

Application: A.25-08-XXX
Exhibit No.: SCG/Lakeside-04
Witness: R. Yu and M. Schmidt-Pines

Application of Southern California Gas
Company (U 904 G) and Lakeside Pipeline
LLC to Initiate Reasonableness Review and
Recovery of Lakeside Maas Energy Works
Dairy Biomethane Pilot Project Costs.

A.25-08-XXX

CHAPTER 4
PREPARED DIRECT TESTIMONY OF
RAE MARIE YU AND MARJORIE SCHMIDT-PINES
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 15, 2025

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**PREPARED DIRECT TESTIMONY OF
MARJORIE SCHMIDT-PINES
(RATES)**

I. PURPOSE AND OVERVIEW OF TESTIMONY

The purpose of our prepared direct testimony on behalf of Southern California Gas Company (SoCalGas) is to present the total revenue requirement request associated with the Lakeside Mass Energy Works Dairy Biomethane Project (Project), corresponding cost allocation method for the Dairy Biomethane Project (DBP) Balancing Account (DBPBA) and DBP Memorandum Account (DBPMA) of SoCalGas, and to present the gas transportation rates and bill impacts that would result from the amortization of the proposed revenue requirement to be recorded to the DBPBA and recorded to the DBPMA.

II. REVENUE REQUIREMENT REQUEST FOR RECOVERY

A. DBPBA

The DBPBA is an interest-bearing balancing account recorded on SoCalGas's financial statements. The purpose of the DBPBA is to record the dairy biomethane project costs associated with biogas collection lines and facilities for treatment, monitoring, metering and compression of biogas before it enters the collection lines. The costs presented in the Prepared Direct Testimony of Daryl Maas (Chapter 2) of \$6.7 million, which is above Lakeside Mass Energy Works SB 1383 Dairy Pilot Project's bid amount, will be recorded to the DBPBA if approved and will be amortized in customers' gas transportation rates in accordance with the DBPBA Preliminary Statement¹ and as described in Section III.

B. DBPMA

The DBPMA is an interest-bearing memorandum account recorded on SoCalGas's financial statements. The purpose of the DBPMA is to record the revenue requirement associated with dairy biomethane project costs for pipeline and other equipment used to deliver gas from a biogas conditioning facility to the point of receipt where the utility receives gas that

¹ SoCalGas, Preliminary Statement - Part V - Balancing Accounts – Dairy Biomethane Project Balancing Account (DBPBA), *available at:*
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=570>.

has been upgraded at a conditioning facility.² In accordance with the DBPMA Preliminary Statement, SoCalGas amortizes the portion of the balance attributable to authorized amounts in connection with SoCalGas’s annual regulatory account balance update advice letter filing. Any amount in excess of authorized is subject to a reasonableness review in SoCalGas’s general rate case. Pursuant to D.24-12-074, SoCalGas discontinued recording interest effective January 1, 2024 on the portion of the DBPMA balance associated with the cost overruns presented for review in this application.³

The Prepared Direct Testimony of Chapter 3 discusses the details of the \$7.8 million of capital expenditures incurred above authorized amounts for Lakeside Pipeline LLC. The total revenue requirement recorded to the DBPMA associated with the Project capital expenditures above authorized is \$3.3 million as of June 30, 2025 and is composed of \$3.2 million of capital revenue requirement (*e.g.*, depreciation, taxes, and return) associated with the capital expenditures presented in Chapter 3 and \$0.1 million of interest recorded from May 2021 through December 2023. The breakdown of the DBPMA balance associated with the Project is shown below in Table RMY-1.

Table RMY-1
DBPMA Balance for Lakeside Pipeline LLC
As of June 30, 2025
(\$ in thousands)

Revenue Requirement Component	Amount
Depreciation	689
Return	1,822
Taxes	684
Total Capital Revenue Requirement	3,195
Interest	87
DBPMA Balance – Lakeside Pipeline LLC	3,282

² SoCalGas, Preliminary Statement - Part VI - Memorandum Accounts – Dairy Biomethane Project Memorandum Account (DBPMA), *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=574>.

³ D.24-12-074 at 1046 (Conclusion of Law (COL) 59), 1096 (Ordering Paragraph (OP) 32).

1 In summary, SoCalGas is requesting approval to recover \$6.7 million that will be
2 recorded to the DBPBA upon approval and \$3.3 million recorded to the DBPMA as of June 30,
3 2025, totaling \$10.0 million. SoCalGas will continue to record on-going capital revenue
4 requirement in the DBPMA until the assets can be incorporated in a future GRC. Upon
5 Commission approval, SoCalGas will true up the total revenue requirement to include the on-
6 going capital revenue requirement and associated interest recorded to the DBPMA until the
7 revenue requirement can be incorporated in SoCalGas's gas transportation rates. SoCalGas also
8 proposes to incorporate the annual revenue requirement associated with the approved project
9 expenditures in connection with its consolidated rate update filing for rates effective January 1 of
10 each year until the assets can be incorporated in a future GRC.

11 **III. GAS RATE AND BILL IMPACTS**

12 SoCalGas recovers the DBPBA using the Equal Percentage of Authorized Margin
13 (EPAM) cost allocation methodology, which is consistent with the allocation of current base
14 margin pursuant to Decision (D.) 24-07-009.

15 Table MSP-1 below shows current and proposed gas transportation rates by major
16 customer class upon recovery of costs associated with the DBPBA and DBPMA. The rates
17 shown assume the actual revenue requirement of approximately \$10.0 million provided in
18 Section II. The backbone transmission service rate is for transportation service from receipt
19 points to SoCalGas City Gate. The other listed transportation rates are for service from
20 SoCalGas City Gate to end-use customers' meters.

21 Table MSP-1 illustrates the rate impacts by customer class for both SoCalGas and San
22 Diego Gas & Electric Company (SDG&E).⁴ SDG&E's rates are impacted due to SoCalGas's
23 Transportation cost. SDG&E's gas rates are also impacted by SoCalGas and SDG&E-wide rates
24 for Natural Gas Vehicle (NGV), Electric Generation (EG) and Transmission Level Service

⁴ Due to the Commission's continuation of shared rate design for certain rate classes pursuant to the Cost Allocation Proceeding Decision, D. 24-07-009. The SoCalGas proposed rate change associated with this Application will also impact certain cost allocations that impact SDG&E rates.

1 (TLS). SoCalGas and SDG&E wide rates imply that, for each of these three customer classes, a
2 single common rate is developed for both SDG&E and SoCalGas.⁵

3 Based on the costs presented in this application, and pending commission approval,
4 SoCalGas will recover the approved costs through gas rates over a 12-month period beginning
5 after approval.

⁵ SoCalGas and SDG&E wide rates are slightly different between the SoCalGas and SDG&E due to different California Solar Initiative Thermal Memo Account (CSITMA), California Air Resource Board (CARB) and Greenhouse Gas (GHG) adders and FF&U.

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2
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Table MSP-1
Illustrative Transportation Rates
(\$/therm, except as noted)

Transportation		Rate Change: July 1, 2025	Rate Change: Mass Energy Diary Biomethane	Increase (decrease)	% change
<u>SoCalGas Summary</u>		-			
<u>Core Rates</u>					
Residential	\$/therm	\$1.463	\$1.466	\$0.003	0.2%
Core Commercial & Industrial (C&I)	\$/therm	\$0.960	\$0.962	\$0.002	0.2%
Natural Gas Vehicle (NGV) (uncompressed)	\$/therm	\$0.401	\$0.402	\$0.001	0.1%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution Tier 1*	\$/therm	\$0.627	\$0.628	\$0.001	0.2%
NonCore C&I Distribution Tier 2*	\$/therm	\$0.457	\$0.458	\$0.001	0.1%
NonCore C&I Distribution Tier 3*	\$/therm	\$0.348	\$0.349	\$0.000	0.1%
NonCore C&I Distribution Tier 4*	\$/therm	\$0.271	\$0.271	\$0.000	0.1%
NCCI-D Class Average	\$/therm	\$0.275	\$0.276	\$0.000	0.2%
Electric Generation Distribution Tier 1*	\$/therm	\$0.440	\$0.441	\$0.001	0.1%
Electric Generation Distribution Tier 2*	\$/therm	\$0.329	\$0.329	\$0.000	0.1%
EG-D Class Average	\$/therm	\$0.263	\$0.263	\$0.000	0.1%
<u>NonCore Transmission Level Service (TLS) Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.248	\$0.248	\$0.000	0.0%
TLS-Electric Gerneration Class Average Rate*	\$/therm	\$0.248	\$0.248	\$0.000	0.0%
Backbone Transmission Service (BTS)	\$/dth/day	\$0.580	\$0.580	\$0.000	0.0%
System Average Rate w/BTS	\$/therm	\$0.637	\$0.638	\$0.001	0.2%
Rates Revenue Requirement w/BTS	\$ millions	\$5,290	\$5,300	\$10	0.2%
Residential Non-CARE class average bill	\$/month	\$73.39	\$73.51	\$0.12	0.16%
Residential CARE class average bill	\$/month	\$41.05	\$41.12	\$0.07	0.17%

*w/California Air Resources Board (CARB), Greenhouse Gas (GHG) adders
 ^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

Transportation		Rate Change: July 1, 2025	Rate Change: Mass Energy Diary Biomethane	Increase (decrease)	% change
<u>SDG&E Summary</u>					
<u>Core Rates</u>					
Residential	\$/therm	\$2.124	\$2.124	\$0.000	0.0%
Core C&I	\$/therm	\$0.933	\$0.933	\$0.000	0.0%
NGV (uncompressed) \$/therm	\$/therm	\$0.177	\$0.178	\$0.001	0.3%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution	\$/therm	\$0.400	\$0.400	\$0.000	0.0%
Electric Generation Distribution Tier 1*	\$/therm	\$0.438	\$0.439	\$0.001	0.1%
Electric Generation Distribution Tier 2*	\$/therm	\$0.326	\$0.327	\$0.000	0.1%
EG-D Class average	\$/therm	\$0.298	\$0.298	\$0.000	0.1%
<u>NonCore Transmission Level Service Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.244	\$0.245	\$0.000	0.0%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.244	\$0.245	\$0.000	0.0%
System Average Rate	\$/therm	\$0.978	\$0.978	\$0.000	0.0%
Rates Revenue Requirement	\$ millions	\$801	\$801	\$0	0.0%
<i>Residential Non-CARE class average bill</i>					
	<i>\$/month</i>	<i>\$65.62</i>	<i>\$65.62</i>	<i>\$0.00</i>	<i>0.00%</i>
<i>Residential CARE class average bill</i>					
	<i>\$/month</i>	<i>\$43.64</i>	<i>\$43.64</i>	<i>\$0.00</i>	<i>0.00%</i>

*w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders
 ^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

IV. CONCLUSION

This concludes our prepared direct testimony.

1 **V. QUALIFICATIONS**

2 My name is Rae Marie Q. Yu. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California 90013-1011. I am currently the Regulatory Accounts
4 Manager of the Regulatory Accounts group within the Accounting and Finance Department. I
5 am responsible for managing SoCalGas's authorized regulatory balancing, memorandum, and
6 tracking accounts. My responsibilities include: implementation of regulatory accounting
7 procedures for compliance with Commission directives; quantifying and recording the monthly
8 entries and adjustments to the Commission-authorized regulatory account mechanisms; and
9 managing the general administration of SoCalGas's authorized regulatory accounts.

10 I received my Bachelor of Science degree in Accounting from San Diego State
11 University in 2007. I am also a Certified Public Accountant. I began my employment with
12 SoCalGas in 2007 in the Accounting and Finance Department where I have held various
13 positions of increasing responsibility in Accounts Payable, Plant Accounting, Business Controls,
14 Regulatory Accounts, Fixed Assets, and Operational Planning before assuming my current
15 position.

16 I have previously testified before the California Public Utilities Commission.

1 My name is Marjorie A. Schmidt-Pines. My business address is 555 West Fifth Street,
2 Los Angeles, California 90013-1011. I am a Senior Principal Regulatory Economic Advisor in
3 the CPUC/FERC Gas Regulatory Affairs Department for SoCalGas and SDG&E as of December
4 2017.

5 I hold a Bachelor of Science degree in Business Administration with an emphasis in
6 Accounting from California State University at Northridge, California. I have been employed by
7 SoCalGas since 1981 and have held positions of increasing responsibilities as an Accountant and
8 Senior Accountant in the Accounting & Finance department, as an Analyst and a Budget
9 Coordinator in the Gas Supply department, as a Market Advisor for the Marketing and Customer
10 Services departments and Principal Regulatory Economic Advisor in the Regulatory Affairs
11 Department.

12 As Senior Principal Regulatory Economic Advisor, I represent the Gas Rate Design
13 Group for both SoCalGas and SDG&E in the role of Project Manager, Senior Analyst and
14 witness in various major regulatory proceedings and filings dealing with allocating authorized
15 revenue requirements to functions and customer rate classes, developing the design of the rate
16 for each class, calculating customer rate changes, and computing the impact on customers'
17 monthly bills.

18 I have previously testified before the Commission.