Application: A.23-11-003
Witness: Marjorie Schmidt-Pines
Chapter: 6

REBUTTAL TESTIMONY OF MARJORIE SCHMIDT-PINES ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY (RATE IMPACT)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 13, 2024

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REBUTTAL TESTIMONY OF MARJORIE SCHMIDT-PINES (RATE IMPACT)

I. PURPOSE

This rebuttal testimony addresses the direct testimonies of Southern California Generation Coalition (SCGC) and Clean Energy which were served on April 2, 2024. SCGC and Clean Energy addressed Southern California Gas Company's (SoCalGas) proposals in the Prepared Testimony of Marjorie Schmidt-Pines (Chapter 6) regarding use of the Equal Cents Per Therm (ECPT) cost allocation methodology for SoCalGas's Catastrophic Event Memorandum Account (CEMA) and its COVID-19 Pandemic Protections Memorandum Account (CPPMA).

II. COST ALLOCATION OF THE CEMA

In its testimony, Clean Energy argues that SoCalGas should allocate CEMA costs using the Equal Percentage of Authorized Margin (EPAM) methodology and recommends that, "SoCalGas transfer authorized CEMA costs on an EPAM basis to the appropriate fixed cost accounts, including the two subaccounts for NGV and Core Commercial/Industrial customers. This is consistent with SoCalGas's prior allocation of authorized CEMA costs."[1]

The EPAM allocation methodology is used for current base margin pursuant to D.20-02-045, SoCalGas's most recently decided Triennial Cost Allocation Proceeding (TCAP), which is based on Long Run Marginal Cost studies for customer costs and Distribution, and Embedded Costs for Transmission and Storage. The allocation of costs among customer classes is based on Marginal Demand Measures for each function. The allocation is 91.8% to core customers, of which 75.1% is allocated to the residential class, and 8.2% to noncore customers. The ECPT cost allocation method allocates costs across customer classes based on each customer class's respective share of the total average year gas demand forecast from D.20-02-045. The current cost allocation split is 38.7% to core customers, of which 25.7% is allocated to the residential class, and 61.3% to noncore customers.[2] The ECPT allows for allocated costs across the customer classes to be socialized more in alignment with the consumption of gas versus methodologies based on costs of gas service. Further, while SoCalGas's prior CEMA

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[1] Clean Energy Testimony, p. 11.

[2] The actual cost allocation splits to be applied will be determined by the Cost Allocation Decision that is in effect when cost recovery commences.

applications, which were filed more than 25 years ago, may have suggested an allocation similar to EPAM, SoCalGas believes ECPT is the more appropriate methodology for this Application based on the affordability metrics adopted by the Commission in D.20-07-032 as mentioned in the Supplemental Testimony of Marjorie Schmidt-Pines.[3]

Regarding SoCalGas's position on using ECPT for affordability, SCGC states, "witness Schmidt-Pines attempts to justify shifting costs from core ratepayers to noncore ratepayers because of affordability but fails to recognize that increased costs to electric generators results in increased costs for electric ratepayers including core electric ratepayers. Her recommendation involves a significant cost transfer to electric ratepayers during a time here electric ratepayers themselves are struggling with rapidly rising rates."[4] However, SCGC provides no empirical evidence or analysis as to what electric rates impacts might be. The gas rate impact as shown in Table 1 of the Prepared Testimony of Marjorie Schmidt-Pines (Chapter 6) is only $0.006 per therm for all SoCalGas's customer classes. ECPT means that all the customers are impacted equally.[5]

SCGC's recommendation for allocating CEMA costs includes, "applying the transmission allocation factors to the transmission revenue requirement, the storage allocators to the storage revenue requirement, and the distribution allocation factors to the distribution revenue requirement results in an allocation of CEMA costs."[6] Distribution costs are 66% of the revenue requirement. This functional allocation results in 80% of costs allocated to core customers and 20% to noncore customers[7] compared to ECPT which, as previously stated, allocates 39% percent to the core customers and 61% to the noncore customers.

The CEMA cost allocation proposals by Clean Energy and SCGC put pressure on the core customers, especially in the residential class. Affordability for the residential customer is an important CPUC goal and ECPT allocations help support residential affordability by resulting in lower residential bill impacts.

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3 Supplemental Testimony of Marjorie Schmidt-Pines, p. MSP-2.
4 SCGC Testimony, p. 9 (footnote omitted).
5 Prepared Testimony of Marjorie Schmidt-Pines (Chapter 6), pp. MSP-2-3.
6 SCGC Testimony, p. 10.
7 *Id.,* Appendix A.

III. COST ALLOCATION OF THE CPPMA

In its testimony, Clean Energy confirms SoCalGas's CPPMA cost allocation proposal is reasonable and states:

> "Based on the descriptions from the Preliminary Statements in the SoCalGas Tariff Book, the types of costs recovered through the RUBA [Residential Uncollectible Balancing Account] and CMPPA [sic] are similar to each other. These accounts reflect costs incurred to provide consumer protections that are incremental to the uncollectible costs already authorized in rates. The RUBA consists of two subaccounts. One is the Uncollectible Cost Subaccount, used to record the difference between the authorized uncollectible revenues charged to residential customers and actual bad debt expense. The second RUBA subaccount is the Arrearage Management Plan (AMP) Subaccount, used to record the debt forgiven under the AMP. The RUBA explicitly states that costs shall be allocated on an ECPT basis.
>
> Clean Energy recommends SoCalGas transfer the costs in the CPPMA to the RUBA account. This is consistent with the action taken by the Commission in D.20-06-003 to transfer the CPPMA balance for the period of March 4, 2020 through August 29, 2020, to the RUBA account."[8]

Further, SCGC states, "SoCalGas was permitted to book the waived fees revenue to the CPPMA. The incremental uncollectible and bad debt costs that have been recorded in the RUBA are the closest parallel to the waived fees revenue recorded in the CPPMA. The Commission has adopted an ECPT allocation for the portion of the RUBA costs that are not collected through the PPP charge. Thus, it seems reasonable to use ECPT to allocate the waived fees portion of the CPPMA."[9]

However, SCGC proposes the Operations and Maintenance (O&M) and Administrative & General (A&G) expenses of the CPPMA, which are distribution-related, be "…allocated among customer classes based on the combination of marginal customer cost revenues, marginal high pressure distribution demand cost revenues, and marginal medium pressure distribution demand cost revenues."[10] As shown in Table 6 of SCGC's testimony, this proposed allocation means 95% would be allocated to the core customers and only 5% allocated to noncore customers,[11] compared to the ECPT allocation of 39% to the core customers and 61% to the

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[8] Clean Energy Testimony, p. 5 (footnote omitted).
[9] SCGC Testimony, p. 13.
[10] *Id.,* pp. 9-10 (footnote omitted).
[11] *Id.,* p. 12.

noncore customers. Once again, this proposed methodology puts pressure on the core customers, especially in the residential class. As stated in the Supplemental Testimony of Marjorie Schmidt-Pines, "ECPT assigns less proportionate cost to core customers, and particularly residential customers, relative to some other cost allocation methodologies, and does less to exacerbate the cost pressures from electrification for this group, which is particularly susceptible to this risk." [12]

SoCalGas's proposal for the entire CPPMA to be allocated ECPT is reasonable.

IV. CEMA, CPPMA, AND RUBA COSTS ESCALATED DURING COVID-19

In its testimony, SCGC suggests "…there is no similarity between the underlying costs booked into the RUBA and the CEMA that could support an argument that the allocation approaches should be the same."[13] While SCGC is correct that the costs in the CEMA, CPPMA, and RUBA are different, it fails to recognize that most of the CEMA, CPPMA, and RUBA costs were incurred during COVID-19.

The purpose of CEMA is to allow for the recovery of a utility's costs of restoring services to its customers; repairing, replacing or restoring damaged facilities; and complying with governmental agency orders in connection with events which are officially declared disasters by competent state or federal authorities.[14] While there are also incremental costs related for storms and wildfire events in this Application, most of the incremental CEMA costs SoCalGas is seeking recovery of were incurred during COVID-19. Additionally, pursuant to Resolution M-4842, the purpose of the CPPMA is to record the incremental costs and waived charges incurred by SoCalGas associated with providing the emergency customer protection measures adopted in D.19-07-015 and otherwise offered in SoCalGas's discretion.[15] Finally, RUBA costs increased during COVID-19 because many retail businesses were mandated to shut down resulting in many residential customers unable to pay their SoCalGas bills. In accordance with D.20-06-003,

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[12] Supplemental Testimony of Marjorie Schmidt-Pines (Chapter 6), pp. MSP-1-2.
[13] SCGC Testimony, p. 2.
[14] SoCalGas Preliminary Statement Part VI – Catastrophic Event Memorandum Account, *available at*: https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_CEMA.pdf.
[15] SoCalGas Preliminary Statement Part VI – COVID-19 Pandemic Protections Memorandum Account, *available at*: https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_CPPMA.pdf.

the RUBA consists of the Uncollectible Cost Subaccount and the AMP Subaccount. The RUBA will record the transfer of residential uncollectible expenses from the CPPMA for the period March 4, 2020, through August 29, 2020, as authorized by the Commission.[16]

V. RATES COMPARISON UNDER THE DIFFERENT PROPOSALS

Table 1 below shows the rates and residential bills under SoCalGas's proposal of ECPT allocation, Clean Energy's proposal of ECPT allocation for the CPPMA and EPAM for the CEMA, and SCGC's proposal of functional allocation for both the CPPMA and the CEMA. The residential rate and the average residential bill are lower with SoCalGas's proposal compared to those of Clean Energy and SCGC. With any of the proposals, SoCalGas's and SDG&E's rates for Natural Gas Vehicle (NGV), Electric Generation (EG), and Transmission Level Service (TLS) are impacted. For each of these three customer classes, a single common rate is developed for both SDG&E and SoCalGas.[17] Also, SDG&E is a wholesale customer of SoCalGas and the costs allocated to SDG&E are included in SDG&E's rates.

In Table 1, a 12-month amortization is assumed for comparison. Clean Energy recommends that "…the Commission should order SoCalGas to recover authorized CEMA and CPPMA costs over a two-year period."[18] SoCalGas disagrees. SoCalGas is normally authorized to amortize revenue requirement over a 12-month period, as has been approved in General Rate Cases and past cost recovery filings.[19] This is also consistent with the most recent approval granted to Southern California Edison to amortize its $128 million CEMA revenue requirement and $5 million Wildfire Expense Memorandum Account (WEMA) revenue requirement over a 12-month period.[20] SoCalGas finds it reasonable to amortize its CEMA and CPPMA revenue requirement of $57.3 million over a 12-month period.

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16 SoCalGas Preliminary Statement Part V – Residential Uncollectible Balancing Account, *available at*: https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_RUBA.pdf.

17 NGV, EG, and TLS rates are slightly different between the SoCalGas and SDG&E due to different California Solar Initiative Thermal Memo Account (CSITMA), Greenhouse Gas (GHG) and California Air Resource Board (CARB) adders and FF&U.

18 Clean Energy Testimony, p. 3.

19 *See:* D.22-08-011 (adopting recovery of costs recorded in SoCalGas's Storage Integrity Management Program Balancing Account (SIMPBA)).

20 *See:* D.23-11-089.

Table 1
Illustrative Transportation Rates
$/therm except as noted

Transportation	08/01/2023 Rates	SoCalGas Proposal	Clean Energy Proposal*	SCGC Proposal
SoCalGas Summary				
Core Rates				
Residential	$1.144	$1.150	$1.162	$1.159
Core Commercial & Industrial (C&I)	$0.628	$0.634	$0.637	$0.636
Natural Gas Vehicle (NGV) (uncompressed)	$0.310	$0.316	$0.313	$0.312
NonCore Distribution Level Service Rates				
NonCore C&I Distribution Tier 1	$0.427	$0.433	$0.432	$0.429
NonCore C&I Distribution Tier 2	$0.309	$0.316	$0.313	$0.311
NonCore C&I Distribution Tier 3	$0.234	$0.241	$0.237	$0.236
NonCore C&I Distribution Tier 4	$0.181	$0.187	$0.182	$0.183
Electric Generation (EG)-Distribution - Tier 1 w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders	$0.321	$0.328	$0.324	$0.324
EG-Distribution - Tier 2 w/carb, GHG	$0.229	$0.235	$0.231	$0.231
NonCore Transmission Level Service (TLS) Rates				
TLS-C&I Class Average (CA) Rate (w/California Solar Initiative Thermal Program Memo Account (csitma), carb, GHG)	$0.154	$0.160	$0.155	$0.155
TLS-EG CA Rate (w/carb and GHG adders)	$0.154	$0.160	$0.155	$0.155
Backbone Transmission Service (BTS)$/dth/day	$0.549	$0.549	$0.549	$0.559
System Average Rate w/BTS $/therm	$0.474	$0.481	$0.481	$0.481
Rates Revenue Requirement $ millions	$4,338	$4,395	$4,395	$4,395
Residential Non-CARE class average bill $/month	*$69.75*	*$69.97*	*$70.38*	*$70.33*

SDG&E

Transportation	08/01/2023 Rates	SoCalGas Proposal	Clean Energy Proposal*	SCGC Proposal
Core Rates				
Residential	$1.651	$1.657	$1.652	$1.652
Core C&I	$0.680	$0.687	$0.682	$0.681
NGV (uncompressed) $/therm	$0.303	$0.309	$0.306	$0.305
NonCore Distribution Level Service Rates				
NonCore C&I Distribution	$0.290	$0.297	$0.291	$0.291
EG-Distribution - Tier 1 w/carb, GHG	$0.314	$0.321	$0.317	$0.317
EG-Distribution - Tier 2 w/carb, GHG	$0.222	$0.228	$0.223	$0.223

NonCore Transmission Level Service Rates				
TLS-C&I CA Rate (w/ csitma, carb, GHG)	$0.144	$0.151	$0.145	$0.145
TLS-EG CA Rate (w/carb and GHG adders)	$0.144	$0.151	$0.145	$0.145
System Average Rate	$0.634	$0.641	$0.636	$0.635
Rates Revenue Requirement $ millions	$704	$711	$705	$705
Residential Non-CARE class average bill $/month	*$58.07*	*$58.22*	*$58.10*	*$58.11*

*Clean Energy's proposal with 12-month amortization, based on Clean Energy Data Request 2.

VI. CONCLUSION

SoCalGas's proposal for ECPT cost allocation of its CEMA and CPPMA is reasonable and should be adopted.

This concludes my rebuttal testimony.