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 9 FROM CAL ADVOCATES – PUBADV-SCG_SDGE-009-MS
DATED: DECEMBER 10, 2025
SOCALGAS RESPONSE DATED: JANUARY 8, 2026

Question 1.

1. Given that 18–20% of CARE customers—the segment with the most affordable bills—will experience bill increases due to the fixed charge increase, how do SCG and SDG&E ensure that this proposal is consistent with Public Utilities Code Section 451, which requires all charges to be just and reasonable?

Response 1.
SoCalGas's current rate design creates subsidies for the customers who need it the least and paid for by the customers who already have the highest bills.

SoCalGas and SDG&E do not identify a reasonable justification for the current residential rate design that requires residential customers with the highest and least affordable bills to subsidize the bills of other residential customers who would have the lowest and most affordable bills.

SoCalGas's fixed charge proposal in A.25-09-014 is intended to correct this unjust and unreasonable intraclass subsidy.

Question 2.

2. SDG&E proposes to retain the $4 per month residential non-CARE minimum bill through 2029, delaying implementation of a cost-based fixed charge until after electric fixed charges are adopted. What is the estimated amount of fixed residential costs that will remain unrecovered or cross-subsidized by volumetric rates in SDG&E's service territory during the 2027–2029 CAP period due to this deferral?

Response 2.

Because SDG&E is not proposing a change to its residential fixed change, the minimum fixed cost of service was not determined for SDG&E, nor the size of any SDG&E subsidies.

Question 3.

3. Given that SDG&E's proposed 2027–2029 average rates are higher for nearly all customer classes (e.g., Residential: 10.7% increase; Core C&I: 14.4% increase), how do these increases align with the ratemaking goal of minimizing rate volatility?

Response 3.

Residential rates are increasing primarily due to the decrease in forecasted demand. The revenue allocated to the Residential class is decreasing; however, the rate benefit of that decreased revenue allocation is being offset by the forecasted demand decrease. The Core C&I class has both an increase in revenues as a result of the cost studies and decrease in volumes resulting in a higher rate. The average core rate increase is 6.2% while the noncore average rates increase is 4.6%.

Question 4.

4. Since volumetric rates are projected to decrease by over 50% by 2029 due to the fixed charge increase, what analysis demonstrates that this decrease will preserve the conservation price signal for high-usage customers?

Response 4.

High usage residential customers can reasonably be defined as customer who have usage above the baseline limit. For purposes of determining the affordability metric, the Commission has defined essential use customers as a hypothetical customer whose usage is at the baseline limit. It's reasonable to assume that "high usage" customers would be customers who are using volumes above that essential usage level.

As SoCalGas and SDG&E identified in direct testimony, Chapter 12 (Foster), page MF-17, Tables MF-6 and MF-7, the fixed customer charge proposal does not materially change the above baseline rate. Therefore, there is no material change to the conservation price signal for high usage customers.

Question 5.

5. The proposed CARE fixed customer charges ($4 in 2027, $6 in 2028, and $10 in 2029) are set at approximately 50% below the non-CARE fixed charge in 2028 and 2029. Why was the 50% differential chosen, and how does it align with the CARE discount objective, particularly given that the proposal is described as a two-tier income-graduated fixed customer charge consistent with the policy direction of AB 205?

Response 5.

In the 2020 CAP, SoCalGas proposed an increased fixed customer charge for – but no change to – the CARE discount. In the 2020 CAP decision (D. 20-02-045), the Commission expressed concern regarding the bill impacts to low-income, low-usage customers. To address this, applicants proposed a 50% discount for CARE customers in the 2024 CAP and have maintained that proposal in the 2027 CAP.

For the purposes of this proposal, SoCalGas assumes CARE customers to represent the "low income" segment, and non-CARE customers to represent the "non-low income" segment of the two-tier income-graduated proposal.

Question 6.

6. How do the Applicants quantify the long-term benefits of the fixed charge increase as a "no regrets" solution for decarbonization, specifically in mitigating bill impacts for low-income customers under the hypothetical load reduction scenario (50% load and 10% meter decline)?

   Response 6.
   To evaluate the hypothesis of a 50% load reduction and a 10% meter count reduction for the residential class (with all other factors unchanged), two scenarios were developed: (1) fixed charges remain unchanged, and (2) fixed charges are adjusted to $20 for non-CARE customers and $10 for CARE customers.

   Bill impacts compare these two scenarios for CARE customers against the baseline scenarios (no load or meter reduction).

Question 7.

7. Due to the proposed fixed charge increases, SCG's residential submeter credits are projected to fall to $0.00000 in 2028 and 2029. What is the anticipated financial impact of eliminating this credit on master-metered customers, and how will they be compensated for the utility avoided costs outlined in Decision D.04-04-043?

Response 7.

According to D.04-04-043, issued on April 22, 2004, the submeter credit discount is intended to reimburse the MHP owner for the reasonable average cost of providing sub-metered service. However, it may not exceed the average cost that the utility would have incurred in providing comparable services to the tenant directly, which is avoided when the MHP is sub-metered. Public Utilities Code § 739.5 requires sub-metered MHP owners to charge the same rates for electricity and natural gas that would be applicable if the utility served the tenant directly.

Assuming the current $5 per meter per month fixed charge, the master metered customer can in turn charge each of its submetered customers a $5 per meter per month fixed charge. The fixed charge amount is therefore subtracted from the estimation of the "average cost that the utility would have incurred in providing comparable services to the tenant directly." The resulting amount is then converted to a volumetric rate representing the credit owed. However, if the fixed customer charge is set as close to the cost of service as possible, then the master-metered customers are made whole by the collection of the fixed charge alone and would not require any additional credit to meet the objectives of D.04-04-043.

Upon review of the rate models subsequent to the September 30, 2025 filing date, and as part of researching the submeter credit calculation, applicants discovered a potential understatement of the Large Master Meter rates (LMM).

In February 2010, SoCalGas migrated to a new cost allocation and rate calculation model, which modified the calculation of the LMM volumetric rate. Prior to 2010, the revenue allocated for calculation of the LMM volumetric rate included all residential revenue. After and since February 2010, the LMM volumetric rate was based only on revenues associated with the residential fixed customer charge. The LMM volumetric rate should consider all residential revenues, not just those associated with the fixed charge revenue.

Question 8.

8. SCG proposes to eliminate the Gas Air Conditioning (G-AC) tariff and rate. What will be the impact on the three meters currently billed under these rates when they are moved to the applicable Schedule G-10 rates?

Response 8.

Using the three active Gas Air Conditioning (G-AC) accounts—whose combined usage results in an average annual consumption of 50,760 therms—the cost analysis shows that transitioning from the Gas Air Conditioning (G-AC) rate to the Schedule G-10 rate will result in cost savings for the customer. Under the current GN-AC tariff, estimated annual charges are approximately $95,000, compared with about $62,000 under the GN-10 rate.
The primary factor driving this savings is the higher PPPS charge embedded in the G-AC rate compared to the G-10 rate. Therefore, moving these meters to the G-10 schedule is expected to reduce overall annual gas costs.

<u>Question 9.</u>

9. The overall SCG System Total rate (excluding Backbone Transportation Services (BTS)) is projected to increase by 3.6% by 2029, while the SDG&E System Total rate is projected to increase by only 0.1%. What are the primary differences in cost allocation, base margin, or demand forecasts driving this disparity in system-wide rate changes between the two utilities?

Response 9.

One difference driving to this disparity is the following: total system demand forecast goes down for SoCalGas which contributes to the rate increase, while it goes up for SDG&E, which contributes to the rate decrease.

As per CAP Testimony Chapter 11, Seres and Schmidt-Pines, page FS-MSP-36, "For SoCalGas, the difference of $198 million is due to PSEP costs included in Base Margin. For SDG&E, the difference of $15 million is due to PSEP costs included in Base Margin. The PSEP costs are included in the studies and not allocated separately as is in current rates." Since PSEP is now being allocated as part of the base margin, this decreases the revenue allocated to BTS, while increasing the system revenue without BTS for both SoCalGas and SDG&E.

Question 10.

10. Please provide any affordability impact analyses conducted to assess how fixed charge increases will affect CARE versus non-CARE customers across income tiers.

Response 10.
SoCalGas did not conduct any additional analysis across incomes tiers outside of the CARE and non-CARE analysis presented in testimony.

For the purposes of the fixed charge proposal, CARE is considered “low income” and non-CARE is considered “non-low income.” All affordability analysis conducted for these two segments is presented in Chapter 12 and the supporting workpapers.

Question 11.

11. Please explain how SCG and SDG&E plan to monitor and report the effects of fixed charge implementation on conservation behavior, affordability, and equity outcomes during the 2027– 2029 CAP period.

Response 11.

Applicants are not proposing a change to SDG&E's fixed customer charge. Affordability will continue to be monitored at both companies.

As identified above, there is no expected change in conservation behavior as the above-baseline rate for residential class is not materially changing.

Equity, as defined by a reduction in intraclass subsidies provided to those customers with the most affordable bills, will be reviewed with each cost allocation proceeding as the appropriate fixed charge level is recalculated based on the latest costs studies.

Question 12.

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

Response 12.

Not applicable.