Exhibit No: _____
Application: A.25-09-014
Witness: E. Martinez
Chapter: 15

PREPARED REBUTTAL TESTIMONY OF EDUARDO MARTINEZ
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY
(METERS, RESIDENTIAL, CORE MARKETS (INCLUDING NGV), GAS PRICE FORECAST, AND CORE BROKERAGE FEE)

June 15, 2026

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CHAPTER 15

PREPARED REBUTTAL TESTIMONY OF EDUARDO MARTINEZ

(METERS, RESIDENTIAL, CORE MARKETS (INCLUDING NGV), GAS PRICE FORECAST, AND CORE BROKERAGE FEE)

I. PURPOSE

The purpose of my rebuttal testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants) is to address the direct testimony of Allison F. Smith of Clean Energy and Samuel Topper on behalf of the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) concerning the proposals addressing residential meter and core market usage forecast proposals made by the Applicants in this proceeding.[1]

II. CLEAN ENERGY INCORRECTLY ASSERTS THAT SOCALGAS'S G-NGV FORECAST IS NOT ACCURATE

Clean Energy incorrectly states that an annual growth rate for 2024 through 2025 will eliminate lingering COVID-related impacts, despite COVID being declared no longer a global health emergency in May, 2023.[2,3] Clean Energy also incorrectly discounts the impact of the California Air Resources CARB Innovative Clean Transit (ICT) regulation.[4] In addition, Clean Energy incorrectly concludes the impact of the Low Carbon Fuel Standard (LCFS) Fuel Card Program on the uncompressed volume forecast is overstated based solely on initial-year data.[5]

SoCalGas developed a G-NGV uncompressed volume forecast based on actual historical growth outside of the most recent COVID impacted year and incorporated state regulations

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1 Given the volume of the various arguments, positions, and proposals raised by intervenors, Applicants have prioritized which issues to address in rebuttal testimony. Silence on any issue should not be construed as agreement with, or non-opposition to, that issue, as Applicants reserve the right to address additional issues not specifically mentioned in this rebuttal testimony at a later opportunity, such as evidentiary hearings and briefs.

2 Direct Testimony of Allison F. Smith on behalf of Clean Energy (Ex. CE-01) at 8.

3 Centers for Disease Control and Prevention (CDC), *End of the Federal COVID-19 Public Health Emergency (PHE) Declaration* (September 12, 2023), *available at*: https://archive.cdc.gov/www_cdc_gov/coronavirus/2019-ncov/your-health/end-of-phe.html.

4 Ex. CE-01 (Smith) at 7-8.

5 *Id*. at 10-11.

currently in effect that will reduce G-NGV uncompressed volumes associated with natural gas urban transit buses. These are reasonable inputs to establish a G-NGV uncompressed volume forecast. SoCalGas developed a G-NGV compressed volume forecast based on the LCFS Fuel Card Program, first implemented in 2025, that is expected to generate additional volumes as subsequent solicitations are rolled out each year.

III. CAL ADVOCATES' CRITICISM OF APPLICANTS' RESIDENTIAL METER FORECAST VARIABLES IS UNFOUNDED

Cal Advocates does not oppose SCG and SDG&E's core 14 commercial and industrial, gas air conditioning, gas engine and NGV demand forecasts 15 and meter proposals. Instead, Cal Advocates provides recommendations on SCG and SDG&E's 16 residential meter counts and residential demand forecasts.[6]

Cal Advocates attempts to portray the variables that SoCalGas and SDGE's residential meter forecast models as without statistical basis. In so doing, Cal Advocates fails to cite the assertation from Applicants' testimony stating "that new residential housing construction, as measured by housing starts, remains a significant statistical determinant of new residential meter growth" and the model statistics provided in a data request response.[7] [8] Instead, Cal Advocates states that "alternative models or comparisons substantiating the proposed models as a stronger choice."[9] However, Cal Advocates fails to present any argument as to why housing starts are not a valid variable to forecast new residential meter growth. Accordingly, Cal Advocates' arguments should be given no weight.

For residential meter regression models, Cal Advocates references that "many of the variables that were chosen for each utility are different, and arbitrary terms were put in and left out in both models."[10] This is an incorrect characterization. In the single-family and multifamily residential meter models, Applicants considered the impacts of many single-quarter dummy

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[6] Direct Testimony of Samuel Topper on behalf of Public Advocates Office (Ex. CA-04) at 22.

[7] Direct Testimony of Eduardo Martinez (SCG-SDGE, Chapter 3) at EM-2.

[8] SoCalGas Response to Data Request PubAdv-SCG_SDGE-012-EV, Question 1 (December 12, 2025), *available at*: https://www.socalgas.com/sites/default/files/2026-01/Response_Cal_Advocates_PubAdv-SCG_SDGE-012-EV.pdf.

[9] Ex. CA-04 (Topper) at 24.

[10] *Id.* at 24.

variables, three season dummy variables, and different lag functions (lag 1, 2, 3, 4, and 5).[11] The selected dummy quarters were chosen based on the big jumps in the corresponding data series. The referenced dummy variable was left out not arbitrarily, but because its p-value (determination of statistical significance) that exceeded 0.05 in a model, suggesting that the variable was not statistically significant. Statistically insignificant variables were excluded from the regression models to limit the impact of outlier data rather than using them to maximize R-square statistics (measure of model explanatory power).

For SDG&E, the regression model was for the total residential meter counts that are not broken down into markets like for SoCalGas. However, a similar method was used to choose statistically significant dummies and lag variables. It is not necessary that all the residential meter models have the exact same set of variables for both variables and Cal Advocates did not offer any justification as why they should be.

IV. CAL ADVOCATES' PROPOSAL FOR A RESIDENTIAL METER GROWTH REDUCTION LARGER THAN APPLICANTS IS NOT BASED ON FACTUAL ASSUMPTIONS

Applicants use a 50 percent reduction in new residential meter growth forecasted by its residential meter model to account for new state policies, which is similar to what Cal Advocates proposed in Applicants' 2024 General Rate Case (GRC).[12],[13] Cal Advocates cites the City of Los Angeles ordinance that originally mandated new all-electric residential building starting April 2023 as justification for a reduction larger than the applicant's 50 percent reduction.[14] However, Cal Advocates omitted the crucial fact that the ordinance was repealed in 2025 and no all-electric mandate for new residential construction is currently in effect for the city.[15] There is additional uncertainty of local natural gas bans for new residential buildings following the Ninth Circuit

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[11] A statistical dummy regime is a binary variable (1 or 0) used in a regression model to represent distinct time periods such as weather seasons.

[12] SCG-SDGE, Chapter 3 at EM-2 and EM-6.

[13] D.24-12-074 at 841-842.

[14] Ex. CA-04 (Topper) at 26.

[15] City of Los Angeles Ordinance No. 188716, *available at*: https://cityclerk.lacity.org/onlinedocs/2022/22-0151_Ord_188716_dated_9-3-25.pdf.

Court of Appeals striking down Berkeley's ban in 2023 and the upholding of the decision in 2024 by the full Ninth Circuit.[16]

Cal Advocates cites 2023 line extension subsidy requests documented by SDG&E as indicative of a near-collapse of mixed-fuel home construction in the 2027-2029 CAP period and the basis of their proposed 87.65% reduction in the Applicants residential new meter forecast model outputs.[17] The line extension data referenced by Cal Advocates does not reliably differentiate between new construction and upgrade work due to data limitations at the time the information was submitted to the CPUC, critical details included in SDG&E's submission to the CPUC.[18] In addition, the referenced data excluded gas-only projects. As a result, Cal Advocates' inference of the data to reach its proposed adjustment of the applicant's residential meter forecast, which is based on new residential housing construction only, results in an overadjustment. Also, the time from a line extension application to new service can take up to a year or more, meaning a line extensions application received in 2023 could be several years before it converts to start of service. The line extension request associated with a start of residential service in the 2027-2029 CAP period could predate 2023 in some cases.

The inappropriateness of Cal Advocates proposed residential meter forecast adjustment is further evidenced by the fact that residential meter growth for SDG&E dropped from an increase of 4,208 meters in 2024 from a year earlier to 2,650 meters in 2025 from a year earlier. This is 37 percent decrease, slightly lower than the Applicants' proposal (and similar to Cal Advocates 2024 General Rate Case proposal as discussed above) of 50 percent and less than half of Cal Advocates' CAP proposal. Cal Advocates' proposed residential meter forecast adjustment should be rejected.

Cal Advocates attempts to artificially lower both SoCalGas and SDGE's residential meter growth by imposing questionable building electrification or fuel substitution assumptions to

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[16] *California Restaurant Ass'n v. City of Berkeley* (9th Cir.), 65 F.4th 1045 (9th Cir. 2023), amended Jan. 2, 2024, *available at*: https://www.courthousenews.com/wp-content/uploads/2024/01/ninth-circuit-berkeley-ban.pdf.

[17] Ex. CA-04 (Topper) at 28.

[18] SDG&E Advice Letter (AL) 4440-E-A/3301-G-A (July 1, 2024), *available at*: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/building-decarb/sdge-al-and-annual-report.pdf.

create a reduction of existing residential natural gas customers during the 2027-2029 CAP period.[19] These downward adjustments must be rejected. Cal Advocates' imagined conversion by existing natural gas appliance-using customer to all-electric appliance within the 2027-2029 CAP period are supposedly based on a "reasonable recognition of an imminent change that a legally mandated, financially incentivized and structurally accelerating electrification transition is already underway in the SCG and SDG&E service territories."[20] However, Cal Advocates cites no enacted law or regulation that mandates a switch from natural gas to electric appliances for existing natural gas customers. Cal Advocates' projected heat pump adoptions in the SoCalGas and SDG&E service territories are based on a proration of an outdated statewide projection from 2022 rather than an estimate based on actual heat pump installations.[21] Additionally, the heat pump adoption estimate is based on a study with a low response rate: "At a rate of 2.8%, the sample in the online survey may not represent the actual population of water heater installers in California. This low response rate translated to a small sample size of 127 respondents. We were initially targeting a sample size of 400 completes, assuming approximately a 7% response rate."[22]

Cal Advocates further misconstrues the impact the California Air Resources Board (CARB) zero-NOx water heater standard and South Coast Air Quality Management District (SCAQMD Rule 1146.2 during the 2027-2029 CAP period to drive a supposed decline in natural gas customers.[23] Neither policy mandates full electrification of residential customers and the phase-in periods for both extend beyond 2029 further limiting any likely impact on residential

[19] Ex. CA-04 (Topper) at 29-30.

[20] Ex. CA-04 (Topper) at 29.

[21] Ex. CA-04 (Topper) at 30.

[22] Opinion Dynamics an E Source Company, *Tech Clean California Wiki - California Water Heating Market Study – Contractor Business Models, Training, and Electrification* (March 29, 2024), *available at*: https://opiniondynamics.com/california-water-heating-market-study/.

[23] Ex. CA-04 (Topper) at 30.

meters in the CAP period.[24],[25] Similar to local gas bans, Rule 1146.2 faces legal uncertainty and is already the subject of a lawsuit due to its conflict with federal law.[26]

Cal Advocates also misunderstands the California Energy Commission (CEC) Additional Achievable Fuels Substitution (AAFS) used by SoCalGas and SDG&E. Both utilities used only the programmatic parts of the 2023 CEC IEPR AAFS Scenario 3 forecast, which was also used by the Applicants in the 2024 California Gas Report (CGR). The programmatic part of the scenario only includes expected fuel substitution impacts from existing program, funded or planned initiatives, or adopted codes and standards.[27] Further, the CEC does not include any projection of meter disconnection or connections in its AAFS forecasts, making Cal Advocates' citing of AAFS forecasts part of its basis for natural gas meter disconnections baseless.

Artificially lowering SoCalGas and SDG&E's residential meter forecasts during the CAP period of 2027-2029 based on speculative assumptions regarding new mixed-fuel construction and fuel substitution would result in an excessively low forecast that would have an adverse impact for cost allocation purposes.

V. CAL ADVOCATES' END-USE MODEL CRITICISMS ARE UNBASED

Cal Advocates opposes a significant share of aspects in SoCalGas's and SDG&E's residential demand forecasts. Cal Advocates claims that SoCalGas and SDG&E's end-use model "are poorly calibrated to California's actual energy transition, resulting in a baseline result that contradicts observable market trends."[28] However, the basis of this claim are unsupported heat pump adoption estimates, local natural gas bans that are either rescinded or currently help up in

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[24] Efficiency First California, *Zero Emissions Space & Water Heating Standards* (October 9, 2024), *available at*: https://efficiencyfirstca.org/advocacy/zero-emissions-space-water-heating-standards/.

[25] South Coast Air Quality Management District (SCAQMD), *South Coast AQMD Approves Rule to Accelerate the Transition to Zero-Emission for Water Heaters* (August/September 2024), *available at*: https://www.aqmd.gov/home/research/pubs-docs-reports/newsletters/aug-sep-2024/water-heaters.

[26] Columbia Law School, Columbia Climate School Sabin Center for Climate Change Law, *Rinnai America Corp. v. South Coast Air Quality Management District*, United States District Court (C.D. Cal.) 2:24-cv-10482 (December 5, 2024), *available at*: https://www.climatecasechart.com/collections/rinnai-america-corp-v-south-coast-air-quality-management-district_4199ea.

[27] CEC, 2023 AAEE & PiCS AAFS Scenario Characterization Workbook, *available at*: https://efiling.energy.ca.gov/GetDocument.aspx?tn=260687&DocumentContentId=96988.

[28] Ex. CA-04 (Topper) at 37.

federal courts, and Title 24 building standards that are already accounted for in both utilities residential meter forecasts (all discussed above).

Cal Advocates misunderstands how both utilities are using the Navigator end-use model and how their use of out-of-model adjustments avoids double counting of forecast inputs such as fuel substitution. The Navigator was used to generate preliminary forecasts prior to applying projected fuel substitution due to the lack of reliable updated forecasts of the end-use level saturations and fuel shares for each market of each year in the forecasted period. The current inputs of saturations and fuel shares were calculated based on the most recent statewide Residential Appliance Saturation (RASS) survey released in 2019. All Navigator inputs (including future saturation and fuel share levels) need to be manually prepared before the running of the Navigator, and this program itself cannot automatically generate any input dynamically. Therefore, Applicants' method to change the forecasted saturations and fuel shares is a backward calculation by splitting the current out-of-model adjustments of AAFS values into the end-use level segments proportionally, which will lead to the same result as using the current out-of-model adjustment approach. To avoid double-counting of the fuel substitution information, Applicants hold saturation and fuel shares values constant in the preliminary Navigator step and apply the fuel substitution projection in the out-of-model adjustment step.

Cal Advocates' discussion of "feedback effects" in its criticism of SoCalGas and SDG&E's out-of-model adjustment is based on their unsubstantiated projection of wide-spread meter disconnection and replacement of natural gas appliances that is unlikely to materialize in the 2027-2029 CAP period (discussed above). It would be detrimental to cost allocation purposes for both utilities to introduce into the end-use model Cal Advocates' unfounded and unlikely meter disconnection and fuel substitution assumption.

Furthermore, Cal Advocates misconstrues the Applicants submitted energy efficiency (EE) figures. As requested in Cal Advocates data request (PUBADV-SCG_SDGE-019-ST, Questions 1 (a-c) and 9(a-c)), Applicants provided the calculation used in their EE out-of-model adjustment and identified the EE forecast as a PUC Goal. Cal Advocates omits in its criticism that Applicants did not use recorded EE as the basis for its EE out-of-model adjustment. Additionally, Cal Advocates misstates SoCalGas and SDG&E applying AAFS and energy efficiency (EE) adjustments such that "the entire forward forecast remains inflated since SCG

and SDG&E did not apply 2024 electrification savings to Navigator."[29] Applicants used 2024 as starting point or base year; however, 2024 itself is an actual not forecasted result. It is incorrect to apply fuel substitution savings and energy efficiency savings to the historical base year data. The Applicants' method of zeroing energy efficiency and fuel substitution impacts for 2024 in the out-of-model adjustment avoids double-counting load modifying impacts and does not inflate the forecast as Cal Advocates claims.

Cal Advocates also takes issue with SoCalGas and SDG&E's price elasticity models. Applicants' price elasticity coefficient is presented as percentage change is usage divided by a percentage change in natural gas price, which is unit free price elasticity not a scaled semi-elasticity as Cal Advocates misstates.[30] As discussed above, Navigator requires inputs such as UEC to be prepared prior to being run in the model. As a result, Applicants applied the calculated price elasticity to the UEC inputs before entering them into the model. Applicants applied the calculated price elasticities to estimated average usage to produce the UEC input used in the Navigator model and provide its Chapter 3 workpapers (average gas consumption per unit tables). Additional UEC discussion follow below.

In addition, Cal Advocates criticizes SoCalGas and SDG&E's price elasticity auto-correlation measurements and suggests that fuel substitution may be omitted without identifying reliable and available sources of fuel substitution data that could be used. As discussed above, Cal Advocate suggestion of "electrification adoption" or "appliance stock turnover" is not feasible due to the faulty assumption that Cal Advocates applies to each.[31]

Cal Advocates criticizes the calculated SDG&E price elasticity based on statistical insignificance for master meters and sub-meters.[32] In addition to being relatively small share of SDG&E's residential customer segment, both have the characteristics of consumers being immune to price changes, which contributes to their relatively poor price elasticity statistics.[33]

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[29] Ex. CA-04 (Topper) at 41.

[30] *Id.* at 44.

[31] *Id.* at 46.

[32] *Id.*

[33] State of Maryland Public Service Commission, Master Meter Conversion Study – Required by Maryland House Bill 1491, Chapter 532, Section 2 of the Laws of Maryland – 2018 (MSAR #11699)

Cal Advocates also fails to acknowledge the wide difference in size and climate make-up between the SoCalGas and SDG&E service territories when comparing differences in single-family price elasticities between both utilities.[34] While Cal Advocates cites academic literature to place Applicants' price elasticity on the low range of observed elasticity, Cal Advocates neglects to acknowledge the high statistical significance of the Applicants estimate price elasticity coefficients.

Cal Advocates criticized SoCalGas and SDG&E's Unit Energy Consumption (UEC) mechanical equations used in the workpapers.[35] The SoCalGas and SDG&E's 2024 base year initial UEC inputs were calibrated to guarantee the end-use level UECs can match the actual overall base year usage. The original UEC inputs of each end-use appliance for each residential market in the Navigator were calculated based on the most recent RASS survey (2019). These UEC inputs were calibrated with the same true-up ratio for each residential market instead of individual end-use level segment due to the lack of updated end-use UEC actual data for 2025. The SoCalGas and SDG&E UEC forecasts were not adjusted based on the fuel substitution information such as the heat pump adoption as Cal Advocates required since the fuel substitution was supposed to be handled in the out-of- model adjustment step. It is not an economic logic error, but the choice of the preliminary Navigator step without including the AAFS and energy efficient adjustments. Since all the inputs of Navigator should be manually provided before the running of the Navigator, SCG and SDG&E calculated the forecasted UECs for every end-use segment of each market for each year by applying the same equations using the gas price forecasts and price elasticities without setting different assumptions for each individual end use of each market in each forecast year. This has a benefit to deal with the preliminary Navigator runs and the out-of-model adjustments separately to avoid double-counting of the same information and avoid including improper individual end use level assumptions.

This concludes my rebuttal testimony.

(January 15, 2019), *available at*: https://psc.maryland.gov/wp-content/uploads/2025/11/Final-Master-Meter-Conversion-Study-2018.pdf.

[34] Ex. CA-04 (Topper) at 47.

[35] Ex. CA-04 (Topper) at 47-51.