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)
DATA REQUEST SET 7 FROM CAL ADVOCATES – PUBADV-SCG_SDGE-007-MS
DATED: DECEMBER 10, 2025
SOCALGAS RESPONSE DATED: JANUARY 8, 2026-REVISED

Question 3.

1. 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.

Revised 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 converted into revenue requirements by (a) computing capital related (depreciation, return, and taxes) costs and fully loaded O&M from recorded data. (b) functionalizing costs into customer, distribution, transmission, and storage (c) and last reconciling functions costs to the authorized CAP base margin via scaler as described in Chapter 8 (Seres & Schmidt-Pines, Section X).

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).