

Application: A.26-05-XXX  
Proceeding: \_\_\_\_\_  
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Witness: Various

**CHAPTER 3**  
**PREPARED DIRECT TESTIMONY OF**  
**RAE MARIE YU, MARIA BECERRA, DJ SCOTT,**  
**MARJORIE SCHMIDT-PINES, AND RACHELLE BAEZ**

**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

**May 1, 2026**

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1                   **DIRECT TESTIMONY OF RAE MARIE YU, MARIA BECERRA, DJ SCOTT,**  
2                   **MARJORIE SCHMIDT-PINES, AND RACHELLE BAEZ**

3           **I.       OVERVIEW**

4           This testimony supports the regulatory accounting, cost recovery, revenue requirement  
5 and associated rate and bill impacts for the SAP Migration Program (Program). As discussed in  
6 Chapter 1, the Prepared Direct Testimony of Sara P. Mijares, the Program continues the  
7 migration of the SAP enterprise resource planning platform (ERP or ERP platform) and ERP-  
8 connected systems, shared by Southern California Gas Company (SoCalGas) and San Diego Gas  
9 & Electric Company (SDG&E; with SoCalGas, Joint Utilities), as well as Sempra’s Shared  
10 Services Corporate Center (with Joint Utilities, Enterprise). Phase 2 focuses on migrating ERP-  
11 connected systems that will be obsolete at the end of 2027, including data integration,  
12 governance and compliance, and analytics systems that are critical for promoting reliability and  
13 regulatory adherence. Since the asset associated with this Program is considered a shared asset  
14 and SoCalGas is the primary user of the Enterprise-wide asset, SoCalGas will record this asset  
15 on its books and will bill the appropriate cost allocations based on the number of employees  
16 using the software. Allocations made by SoCalGas to Corporate Center will be reallocated to  
17 SoCalGas, SDG&E, and other Sempra affiliates.

18           The purpose of our testimony is to present Joint Utilities’ proposal related to the: (1)  
19 establishment of the SAP Migration Balancing Account (SAPMBA) for each utility to record the  
20 authorized and actual revenue requirement, (2) forecasted Enterprise-wide revenue requirement  
21 associated with the forecasted cost as described in Chapter 2, the Prepared Direct Testimony of  
22 Gabriel Chong and Dennis Enrique, (3) shared asset cost allocation billings to SDG&E and other  
23 Sempra affiliates, net of Corporate Center reallocations, (4) benefit savings for each utility as  
24 described in Chapter 2, (5) the net revenue requirement for each utility after reflecting the benefit  
25 savings, and (6) resulting rate and bill impacts for SoCalGas and SDG&E.

26           **II.       REGULATORY ACCOUNTING AND COST RECOVERY (RAE MARIE YU)**

27           The Joint Utilities propose to establish a SAPMBA, an interest-bearing two-way  
28 balancing account that would appear on each of the Joint Utilities’ financial statements to record  
29 costs associated with the Program. The projected cost forecasts are described in Chapter 2  
30 testimony. Proposed revenue requirement for inclusion in rates for SoCalGas and SDG&E are  
31 presented in Section III below. The purpose of the SAPMBA is to record the authorized funding

1 approved for recovery in rates and the actual operations and maintenance (O&M) and capital  
2 revenue requirement. The Joint Utilities propose that upon completion of Phase 1B and Phase 2  
3 of the SAP Migration Program, if the total expenditures are less than the authorized  
4 expenditures, the balance will be amortized through a Tier 2 advice letter. Specifically,  
5 SoCalGas's SAPMBA will be amortized in SoCalGas's gas transportation rates through  
6 SoCalGas's annual Regulatory Account Balance Update filing. SDG&E's SAPMBA will be  
7 amortized in SDG&E's gas transportation rates through SDG&E's annual Gas Regulatory  
8 Account Balance Update filing and SDG&E's electric distribution and generation rates through  
9 SDG&E's annual Electric Regulatory Account Balance Update filing. However, if upon the  
10 Program completion, the total expenditures are greater than the authorized expenditures, the Joint  
11 Utilities propose that balances in their respective SAPMBAs will be subject to a reasonableness  
12 review in a future General Rate Case (GRC), or other applicable proceeding.

#### 13 **A. Effective Date of SAPMBA**

14 The projected cost forecasts presented in Chapter 2 for review include Phase 1B activities  
15 that the Joint Utilities must incur prior to the issuance of a final decision for this Application.  
16 These Phase 1B activities were not included in the Joint Utilities' Test Year (TY) 2024 GRC  
17 request. To allow the Joint Utilities to track all the actual Program costs authorized for funding  
18 in this Application in the SAPMBA, the Joint Utilities request that the effective date of the  
19 SAPMBA be as of the filing date of this Application. In addition, the Joint Utilities intend to file  
20 a motion requesting Commission authorization to establish the SAP Migration Memorandum  
21 Account (SAPMMA), an interest-bearing memorandum account, to track the Phase 1B costs in  
22 the interim while these costs are being reviewed through this Application. If approved, the Joint  
23 Utilities propose that the balances recorded to their respective SAPMMA be transferred to their  
24 SAPMBA as part of the Commission's final decision in this proceeding, where it can be tracked  
25 against authorized costs.

### 26 **III. FORECASTED REVENUE REQUIREMENT (MARIA BECERRA, DJ SCOTT)**

27 As the primary user of the shared asset, SoCalGas will record the shared asset on its  
28 records and will bill SDG&E and Corporate Center for their respective allocated share. Table 3-  
29 1 presents the revenue requirement, excluding franchise fees & uncollectibles (FF&U), for each  
30 utility after program costs are allocated and billed and after each utility reflects its associated  
31 benefit savings.

**Table 3-1: Summary of Net Forecasted Revenue Requirement (In Millions)<sup>1</sup>**

	2026	2027	2028	2029	2030	2031	2032	2033-2047	Total
<b>SoCalGas</b>	\$4.8	\$10.2	\$18.6	\$19.8	\$19.9	\$21.9	\$17.5	\$152.8	<b>\$265.5</b>
<b>SDG&amp;E<sup>2</sup></b>	\$3.0	\$6.4	\$11.6	\$12.3	\$12.4	\$12.5	\$9.3	\$70.5	<b>\$137.9</b>

1 The details on calculating the billable revenue requirement, allocating and billing cost to  
2 SDG&E and Corporate Center, and accounting for the benefit savings are explained below in  
3 Section III A-F.

4 **A. Capital and O&M Costs**

5 The total forecasted direct costs for the Program are presented in Chapter 2.<sup>3</sup> Direct costs  
6 are for those activities and services that support a specific project or program, such as labor costs  
7 which include salaries of staff employees, and non-labor costs which include contract labor,  
8 purchased services, and other expenses. These costs are charged directly to the Program since  
9 they are readily identifiable and can be directly traced.

10 Since this proposal includes costs above and beyond those authorized by the California  
11 Public Utilities Commission (Commission or CPUC) in the Joint Utilities' most recent GRC,<sup>4</sup> all  
12 costs associated with this Program are incremental and thus are additive to any currently  
13 authorized levels of revenue requirement.

14 Table 3-2 below summarizes the total direct costs associated with the Program, of which  
15 \$11.9 million is for Phase 1B and \$278.8 million is for Phase 2.

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<sup>1</sup> Subtotals may include rounding differences.

<sup>2</sup> SDG&E's revenue requirement is based on the approved GRC methodology for allocating common accounts. SDG&E is only seeking approval of the CPUC portion of the revenue requirements that are CPUC-jurisdictional, which are presented here. SDG&E will seek recovery of the FERC-jurisdictional portion of the revenue requirements from the FERC.

<sup>3</sup> Chapter 2 at CE-17 (Table 2-5).

<sup>4</sup> Decision (D.) 24-12-074.

**Table 3-2: Total Forecasted Direct Costs (In Millions)<sup>5</sup>**

	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>Total</b>
<b>O&amp;M</b>	\$7.0	\$14.8	\$12.4	\$9.2	\$6.1	\$49.5
<b>Capital</b>	\$0.0	\$78.2	\$69.3	\$58.1	\$35.5	\$241.2
<b>Total Direct Costs</b>	<b>\$7.0</b>	<b>\$93.0</b>	<b>\$81.8</b>	<b>\$67.3</b>	<b>\$41.6</b>	<b>\$290.7</b>

**1. Overhead (Indirects) Allocations:**

Overhead allocations are added to direct costs, consistent with the classification of those costs as company labor, contract labor, or purchased services and materials. Overhead allocations used to develop the revenue requirement for the Program are for illustrative purposes and subject to change. Only overhead allocations considered incremental to the Program are applied in the determination of the revenue requirement.

**2. Escalation Costs:**

Escalation is applied to direct costs to properly account for inflation. The Joint Utilities applied the indices published in S&P Global Insight's 4<sup>th</sup> Quarter 2025 Utility Cost Forecast.<sup>6</sup>

**3. Allowance For Funds Used During Construction (AFUDC):**

SoCalGas is authorized to apply AFUDC rates on capital as it is spent and remains in Construction Work in Progress (CWIP). AFUDC is included as part of the total capital cost of the Program.

Table 3-3 below provides the total enterprise-wide fully loaded and escalated costs, of which \$13.7 million is for Phase 1B and \$334.4 million is for Phase 2:

**Table 3-3: Total Forecasted Costs Loaded & Escalated (In Millions)<sup>7</sup>**

	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>Total</b>
<b>O&amp;M</b>	\$8.2	\$17.5	\$15.2	\$12.6	\$8.5	\$62.0
<b>Capital</b>	\$0.0	\$89.8	\$81.5	\$70.8	\$44.0	\$286.1
<b>Total Fully Loaded &amp; Escalated Costs</b>	<b>\$8.2</b>	<b>\$107.3</b>	<b>\$96.7</b>	<b>\$83.4</b>	<b>\$52.5</b>	<b>\$348.1</b>

<sup>5</sup> Subtotals may include rounding differences.

<sup>6</sup> S&P Global Market Intelligence; Pricing & Purchasing; Copyright © S&P Global Limited, Q4 2025. All rights reserved.

<sup>7</sup> Subtotals may include rounding differences.

1           **B.      Benefit Savings**

2           Each utility has identified potential benefit savings that are expected to be realized after  
3 full implementation of the Program and are discussed in Chapter 2.<sup>8</sup> The annual direct benefits  
4 savings as described in Chapter 2 for SoCalGas and SDG&E are summarized in Table 3-4.

5                   **Table 3-4: Annual Forecasted Direct Benefit Savings (In Millions)<sup>9</sup>**

<b>Annual Benefit Savings (beginning 2031)</b>	<b>Total</b>	<b>Capital</b>	<b>O&amp;M</b>
<b>SoCalGas</b>	<b>\$1.5</b>	\$1.3	\$0.2
<b>SDG&amp;E</b>	<b>\$3.0</b>	\$2.2	\$0.8
<b>Total Benefit Savings</b>	<b>\$4.5</b>	<b>\$3.5</b>	<b>\$1.0</b>

6           These direct benefit savings are fully loaded and escalated as described in Section  
7 III.A.1-2 and in accordance with each utility’s applicable overhead rates. The fully loaded and  
8 escalated O&M and Capital benefits are shown in Table 3-5 and presented for the useful life of  
9 the shared asset as shown in Table 3-6.

10                   **Table 3-5: Total Forecasted Benefit Savings Loaded & Escalated (In Millions)<sup>10</sup>**

	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036- 2047</b>	<b>Total</b>
<b>SoCalGas:</b>							
<b>O&amp;M Benefits</b>	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$5.0	<b>\$7.0</b>
<b>Capital Benefits</b>	\$2.2	\$2.2	\$2.2	\$2.3	\$2.3	\$26.0	<b>\$37.2</b>
<b>SDG&amp;E:</b>							
<b>O&amp;M Benefits<sup>11</sup></b>	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$10.6	<b>\$15.1</b>
<b>Capital Benefits<sup>12</sup></b>	\$2.3	\$2.3	\$2.3	\$2.4	\$2.4	\$ 27.1	<b>\$38.8</b>

<sup>8</sup> Chapter 2 at CE-28-30.

<sup>9</sup> Subtotals may include rounding differences.

<sup>10</sup> Subtotals may include rounding differences.

<sup>11</sup> Benefits are included in this testimony and are allocated based on the approved GRC methodology for allocating common accounts. SDG&E is only seeking approval of the CPUC portion of the benefits and associated revenue requirements that are CPUC-jurisdictional, which are presented here. SDG&E will seek recovery of the FERC-jurisdictional portion of the benefits and associated revenue requirements from the FERC.

<sup>12</sup> *Id.*

1           **C.     Revenue Requirement**

2           The Enterprise-wide revenue requirement includes incremental O&M and capital  
3 expenditures including direct costs, indirect costs (overheads), and escalation.

4           In addition to the fully loaded and escalated incremental O&M and capital costs, as  
5 shown on Table 3-3, the revenue requirement also includes other costs required to support the  
6 investment including working cash, and FF&U. The sections below cover these revenue  
7 requirement components in greater detail.

8                   **1.     Rate Base (Return of Capital)**

9           Rate base is defined as the net investment of property, plant, equipment, and other assets  
10 that SoCalGas has acquired or constructed to provide utility services to its customers.<sup>13</sup> The  
11 annual revenue requirement amount associated with the return of capital is equal to the amount  
12 of capital that is depreciated each year. Consistent with the TY 2024 GRC decision,<sup>14</sup> SoCalGas  
13 utilizes the following useful lives for each asset category presented in Table 3-6. The useful  
14 lives are subject to revision in a future GRC.

15                           **Table 3-6: Capital – FERC Useful Life**

<b>Asset Category (FERC Account)</b>	<b>Useful Life Years</b>
G-303 Cloud Software as a Service (SaaS)	4
G-391 Software Programs	15

16                   **2.     SoCalGas’s Authorized Capital Structure and Rate of Return**

17           SoCalGas’s authorized capital structure is comprised of common equity, long-term debt,  
18 and preferred stock. The Cost of Capital proceeding is the regulatory forum that establishes  
19 SoCalGas’s capital structure and its authorized costs of financing. SoCalGas’s current  
20 authorized rate of return based on its weighted capital structure is 7.52 percent.<sup>15</sup> SoCalGas’s  
21 weighted average rate of return is multiplied by rate base to determine the authorized return  
22 required for the revenue requirement.

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<sup>13</sup> Includes shared assets that are recorded to SoCalGas’s financial records.

<sup>14</sup> D.24-12-074.

<sup>15</sup> Authorized rate of return approved in D.25-12-043.

1 **3. Working Cash**

2 Working cash is a component of rate base that compensates investors for providing funds  
3 committed to operating expenses in advance of receiving associated revenues from the utility’s  
4 customers. It is included as a component of the total revenue requirement.

5 **4. Income Tax and FF&U**

6 The revenue requirement includes costs related to the payment of income taxes, property  
7 taxes, and FF&U. Federal income tax expense is based on the current corporate federal income  
8 tax rate of 21.00 percent. State income tax expense is based on the current California Franchise  
9 Tax rate of 8.84 percent. FF&U rate of 2.1533 percent is consistent with the TY 2024 GRC.<sup>16</sup>  
10 FF&U covers payments made to counties and incorporated cities pursuant to local ordinances  
11 granting right-of-way access, as well as uncollectible expenses incurred by SoCalGas. Table 3-7  
12 below illustrates the forecasted enterprise-wide revenue requirement for the Program.

**Table 3-7: Forecasted Enterprise-wide Revenue Requirement Summary (In Millions)<sup>17</sup>**

	2026	2027	2028	2029	2030	2031	2032	2033-2047	Total
<b>Revenue Requirement</b>	\$8.5	\$18.1	\$33.0	\$35.0	\$35.3	\$41.6	\$35.7	\$344.3	<b>\$551.4</b>

13 The revenue requirement associated with the benefit savings described in Section III.B is  
14 shown separately for each utility in Table 3-9 and Table 3-10.

15 **D. Shared Asset Billing**

16 Shared assets are assets that are on the financial records of one utility but are also used by  
17 other Sempra affiliates. Assets that are used by SoCalGas, SDG&E and/or other Sempra  
18 affiliates (e.g., software programs) are considered shared assets. Assets that are used exclusively  
19 by SDG&E or SoCalGas are not considered shared and are recorded on the financial records for  
20 the specific utility. Shared assets are recorded on the financial records of the utility owner that  
21 receives the most service or use from the asset. For this Program and based on 2026 forecasted  
22 usage, the usage allocation percentages of the assets are determined by the number of employees

<sup>16</sup> FF&U multipliers are calculated consistent with the Commission approved mechanism adopted in the 2024 GRC Decision (D.) 24-12-074.

<sup>17</sup> Subtotals may include rounding differences.

1 and results in 56.1% for SoCalGas, 40.7% for SDG&E, and 3.2% for Corporate Center. Since  
2 SoCalGas is receiving the most use of the Program's assets, the assets are placed on the financial  
3 records of SoCalGas. SoCalGas then bills SDG&E and Corporate Center using allocation  
4 percentages, which are based on the count of the number of employees using the software at each  
5 company. These allocation percentages are reviewed annually and are adjusted as needed. Once  
6 the asset is initially capitalized, it remains on SoCalGas's records even if the utilization factor  
7 changes in the future.

8         Using the revenue requirement shown in Table 3-7 excluding FF&U and subject to  
9 shared asset allocation, SoCalGas bills the shared asset charges (i.e., billable revenue  
10 requirement) for the assets associated with the Program to SDG&E and Corporate Center using  
11 the allocation percentages noted above. When SoCalGas charges are billed to Corporate Center,  
12 the charges are then billed back to SoCalGas, SDG&E, and other Sempra affiliates based on a set  
13 of allocation percentages determined by Corporate Center and consistent with the methodology  
14 approved in the Joint Utilities' recent GRC.<sup>18</sup> For the shared asset cost portion billed to  
15 Corporate Center, a net billing process is applied, and Corporate Center's business unit charge up  
16 (BUCU) rates<sup>19</sup> are used to allocate this initial shared asset cost to SoCalGas, SDG&E, and other  
17 Sempra affiliates. Under this net billing approach, the shared asset allocation percentages are  
18 already embedded in the net allocation rates. Table 3-8 below reflects this net billing approach  
19 that effectively leaves a zero allocation of the Program's shared asset cost to Corporate Center,  
20 with the Corporate Center allocations spread among SoCalGas, SDG&E, and the other Sempra  
21 affiliates.

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<sup>18</sup> D.24-12-074.

<sup>19</sup> See Workpapers Supporting the Prepared Direct Testimony of Rae Marie Yu, Maria Becerra, DJ Scott, Marjorie Schmidt-Pines, and Rachelle Baez.

**Table 3-8: Forecasted Shared Asset Billings to SDG&E and Affiliates, net of Corporate Center Reallocations (In Millions)<sup>20</sup>**

	2026	2027	2028	2029	2030	2031	2032	2033-2047	Total
<b>Billable Revenue Requirement*</b>	<b>\$8.3</b>	<b>\$17.7</b>	<b>\$32.3</b>	<b>\$34.3</b>	<b>\$34.6</b>	<b>\$40.7</b>	<b>\$34.9</b>	<b>\$337.0</b>	<b>\$539.8</b>
<b>SDG&amp;E, Net Billings<sup>21,22</sup></b>	\$3.5	\$7.4	\$13.6	\$14.4	\$14.5	\$17.1	\$14.7	\$141.6	<b>\$226.8</b>
<b>Sempra Affiliates</b>	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.8	<b>\$1.3</b>
<b>SoCalGas Retained</b>	\$4.8	\$10.2	\$18.6	\$19.8	\$19.9	\$23.5	\$20.2	\$194.6	<b>\$311.6</b>

\*Excludes FF&U

The total amount billed out to SDG&E and Sempra affiliates as shown in Table 3-8 above is reflected as Miscellaneous Revenues by SoCalGas and shared asset expense to SDG&E and the other Sempra affiliates.

**E. SoCalGas Forecasted Revenue Requirement, Net of Benefits**

In addition to SoCalGas’s retained portion of the forecasted billable revenue requirement, SoCalGas separately calculates the forecasted revenue requirement (consistent with methodology described in Section III.C) associated with the fully loaded and escalated O&M and Capital benefit savings discussed in Section III.B. SoCalGas’s retained billable revenue requirement is offset by the corresponding forecasted revenue requirement reductions attributable to SoCalGas’s O&M and capital benefit savings, as shown in Table 3-9.

<sup>20</sup> Subtotals may include rounding differences.

<sup>21</sup> Billings are net of Corporate Center’s shared asset chargebacks to SDG&E.

<sup>22</sup> Net billings presented here include CPUC-jurisdictional and FERC-jurisdictional billings for SDG&E. SDG&E will seek recovery of the FERC-jurisdictional portion of the net billings from the FERC.

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**Table 3-9: Net Forecasted Revenue Requirement - SoCalGas (In Millions)<sup>23</sup>**

	2026	2027	2028	2029	2030	2031	2032	2033-2047	Total
<b>SoCalGas Retained<sup>24</sup></b>	\$4.8	\$10.2	\$18.6	\$19.8	\$19.9	\$23.5	\$20.2	\$194.6	\$311.6
Less: O&M Benefits	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.4	\$0.4	\$6.3	\$7.0
Less: Capital Benefits	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$2.3	\$35.6	\$39.1
<b>SoCalGas Revenue Requirement</b>	<b>\$4.8</b>	<b>\$10.2</b>	<b>\$18.6</b>	<b>\$19.8</b>	<b>\$19.9</b>	<b>\$21.9</b>	<b>\$17.5</b>	<b>\$152.8</b>	<b>\$265.5</b>

\*Excludes FF&U

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During the useful life of the assets, the Joint Utilities will record the actual revenue requirement in the approved regulatory accounts for recovery in rates. SoCalGas proposes to recover the revenue requirement for the years 2026 through the current year in rates, beginning January 1 following a decision.<sup>25</sup> SoCalGas will continue to recover ongoing forecasted annual revenue requirements with its January 1 rate changes until it is included in a future GRC. Details of the regulatory accounting treatment of the actual revenue requirement are discussed above in Section II.

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**F. SDG&E Forecasted Revenue Requirement, Net of Benefits**

Similarly, SDG&E separately calculates the forecasted revenue requirement associated with the fully loaded and escalated O&M and capital benefit savings discussed in Section III.B. SDG&E’s net billing revenue requirement is offset by the corresponding revenue requirement reductions attributable to SDG&E’s O&M and capital benefit savings, as shown in Table 3-10. The forecasted revenue requirement reductions were calculated based on SDG&E’s CPUC authorized cost of capital and FF&U. SDG&E’s current authorized rate of return based on its weighted capital structure is 7.41 percent.<sup>26</sup>

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<sup>23</sup> Subtotals may include rounding differences.  
<sup>24</sup> Includes Corporate Center shared asset costs to SoCalGas.  
<sup>25</sup> For example, if a final decision is issued in 2027, SoCalGas will recover the revenue requirement associated with 2026-2028 beginning January 1, 2028.  
<sup>26</sup> Authorized rate of return approved in D.25-12-043.

**Table 3-10: Net Forecasted Revenue Requirement – SDG&E  
(CPUC Portion - In Millions)<sup>27</sup>**

	2026	2027	2028	2029	2030	2031	2032	2033-2047	Total
<b>SDG&amp;E Net Billings<sup>28,29</sup></b>	\$3.0	\$6.4	\$11.6	\$12.3	\$12.4	\$14.6	\$12.5	\$121.1	\$193.9
Less: O&M Benefits <sup>30</sup>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.9	\$0.9	\$13.4	\$15.1
Less: Capital Benefits <sup>31</sup>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$2.4	\$37.2	\$40.9
<b>SDG&amp;E Revenue Requirement</b>	<b>\$3.0</b>	<b>\$6.4</b>	<b>\$11.6</b>	<b>\$12.3</b>	<b>\$12.4</b>	<b>\$12.5</b>	<b>\$9.3</b>	<b>\$70.4</b>	<b>\$137.9</b>

\*Excludes FF&U

During the useful life of the assets, the Joint Utilities will record the actual revenue requirement in the approved regulatory accounts for recovery in rates. SDG&E proposes to recover the CPUC revenue requirement for the years 2026 through the current year in rates, beginning January 1 following a decision.<sup>32</sup> SDG&E will continue to recover ongoing forecasted annual revenue requirements with its January 1 rate changes until it is included in a future GRC. Details of the regulatory accounting treatment of the actual revenue requirement are discussed above in Section II.

<sup>27</sup> Subtotals may include rounding differences.

<sup>28</sup> Billings are net of Corporate Center’s shared asset chargebacks to SDG&E.

<sup>29</sup> SDG&E’s net billings are based on the approved GRC methodology for allocating common accounts. SDG&E is only seeking approval of the CPUC portion of the revenue requirements that are CPUC-jurisdictional, which are presented here. SDG&E will seek recovery of the FERC-jurisdictional portion of the revenue requirements from the FERC.

<sup>30</sup> Benefits are included in this testimony and are allocated based on the approved GRC methodology for allocating common accounts. SDG&E is only seeking approval of the CPUC portion of the benefits and associated revenue requirements that are CPUC-jurisdictional, which are presented here. SDG&E will seek recovery of the FERC-jurisdictional portion of the benefits and associated revenue requirements from the FERC.

<sup>31</sup> *Id.*

<sup>32</sup> For example, if a final decision is issued in 2027, SDG&E will recover the revenue requirement associated with 2026-2028 beginning January 1, 2028.

**G. Avoided Interest Costs**

Approving cost recovery of the proposed revenue requirements in Tables 3-9 and 3-10 above will save customers an estimated \$10.9 million in interest for SoCalGas and \$6.8 million for SDG&E. Tables 3-11 and 3-12 provide an estimate of interest that will accumulate each year on a cumulative under-collected balance if the Joint Utilities are not authorized cost recovery until the Project is completed, including additional time through 2032 to allow for Commission review for reasonableness and issuance of a final decision. Please refer to Chapter 1 for discussion of how the authorization of a concurrent revenue requirement based on the proposed forecast promotes affordability by reducing overall costs, is fair to the utility and ratepayers, and reduces the risk of financial volatility for both ratepayers (by smoothing rate recovery) and the utilities.<sup>33</sup>

**Table 3-11: Estimated Accrued Interest Impact – SoCalGas (In Millions)**

	2026	2027	2028	2029	2030	2031	2032	Total
Forecasted Revenue Requirement	\$4.8	\$10.2	\$18.6	\$19.8	\$19.9	\$21.9	\$17.5	\$112.7
Estimated Interest Impact		\$0.1	\$0.8	\$1.4	\$2.1	\$2.9	\$3.6	\$10.9

**Table 3-12: Estimated Accrued Interest Impact - SDG&E (In Millions)**

	2026	2027	2028	2029	2030	2031	2032	Total
Forecasted Revenue Requirement	\$3.0	\$6.4	\$11.6	\$12.3	\$12.4	\$12.5	\$9.3	\$67.5
Estimated Interest Impact		\$0.1	\$0.5	\$0.9	\$1.3	\$1.8	\$2.2	\$6.8

**IV. SOCALGAS RATES AND BILL IMPACTS (MARJORIE SCHMIDT-PINES)**

Table 3-13 below presents the illustrative gas transportation rate impacts for the year 2028, which is the peak year with the highest annual revenue requirement. The costs are

<sup>33</sup> Chapter 1 at SM-9-10.

1 allocated among customer classes in accordance with the Equal Percentage of Authorized  
 2 Margin (EPAM) allocation methodology, which is in alignment with D.24-07-009. For a typical  
 3 non-CARE residential customer using 35 therms per month, the average gas bill would increase  
 4 by approximately \$0.40, or 0.6% per month in 2028 when compared to current rates. The actual  
 5 impact will vary based on a number of factors, including usage and rate class.

6 **Table 3-13: Illustrative Gas Average Rate Impacts by Customer Class – 2028**

		Mar 3/1/2026	SAP 1/1/2028	Increase (decrease)	% change
<b>Transportation</b>					
<b>SoCalGas Summary</b>					
<u>Core Rates</u>					
Residential	\$/therm	\$1.434	\$1.446	\$0.011	0.8%
Core Commercial & Industrial (C&I)	\$/therm	\$0.905	\$0.911	\$0.007	0.7%
Natural Gas Vehicle (NGV)	\$/therm	\$0.380	\$0.382	\$0.002	0.6%
<u>NonCore Distribution Level Service Rates</u>					
NonCore C&I Distribution Tier 1*	\$/therm	\$0.616	\$0.619	\$0.004	0.6%
NonCore C&I Distribution Tier 2*	\$/therm	\$0.432	\$0.434	\$0.002	0.5%
NonCore C&I Distribution Tier 3*	\$/therm	\$0.314	\$0.315	\$0.001	0.4%
NonCore C&I Distribution Tier 4*	\$/therm	\$0.230	\$0.231	\$0.001	0.2%
NCCI-D Class Average	\$/therm	\$0.279	\$0.280	\$0.001	0.5%
Electric Generation Distribution Tier 1*	\$/therm	\$0.421	\$0.423	\$0.002	0.5%
Electric Generation Distribution Tier 2*	\$/therm	\$0.297	\$0.298	\$0.001	0.4%
EG-D Class Average	\$/therm	\$0.272	\$0.273	\$0.001	0.5%
<u>NonCore Transmission Level Service (TLS) Rates</u>					
TLS-C&I Class Average Rate^	\$/therm	\$0.197	\$0.198	\$0.000	0.2%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.197	\$0.198	\$0.000	0.2%
Backbone Transmission Service (BTS)	\$/dth/day	\$0.896	\$0.896	\$0.000	0.0%
<b>System Average Rate w/BTS</b>	<b>\$/therm</b>	<b>\$0.651</b>	<b>\$0.656</b>	<b>\$0.004</b>	<b>0.6%</b>
<b>Rates Revenue Requirement w/BTS</b>	<b>\$ millions</b>	<b>\$5,412</b>	<b>\$5,447</b>	<b>\$34</b>	<b>0.6%</b>

\*w/California Air Resources Board (CARB), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

V. **SDG&E RATE AND BILL IMPACTS (RACHELLE BAEZ, MARJORIE SCHMIDT-PINES)**

A. **Electric Rates**

SDG&E’s electric revenue requirements would be recovered from its electric distribution rates. Table 3-14 below presents the illustrative electric rate impacts by customer class for the year 2028, which is the peak year with the highest annual revenue requirement. For a typical residential bundled customer using 400 kWh per month, the average monthly electricity bill would increase by approximately \$0.46, or 0.2% in 2028 when compared to current rates.<sup>34</sup> The actual impact will vary based on a number of factors, including usage and pricing plan.

**Table 3-14: Illustrative Electric Rate Impacts by Customer Class – 2028<sup>35</sup>**

<b>Customer Class</b>	<b>Current Rates 4/1/2026 (¢/kWh)</b>	<b>SAP 1/1/2028 (¢/kWh)</b>	<b>Rate Change (¢/kWh)</b>	<b>Percentage Rate Change (%)</b>
Residential	43.9	44.0	0.1	0.3%
Small Commercial	40.3	40.5	0.1	0.3%
Medium Commercial	38.6	38.7	0.1	0.2%
Large Commercial	38.1	38.2	0.1	0.1%
Agriculture	26.3	26.4	0.1	0.2%
Lighting	26.5	26.6	0.0	0.2%
<b>System Total</b>	<b>39.6</b>	<b>39.7</b>	<b>0.1</b>	<b>0.2%</b>

B. **Gas Rates**

Table 3-15 below presents the illustrative gas transportation rate impacts for the year 2028, which is the peak year with the highest annual revenue requirement. The costs are allocated among customer classes in accordance with the Equal Percentage of Authorized Margin (EPAM) cost allocation methodology, which is in alignment with D.24-07-009. For a typical non-CARE residential customer using 24 therms per month, the average gas bill would increase by approximately \$0.54, or 0.8% per month in 2028 when compared to current rates. The actual impact will vary based on a number of factors, including usage and pricing plan.

<sup>34</sup> “Bundled” customers refer to electric customers receiving both delivery and commodity services from SDG&E.

<sup>35</sup> Total bundled electric rates (electric delivery plus electric generation). May not sum due to rounding.

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**Table 3-15: Illustrative Gas Average Rate Impacts by Customer Class – 2028**

		<b>Mar 3/1/2026</b>	<b>SAP 1/1/2028</b>	<b>Increase (decrease)</b>	<b>% change</b>
<b>Transportation</b>					
<b><u>SDG&amp;E Summary</u></b>					
<b><u>Core Rates</u></b>					
Residential	\$/therm	\$2.101	\$2.124	\$0.023	1.1%
Core C&I	\$/therm	\$0.822	\$0.829	\$0.007	0.8%
NGV	\$/therm	\$0.330	\$0.333	\$0.002	0.7%
<b><u>NonCore Distribution Level Service Rates</u></b>					
NonCore C&I Distribution	\$/therm	\$0.387	\$0.389	\$0.002	0.6%
Electric Generation Distribution Tier 1*	\$/therm	\$0.391	\$0.393	\$0.002	0.6%
Electric Generation Distribution Tier 2*	\$/therm	\$0.267	\$0.268	\$0.001	0.4%
EG-D Class average	\$/therm	\$0.279	\$0.280	\$0.002	0.5%
<b><u>NonCore Transmission Level Service Rates</u></b>					
TLS-C&I Class Average Rate^	\$/therm	\$0.166	\$0.167	\$0.000	0.3%
TLS-Electric Generation Class Average Rate*	\$/therm	\$0.166	\$0.167	\$0.000	0.3%
<b>System Average Rate</b>	<b>\$/therm</b>	<b>\$0.946</b>	<b>\$0.955</b>	<b>\$0.010</b>	<b>1.0%</b>
<b>Rates Revenue Requirement</b>	<b>\$ millions</b>	<b>\$775</b>	<b>\$783</b>	<b>\$8</b>	<b>1.0%</b>

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\*w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders

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**VI. CONCLUSION**

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This concludes our prepared direct testimony.

1 **VII. QUALIFICATIONS**

2 **Rae Marie Yu**

3 My name is Rae Marie Yu. I am employed by SoCalGas. My business address is 555  
4 West Fifth Street, Los Angeles, California, 90013-1011. I am currently the Financial Reporting  
5 Manager of the Regulatory Accounts group within the Accounting Department. I am responsible  
6 for managing SoCalGas’s authorized regulatory balancing, memorandum, and tracking accounts.  
7 My responsibilities include: implementation of regulatory accounting procedures for compliance  
8 with Commission directives; quantifying and recording the monthly entries and adjustments to  
9 the Commission-authorized regulatory account mechanisms; and managing the general  
10 administration of SoCalGas’s authorized regulatory accounts. I received my Bachelor of Science  
11 degree in Accounting from San Diego State University in 2007. I am also a Certified Public  
12 Accountant. I began my employment with SoCalGas in 2007 in the Accounting and Finance  
13 Department where I have held various positions of increasing responsibility in Accounts  
14 Payable, Plant Accounting, Business Controls, Regulatory Accounts, Fixed Assets, and  
15 Operational Planning before assuming my current position.

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

17 **Maria E. Becerra**

18 My name is Maria E. Becerra. My business address is 555 West Fifth Street, Los  
19 Angeles, California, 90013-1011. I am currently employed by SoCalGas as a Financial &  
20 Strategic Manager in the Financial and Strategic Analysis group. I am responsible for managing  
21 the financial analysis of various SoCalGas projects and developing the associated revenue  
22 requirement forecasts for these projects. I joined SoCalGas in 1994. Prior to SoCalGas, I worked  
23 as an auditor for PricewaterhouseCoopers from 1990 to 1994. I hold a Bachelor of Science  
24 degree in Accounting from Loyola Marymount University. I am a Certified Public Accountant.

25 I have previously testified before the California Public Utilities Commission.  
26

1           **DJ Scott**

2           My name is DJ Scott. My business address is 8315 Century Park Court, San Diego,  
3 California, 92123. I am employed by SDG&E as a Manager in Financial and Strategic Analysis.  
4 I am responsible for overseeing the financial analysis and development of revenue requirements  
5 for SDG&E projects. I joined SDG&E in 2017 and have held positions of increasing  
6 responsibility primarily in Accounting Research and Business Controls, most recently as the  
7 Manager, prior to joining Financial and Strategic Analysis. Prior to SDG&E, I was employed by  
8 PricewaterhouseCoopers as an auditor. I hold a Bachelor of Science in Business Administration  
9 degree in Accounting from University of Pittsburgh. I am a Certified Public Accountant.

10           I have not previously testified before the California Public Utilities Commission.

11           **Marjorie Schmidt-Pines**

12           My name is Marjorie A. Schmidt-Pines. My business address is 555 West Fifth Street,  
13 Los Angeles, California 90013-1011. I am the Rates Senior Lead (previously known as Senior  
14 Principal Regulatory Economic Advisor) in the CPUC/FERC Gas Regulatory Affairs  
15 Department, Gas Rates team for SoCalGas and SDG&E. I joined the Gas Rates team in  
16 September 2009 as Principal Regulatory Economic Advisor.

17           I hold a Bachelor of Science degree in Business Administration with an emphasis in  
18 Accounting from California State University at Northridge, California. I have been employed by  
19 SoCalGas since 1981 and have held positions of increasing responsibilities as an Accountant and  
20 Senior Accountant in the Accounting & Finance, Plant Accounting department, as an Analyst  
21 and a Budget Coordinator in the Gas Supply department, as a Market Advisor and Senior Market  
22 Analyst for the Marketing and Customer Services departments and Principal Regulatory  
23 Economic Advisor in the Regulatory Affairs Department.

24           As Rates Senior Lead, I represent the Gas Rate Design Team for both SoCalGas and  
25 SDG&E in the role of Project Manager, Senior Analyst and witness in various major regulatory  
26 proceedings and filings dealing with allocating authorized revenue requirements to functions and  
27 customer rate classes, developing the design of the rate for each class, calculating customer rate  
28 changes, and computing the impact on customers' monthly bills.

29           I have previously testified before the California Public Utilities Commission.  
30

1           **Rachelle Baez**

2           My name is Rachelle R. Baez and I am the Manager of Electric Rates Implementation in  
3 the Customer Pricing department of SDG&E. My business address is 8330 Century Park Court,  
4 San Diego, California 92123. I have been employed at SDG&E since June 2010 and have held  
5 various positions in Accounting Operations, Strategic & Financial Planning, and Electric Rates  
6 with increasing levels of responsibility. I received a Bachelor of Science degree in Business  
7 Administration with an emphasis in Finance from San Diego State University in 2011.

8           As the Manager of Electric Rates Implementation, I oversee implementation of  
9 authorized revenue requirements to ensure accuracy and compliance with state and federal  
10 regulatory and legislative requirements. In addition, I oversee electric rate and bill forecasts for  
11 incremental applications.

12           I have previously testified before the California Public Utilities Commission and the  
13 Federal Energy Regulatory Commission.