

Application: A.20-11-XXX

Witness: R. Austria, A. Duran, K. Bohannon

Chapter: 2

**PREPARED DIRECT TESTIMONY OF  
REGINALD AUSTRIA, ARMANDO DURAN, AND KASEY BOHANNON  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY, SAN DIEGO GAS &  
ELECTRIC COMPANY, PACIFIC GAS AND ELECTRIC COMPANY, AND  
SOUTHWEST GAS CORPORATION**

**(COST RECOVERY)**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

November 2020

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**CHAPTER 2**  
**PREPARED DIRECT TESTIMONY OF REGINALD AUSTRIA,**  
**ARMANDO DURAN AND KASEY BOHANNON**  
**(Cost Recovery)**

**I. PURPOSE**

The purpose of this chapter is to present Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southwest Gas Corporation's (Southwest Gas) cost recovery proposal related to: 1) accounting treatment and recovery of costs associated with SoCalGas's and SDG&E's Hydrogen Blending Demonstration Program (Demonstration Program) as described in Chapter 3, Direct Testimony of Hilary Petrizzo, and for incremental costs incurred by PG&E and Southwest Gas in connection with the development and implementation of a hydrogen injection standard in accordance with the requirements of Phase 4 of Rulemaking (R.) 13-02-008; and 2) the requests of SoCalGas, SDG&E, PG&E and Southwest Gas to establish memorandum accounts.

**II. SOCALGAS AND SDG&E COST RECOVERY**

**A. Establishment of Hydrogen Blending Demonstration Program Memorandum Account**

SoCalGas and SDG&E propose to establish the Hydrogen Blending Demonstration Program Memorandum Account (HBDPMA). The HBDPMA will be an interest-bearing memorandum account recorded on SoCalGas's and SDG&E's financial statements. The HBDPMA will record the incremental operations and maintenance (O&M) and capital-related costs (e.g. depreciation, return, and taxes), including applicable incremental overhead costs<sup>1</sup>, associated with the Demonstration Program. Actual costs may include other components required to support the investment during the construction period, such as allowance for funds used during construction (AFUDC) and capitalized property taxes associated with capital expenditures. Costs recorded to the HBDPMA may also include other costs including, but not limited to, mitigative measures (e.g., upgrades, replacements or retrofits) which may be incurred in the future. Discussion and detail of the Demonstration Program are described in Chapter 3,

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<sup>1</sup> Overhead rates are applied to each direct cost input, consistent with its classification as company labor, contract labor or purchased services and materials.

1 Direct Testimony of Hilary Petrizzo. SoCalGas and SDG&E request to establish their respective  
2 memorandum accounts and to make them effective as of the filing date of this Application.  
3 These memorandum accounts will preserve SoCalGas’s and SDG&E’s ability to demonstrate the  
4 reasonableness of the costs incurred and request cost recovery of these costs in a future  
5 application. As explained in the Application, SoCalGas and SDG&E are requesting the  
6 HBDPMA include costs incurred as of the filing of the Application, in order to provide some  
7 clarity on cost recovery based on the utilities’ direction with respect to the Demonstration  
8 Program.

9 **B. Disposition of HBDPMA Balance**

10 The balance of the HBDPMA will be addressed in SoCalGas’s and SDG&E’s next  
11 general rate case or other proceeding designated by the Commission. Pro forma preliminary  
12 statements of SoCalGas’s and SDG&E’s proposed HBDPMAs are included in Attachment 1 and  
13 2, respectively, to this testimony.

14 **III. PG&E AND SOUTHWEST GAS COST RECOVERY**

15 **A. PG&E and Southwest Gas Renewable Hydrogen Memorandum Accounts**

16 PG&E and Southwest Gas request that the Commission authorize PG&E and Southwest  
17 Gas to establish Renewable Hydrogen Memorandum Accounts (RHMA) effective as of the filing  
18 date of this Application to record any incremental costs PG&E and Southwest Gas may incur in  
19 connection with the development and implementation of a Preliminary Renewable Hydrogen  
20 Injection Standard in accordance with the requirements of Phase 4 of R. 13-02-008.<sup>2</sup> PG&E’s  
21 and Southwest Gas’s request to establish their respective memorandum accounts and to make  
22 them effective as of the filing date of this Application is consistent with past Commission  
23 decisions.<sup>3</sup>

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<sup>2</sup> On November 21, 2019, the Assigned Commissioner issued a Scoping Memo and Ruling Opening Phase 4 of R.13-02-008. This Scoping Memo directed PG&E and the other utilities to file an application within one year to establish a Preliminary Renewable Hydrogen Injection Standard.

<sup>3</sup> Application of S. California Edison Co. (U338e) for Approval of Its Grid Safety & Resiliency Program., D.19-01-019, at 10 (Jan. 10, 2019), Conclusions of Law (COLs) 1, 3 (authorizing the establishment of a memorandum account as of the application’s filing date); Application of S. California Edison Co. (U338e) to Establish the Wildfire Expense Memorandum Account., D.18-11-051, at 10 (Nov. 29, 2018), COLs 1, 2 (authorizing the establishment of a memorandum account as of the application’s filing date); and, Application of P. Gas and Electric Co. for Auth. to Establish the Wildfire Expense Memo. Account. (U39e), D.18-06-029, at 18 (June 21, 2018), COLs 1, 2 (authorizing the establishment of a memorandum account as of the application’s filing date).

1 Memorandum accounts effective on the filing date of the Application are appropriate  
2 because PG&E and Southwest Gas may be required to incur costs related to developing and  
3 implementing a hydrogen injection standard while this Application is still pending. Such costs  
4 may include amounts related to research and development, training, updates to standards,  
5 engineering, equipment upgrades, testing of gas blends or technology, permitting and other  
6 reasonable expenditures to develop and implement a Preliminary Renewable Hydrogen Injection  
7 Standard required by Phase 4 of R.13-02-008 or as otherwise directed by the Commission.

8 PG&E has not requested nor received funding related to developing its hydrogen  
9 injection standard in its 2020 General Rate Case (GRC) or in any other rate case proceeding.  
10 Similarly, Southwest Gas did not include a hydrogen funding request in its 2021 GRC or any  
11 other rate proceeding. As a result, establishing the RHMA is appropriate to track incremental  
12 costs incurred to meet Commission requirements. The memorandum accounts would preserve  
13 PG&E's and Southwest Gas's ability to demonstrate reasonableness of the costs and request cost  
14 recovery in a future application. A pro forma preliminary statement of PG&E's and Southwest  
15 Gas's proposed RHMAs are included in Attachments 3 and 4, respectively, to this testimony.

#### 16 **IV. CONCLUSION**

17 For all of the reasons discussed above, the Utilities request that the Commission adopt  
18 their respective cost recovery proposals and find the request to be just and reasonable.

1 **V. QUALIFICATIONS**

2 **Reginald Austria**

3 My name is Reginald M. Austria. I am employed by SoCalGas and also sponsoring  
4 testimony on behalf of SDG&E. My business address is 555 West Fifth Street, Los Angeles,  
5 California, 90013-1011. I am the Regulatory Accounts Manager of the Regulatory Accounts  
6 group within the Accounting and Finance Department which supports the regulatory accounting  
7 and reporting activities for SoCalGas. I have held my current position since April 1, 2002. I am  
8 responsible for managing SoCalGas's authorized regulatory balancing, tracking and  
9 memorandum accounts. My responsibilities include: implementing regulatory accounting  
10 procedures for compliance with Commission decisions; quantifying and recording the monthly  
11 entries and adjustments to the Commission-authorized regulatory account mechanisms; and  
12 managing the general administration of SoCalGas's authorized regulatory accounts. Prior to  
13 April 1, 2002, I was the Utility Accounting Manager for SoCalGas, in which I had similar  
14 responsibilities to my current duties.

15 I received my Bachelor of Science degree in Accounting from California State  
16 University, Long Beach in 1982. I am a Certified Public Accountant and a member of the  
17 American Institute of Certified Public Accountants and the California Society of Certified Public  
18 Accountants. I began my employment with SoCalGas in 1983 in the Accounting and Finance  
19 Department. I have held various positions of increasing responsibility in Internal Audit, Cost  
20 Accounting, General Accounting, and Utility Regulatory Accounting before assuming my  
21 current position.

22  
23 **Kasey Bohannon**

24 My name is Kasey Bohannon. I am employed by Southwest Gas. My business address is  
25 1600 East Northern Avenue, Phoenix, Arizona 85020. I am a Manager in the Regulation and  
26 Energy Efficiency Department. In my current position am responsible for providing oversight for  
27 all rate changes, tariffs, and regulatory initiatives with a primary focus on Southwest Gas's  
28 Arizona and California rate jurisdictions. I am responsible for managing and providing strategic  
29 direction in the design, development, and administration of Southwest Gas's portfolio of energy  
30 efficiency programs.

1 Prior to joining to Southwest Gas, I was the Rates Manager for EPCOR Water (USA),  
2 Inc. In this role, I lead a team managing the relationships with the Arizona Corporation  
3 Commission, New Mexico Public Utility Commission and the Texas Railroad Commission,  
4 along with setting the strategy behind rate changes / rate cases. In this role, I was accountable  
5 for: compliance and governance, customer service related to rate changes, M&A due diligence,  
6 and cost of service execution. I also worked for Arizona Public Service Company in various  
7 roles of increasing responsibility as a Senior Financial Analyst and Rates and Regulatory  
8 Consultant. I earned a Bachelor of Science in Business Administration in Finance from Northern  
9 Arizona University and a Master of Business Administration with an emphasis in accounting,  
10 from Grand Canyon University.

11  
12 **Armando Duran**

13 My name is Armando Duran. I am employed by PG&E. My business address is 77  
14 Beale Street, San Francisco, California, 94105. I am an Accounting Manager in the Energy  
15 Accounting Department, within the Corporate Accounting organization at PG&E. I have held  
16 my current position since 2013. I am responsible for managing PG&E's authorized regulatory  
17 balancing, tracking and memorandum accounts. My responsibilities include: implementing  
18 regulatory accounting procedures for compliance with Commission decisions; quantifying and  
19 recording the monthly entries and adjustments to the Commission-authorized regulatory account  
20 mechanisms; and managing the general administration of PG&E's authorized regulatory  
21 accounts.

22 I received my Bachelor of Science degree in Business Administration, emphasis in  
23 Accounting, from California State University, Sacramento, in 1985. I earned a Certified Public  
24 Accountant certificate, in the state of California, in 1990. I joined PG&E in 1986, and have held  
25 various positions within Customer Billing, Internal Audit, and the Corporate Accounting  
26 Department. I have over 34 years of regulated utility accounting and regulatory experience from  
27 having held positions of increasing responsibility at PG&E in the Controller's organization.

# ATTACHMENT 1



PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT Sheet 1  
HYDROGEN BLENDING DEMONSTRATION PROGRAM MEMORANDUM ACCOUNT  
(HBDPMA)

1. Purpose

The HBDPMA is an interest-bearing memorandum account that is recorded on the Utility's financial statements. The purpose of the HBDPMA is to record the incremental costs associated Hydrogen Demonstration Program to help inform future higher hydrogen standard. Costs include, but are not limited to, mitigative measures (e.g., upgrades, replacements or retrofits) which may be incurred in the future under this program.

2. Applicability

The HBDPMA shall apply to all customers except those specifically excluded by the Commission.

3. Rates

The HBDPMA shall be applied to rates as described in Section 5 below.

4. Accounting Procedures

SoCalGas shall maintain the HBDPMA by recording entries at the end of each month as follows, net of FF&U, where applicable:

- a. A debit entry equal to the actual operation and maintenance (O&M) costs associated with Hydrogen Blending Demonstration Program;
- b. A debit entry equal to the actual capital-related costs (i.e., depreciation, taxes and return) associated with Hydrogen Blending Demonstration Program; and
- c. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the entries above at a rate equal to 1/12 of the interest rate on three-month nonfinancial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The disposition of the amounts in this account will be addressed in SoCalGas next general rate case or other applicable proceeding.

(Continued)

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.  
DECISION NO.

1P0

ISSUED BY  
**Dan Skopec**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_  
RESOLUTION NO. \_\_\_\_\_

N  
N  
N

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT

Sheet 2

(Continued)

N  
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N

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.  
DECISION NO.

2P0

ISSUED BY

**Dan Skopec**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT

Sheet 2

(Continued)

N  
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N

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.  
DECISION NO.

2P0

ISSUED BY

**Dan Skopec**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

SUBMITTED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_  
RESOLUTION NO. \_\_\_\_\_

# ATTACHMENT 2



**PRELIMINARY STATEMENT**

Sheet 1

V. MEMORANDUM ACCOUNTS  
HYDROGEN BLENDING DEMONSTRATION PROGRAM MEMORANDUM ACCOUNT  
(HBDPMA)

1. Purpose

The HBDPMA is an interest-bearing memorandum account that is recorded on the Utility's financial statements. The purpose of the HBDPMA is to record the incremental costs associated with the Hydrogen Blending Demonstration Program (HBD Program). Costs include, but are not limited to, mitigative measures (e.g., upgrades, replacements or retrofits) which may be incurred in the future under this program.

2. Applicability

The HBDPMA shall apply to all customer classes except for those specifically excluded by the Commission.

3. Rates

The HBDPMA shall be applied to rates as described in Section 5 below.

4. Accounting Procedure

The following entries shall be made to the account each month, net of FF&U, as applicable:

- a) A debit entry equal to the incremental operation and maintenance (O&M) costs associated with the HBD Program;
- b) A debit entry equal to the incremental capital-related costs (i.e., depreciation, taxes and return) associated with the HBD Program;
- c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission, and
- d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month non-financial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

5. Disposition

The disposition of the amounts in this account will be addressed in SDG&E's next General Rate Case (GRC) or other applicable proceeding.

N  
N  
N  
N  
N

# ATTACHMENT 3



**GAS PRELIMINARY STATEMENT PART XX**  
**RENEWABLE HYDROGEN MEMORANDUM ACCOUNT (RHMA)**

(N)  
(N)

XX. RENEWABLE HYDROGEN MEMORANDUM ACCOUNT (RHMA)

(N)

1. **PURPOSE:** The purpose of the Renewable Hydrogen Memorandum Account (RHMA) is to track and record the incremental costs incurred related to developing and implementing a Preliminary Renewable Hydrogen Injection Standard in accordance with the requirements of Phase 4 of Rulemaking (R.) 13-02-008. Such costs may include amounts related to research and development, engineering, equipment upgrades, testing of gas or technology, and other reasonable expenditures to develop and implement a Preliminary Renewable Hydrogen Injection Standard required by R.13-02-008. The RHMA will not include costs recorded and recovered in another account.
2. **APPLICABILITY:** The RHMA will apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Disposition of the balance in the account will be through a General Rate Case (GRC) or other application as authorized by the Commission.
4. **RATES:** The RHMA does not have a separate rate component.
5. **ACCOUNTING PROCEDURE:** The following entries will be made each month, or as applicable:
  - a) A debit entry equal to incremental costs of developing and implementing a Preliminary Renewable Hydrogen Injection Standard including but not limited to amounts related to research and development, engineering, equipment upgrades, permitting, testing of gas or technology;
  - b) A debit or credit entry equal to the capital revenue requirement associated with the actual capital expenditures incurred. Capital-related revenue requirements include depreciation expense, return on rate base at the authorized cost of capital, federal and state income taxes, and property taxes, associated with the capital asset additions;
  - c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and
  - d) An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(N)

(N)

(Continued)

Advice Decision XXXX-G

Issued by  
**Robert S. Kenney**  
Vice President, Regulatory Affairs

Submitted Effective Resolution

November XX, 2020

# ATTACHMENT 4



PRELIMINARY STATEMENT  
(Continued)

36. RENEWABLE HYDROGEN MEMORANDUM ACCOUNT (RHMA)

36A. PURPOSE

The purpose of the Renewable Hydrogen Memorandum Account (RHMA) is to track the incremental costs incurred related to developing and implementing a Preliminary Renewable Hydrogen Injection Standard in accordance with the requirements of Phase 4 of Rulemaking (R.) 13-02-008. Such costs may include amounts related to research and development, engineering, equipment upgrades, testing of gas or technology, and other reasonable expenditures to develop and implement a Preliminary Renewable Hydrogen Injection Standard required by R.13-02-008. The RHMA will not include costs recorded and recovered in another account.

36B. APPLICABILITY

The RHMA will apply to all customer classes, except for those specifically excluded by the Commission.

36C. ACCOUNTING PROCEDURES

The following entries will be made each month, or as applicable:

- a. A debit entry equal to incremental costs of developing and implementing a Preliminary Renewable Hydrogen Injection Standard including, but not limited to, amounts related to research and development, engineering, equipment upgrades, permitting, testing of gas or technology; A debit entry equal to the actual operation and maintenance (O&M) costs and capital-related costs (i.e., depreciation, taxes and return);
- b. A debit or credit entry equal to the capital revenue requirement associated with the actual capital expenditures incurred. Capital-related revenue requirements include depreciation, return on rate base at the authorized cost of capital, federal and state income taxes, and property taxes, associated with the capital asset additions;
- c. An entry to track the transfer of amounts to or from other accounts as approved by the Commission; and
- d. An entry to track interest on the RHMA balance calculated as set forth in Section 12B of this Preliminary Statement.

36D. DISPOSITION

Disposition of the RHMA balance will be through a general rate case or other application as authorized by the Commission.

N  
N