

Application: A.25-07-XXX
Exhibit No: SCG-01
Witness: Jennifer Morris
Chapter: 1

PREPARED DIRECT TESTIMONY OF
JENNIFER MORRIS
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
(CHAPTER 1 - POLICY)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

July 1, 2025

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1 **CHAPTER 1**

2 **PREPARED DIRECT TESTIMONY OF**
3 **JENNIFER MORRIS**
4 **(POLICY)**

5 **I. PURPOSE AND OVERVIEW**

6 The purpose of my prepared direct testimony is to support the Application of Southern
7 California Gas Company (SoCalGas), on behalf of its customers, for Approval of Gas Line
8 Extension Allowances Pursuant to Decision (D.) 22-09-026 (Decision). SoCalGas has identified
9 nine (9) projects consisting exclusively of compressed natural gas (CNG) refueling stations that
10 will dispense 100 percent renewable natural gas (RNG) that meet the three eligibility criteria set
11 forth in D.22-09-026. The estimated total allowance value for the proposed projects is
12 \$6,656,000.¹

13 My testimony provides the background behind gas line extension allowances, the
14 elimination of such allowances, and the application process for limited exceptions as directed in
15 D.22-09-026. I will then present the nine eligible non-residential projects and the estimated
16 allowance amounts for each. I will also discuss the proposed update to the non-residential
17 allowance multiplier per D.22-09-026 and detail how the allowance will be applied.

18 **II. BACKGROUND**

19 On September 15, 2022, the California Public Utilities Commission (Commission or
20 CPUC) issued D.22-09-026 adopting Energy Division's staff proposal to eliminate gas line
21 extension allowances, the 10-year refundable payment option, and the 50 percent discount
22 payment option for all customer classes effective July 1, 2023.² D.22-09-026 established an
23 exception process and directs the gas utilities to file an annual application by July 1st of every
24 year, on behalf of its customers, with the Commission to seek approval for gas line extension
25 allowances for specific, unique non-residential projects that meet the three criteria provided for
26 in the Decision. The three criteria are:

¹ Allowance values are rounded to the nearest thousandth. Allowance values are illustrative estimates and are subject to change.

² D.22-09-026 at 81 (Ordering Paragraph (OP) 1).

- a) The project shows a demonstrable reduction in greenhouse gas emissions;³
- b) The project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill 32 (Pavley, 2016);⁴ and
- c) The project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification.⁵

The Decision also requires that each investor-owned gas utility include an update to the non-residential gas line extension allowance calculations based on the then current methodology (including all inputs used) in its annual filing. Prior to D.22-09-026, non-residential customers seeking gas connection to the SoCalGas system were eligible to receive allowances intended to offset the upfront costs associated with installing gas mains, services, and meters. The allowances were structured to reflect the anticipated future revenue that such customers would contribute toward meeting the gas system's overall revenue requirement, thereby providing a financially neutral or beneficial outcome for existing gas ratepayers. Further discussion regarding the allowance calculation methodology, including an update to the Non-Residential Allowance Net Revenue Multiplier pursuant to Ordering Paragraph (OP) 2 of D.22-09-026, is provided in Part IV of my testimony.

III. OVERVIEW OF SELECTED PROJECTS

To implement the requirements of D.22-09-026, SoCalGas reviewed 81 applications submitted by customers seeking non-residential gas line allowance exceptions between July 2023 and March 2025. Each application was evaluated to determine whether the proposed project substantiated the ability to meet the three eligibility criteria for gas line extension allowances, as set forth in the Decision. Of the 81 applications reviewed, nine projects were identified as meeting the eligibility criteria outlined in the Decision. This filing represents SoCalGas's first Application, on behalf of its customers, seeking Commission approval of gas line extension allowances under D.22-09-026.⁶

³ *Id.* at 82 (OP 2(a)).

⁴ *Id.* at 82 (OP 2(b)).

⁵ *Id.* at 82 (OP 2 (c)).

⁶ SoCalGas did not receive any applications for projects meeting all three criteria prior to the 2024 application deadline and, accordingly, did not submit an application to the Commission in that year.

The selected projects, summarized in Table 1, consist exclusively of RNG refueling stations. As the State of California has ambitious goals for economy-wide decarbonization,⁷ RNG as a direct replacement for fossil natural gas is an important strategy in reducing statewide GHG emissions.⁸ This is consistent with D.22-09-026’s acknowledgement of the environmental benefits of RNG stating that “RNG plays an important role in reducing GHG emissions.”⁹ The Direct Testimony of Jason Legner (Chapter 2) provides further detail on how each RNG refueling project satisfies the three eligibility criteria and “demonstrates the factual basis for the project applicants’ assertions, and confirm[s] that the minimum requirements have been met,” as required by OP 3 of the Decision.

Table 1. - Projects Identified as Meeting Gas Line Allowance Exception Criteria

Project Identifier ¹⁰	Project Category	Estimated Allowance Value ¹¹
A	Renewable Natural Gas Refueling Station	\$103,000
B	Renewable Natural Gas Refueling Station	\$137,000
C	Renewable Natural Gas Refueling Station	\$662,000
D-1	Renewable Natural Gas Refueling Station	\$600,000 ¹²
D-2	Renewable Natural Gas Refueling Station	\$600,000

⁷ CARB, *2022 Scoping Plan for Achieving Carbon Neutrality* (December 2022), available at: <https://ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp-es.pdf>.

⁸ CPUC, *Renewable Gas*, available at: <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/renewable-gas>.

⁹ D.22-09-026 at 55, n.108.

¹⁰ Project identifiers are used in place of project names to preserve customer confidentiality. Project names can be found in the Confidential Version of the Prepared Direct Testimony of Jason Legner (Chapter 2).

¹¹ Allowance values are rounded to the nearest thousandth. Allowance values are illustrative estimates and are subject to change. The detailed allowance calculations can be found in my accompanying workpapers, *see* Exhibit (Ex.) SCG-01-WP.

¹² In accordance with Rule 21, Section E, allowances may not exceed the estimated project costs. If the estimated allowances exceed the estimated project costs, allowance values up to the estimated project cost are provided.

Project Identifier¹⁰	Project Category	Estimated Allowance Value¹¹
E	Renewable Natural Gas Refueling Station	\$1,454,000
F	Renewable Natural Gas Refueling Station	\$2,469,000
G	Renewable Natural Gas Refueling Station	\$288,000
H	Renewable Natural Gas Refueling Station	\$343,000
	TOTAL	\$6,656,000

IV. ALLOWANCE IMPLEMENTATION

Gas line extension allowances are determined based on the net revenue anticipated from the customer, calculated using factors such as equipment load, projected usage, and applicable tariff rates. The allowance amount is derived either by dividing the net revenue by the Cost-of-Service factor or by applying a Non-Residential Allowance Net Revenue Multiplier (Multiplier), as specified in Section C of SoCalGas Rule 20.

For the projects included in this Application, SoCalGas applied the proposed Multiplier of 3.1, as discussed below, to calculate the estimated illustrative allowance for each project. The allowance values presented in this Application are for illustrative purposes, as they are estimates and are subject to change as the projects progress up to and through the final project reconciliation period. As an example, allowances are calculated based on the anticipated revenue from the applicant, which is determined by factors such as equipment load, planned operating schedule, and the tariff under which the applicant is currently or will be served. Variations between estimated and actual equipment usage may result in changes to the final allowance amount determined during the post-installation true-up. However, allowance amounts cannot exceed the actual installed cost of the project.

For those projects initiated prior to July 1, 2023, any approved allowance amount was deducted from the customer's total project cost. If estimated project costs exceeded the estimated allowance, the customer was responsible for the remaining balance at the time of contract execution. Under SoCalGas Rule No. 20, if a customer failed to take service or utilize

1 the contracted load within three (3) years of the ready-to-serve date, a reconciliation bill was
2 issued based on actual revenues generated from installed equipment.¹³

3 With the implementation of D.22-09-026, applicants submitting new applications for gas
4 line extensions on or after July 1, 2023 are required to pay the full estimated cost of the project in
5 advance.¹⁴ If the Commission approves an allowance exception and associated Multiplier for a
6 project, SoCalGas proposes that these allowances—up to the actual project cost—should
7 similarly be applied following the three-year true-up period. This will provide consistency of
8 requiring a true-up process for all customers at 36 months post-installation where actual usage
9 will be compared to contracted equipment usage to determine if a refund or additional payment
10 is required. Applying any approved allowances at the three-year reconciliation period mitigates
11 the risk of over- or under-charging customers and aligns with the cost recovery principles of
12 D.22-09-026 and Resolution G-3598’s requirement that customers pay actual project costs,
13 rather than estimated costs.

14 Accordingly, for the projects approved by the Commission for allowance exceptions,
15 SoCalGas proposes to file a Tier 2 Advice Letter to revise Rule Nos. 20 and 21 to require
16 advance payment of actual project costs for all customers, including those granted allowance
17 exceptions.

18 **V. NON-RESIDENTIAL ALLOWANCE MULTIPLIER UPDATE**

19 OP 2 of D.22-09-026 directs each investor-owned gas utility in its annual filing to include
20 an update to the non-residential gas line extension allowance calculations based on the then
21 current methodology (including all inputs used).¹⁵

22 SoCalGas reviewed the factors used to determine non-residential allowances and
23 identified changes that exceeded the five percent threshold for adjustment according to the
24 methodology authorized by the Commission in D.07-07-019¹⁶ and SoCalGas Rule No. 20,
25 Section H.2. These updates include revised values for both the Multiplier and the Cost-of-
26 Service factor, the latter of which is pending approval in SoCalGas Advice Letter 6483-G.

¹³ SoCalGas Rule No. 20 Gas Main Extensions at Section D.8.a.

¹⁴ SoCalGas Form 3905-D Sample Form Line Extension Contract at Section I.

¹⁵ The cost-of-service factor is pending approval in SoCalGas Advice Letter 6483-G.

¹⁶ D.07-07-019 at 4.

The Multiplier, defined in SoCalGas Rule No. 20, Section I, is used to determine non-residential allowances by applying a revenue-based factor to net revenues from non-residential customers. These net revenues support the cost of line extensions and exclude costs related to fuel, transmission, storage, and other non-extension expenses.

The Multiplier is determined by dividing the total of average allowances per rate class by the total revenue requirement per rate class. This year's calculation reflects updated data from SoCalGas's 2024 General Rate Case (GRC) and Cost Allocation Proceeding (CAP), as outlined in D.24-07-074 and D.24-07-009, respectively, in conjunction with the pending Cost-of-Service factor submitted in SoCalGas Advice Letter 6483-G.

Table 2. - Non-Residential Multiplier Calculation

	Net Revenue \$/customer	Cost of Service Factor	Allowance \$/Customer	Number of Customers/ rate class	Total Allowances/ rate class \$000s	Revenue Requirement in Transportation Rates/ rate class \$000s	Allowance Multiplier per rate class
Core C/I	\$2,424	17.48%	\$13,867	203,022	\$2,815,339	\$855,161	3.3
NGV	\$94,399	17.48%	\$539,981	376	\$203,142	\$79,899	2.5
Gas A/C	\$14,120	17.48%	\$80,768	4	\$323	\$107	3.0
Gas Engine	\$17,993	17.48%	\$102,924	652	\$67,106	\$5,875	11.4
Noncore C/I	\$185,603	17.48%	\$1,061,686	556	\$590,298	\$252,640	2.3
EG Tier 1	\$68,045	17.48%	\$389,234	309	\$120,273	\$31,585	3.8
EG Tier 2	\$703,138	17.48%	\$4,022,097	25	\$100,552	\$33,407	3.0
Non-Residential Multiplier				204,944	\$3,897,034	\$1,258,674	3.1

1 Because this change exceeds the five percent threshold, an adjustment is required as
2 shown in Table 3 below:

3 **Table 3. - Non-Residential Allowance Net Revenue Multiplier Update**

Factor	Current	Updated	% Change	Update Required based on >5% threshold? (Yes/No)
Non-Residential Allowance Multiplier	3.4	3.1	-8.0%	Yes

4 Chapter 1 workpapers further illustrates the methodology underlying the calculations of
5 the non-residential allowances.

6 **VI. CONCLUSION**

7 SoCalGas submits for the Commission's consideration nine customer projects that are
8 eligible for gas extension line allowances. SoCalGas has evaluated these nine projects according
9 to the criteria set forth in D.22-09-026. SoCalGas also proposes to update the non-residential gas
10 line extension allowance calculations consistent with Commission-authorized methodology, and
11 proposes to revise its tariffs to align with the intent of D.22-09-026 and Resolution G-3598 to
12 require advance payment of actual project costs for all customers. The Prepared Joint Direct
13 Testimony of Rae Marie Yu, Maria E. Becerra, and Julia L. Cortez (Chapter 3) further explains
14 revenue requirements and proposed cost recovery. SoCalGas respectfully requests the
15 Commission approve gas line extension allowances for the nine customer projects, the update to
16 the Multiplier of 3.1, and the tariff clarifications resulting from advanced payments.

17 This concludes my prepared direct testimony.

1 **VII. QUALIFICATIONS**

2 My name is Jennifer Morris. I am employed by SoCalGas as a Project Manager III in the
3 Customer Energy Solutions Department. My business address is 555 West Fifth Street, Los
4 Angeles, California, 90013-1011. I received a Bachelor's degree in International Studies with an
5 emphasis in Political Science from the University of California, San Diego and a Master's degree
6 in International Affairs with an emphasis in Energy Policy from Columbia University. At
7 SoCalGas, I have worked in the Customer Programs and Assistance, External Affairs &
8 Environmental Strategy, and Integrity Management Departments. I have not previously testified
9 before the Commission.