

Company: Southern California Gas Company (U 904 G)  
Proceeding: 2024 General Rate Case – Track 3  
Application: A.22-05-015/-016 (cons.)  
Exhibit: SCG-T3-PSEP-05

**PREPARED REBUTTAL TESTIMONY OF**  
**SAKIF WASIF**  
**(REVENUE REQUIREMENTS)**

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



August 29, 2025

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**I. INTRODUCTION**

This rebuttal testimony regarding SoCalGas's request for GRC Track 3 PSEP Reasonableness Review addresses the following testimony from other parties:

- Indicated Shippers (IS) as submitted by Brian C. Collins (Exhibit IS-T3-PSEP-001), dated July 14, 2025.

Southern California Gas Company (SoCalGas) proposes to amortize operations and maintenance (O&M) and capital-related revenue requirements recorded in their respective Pipeline Safety Enhancement Plan (PSEP) regulatory accounts over 12 months upon approval of this application. IS claims that O&M expenses in this proceeding are not routine but are escalated to achieve certain milestones on the SoCalGas delivery system, and that SoCalGas should not be entitled to accrued interest.<sup>1</sup> IS appears to misunderstand the standard methodology for recovery of capital and O&M revenue requirements. SoCalGas's recovery proposal is consistent with other proceedings and IS's testimony does not identify any new evidence supporting its arguments for different treatment.

**II. REBUTTAL TO INDICATED SHIPPERS' PROPOSALS**

**A. Amortization Period**

SoCalGas disagrees with IS's recommendation to recover O&M and capital-related costs over three years "[b]ecause these costs were incurred over a 5-year period."<sup>2</sup> The O&M and capital costs presented were incurred under SoCalGas's PSEP project implementation to provide safe and reliable service to customers. It is not reasonable to further delay the recovery of costs that are deemed prudent and reasonable upon review in this proceeding.

The 12-month amortization period is consistent with the amortization of other regulatory accounts filed in connection with SoCalGas's annual regulatory account balance update filing. In addition, under fundamental accounting principles, the cost of an asset is depreciated over its useful life once placed in service. Therefore, the intent of IS's proposal is unclear, given that the

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<sup>1</sup> Direct Testimony of Brian C. Collins on behalf of Indicated Shippers (Exhibit (Ex.) IS-T3-PSEP-001) at 13.

<sup>2</sup> *Id.* at 14.

1 project costs are already being proposed for recovery over the asset's useful life, and SoCalGas  
2 is only requesting recovery of the capital-related costs, namely depreciation, return, and taxes,  
3 that have already been incurred, consistent with standard ratemaking and cost recovery practices.  
4 Adopting a 12-month amortization period for cost recovery also avoids needless compounding of  
5 regulatory account interest charged to customers. Furthermore, approximately 86%, or \$113  
6 million, of the \$132 million revenue requirement requested in this application has already been  
7 recovered as part of the 50% interim cost recovery mechanism, subject to refund per Decision  
8 (D.) 16-08-003 until a Commission decision is rendered in this application. Consistent with the  
9 intent of D.16-08-003, the 50% interim cost recovery already mitigates the issue of rate shock for  
10 customers when these costs are finally reviewed for reasonableness and incorporated into rates.

11 IS also makes the passing assertion that the 12-month recovery proposal was not evident  
12 in SoCalGas's testimony.<sup>3</sup> This is incorrect. Contrary to IS's claim, the 12-month amortization  
13 proposal is noted in the direct testimony of both Sakif Wasif<sup>4</sup> and Michael Foster.<sup>5</sup> IS's  
14 characterization of the record is misleading and does not reflect the content of the submitted  
15 testimonies.

16 Again, the 12-month amortization period is consistent with the amortization of other  
17 regulatory accounts filed in connection with SoCalGas's annual regulatory account balance  
18 update filing. It is also consistent with the recovery of capital-related costs previously approved  
19 by the Commission of SoCalGas's Tier 3 advice letter filings for its Transmission Integrity  
20 Management Program (TIMP), Distribution Integrity Management Program (DIMP),<sup>6</sup> and  
21 SoCalGas's 2016 and 2018 PSEP reasonableness review applications.<sup>7</sup> In response to a similar  
22 amortization proposal by IS in SoCalGas's 2018 PSEP reasonableness review application, the  
23 Commission in D.20-08-034 rejected IS's arguments, noting that IS did not cite any persuasive

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<sup>3</sup> *Id.* at 11-12.

<sup>4</sup> Prepared Direct Testimony of Sakif Wasif on behalf of SoCalGas (Revenue Requirements)  
(Ex. SCG-T3-PSEP-02) at SW-7.

<sup>5</sup> Prepared Direct Testimony of Michael Foster on behalf of SoCalGas and SDG&E (Rates)  
(Ex. SCG\_SDG&E-T3-PSEP-03) at MF-5.

<sup>6</sup> SoCalGas TIMP Advice Letter Nos. 6325-G and 6493-G; SoCalGas DIMP Advice Letter No.  
6224-G. SoCalGas advice letters are available at:  
<https://tariffsprd.socalgas.com/scg/filings/content/?utilId=SCG&bookId=GAS&flngStatusCd=Approved>.

<sup>7</sup> Application (A.) 16-09-005, approved by D.19-02-004 and A.18-11-010, approved by D.20-08-034.

1 legal or decision authority in support of its arguments for extending the amortization timelines.<sup>8</sup>  
2 The Commission further affirmed that the 50% interim cost recovery mitigates customer  
3 concerns regarding rate shock.<sup>9</sup> Given this clear precedent and the lack of new justification, IS's  
4 proposal to extend the amortization period in this proceeding should be rejected.

5 **B. Accrual of Regulatory Interest**

6 As stated in the opening testimony of Sakif Wasif, the Preliminary Statements approved  
7 by the CPUC for SEEBA, SECCBA, PSEP-P2MA, and PSEPMA state that each account is  
8 interest-bearing, and SoCalGas will record an entry at the end of each month for interest. In case  
9 of an over-collection in any of these accounts, the balance would be subject to a refund with  
10 interest. Disallowing or suspending interest accrued on under-collected balances associated with  
11 reasonably incurred expenditures would contradict long-standing authorization by the CPUC. In  
12 addition, IS does not provide any substantive reason for not allowing recovery of interest beyond  
13 what the Commission has already stated. IS did not raise any issue with the PSEP showing in  
14 Track 1; IS essentially argues that alleged deficiencies in a record they did not comment on  
15 previously should result in a disallowance.

16 **III. CONCLUSION**

17 IS's recommendation to amortize capital-related costs and O&M expenses over a three-  
18 year period should be rejected. The majority of SoCalGas's request is already subject to a 50%  
19 interim cost recovery mechanism that already mitigates the issue of rate shock for customers. A  
20 twelve-month amortization period is appropriate and consistent with Commission precedent for  
21 similar regulatory accounts. It ensures the timely recovery of prudent and reasonable costs  
22 incurred under SoCalGas's Application. Additionally, IS's recommendation to disallow interest  
23 accrual on these costs is inconsistent with established regulatory practice and is not based on any  
24 new evidence or arguments from IS. The proposed twelve-month amortization with interest  
25 accrual remains the most reasonable and consistent approach.

26 This concludes my prepared rebuttal testimony.

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<sup>8</sup> D.20-08-034 at 23-24.

<sup>9</sup> *Id.*

**APPENDIX A**  
**GLOSSARY OF TERMS**

<b>Acronym</b>	<b>Definition</b>
DIMP	Distribution Integrity Management Program
PSEP	Pipeline Safety Enhancement Plan
PSEPMA	Pipeline Safety Enhancement Plan Memorandum Account
PSEP-P2MA	Pipeline Safety Enhancement Plan Phase 2 Memorandum Account
SECCBA	Safety Enhancement Capital Cost Balancing Accounts
SEEBA	Safety Enhancement Expense Balancing Accounts
SoCalGas	Southern California Gas Company
TIMP	Transmission Integrity Management Program