

Company: San Diego Gas and Electric Company (U 902 M),
Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case – Track 3
Application No: A.22-05-015, A.22-05-016
Exhibit No.: SCG_SDG&E-T3-PSEP-03

PREPARED DIRECT TESTIMONY OF
MICHAEL FOSTER
(RATES)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



April 30, 2025

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**PREPARED DIRECT TESTIMONY OF
MICHAEL FOSTER
(RATES)**

I. PURPOSE AND OVERVIEW OF TESTIMONY

The purpose of my direct testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is to provide the gas transportation rate impacts that would result from the amortization of the balances in the Safety Enhancement Capital Cost Balancing Accounts (SECCBAs), and the Safety Enhancement Expense Balancing Accounts (SEEBAs), SoCalGas's PSEP Memorandum Account – Line 44 Subaccount (PSEPMA) and PSEP-Phase 2 Memorandum Account (PSEP-P2MA), and SDG&E's Line 1600 Records Audit Memorandum Account (L1600RAMA).

II. METHODOLOGY TO ALLOCATE PSEP COSTS

Pursuant to Decision (D.) 14-06-007, Pipeline Safety Enhancement Plan (PSEP) costs will be allocated consistent with the existing cost allocation and rate design for SoCalGas and SDG&E and include allocation to the backbone function.¹ D.16-12-063 clarified that the PSEP costs functionalized as high pressure distribution shall be allocated using the existing marginal demand measures for high pressure distribution costs.² As such, SoCalGas and SDG&E propose to allocate the requested PSEP revenue requirement (described below) on a functional basis consistent with D.16-12-063. Table 1 depicts the methods of allocating the PSEP account balances to each function and rate classes.

¹ D.14-06-007 authorized the allocation of safety-related costs. D.14-06-007 at 61 (Ordering Paragraph (OP) 9) ("Safety Enhancement costs will be allocated consistent with the existing cost allocation and rate design for the companies."). In addition, D.14-06-007 ordered allocation of relevant costs to Backbone Transmission Service. *Id.* at 50.

² D.16-12-063 at 59 (Conclusion of Law (COL) 24).

Table 1
Existing Functional Allocation Methods

Function	SoCalGas	SDG&E
Backbone Transmission	100% to the SoCalGas/SDG&E Backbone Transmission Service Rate	100% to the SoCalGas/SDG&E Backbone Transmission Service Rate
Local Transmission	Based on Peak Month Demand by Class on Local Transmission System.	Based on Peak Month Demand by Class on Local Transmission System.
High Pressure Distribution	Based on Peak Month Demand by Class on High Pressure Distribution System.	Based on Peak Month Demand by Class on High Pressure Distribution System.

III. BALANCES TO BE COLLECTED IN GAS TRANSPORTATION RATES

The PSEP revenue requirements requested to be collected in transportation rates have been recorded in several accounts: (1) the memorandum accounts (including PSEPMA, PSEP-P2MA, and L1600RAMA), (2) the SECCBAs, and (3) the SEEBAs. The balances to be amortized in rates amount to \$182.3 million (\$132.2 million at SoCalGas and \$50.1 million at SDG&E), as discussed in the testimony of Sakif Wasif (Exhibit (Ex.) SCG-T3-PSEP-02) and the testimony of Eric Dalton (Ex. SDG&E-T3-PSEP-02).

IV. ALLOCATION OF PSEP COSTS TO FUNCTIONS

The first step in allocating the PSEP balances to transportation rates is the allocation of these costs to the relevant pipeline functions: backbone, local transmission, and high-pressure distribution. To allocate the annual revenue requirement to the functions, the annual revenue requirement is allocated to the designated function that the line provides (e.g., backbone transmission, local transmission, or high-pressure distribution). In instances where revenue requirements were not attributable to a specific line, and, therefore, not to a specific Backbone, Local, or Distribution function, such costs are identified as Non-Functional. A summary of the initial allocation of revenue requirements, without Franchise Fees & Uncollectibles (FF&U), is shown in Tables 2 and 3 below. Revenue requirement, by project, is allocated to the designated function that the line provides (e.g., backbone transmission, local transmission, or high-pressure distribution). The testimony Frank Seres in SoCalGas's 2024 Triennial Cost Allocation

Proceeding (TCAP) contains the functional designation of each pipeline.³ In instances where revenue requirements were not attributable to a specific line, and, therefore, not to a specific Backbone, Local, or Distribution function, such costs are identified as Non-Functional. A summary of the initial allocation of revenue requirements, without Franchise Fees & Uncollectibles (FF&U), is shown in Tables 2 and 3 below.⁴

Table 2
SECCBA⁵ (in \$000s)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$26,951	\$0	\$26,951
Local Transmission	\$25,391	\$0	\$25,391
High Pressure Distribution	\$59,761	\$0	\$59,761
Non-functional	\$404	\$49,865	\$50,269
Total	\$112,507	\$49,865	\$162,372

Table 3
SEEBA/Memorandum Accounts (in \$000s)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$0	\$0	\$0
Local Transmission	\$0	\$0	\$0
High Pressure Distribution	\$13,135	\$0	\$13,135
Non-functional	\$6,603	\$186	\$6,789
Total	\$19,738	\$186	\$19,924

Non-Functional costs, without FF&U, are then allocated evenly amongst the functions as shown in Tables 4 and 5 below.

³ Application (A.) 22-09-015, Prepared Direct Testimony of Frank Seres (Chapter 8) at Appendix F, available at: https://www.socalgas.com/sites/default/files/Chapter_8-Frank_Seres_Embedded_Costs.pdf.

⁴ Pursuant to D.16-12-063, SoCalGas and SDG&E have been authorized 50% interim rate recovery of PSEP revenue requirements, subject to refund, and have previously incorporated revenue requirements associated with this Application into rates (see SoCalGas Advice Letters 6421-G and SDG&E Advice Letters 3383-G). The tables only illustrate the remaining PSEP revenue requirements to be authorized for recovery in this Application.

⁵ Values may not sum to total due to rounding.

Table 4
SECCBA (in \$000s)

Non-Functional Costs Allocated to Functions	SoCalGas Allocation Factor	SoCalGas	SDG&E Allocation Factor	SDG&E	Total
Backbone Transmission	33%	\$135	50%	\$24,933	\$25,067
Local Transmission	33%	\$135	0%	\$0	\$135
High Pressure Distribution	33%	\$135	50%	\$24,933	\$25,067
Total		\$404		\$49,865	\$50,269

Table 5
SEEBA/Memorandum Accounts (in \$000s)

Non-functional costs Allocated to Functions	SoCalGas Allocation Factor	SoCalGas	SDG&E Allocation Factor	SDG&E	Total
Backbone Transmission	33%	\$2,201	50%	\$93	\$2,294
Local Transmission	33%	\$2,201	0%	\$0	\$2,201
High Pressure Distribution	33%	\$2,201	50%	\$93	\$2,294
Total		\$6,603		\$186	\$6,789

A summary of the PSEP costs allocated to each function, including the allocation of Non-Functional costs, but before integration of local transmission costs, without FF&U, is depicted in Tables 6 and 7.

Table 6
SECCBA Allocated to Functions (in \$000s)
(Before System Integration)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$27,085	\$24,933	\$52,018
Local Transmission	\$25,526	\$0	\$25,526
High Pressure Distribution:	\$59,896	\$24,933	\$84,828
Total Pre-integration	\$112,507	\$49,865	\$162,372

Table 7
SEEBA/Memorandum Accounts Allocated to Functions (in \$000s)
(Before System Integration)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$2,201	\$93	\$2,294
Local Transmission	\$2,201	\$0	\$2,201
High Pressure Distribution:	\$15,336	\$93	\$15,429
Total Pre-integration	\$19,738	\$186	\$19,924

In accordance with the existing cost allocation process, the local transmission costs, without FF&U, are integrated between SoCalGas and SDG&E as part of the integration of transmission system costs.⁶ Local transmission integration is shown in Tables 8 and 9 below.

Table 8
SECCBA
Integration of Local Transmission Costs (\$000's)

Local Transmission	SoCalGas	SDG&E	Total
Allocation before integration	\$25,526	\$0	\$25,526
Integration factor	90%	10%	100%
Integrated Local Transmission	\$22,922	\$2,604	\$25,526

Table 9
SEEBA memorandum accounts
Integration of Local Transmission Costs (\$000's)

Local Transmission	SoCalGas	SDG&E	Total
Allocation before integration	\$2,201	\$0	\$2,201
Integration factor	90%	10%	100%
Integrated Local Transmission	\$1,976	\$224	\$2,201

Tables 10 and 11 summarize the allocation of PSEP balances into the functions. These are the revenue requirements, without FF&U, allocated to each function for inclusion in transportation rates and are anticipated to be recovered over a 12-month period.

⁶ This integration is based on splitting local transmission costs by the percentage share of cold-year throughput (90% SoCalGas and 10% SDG&E), similar to the integration of the Integrated Transmission Balance Account (ITBA) based on the TCAP decision, D.16-10-004.

Table 10
SECCBA Allocated to Functions (\$000s)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$27,085	\$24,933	\$52,018
Local Transmission	\$22,922	\$2,604	\$25,526
High Pressure Distribution	\$59,896	\$24,933	\$84,828
Total	\$109,903	\$52,469	\$162,372

Table 11
SEEBA/Memorandum Accounts Allocated to Functions (\$000s)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$2,201	\$93	\$2,294
Local Transmission	\$1,976	\$224	\$2,201
High Pressure Distribution:	\$15,336	\$93	\$15,429
Total	\$19,513	\$410	\$19,924

Finally, Table 12 summarizes the total PSEP costs, without FF&U, for all the accounts combined.

Table 12
Total PSEP Costs Allocated to Functions (\$000s)

Function	SoCalGas	SDG&E	Total
Backbone Transmission	\$29,286	\$25,026	\$54,312
Local Transmission	\$24,899	\$2,828	\$27,727
High Pressure Distribution	\$75,232	\$25,026	\$100,257
Total	\$129,417	\$52,879	\$182,296

V. RATE IMPACT

Applying the allocation methods shown in Table 1 to the functionalized revenue requirement shown in Table 12 results in the proposed transportation rates presented in Table 13 below.⁷ The backbone transmission service rate is for transportation service from receipt points to the SoCalGas City Gate. The other listed transportation rates are for service from SoCalGas City Gate to end-use customers' meters. For core customers of SoCalGas and SDG&E, the backbone transmission service rate is embedded in the gas procurement tariff rate, and the residential bill impact is shown in Table 13.

⁷ The "Illustrative Transportation Rates" table illustrates the potential rate impact of the remaining PSEP revenue requirements to be recovered in this application. Rates include FF&U.

Table 13
Illustrative Transportation Rates

Transportation		Update Year End Jan- 2025 Rates w/CAP and GRC PD 18 month GRCMA February 1, 2025	PSEP Track 3 February 1, 2025	Increase (decrease)	% change
<u>SoCalGas Summary</u>					
<u>Core Rates</u>					
Residential	\$/therm	\$1.479	\$1.505	\$0.026	1.8%
Core Commercial & Industrial (C&I)	\$/therm	\$0.971	\$0.990	\$0.019	1.9%
Natural Gas Vehicle (NGV) (uncompressed)	\$/therm	\$0.408	\$0.420	\$0.012	2.9%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution Tier 1	\$/therm	\$0.634	\$0.648	\$0.014	2.2%
NonCore C&I Distribution Tier 2	\$/therm	\$0.464	\$0.478	\$0.014	2.9%
NonCore C&I Distribution Tier 3	\$/therm	\$0.355	\$0.369	\$0.014	3.8%
NonCore C&I Distribution Tier 4	\$/therm	\$0.278	\$0.291	\$0.014	4.9%
Electric Generation Distribution Tier 1*	\$/therm	\$0.447	\$0.462	\$0.015	3.3%
Electric Generation Distribution Tier 2*	\$/therm	\$0.336	\$0.350	\$0.014	4.2%
<u>NonCore Transmission Level Service (TLS) Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.255	\$0.257	\$0.003	1.0%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.255	\$0.257	\$0.003	1.0%
Backbone Transmission Service (BTS)	\$/dth/day	\$0.733	\$0.796	\$0.063	8.6%
System Average Rate w/BTS	\$/therm	\$0.662	\$0.681	\$0.019	2.8%
Rates Revenue Requirement w/BTS	\$ millions	\$5,499	\$5,656	\$156	1.3%
<i>Residential Non-CARE class average bill</i>	<i>\$/month</i>	<i>\$74.52</i>	<i>\$75.70</i>	<i>\$1.18</i>	<i>1.58%</i>
<i>Residential CARE class average bill</i>	<i>\$/month</i>	<i>\$41.68</i>	<i>\$42.34</i>	<i>\$0.66</i>	<i>1.58%</i>

*w/California Air Resources Board (CARB), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

Transportation		Update Year End Jan- 2025 Rates w/CAP and GRC PD 18 month GRCMA February 1, 2025	PSEP Track 3 February 1, 2025	Increase (decrease)	% change
<u>SDG&E Summary</u>					
<u>Core Rates</u>					
Residential	\$/therm	\$2.137	\$2.208	\$0.070	3.3%
Core C&I	\$/therm	\$0.943	\$0.980	\$0.037	3.9%
NGV (uncompressed) \$/therm	\$/therm	\$0.184	\$0.196	\$0.012	6.5%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution	\$/therm	\$0.407	\$0.425	\$0.018	4.5%
Electric Generation Distribution Tier 1*	\$/therm	\$0.446	\$0.460	\$0.015	3.3%
Electric Generation Distribution Tier 2*	\$/therm	\$0.333	\$0.347	\$0.014	4.3%
<u>NonCore Transmission Level Service Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.251	\$0.254	\$0.003	1.0%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.251	\$0.254	\$0.003	1.0%
System Average Rate	\$/therm	\$0.988	\$1.022	\$0.034	3.5%
Rates Revenue Requirement	\$ millions	\$809	\$838	\$28	1.3%
<i>Residential Non-CARE class average bill</i>	<i>\$/month</i>	<i>\$66.32</i>	<i>\$68.16</i>	<i>\$1.84</i>	<i>2.77%</i>
<i>Residential CARE class average bill</i>	<i>\$/month</i>	<i>\$44.11</i>	<i>\$45.34</i>	<i>\$1.23</i>	<i>2.79%</i>

*w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

1 **VI. CONCLUSION**

2 This concludes my prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Michael Foster. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013-1011.

4 I am employed by SoCalGas as the Rate Design and Demand Forecasting Manager
5 within the CPUC/Federal Energy Regulatory Commission (FERC) Gas Regulatory Affairs
6 Department, which supports gas regulatory activities of both SoCalGas and SDG&E. I have been
7 employed with the Companies since December 2001. I have held my current position managing
8 the rates and demand forecasting groups since February 2023. Previously, I held various
9 positions of increasing responsibility, most recently as a Principal Economic Advisor for the gas
10 Rate Design function for both SoCalGas and SDG&E, from December 2016 through February
11 2023.

12 I received a Bachelor of Arts in Economics from the University of California, Santa
13 Barbara, in 1995 and a Master of Business Administration degree from the Darden School of
14 Business at the University of Virginia in 2000.

15 I have previously testified before the Commission.