APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY & SAN DIEGO GAS & ELECTRIC COMPANY FOR AUTHORITY TO REVISE THEIR NATURAL GAS RATES AND IMPLEMENT STORAGE PROPOSALS IN THE 2027 COST ALLOCATION PROCEEDING (A.25-09-014)
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DATED: DECEMBER 10, 2025
SOCALGAS RESPONSE DATED: JANUARY 2, 2026

Question 1.

1. Please provide a copy of the Federal Energy Regulatory Commission (FERC) Form 2 for year-end 2024 (footnote 10, pp. FS-MSP-5).

Response 1.
Please see documents PubAdv-SCG_SDGE-007-MS-01_FERC Form2_SCG.pdf and PubAdv-SCG_SDGE-007-MS-01_FERC Form 1 and 2_SDGE.pdf.


PubAdv-SCG_SDGE-0
07-MS-01_FERC Form


PubAdv-SCG_SDGE-0
07-MS-01_FERC Form

Question 2.

2. What specific non–base margin-related costs were excluded from the total recorded costs for calendar year 2024 (as reported in the FERC Form 2) before determining the plant-in-service, O&M, and A&G expenses used in the embedded cost studies for SCG and SDG&E?

Response 2.
Exclusions broken down by FERC accounts can be found in workpaper provided on November 5, 2025, via Kiteworks, "Ch 8 Seres_Schmidt-Pines_SCG Embedded Cost Model_2027 CAP_v2" in tab "FERC Accounts and Exclusions."

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Question 3.

3. Please explain in detail how SCG and SDG&E ensure that the 2024 recorded costs, used as the starting point for the embedded cost studies, adequately represent the revenue requirement necessary for the 2027–2029 CAP period, particularly in light of rapid changes in demand forecasts.

Response 3.

An embedded cost study is designed to translate recorded FERC/Form 2 data into CAP period revenue requirement. First, consistent with prior Commission direction D.20-02-045 OP 4, to "…use the most recent embedded costs from FERC Form 2" for cost allocation, the study starts with recorded plant, O&M, and A&G by FERC account, and removes all non-base margin costs. These recorded costs reflect GRC authorized programs and investments reflecting current base margin. Second, net recorded costs are covered in CAP period revenue requirements by (a) computing capital related costs, and fully loaded O&M from recorded data. (b) functionalizing costs into customer, distribution, transmission, and storage (c) escalating functional costs, and last reconciling functions costs to the authorized CAP base margin via scaler as described in Chapter 9 (Schmidt-Pines).

Importantly, the demand forecasts do not determine the overall revenue requirement; rather, they are used only to allocate that authorized base margin among customer classes and to convert the class revenue responsibilities into rates using the appropriate marginal demand measures (e.g., customers, peak-day, and peak-month demand).

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Question 4.

4. Since the embedded cost study is based on historical costs, how does continued reliance on fully embedded costing methods reconcile with the Commission's policy of transitioning to a more universal embedded cost approach, especially where the Long Run Marginal Cost (LRMC) study results in certain costs (such as residential capital costs) dropping to zero?

Response 4.

In D.24-07-009, the Commission directed that the next CAP must include "a fully embedded cost study based on 2024 FERC Form 2" and that LRMC be used only as a benchmark for the customer and distribution functions.

The fact that LRMC residential customer capital drops to zero simply reflects the Commission's policy change, which is the elimination of residential line-extension allowances, so that the marginal cost of the next new residential connection is zero (the capital portion), not that existing residential plant assets no longer have to be paid for. Those existing capital assets and related O&M are fully recovered through the embedded cost study, which is exactly why a universal embedded-cost approach is appropriate and why LRMC remains a secondary benchmark rather than a replacement for embedded costing. SoCalGas's and SDG&E's residential cost to service SoCalGas's 6 million customers and SDG&E's 900,000 customers are more accurately shown in historical costs.

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Question 5.

5. What specific affordability metrics (as required by Decision D.20-07-032) were utilized to determine that $150 million was the appropriate size for the non–cost-based Transition Adjustment necessary to minimize near-term volatility?

Response 5.

The affordability metrics were not used in determining the $150 million Transition adjustment. As stated in Chapter 8 (Seres & Schmidt-Pines, at FS-MSP-37) "To minimize near-term volatility and support affordability, particularly for residential customers Applicants propose a Transition Adjustment for this cost allocation period." D.20-07-032 put an emphasis on affordability for the residential customer. The $150 million Transition Adjustment was calculated to ensure the rate increases in the Residential and Core Commercial and Industrial classes are close, as shown in Chapter 12 (Foster) Table MF-1. Prior to the adjustment, the Core Commercial and Industrial rates decreased while the Residential rates substantially increased. As shown in Chapter 8 (Seres & Schmidt-Pines), Table FS-MSP-30, the proposed allocation of base margin is close to the current allocation of base margin for the Residential and Core C/I classes.

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Question 6.

What engineering or operational documentation supports the determination that all of SDG&E's gas transmission pipelines and all compressor stations for both utilities should be classified exclusively as Backbone Transmission facilities?

Response 6.
SoCalGas and SDG&E rely on functional definitions to classify the pipeline in their transmission system. The functional definition for Backbone transmission is: pipelines which receive gas supply from interstate pipelines and local California producers, and redeliver that supply to the local transmission system and storage. To determine the primary function of a particular pipeline, SoCalGas and SDG&E's engineers -- the same engineers responsible for the long-term plan and design of the transmission system -- examined every pipeline in the transmission plant account for both utilities, and used their knowledge of the design, operation, and flow on the SoCalGas and SDG&E system to classify each pipeline. For SDG&E, all of the transmission pipelines are connected in a network to the interstate receipt points. In D.06-04-033, the Commission found that "the Rainbow Corridor and SDG&E's transmission pipelines are expected to provide a backbone transmission function to SoCalGas," and that the transmission costs of those facilities should be allocated on that basis. This functional role has not changed.

For compressor stations, the Commission has already determined their cost functionalization in the 2020 TCAP decision, D.20-02-045. The Commission noted that 100 percent of compressor station plant is assigned to the backbone function.

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Question 7.

7. Please explain how the $116.4 million figure (20% of the combined backbone base) was derived for reallocation from the Backbone Transmission (BBT) function to the Local Transmission (LT) function, and why summer peak-day usage (on which the 20% factor is based) is considered the most appropriate metric for allocating these annual costs.

Response 7.
The $116.4 million is simply 20% of the combined backbone embedded cost and is calculated exactly as described in Chapter 8, (Seres & Schmidt-Pines) Section VIII.B–C and Tables FS-MSP-22A and 22B.

Summer peak-day usage is used because it is the operating condition under which EG facilities, and the backbone assets that directly serve them, are most heavily and consistently utilized. As the testimony explains, summer peak days place the greatest stress on the electric and gas systems and best reveal how much of power-plant gas usage is actually flowing over LT versus BBT facilities; winter conditions, by contrast, are influenced by lower non-EG electricity demand and greater availability of other generation resources. Using summer peak-day EG usage therefore aligns the 20% factor, and the resulting $116.4 million reallocation, with actual cost causation under the system's most critical operating conditions.

Question 8.

8. In the hybrid transmission system illustrated in Figure FS-MSP-19, what safeguards ensure that the BBT assets that provide an LT function are not disproportionately loaded with costs that should be borne by the core Local Transmission system?

Response 8.
Applicants object that the term "safeguards" is vague and ambiguous. Subject to and without waiving the foregoing, Applicants provide the following response: The BB assets identified as also serving an LT function were calculated by SoCalGas to determine the appropriate percentage for both BB and LT. Please refer to Chapter 8 (Seres & Schmidt-Pines) Section VIII. B&C for the methodology on calculating this percentage.

Question 9.

9. How were the Pipeline Safety Enhancement Plan (PSEP) and Transmission Integrity Management Program (TIMP) costs, which are explicitly incorporated into the finalized backbone transmission cost ($77.8 million), functionally allocated across customer classes?

Response 9.
Backbone Transmission (including the PSEP/TIMP component) is functionalized to the BTS rate class, see FS-MSP-28 Table FS-MSP-23. The PSEP costs, outside of Base Margin, are allocated to BTS when costs are incurred for the backbone transmission. TIMPBA is allocated based on total backbone transmission and local transmission costs.

Question 10.

10. How does SCG reconcile the $150 million Transition Adjustment (a non–cost-based allocation) with the stated core principle that allocation methodology must be grounded in cost causation?

Response 10.

This reconciliation falls under the cost allocations principal (3) Minimize Rate Volatility: Strive to keep rates stable and predictable over time as shown on Chapter 8 (Seres & Schmidt-Pines), page FS-MSP-4.

Question 11.

11. What specific methodology is utilized in the Long Run Marginal Cost (LRMC) studies that necessitates scaling SCG marginal costs by 108% to reconcile them with the authorized base margin?

Response 11.
The LRMC and embedded cost studies follow the Commission-approved framework. In D.92-12-058, the Commission stated that "marginal cost revenues need to be scaled to the embedded-based authorized revenue requirement under our ratemaking procedures."

As stated in Chapter 9 (Schmidt-Pines), SoCalGas' LRMC study, page MSP-25, "The scalar is employed to adjust the proposed marginal cost revenues to the base margin, excluding costs directly allocated to the Transmission, Storage, Uncollectible, and NGV Public Access functions. In this CAP, marginal costs are scaled at a rate of 84% in order to reconcile to the base margin of $2,697,933 thousand." This is for SoCalGas' LRMC study.

As stated in Chapter 8 (Seres & Schmidt-Pines), that proposed the full embedded cost study, page FS-MSP-32, "The scalar is employed to adjust the proposed marginal cost revenues to the base margin, excluding costs directly allocated to the Uncollectible, and NGV Public Access functions. In this CAP 2027 SoCalGas marginal costs are scaled at a rate of 108% in order to reconcile to the base margin of $3,860 million.

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Question 12.

12. Please explain how the specific storage allocation percentages were derived for injection (29.8%), withdrawal (32.9%), and inventory (37.3%), and how these percentages align with historical or projected operational capacity needs of the system.

Response 12.

The storage allocation percentages for injection (29.8%), withdrawal (32.9%), and inventory (37.3%) are derived from a bottom-up storage allocation study that assigns each storage FERC account to those three functions based on its engineering role (e.g., wells, lines, common facilities) and how storage labor and expenses are actually charged, with injection and withdrawal shares further informed by relative throughput capacity. Because the allocation is anchored in actual capacity capability and observed labor usage across storage operations, the resulting percentages are aligned with both historical operations and projected operational needs reflected in the 2024 technical assessments. The full derivation, including account-level assignments, intermediate calculations, and labor/capacity support, is provided in Chapter 8 (Seres & Schmidt-Pines), Appendix E and the associated storage allocation and labor workpapers, and parties should consult those materials for the detailed support.

Please see files:

1. PubAdv-SCG_SDGE-007-MS_12_Storage Pct Allocation Study Rational Draft.pdf
2. Pub Adv-SCG_SDGE-007-MS_12_Labor Allocation Draft
3. Pub Adv-SCG_SDGE-007-MS_12_Storage Percent Allocation Study Rational Draft.xls


1. Storage Percent Allocation Study Ratio


2. Labor Allocation Draft.pdf


3. Storage Percent Allocation Summary D

Question 13.

13. Please explain why the cost allocation for Cushion Gas (FERC Account 117.1) is assigned entirely to the withdrawal function, even though the Cushion Gas asset is integral to the overall inventory and operation of the storage reservoir.

Response 13.
Rational is provided in Chapter 8 (Seres & Schmidt-Pines) at FS-MSP Appendix E-3 "FERC Account 117.1- Cushion Gas. The allocation of cushion gas is entirely to withdrawal. The amount of cushion gas in a storage reservoir sets the lower pressure boundary to meet a minimum withdrawal capacity, thus the allocation of 100% to withdrawal". Cushion gas supports withdrawal by maintaining field pressure to allow working gas to be withdrawn at required rates. Without cushion gas, withdrawal operations would be impacted while injection operations would not be impacted.

Question 14.

14. Given the detailed allocation of Storage Embedded Costs (totaling $320.3 million), what analysis supports the allocation of $110.5 million to the Balancing function, including the specific seasonal capacity weights applied?

Response 14.
The $110.5 million assigned to Balancing function is the result of applying the storage capacity allocations from Chapter 1 (Dandridge) see Table MMD-1, and Appendix E to the total Storage Embedded Cost of $320.3 million.

The seasonal weights themselves are grounded in the median summer and winter injection/withdrawal capabilities posted on Envoy for 2024, which Dandridge testifies are representative of expected 2027–2029 capabilities and are chosen specifically to support year-round system balancing.

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Question 15.

15. Why is SCG's marginal cost scaled at 108% to reconcile with the authorized base margin, while SDG&E's marginal cost is scaled at 100%? What factors account for the difference between SCG's calculated marginal cost and its authorized base margin?

Response 15.
SoCalGas and SDG&E have separate studies and have different results. This is an example of the differences between the utilities. For SoCalGas, the scalar is employed to adjust the proposed marginal cost revenues to the base margin, excluding costs directly allocated to the Uncollectible, and NGV Public Access functions. SoCalGas has wholesale customers that are not charged for Uncollectible. SDG&E does not have wholesale customers. For SDG&E, the scalar is employed to adjust the proposed marginal cost revenues to the base margin, excluding costs directly allocated to the NGV Public Access functions.

The difference in scaling factors is a mathematical outcome of reconciling each utility's revenues to its own embedded-cost-based base margin. For SoCalGas, the unscaled revenues are higher than the adjusted base margin, so the results must be scaled down to about 108%. For SDG&E, the unscaled revenues are lower than its adjusted base margin, so the scalar is about 100%.

In both cases, the scalar simply aligns total revenues with each utility's authorized base margin, as required by D.92-12-058. The difference in scalars reflects structural differences between the systems.

Question 16.

16. How are the Uncollectible and NGV Public Access costs, which are excluded from the scalar calculation, ultimately allocated to the specific customer classes shown in the final Base Margin allocation tables (SCG Table FS-MSP-27)?

Response 16.
The Uncollectible are allocated based on the base margin allocation (less NGV compression costs and uncollectible costs) to retail customer classes. Wholesale customers are exempt from paying the uncollectible. The NGV compression (Public Access) costs are allocated to the NGV class.

Question 17.

17. The Residential customer class accounts for the vast majority of SCG's total embedded cost, particularly in the Customer Cost functional category ($1,486,457 thousand). What are the primary cost drivers (e.g., meters, regulators, service lines, or customer support) that contribute most significantly to this allocation?

Response 17.
The primary drivers of the residential customer costs are the capital costs. Operations & Maintenance (O&M) and Administrative & General (A&G) expenses for the service lines, meters and regulators.

Question 18.

18. Please provide any sensitivity analyses or scenario modeling that demonstrate how variations in demand forecasts or cost drivers could affect the embedded cost allocations for the 2027– 2029 CAP period.

Response 18.

The embedded cost studies were prepared using the Commission-approved methodology. SoCalGas and SDG&E did not perform separate sensitivity analyses or alternative scenario modeling for the embedded cost allocations in this CAP.

Question 19.

19. Please explain how SCG and SDG&E plan to monitor and report the impacts of the Transition Adjustment on customer affordability and rate stability over time.

Response 19.

Response 5 describes the purpose and calculation of the Transition Adjustment. The Transition Adjustment ensures affordability for the residential customers over the CAP period of 2027 to 2029. The rate stability is applicable when comparing current rates to proposed rates.

Question 20.

20. If SCG and SDG&E cannot provide the requested information to answer the questions above, state the reason in the response.

Response 20.
Not applicable.