement (Sum of lines 28 through 32)**	**$ 3,360.6**	**$ 192.9**

34	Less: 2021 Misc. Revenues	$	83.1		
35	Less: 2021 Capital Related Costs (as Proposed)	$	1,643.6		
36	Less: 2021 Medical Expense	$	78.6		
37	Less: 2021 Franchise & Uncollectible	$	49.3		
38	2021 Escalatable O&M	$	1,505.9		
39	2022 Based Margin Escalation Rate		*2.53%*		
40	2022 O&M Escalation $ (L38 * L39)	$	38.2	$	38.2
41	2022 Medical Escalation Rate		*5.50%*		
42	2022 Medical Escalation $ (L36 * L41)	$	4.3	$	4.3
43	2022 Capital Related Costs (as Proposed)	$	159.4	$	159.4
44	2022 O&M (L38 + L40)	$	1,544.0		
45	2022 Medical Expense (L36 + L42)	$	82.9		
46	2022 Capital Related Costs (as Proposed) (L35 + L43)	$	1,803.1		
47	2022 Misc. Revenue	$	83.1		
48	2022 F&U	$	50.1	$	0.7
49	**2022 Revenue Requirement (Sum of lines 44 through 48)**	**$**	**3,563.2**	**$**	**202.6**
	** Differences due to rounding.*				

APPENDIX B – GLOSSARY OF TERMS

Commission	California Public Utilities Commission
GI	IHS/Markit Global Insight
GRC	General Rate Case
IRC	Internal Revenue Code
O&M	Operations and Maintenance
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
PSEP	Pipeline Safety Enhancement Plan
PTY	Post Test Year
RAMP	Risk Assessment Mitigation Phase
ROR	Rate of Return
S-MAP	Safety Model Assessment Proceeding
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
SOX	Sarbanes Oxley
TY	Test Year

SCG 2019 GRC Testimony Revision Log – April 6, 2018

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-44	Jawaad A. Malik	JAM-ii	Bullet 4	Changed table as follows: “8.56%” to “8.08%” and “$255.8” to “$236.9” in 2020, “6.20%” to “6.09%” and “$201.1” to “$192.9” in 2021, and “6.18%” to “6.03%” and “$213.1” to “$202.6” in 2022.
SCG-44	Jawaad A. Malik	JAM-1	22	Changed “esclations” to “escalations”.
SCG-44	Jawaad A. Malik	JAM-2	3	Changed table as follows: “8.56%” to “8.08%” and “$255.8” to “$236.9” in 2020, “6.20%” to “6.09%” and “$201.1” to “$192.9” in 2021, and “6.18%” to “6.03%” and “$213.1” to “$202.6” in 2022.
SCG-44	Jawaad A. Malik	JAM-6	3	Changed “$38.5” to “$38.6” in 2020 and “$38.1” to “$38.2” in 2022.
SCG-44	Jawaad A. Malik	JAM-9	11	Changed table as follows: “$196.3 ” to “$179.3” in 2020, “$119.2” to “$115.5” in 2021, and “$123.7” to “$117.8” in 2022.
SCG-44	Jawaad A. Malik	JAM-10	10	Changed “$15.7” to “$13.7” in 2020, “$38.9” to “$34.4” in 2021, and “$46.3” to “$41.6” in 2022.
SCG-44	Jawaad A. Malik	JAM-10	14	Changed table as follows: on “Capital-Related Revenue Requirements Increase” line, changed “$196.3 ” to “$179.3” in 2020, “$119.2” to “$115.5”in 2021, and “$123.7” to “$117.8”in 2022; on “PSEP Capital-Related Revenue Requirements Increase” line, changed “$15.7” to “$13.7” in 2020, “$38.9” to “34.4” in 2021, and “$46.3” to “$41.6” in 2022; on “Total Capital-Related Revenue Requirements Increase” line, changed “$212.0” to “$193.0” in 2020, “$158.2” to “$149.9” in 2021, and “$170.0” to “$159.4”in 2022.
SCG-44	Jawaad A. Malik	JAM-A-2 JAM-A-3	N/A	Replaced Exemplary Calculation table