

Application: A.25-06-XXX
Exhibit No.: _____
Witness: Jenny Chhuor & Michael W. Foster

**PREPARED DIRECT TESTIMONY OF
JENNY CHHUOR AND MICHAEL W. FOSTER
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY**

**(CHAPTER 6 – REVENUE REQUIREMENT, COST
RECOVERY AND RATES)**

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

June 12, 2025

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**PREPARED DIRECT TESTIMONY OF
JENNY CHHUOR AND MICHAEL W. FOSTER
(REVENUE REQUIREMENT AND RATES)**

I. INTRODUCTION

The purpose of our prepared direct testimony is to present Southern California Gas Company's (SoCalGas) operating and maintenance (O&M) costs incurred during January 2023 through April 2025 and recorded to the Angeles Link Memorandum Account (ALMA)¹ presented for review in this Application. Pursuant to Decision (D.) 22-12-055 (Phase 1 Decision), the purpose of ALMA is to record incremental costs associated with Phase 1 of Angeles Link. SoCalGas is requesting authority to recover a total revenue requirement of \$24.7 million as further described in Section IV below. As discussed below, if the full revenue requirement requested is authorized, the average residential bill would be expected to increase by 11 cents per month for a period of one year, totaling \$1.32.

II. ALMA BALANCE AND REVENUE REQUIREMENT REQUEST FOR RECOVERY

In accordance with the preliminary statement,² the ALMA is an interest-bearing memorandum account with the purpose of recording incremental costs associated with Angeles Link. The Phase 1 Subaccount was created to record costs associated with Phase 1 activities in accordance with the Phase 1 Decision as described in the Testimony of Shirley Arazi and Amy Kitson. SoCalGas recorded \$24.3 million O&M costs to ALMA as of April 30, 2025,³ representing incremental direct costs of \$19.9 million, associated overhead costs of \$2.9 million,

¹ See D.22-12-055. SoCalGas filed Advice Letter 6070-G in compliance with Phase 1 Decision Ordering Paragraph (OP) 2 to establish the ALMA (Phase 1 Decision at 73). See also SoCalGas's Tariff, Preliminary Statement, Part VI, Angeles Link Memorandum Account (ALMA), available at: <https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=618>.

² *Id.*

³ Phase 1 expenditures were incurred from January 2023 through December 2024, with some discrete trailing charges in 2025 as further described in Chapters 1-5. These expenditures form the basis for the revenue requirements requested for rate recovery, as described in this testimony.

and regulatory account interest of \$1.5 million.⁴ Table 1 below illustrates SoCalGas's total ALMA balance and associated revenue requirement of \$24.7 million requested for cost recovery.

Table 1: Total ALMA Balance and Revenue Requirement
As of April 30, 2025
(\$ in millions)

Cost Category	Total
Direct O&M Costs	\$19.93
Overhead Costs	\$3.46
Overhead Exclusions	(\$0.60)
Incremental Loaded Costs	\$22.79
Interest	\$1.50
ALMA Balance	\$24.29
Franchise Fees and Uncollectibles (FF&U) and Other ⁵	\$0.43
Total Revenue Requirement	\$24.72

The incremental O&M expenses associated with these activities consist of both direct costs and adjusted indirect (or overhead) costs where the sum amounts to the fully-loaded cost.⁶ Direct costs are for those activities and services that support a specific project or workstream, such as labor costs, which include salaries of staff employees, and non-labor costs which include, but are not limited to, contract labor and purchased services required for Angeles Link. These costs are charged directly to the ALMA since they are readily identifiable and can be directly traced. Direct costs for ALMA activities are discussed in detail in Chapters 1-5.

Indirect costs or overhead costs are for those activities and services that are associated with direct costs—such as payroll taxes and pension and benefits—which benefit a project but are not directly-charged to the project or workstream. Table 2 below lists the incremental indirect or overhead costs presented for review in this Application.

⁴ Interest is accrued on the average monthly ALMA balance 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 publication.

⁵ FF&U and systemwide adjustments are calculated as part of the rate impacts (see Section IV below).

⁶ In accordance with the Phase 1 Decision OP 3(f) and OP 3(g), SoCalGas was prohibited from recording costs in the ALMA for public outreach and activities related to public officials or legislators (Phase 1 Decision at 74).

Table 2: Overhead Costs
As of April 30, 2025
(\$ in millions)

Overhead Category	Total
Payroll Tax	\$0.38
Vacation and Sick time	\$0.62
Benefits (non-balanced only)	\$0.77
Workers' Compensation	\$0.05
Public Liability / Property Damage	\$0.05
Incentive Compensation Plan	\$0.92
Purchasing	\$0.07
Total Overhead Costs	\$2.86

Because ALMA tracks incremental costs, only incremental overhead loaders are included in this Application for recovery. For example, overheads associated with incremental labor are included since they increase as a result of ALMA activities. The following overheads are allocated to ALMA:

- **Payroll Tax** – represents SoCalGas's portion of required contributions to the state and federal governments for State Unemployment Insurance, Federal Unemployment Insurance, and Federal Retirement and Medical Insurance;
- **Vacation and Sick time** – represents costs paid by SoCalGas for employees' non-productive time, such as vacation and sick days, holidays, and jury duty;
- **Benefits (non-balanced only)**⁷ – represents benefits such as medical and dental;
- **Workers' Compensation**⁸ – represents cost of expected payments to employees for work-related injuries, plus the cost of workers' compensation insurance premiums to cover claims over a certain dollar amount;
- **Public Liability / Property Damage**⁹ – represents the cost of expected payments to third parties for liability and property damage claims submitted to SoCalGas plus the cost of insurance premiums;

⁷ Non-balanced benefits exclude Pension and Post-Retirement Benefits Other Than Pensions (PBOPs) which are subject to separate balancing account treatment.

⁸ Excludes Liability Insurance Premium (LIP) which is subject to separate balancing account treatment.

⁹ Excludes Liability Insurance Premium (LIP) which is subject to separate balancing account treatment.

- **Incentive Compensation Plan** – represents the incentive compensation plan costs paid to employees based on individual and company performance as compared to pre-established goals; and
- **Purchasing** – represents costs related to the procurement activity in obtaining goods and services for SoCalGas.

Interest is recorded to ALMA pursuant to Preliminary Statement, Part I, Section J,¹⁰ where it states interest will accrue monthly to ALMA. The calculation is based on the average monthly ALMA balance at a rate equal to one-twelfth the interest rate on three-month non-financial Commercial Paper for the previous month, as published in the Federal Reserve Statistical Release, H.15.

The under-collected balance in ALMA, FF&U, and other system-wide adjustments comprise the revenue requirement requested for cost recovery, as further discussed below. SoCalGas proposes to true-up the revenue requirement upon the California Public Utilities Commission's (Commission or CPUC) approval of this Application for the following items: 1) accrued regulatory account interest, 2) O&M trailing charges, if applicable, and 3) FF&U subsequent to April 2025 through the date that rates are implemented. SoCalGas will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas.

III. COST ALLOCATION METHODOLOGY

SoCalGas typically utilizes cost allocation methods from two categories – those based on forecast usage or demand for each customer class (e.g., equal cents per therm or ECPT), and those based on cost of service to a customer class (equal percent of authorized margin or EPAM). As described in Chapter 1, and consistent with the Phase 1 Decision, broad cost allocation is appropriate given the broader benefits from the work conducted in Phase 1. This methodology reduces the burden on any one class of customers and recognizes the public interest and benefits received from doing the feasibility work in Phase 1. Broad cost allocation for Phase 1 studies would serve to facilitate and encourage utility investment in feasibility studies for a

¹⁰ See SoCalGas's Tariff, Preliminary Statement, Part I, *available at*: <https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=1>.

1 first-of-its kind decarbonization infrastructure project like Angeles Link while also staying true
2 to cost allocation principles based on benefits to be realized by all ratepayers. Due to these
3 identified and shared benefits, the ECPT allocation methodology that spreads costs equally on a
4 cents per therm basis is the appropriate cost allocation method for Angeles Link Phase 1 costs.
5 This methodology allows for allocated costs to be socialized more in alignment with the cost of
6 gas consumed rather than the costs of gas service (i.e., where the allocation of costs is tied to
7 expenses incurred to serve each customer class). ECPT assigns less proportionate cost to core
8 customers, and particularly residential customers, relative to methodologies based on cost of gas
9 service, supporting affordability through relatively lower residential bill impacts.

10 The Commission has authorized the ECPT method for public goods related programs.
11 For example, SoCalGas uses the ECPT method to allocate California Alternate Rates for Energy
12 (CARE) program costs across customer classes. The CARE program provides energy subsidies
13 to low-income customers and program costs are recovered in the Public Purpose Program
14 Surcharge (PPPS).¹¹ Further, the ECPT method has been used for cost recovery in transportation
15 rates of the balance in the Residential Uncollectible Balancing Account (RUBA).¹² The
16 Commission has also approved ECPT allocation of costs accrued to the System Reliability
17 Memorandum Account, which provides gas system reliability to a subset of SoCalGas customers
18 while spreading costs over all customers on a per therm basis.

19 For illustrative purposes, SoCalGas utilized the demand forecast from the most recently
20 implemented Cost Allocation Proceeding (CAP) decision, D.24-07-009, to determine the
21 potential cost allocation. The actual allocations that will be applied will be determined by the
22 Cost Allocation Decision that is in effect when cost recovery occurs. The current cost allocation
23 is 39.5% to core customers, with 26.3% allocated to the residential class, and 60.5% to non-core
24 customers.

¹¹ See SoCalGas Advice Letter 6393-G for Public Purposes Program Surcharges, *available at*:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4861&flngId=6393-G&flngStatusCd=Approved>

¹² SoCalGas Preliminary Statement – Part V – Balancing Accounts Residential Uncollectible Balancing Account (RUBA), *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=596>.

IV. RATE AND BILL IMPACTS

Table 3 below illustrates current and proposed gas transportation rates by major customer class for recovery of costs associated with Phase 1 of Angeles Link. These rates are derived from the revenue requirement detailed in Table 1, which outlines the total incremental revenue requirement to be included in rates for 2027. Table 3 also illustrates the bill impacts associated with implementing the revenue requirement consistent with ECPT for the costs of Phase 1 of Angeles Link. In 2027, over a period of 12 months, the average residential bill is expected to increase by \$0.11 from \$74.52 to \$74.63.¹³

Both the current and proposed transportation rates reflect the allocation of costs and sales volumes forecast adopted in SoCalGas's CAP decision issued on July 23, 2024.¹⁴

Table 3 illustrates the rate impacts by customer class for both SoCalGas and San Diego Gas and Electric (SDG&E). Specifically, SDG&E rates for Natural Gas Vehicle (NGV), Electric Generation (EG), and Transmission Level Service (TLS) are impacted. Each of these three customer classes shares a single common rate developed for both utilities.¹⁵ Also, SDG&E is a wholesale customer of SoCalGas, and the costs allocated to SDG&E are included in SDG&E's rates.

¹³ Rates include FF&U. The gas procurement tariff and transportation rate used in calculating Residential class average bill is from SoCalGas's Advice letter 6430-G-A, *available at*: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4919&flngId=6430-G-A&flngStatusCd=Effective> effective February 1, 2025. The Update of Public Purpose Surcharge Rate is from Advice Letter 6393-G, *available at*: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4861&flngId=6393-G&flngStatusCd=Approved>

¹⁴ See D.24-07-009.

¹⁵ SoCalGas and SDG&E system wide rates are slightly different due to different California Solar Initiative Thermal Memo Account (CSITMA), Greenhouse Gas (GHG) and California Air Resource Board (CARB) adders and FF&U.

Table 3: Rate Tables					
Illustrative Transportation Rates					
Transportation		Current Rates	Proposed Rates	Increase (decrease)	% change
		2/1/2025	1/1/2027		
<u>SoCalGas Summary</u>					
<u>Core Rates</u>					
Residential	\$/therm	\$1.479	\$1.482	\$0.003	0.2%
Core Commercial & Industrial (C&I)	\$/therm	\$0.971	\$0.974	\$0.003	0.3%
NGV (uncompressed)	\$/therm	\$0.408	\$0.411	\$0.003	0.7%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution Tier 1	\$/therm	\$0.634	\$0.637	\$0.003	0.5%
NonCore C&I Distribution Tier 2	\$/therm	\$0.464	\$0.467	\$0.003	0.6%
NonCore C&I Distribution Tier 3	\$/therm	\$0.355	\$0.358	\$0.003	0.8%
NonCore C&I Distribution Tier 4	\$/therm	\$0.278	\$0.280	\$0.003	1.1%
Electric Generation Distribution Tier 1*	\$/therm	\$0.447	\$0.450	\$0.003	0.7%
Electric Generation Distribution Tier 2*	\$/therm	\$0.336	\$0.339	\$0.003	0.9%
<u>NonCore TLS Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.255	\$0.258	\$0.003	1.2%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.255	\$0.258	\$0.003	1.2%
Backbone Transmission Service (BTS)	\$/dth/day	\$0.733	\$0.733	\$0.000	0.0%
System Average Rate w/BTS	\$/therm	\$0.662	\$0.665	\$0.003	0.4%
Rates Revenue Requirement w/BTS	\$ millions	\$5,499	\$5,524	\$25	0.4%
<i>Residential Non-CARE class average bill using 36 th/month</i>	<i>\$/month</i>	<i>\$74.52</i>	<i>\$74.63</i>	<i>\$0.11</i>	<i>0.15%</i>
<i>Residential CARE class average bill using 26 th/month</i>	<i>\$/month</i>	<i>\$41.68</i>	<i>\$41.74</i>	<i>\$0.06</i>	<i>0.14%</i>
*w/ CARB, GHG adders					

^w/ CSITMA, CARB and GHG adders					
Transportation		Current Rates	Proposed Rates	Increase (decrease)	% change
		2/1/2025	1/1/2027		
<u>SDG&E Summary</u>					
<u>Core Rates</u>					
Residential	\$/therm	\$2.137	\$2.140	\$0.003	0.1%
Core C&I	\$/therm	\$0.943	\$0.947	\$0.003	0.3%
NGV (uncompressed) \$/therm	\$/therm	\$0.184	\$0.187	\$0.003	1.6%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution	\$/therm	\$0.407	\$0.410	\$0.003	0.8%
Electric Generation Distribution Tier 1*	\$/therm	\$0.446	\$0.449	\$0.003	0.7%
Electric Generation Distribution Tier 2*	\$/therm	\$0.333	\$0.336	\$0.003	0.9%
<u>NonCore Transmission Level Service Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.251	\$0.254	\$0.003	1.2%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.251	\$0.254	\$0.003	1.2%
System Average Rate	\$/therm	\$0.988	\$0.991	\$0.003	0.3%
Rates Revenue Requirement	\$ millions	\$809	\$812	\$3	0.3%
<i>Residential Non-CARE class average bill using 24 th/month</i>	<i>\$/month</i>	<i>\$66.32</i>	<i>\$66.39</i>	<i>\$0.07</i>	<i>0.11%</i>
<i>Residential CARE class average bill using 21 th/month</i>	<i>\$/month</i>	<i>\$44.11</i>	<i>\$44.16</i>	<i>\$0.05</i>	<i>0.11%</i>
*w/CARB, GHG adders					
^w/CSITMA, CARB and GHG adders					

1 **V. CONCLUSION**

2 As described in this testimony, SoCalGas requests authorization to collect the total
3 ALMA balance, including total incremental O&M costs and interest, and the associated revenue
4 requirement of \$24.7 million for cost recovery according to the ECPT rate allocation. This
5 concludes our joint prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 **Jenny Chhuor**

3 My name is Jenny Chhuor. My business address is 555 West Fifth Street, Los Angeles,
4 California, 90013-1011. I am employed by SoCalGas as Financial Services Manager in the
5 Accounting and Finance Department. I assumed my current role in 2024 and am responsible for
6 managing the Sundry Billings, New Business Accounting and Affiliate Billing & Costing (ABC)
7 organization where I provide oversight of SoCalGas's monthly financial close processing,
8 overhead pool management, shared services cost center activities and affiliate bills. I have been
9 employed by SoCalGas since 2006 and have held various accounting positions. Previously in
10 Regulatory Accounts, I supported the regulatory accounting and reporting activities for
11 SoCalGas's authorized regulatory balancing, tracking and memorandum accounts, implemented
12 regulatory accounting procedures for compliance with Commission decisions, quantified and
13 recorded the monthly entries and adjustments to the Commission-authorized regulatory account
14 mechanisms, and provided guidance to Regulatory Accounts staff in the general administration
15 of SoCalGas's authorized regulatory accounts. I hold a Bachelor of Science degree in
16 Accounting and minor in Finance from California State University of Los Angeles.

17 I have not previously testified before the Commission.

18 **Michael W. Foster**

19 My name is Michael W. Foster. My business address is 555 West Fifth Street, Los
20 Angeles, California, 90013-1011. I am employed by SoCalGas as the Rate Design and Demand
21 Forecasting Manager within the Gas Regulatory Affairs Department, which supports gas
22 regulatory activities of both SoCalGas and SDG&E. I have been employed with the Sempra
23 Companies since December 2001. I have held my current position managing the rates and
24 demand forecasting groups since February 2023. Previously, I held various positions of
25 increasing responsibility, most recently as a Principal Economic Advisor for the gas Rate Design
26 function for both SoCalGas and SDG&E, from December 2016 through February 2023. I
27 received a Bachelor of Arts degree in Economics from the University of California, Santa
28 Barbara in 1995. I received a Master of Business Administration degree from the Darden School
29 of Business at the University of Virginia, Charlottesville in 2000.

30 I have previously testified before the Commission.