

Exhibit No: _____
Application: A.25-09-014
Witness: M. Foster
Chapter: 22

**PREPARED REBUTTAL TESTIMONY OF MICHAEL FOSTER
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY
(RATE DESIGN)**

June 15, 2026

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE.....	1
II. RESIDENTIAL FIXED CUSTOMER CHARGE PROPOSAL	1
A. Principles Of Rate Design.....	1
B. No Party Disputes nor Appropriately Justifies the Intraclass Subsidy	2
C. CARE Customers Are Subsidizing Non-CARE Customers Under All Intervenor Proposals, While Applicants’ Proposal Begins to Correct This Mistake.....	3
D. Applicants Have Met the Burden of Proof for Cost-Based Ratemaking	5
E. Intervening Parties Have Not Met the Burden of Proof for Their Proposals to Depart from Cost-Based Ratemaking	6
F. CAP Is the Appropriate Proceeding to Implement Cost-Based Ratemaking	8
G. Fixed Cost of Service Is Understated in the Record.....	9
H. Incentivizing Electrification Through Gas Ratemaking and Residential Gas Affordability Are Diametrically Opposed Principles	11
I. Affordability	12
J. The Impact of Volumetric Rates Is Overstated.....	14
K. Intervening Parties Proposals for Unjust and Unjustified Residential Intraclass Subsidies Must Be Rejected	15
L. TURN'S ZIP Code Analysis Is Not Compelling	16
M. TURN’s Reliance on D.23-04-040 Is Misguided	18
N. TURN'S Analysis of Bill Smoothing Is Inconsistent and Incomplete.....	19
O. TURN Misrepresents the Electric Fixed Charge	20
P. Applicants Oppose TURN’s Alternate Recovery Proposal for Enhanced Fixed Customer Charge Discount	20
Q. Sierra Club’s Proposal to Eliminate the Fixed Charge Should Not Be Considered.....	20
R. Minimum Bills Are Not Cost-Based Ratemaking and Create Price Distortions.....	21
S. Sierra Club’s Appliance Study Is Underdeveloped and Not Compelling.....	21
T. SDG&E’s Proposal Does Not Disqualify SoCalGas’s Proposal	22
III. SUBMETER CREDIT PROPOSALS	22

IV.	GAS ENGINE RATE DESIGN PROPOSAL.....	24
V.	CLEAN ENERGY’S REQUEST TO REVISIT COMPRESSION SURCHARGE STUDY IS UNNECESSARY	25
VI.	NO PARTY OPPOSES ELIMINATION OF THE GAS AC RATE	25

1 **CHAPTER 22**

2 **PREPARED REBUTTAL TESTIMONY OF MICHAEL FOSTER**

3 **(RATE DESIGN ISSUES)**

4 **I. PURPOSE**

5 The purpose of my testimony on behalf of Southern California Gas Company (SoCalGas)
6 and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants) is to address and rebut
7 the rate design assertions, arguments and recommendations contained in the direct testimony of
8 Maricela Sierra of Public Advocates Office (Cal Advocates), Sylvie Ashford of The Utility
9 Reform Network (TURN), Michael Florio of TURN, Mary Neal of Western Manufactured
10 Housing Communities Association (WMA) and Eric Borden and Aidan Glaser Schoff of Sierra
11 Club.¹

12 **II. RESIDENTIAL FIXED CUSTOMER CHARGE PROPOSAL**

13 TURN, Cal Advocates, and Sierra Club recommend denying Applicants' residential fixed
14 customer charge proposal.

15 **A. Principles Of Rate Design**

16 Rates should be fair, stable, and grounded in cost causation principles. These principles
17 are rooted not only in longstanding Commission precedent, but also in statutory requirements.
18 Public Utilities Code Sections 451 and 453 require that rates be fair and just and prohibit rate
19 structures that subject any customer or class of customers to undue prejudice or disadvantage, or
20 that create unreasonable differences between classes of service. This statutory framework
21 establishes a fundamental obligation that rates be designed in a manner that is equitable, non-
22 discriminatory, and reflective of cost causation.

23 Consistent with this statutory foundation, the Commission has long recognized that
24 economically efficient outcomes are achieved when fixed costs are recovered through fixed
25 charges and marginal costs are recovered through volumetric rates. Maximizing fairness within
26 cost-based ratemaking therefore requires that rates be structured such that each customer pays

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.

1 the fixed cost of being connected to the system through a monthly fixed charge and pays the
2 variable cost of service through volumetric rates. These principles were recognized in Decision
3 (D.) 86-12-009 and reaffirmed in D.94-12-052, where the Commission observed that customer
4 charges were significantly below customer-related costs and should be increased over time.

5 More recently, D.14-06-029 and D.23-04-040 reaffirm that rates should be just and
6 reasonable and grounded in cost causation principles, while also recognizing the importance of
7 rate stability, gradualism, and affordability considerations. At the same time, these decisions
8 indicate that departures from cost-based outcomes may be considered where they are tied to
9 explicit policy objectives, but any resulting cross-subsidies must be transparent and appropriately
10 connected to those objectives, rather than assumed based solely on the existence of a policy goal.

11 Although D.14-06-029 and D.23-04-040 addressed electric rate design, the principles
12 they set forth are not limited to a single utility sector. Rather, they reflect the Commission's
13 broader ratemaking framework, grounded in cost causation, equity, and statutory requirements
14 under the Public Utilities Code.

15 **B. No Party Disputes nor Appropriately Justifies the Intraclass Subsidy**

16 In this proceeding:

- 17 • No party disputes that the current residential fixed charge is below fixed cost of service;
18 • No party disputes that this creates an intraclass subsidy; and
19 • No party provides a justification for maintaining that subsidy on cost-causation grounds.

20 Accordingly, maintaining the current rate structure represents a clear departure from cost-
21 based ratemaking and must therefore be supported by substantial evidence in the record. No such
22 showing has been made.

23 Moreover, maintaining a below-cost fixed customer charge raises specific concerns under
24 Public Utilities Code Section 451 and 453. A rate structure in which higher-usage customers,
25 many of whom face the highest and least affordable bills, subsidize the fixed cost of service for
26 lower-usage customers creates a persistent and significant disparity that is not grounded in cost
27 causation and risks subjecting certain customer groups to undue prejudice or disadvantage.

28 To the extent that such a structure is maintained to achieve broader policy objectives, it
29 risks imposing disproportionate burdens on customers who may have limited ability to change

1 their consumption patterns or fuel choices. This further underscores the importance of aligning
2 rates with cost causation while addressing affordability concerns through targeted programs such
3 as CARE.

4 Consistent with these principles, the Commission emphasized in D.23-04-040 that cross-
5 subsidies be transparently and appropriately supported by explicit state policy goals.² In this
6 proceeding, no party has demonstrated through quantitative analysis or empirical evidence that
7 maintaining a below-cost fixed customer charge will produce measurable policy benefits.
8 Instead, they suggest that a longstanding unjustified intraclass subsidy must be maintained
9 merely by the existence of a state policy. As a result, the record does not support maintaining the
10 existing cross-subsidy.

11 This approach to rate setting promotes the most economically efficient outcomes. As
12 discussed in direct testimony, asset utilization is optimized when marginal prices match the
13 marginal cost of service.³ Simply put, achieving economically efficient outcomes means
14 customers maximize their economic utility at the most affordable price. No party contests this
15 point in their testimony.

16 **C. CARE Customers Are Subsidizing Non-CARE Customers Under All**
17 **Intervenor Proposals, While Applicants' Proposal Begins to Correct This**
18 **Mistake**

19 In opening testimony, Applicants show that approximately 80–82% of CARE customers
20 and about 51% of non-CARE, climate zone 1 customers would likely see bill reductions and
21 improved affordability under Applicants' proposal. No party disputes these results. Importantly,
22 these results are broadly indicative of the underlying subsidy dynamics. Within that context,
23 under TURN's and Cal Advocates' fixed charge proposal (assuming fixed cost of service of
24 \$20.12), roughly 80% of CARE zone 1 customers would be contributing to a subsidy from which
25 about 50% of non-CARE customers are benefiting. In practical terms, a substantial portion of
26 CARE customers are subsidizing non-CARE customers. By contrast, Applicants' proposal is the
27 only approach that meaningfully begins to correct this imbalance.

² D.23-04-040 at 6.

³ Direct Testimony of Michael Foster, Ex. SCG-SDGE, Ch. 12, at MF-25.

1 TURN and Cal Advocates propose to maintain this subsidy from CARE customers to
2 non-CARE customers, while Sierra Club proposes to worsen it by creating an even larger
3 discrepancy between fixed customer charge and fixed cost of service.

4 Both Cal Advocates and TURN provide evidence that highlights how maintaining the
5 fixed charge well below the fixed cost of service forces CARE customers to subsidize non-
6 CARE customers.

7 Cal Advocates states that removing the intraclass subsidy goes against the spirit of the
8 CARE program. However, the existence of the intraclass subsidy itself means that most CARE
9 customers are not effectively receiving the entire benefit of the CARE program. Instead, they
10 are helping to fund the intraclass subsidy.

11 Low-volume CARE users are getting both the benefits of the CARE discount and the
12 benefit of the intraclass subsidy, whereas approximately 80% of CARE customers have a portion
13 of their CARE discount offset by having to fund the intraclass subsidy. More concerning, these
14 same set of CARE customers, particularly those receiving less than the full CARE benefit and
15 those with the least affordable bills, are effectively subsidizing high-income, low-usage
16 customers. This is the true distortion that is not within the spirit of the CARE program.
17 Requiring low-volume CARE users to gradually give up the portion of benefits attributable to the
18 intraclass subsidy ensures that higher volume CARE customers with the least affordable bills can
19 stop subsidizing high income customers is reasonable, just and fair. This approach is consistent
20 with the intent of the CARE program and should be implemented as expeditiously as reasonably
21 practicable.

22 As discussed above, Applicants provide evidence in opening testimony that shows 80-
23 82% of CARE customers are contributing to subsidies that are benefitting 50% of non-CARE
24 customers. This analysis was conducted across climate zone 1, as approximately 90% of
25 SoCalGas residential customers reside in zone 1. TURN provides analysis that shows, when
26 isolating the bill impacts to just zones 2 and 3, the problem is significantly worse. TURN's
27 analysis reveals that within zone 2, approximately 90% of CARE customers are contributing to
28 subsidies that are enjoyed by approximately 30-40% of non-CARE customers. In zone 3, nearly
29 100% of CARE customers are contributing to a subsidy that is enjoyed by up to approximately
30 20-30% of non-CARE customers. To be clear, both TURN and Cal Advocates are proposing

1 known subsidies paid by nearly 100% of CARE customers in zones 2 and 3.

2 Neither Cal Advocates nor TURN have provided any justification or rigorous analysis as
3 to why higher volume CARE customers should continue to subsidize high-income, low-volume
4 users. Worse, in both cases, the intervening parties suggest that Applicants, who are proposing
5 fair and just cost-based ratemaking, have an obligation to justify fair and just cost-based
6 ratemaking and that Applicants failed to prove their case because they did not specifically
7 consider every conceivable class sub-segmentation. But what this really reveals is that none of
8 the intervening parties in this issue have justified their proposed departure from cost-based
9 ratemaking. Cost-based ratemaking is the default. Public Utilities Code provisions and
10 Commission precedent are clear on this. Departures from cost-based ratemaking require
11 justification.

12 Applicants are proposing cost-based ratemaking, and this is not disputed.

13 **D. Applicants Have Met the Burden of Proof for Cost-Based Ratemaking**

14 Applicants' residential fixed charge proposal in this proceeding is narrowly focused and
15 does not represent a structural change to SoCalGas's existing residential ratemaking. The
16 proposal is pinpointed on setting the company on a measured but deliberate path toward cost-
17 based residential ratemaking by better aligning the existing residential fixed charge with the
18 minimum fixed cost of service. The Commission recognized in D.94-12-052 that this approach
19 led to cost-based outcomes, reaffirming that it is the preferred approach to residential
20 ratemaking.

21 Applicants' proposal is supported by the full evidentiary record typically required in a
22 cost allocation proceeding, including embedded cost studies, cost allocations by customer class,
23 and rate design calculations consistent with those allocations. These elements provide the
24 standard foundation for cost-based ratemaking and support moving rates closer to cost causation.

25 Neither Cal Advocates nor Sierra Club challenge or dispute Applicant's minimum
26 residential fixed cost of service calculation of \$20.12 per month. TURN challenges the
27 underlying embedded cost study and resulting cost allocation and proposes that the minimum
28 fixed cost of service is \$17.18 per month. TURN's minimum fixed cost of service is well
29 aligned with Applicant's proposal as it is expected to generate approximately \$17.04 per meter

1 per month in fixed charge revenue once fully implemented⁴. Intervenors do not challenge the
2 idea that the minimum residential fixed cost of service is well above their proposed residential
3 fixed charge levels. Instead, they propose maintaining a below-cost fixed customer charge,
4 without justifying a departure from cost causation.

5 **E. Intervening Parties Have Not Met the Burden of Proof for Their Proposals to**
6 **Depart from Cost-Based Ratemaking**

7 Public Utilities Code Section 451 requires rates to be just and reasonable. In public utility
8 economics, the objective and non-arbitrary baseline for a just and reasonable rate is the actual
9 cost incurred to provide the service. By proposing a fixed charge based on minimum cost-of-
10 service, Applicants are fulfilling the explicit baseline mandate of Section 451. An intervenor
11 proposing an unquantified rate distortion or subsidy is asking the Commission to deviate from
12 this cost basis, meaning they carry the burden to prove their arbitrary rate remains 'just and
13 reasonable' without a cost foundation.

14 Public Utilities Code Section 453 prohibits granting arbitrary rate preferences or
15 advantages. The only way a utility can prove it is not discriminating between customers is by
16 tying rates directly to cost-causation. Because cost-based ratemaking ensures compliance with
17 Section 453's anti-discrimination mandate, it represents the default statutory baseline. The
18 proposals of TURN, Cal Advocates and Sierra Club to set the residential fixed charge well below
19 the fixed cost of service perpetuates an intentional intraclass cross-subsidy that creates a
20 preference and a regressive disadvantage. Therefore, the burden rests on intervenors to justify
21 why the Commission should bypass the anti-preference protections of Section 453.

22 Under Commission precedent, departures from cost-based ratemaking require additional
23 justification. As set forth in D.14-06-029, cross-subsidies should be avoided unless they are
24 supported by clear policy objectives. In D.23-04-040, the Commission recognized that policy
25 objectives, including affordability and equity, may be considered in rate design. At the same
26 time, the Commission emphasized that rates should avoid cross-subsidies that are not
27 transparently and appropriately supported by explicit state policy goals.

⁴ Applicants' proposed residential fixed charge of \$10 for CARE customers and \$20 per non-CARE customer in 2029, averaged using a 29.6% CARE / 70.4% non-CARE weighting, is expected to generate approximately \$17.04 in fixed charge revenue per residential meter per month.

1 Similarly, in D.19-08-009, the Commission established that policies intended to influence
2 fuel substitution must be supported by quantitative analysis demonstrating measurable energy
3 and environmental impacts.

4 While D.14-06-029, D.23-04-040 and D.19-08-009 arise in different procedural
5 contexts—electric rate design and energy efficiency programs, respectively—they reflect a
6 consistent Commission approach to evaluating departures from cost causation.

7 Consistent with this framework, any rate design that departs from cost-causation
8 principles by introducing or maintaining cross-subsidies must be clearly tied to identified policy
9 objectives and supported by the evidentiary record in the proceeding. However, in this case,
10 intervening parties have not provided quantitative analysis, empirical evidence, or other record
11 support demonstrating that maintaining a below-cost fixed charge will produce measurable
12 policy benefits, such as advancing electrification or improving affordability outcomes. As a
13 result, the record does not support the continuation of the existing intraclass subsidy.

14 These decisions demonstrate that, even in proceedings where policy objectives are
15 directly at issue, the Commission requires a clear evidentiary showing before adopting rate or
16 program designs that depart from cost-based principles.

17 In this proceeding, intervenors provide no such analysis. While asserting that maintaining
18 a below-cost fixed charge may promote electrification or affordability, they do not provide
19 empirical evidence, modeling, or quantified results supporting those claims. As a result, their
20 proposal seeks to maintain a known subsidy without meeting the evidentiary standard the
21 Commission has established for such departures.

22 The Commission has previously established structured frameworks and appropriate
23 venues for evaluating such issues. In D.92-02-075 and, more recently, D.19-08-009, the
24 Commission adopted specific standards governing fuel substitution. These decisions require that
25 measures and programs intended to shift consumption between fuels be supported by quantitative
26 analysis demonstrating measurable energy and environmental benefits. This reflects a
27 longstanding recognition that fuel substitution raises complex, system-wide considerations and
28 should be evaluated through comprehensive analysis.

29 Similarly, D.23-04-040 requires that cross-subsidies be transparently and appropriately

1 supported by explicit state policy goals. Merely invoking a policy objective without
2 demonstrating how the rate design supports that objective does not demonstrate this. Taken
3 together, these decisions establish that both cross-subsidies and fuel substitution policies must be
4 supported by demonstrated, quantifiable benefits before being adopted.

5 **F. CAP Is the Appropriate Proceeding to Implement Cost-Based Ratemaking**

6 The issues raised by intervenors regarding electrification and fuel substitution are not
7 primarily cost allocation questions and therefore are not appropriately resolved in this
8 proceeding. The purpose of this Cost Allocation Proceeding is to allocate authorized costs and
9 design rates consistent with cost causation principles. By contrast, proposals to influence fuel
10 choice through rate design raise broader policy considerations that extend beyond the scope of a
11 CAP.

12 These types of policy questions are more appropriately addressed in broader planning
13 proceedings, where system-wide impacts, customer behavior, and long-term policy objectives
14 can be fully evaluated. Addressing such issues in that forum ensures that any proposals are
15 supported by a complete evidentiary record and consistent with the Commission's established
16 analytical frameworks.

17 Accordingly, this proceeding should remain focused on its core purpose—aligning rates
18 with cost causation—and should not be used to implement policy-driven rate design proposals
19 that have not been fully evaluated under the Commission's established standards.

20 Applicants recognize that the Commission has indicated that broader gas rate design
21 issues may be considered in the Gas Planning OIR. Applicants agree with this framework.

22 However, it is critical to distinguish between:

- 23 • Cost allocation and cost-causation issues, which belong in the CAP; and
- 24 • Policy-driven modifications to rate design, which may be considered in the Gas Planning
25 OIR.

26 Going back at least as far as 1986, the use and level of the residential fixed charge have
27 consistently and historically been addressed in cost allocation proceedings. This is because the
28 fixed charge is fundamentally a mechanism to recover fixed costs consistent with cost causation
29 principles.

1 Applicants' proposal in this proceeding is narrowly focused on aligning the fixed charge
2 with the minimum cost of service. This is a classic cost allocation issue squarely within the scope
3 of the CAP. Applicants agree that electrification and fuel substitution issues should be litigated
4 in a separate venue. However, this is neither an electrification nor a fuel substitution issue. This
5 is an issue of implementing fair, just and cost-based residential rates as recognized and planned
6 for by this Commission as early as 1986 and reaffirmed in 1994. Intervening parties claim that
7 addressing this subsidy now is premature. To the contrary, addressing this subsidy is long
8 overdue.

9 Furthermore, any justification to move the issue of cost-based ratemaking for residential
10 fixed charge in this case equally applies to all other issues being litigated in this CAP
11 application. Both TURN and Cal Advocates make cost allocation proposals in this proceeding
12 that, if adopted, would have larger impacts on residential class average rates than Applicants'
13 fixed customer charge proposal.⁵ Therefore, both TURN and Cal Advocates are making
14 proposals in this case without providing any analysis to showcase potential impacts on
15 electrification. Both could have a larger impact on residential electrification than the Applicants'
16 fixed customer charge proposal. If issues that are historically litigated in the CAP proceedings
17 should be carved out for special treatment in a different venue due to concerns about their impact
18 on electrification, TURN and Cal Advocates cost allocation proposals both should be of higher
19 priority for such scrutiny than Applicants' residential fixed charge proposal.

20 **G. Fixed Cost of Service Is Understated in the Record**

21 Applicants proposed \$20 residential fixed charge is based on a study of customer-related
22 costs only.⁶ This study shows that the customer-related portion of the monthly fixed cost of a
23 residential service is \$20.12⁷. For this reason, Applicants have consistently described the
24 proposed \$20 residential fixed charge level as reflecting the minimum fixed cost of service. It
25 does not include any consideration for fixed cost of distribution related costs, energy efficiency
26 and low-income assistance programs, or any other costs that could potentially be considered

⁵ Direct Testimony of Michel Peter Florio on behalf of The Utility Reform Network (Ex. TURN-01) at 3-4; Direct Testimony of Maricela Sierra on behalf of Public Advocates Office (Ex. CA-05) at 2.

⁶ Ex. SCG-SDGE, Ch. 12 (Foster) at MF-17, tbl. MF-5.

⁷ Ex. SCG-SDGE, Ch. 12 (Foster) at MF-11, tbl. MF-3.

1 fixed in nature. Using the minimum fixed cost of service in this case is by design and is aligned
2 with Applicants' phased approach to gradually setting the fixed customer charge more closely
3 with the total fixed cost of service.

4 This phased approach reflects both practical implementation considerations and
5 established rate design principles, including the need to minimize rate shock and avoid abrupt
6 bill impacts to customers. At the same time, it represents a measured transition toward cost-based
7 ratemaking. Applicants' longer-term objective is to move rates closer to full alignment with cost
8 causation principles, including ultimately setting the residential fixed charge as close as possible
9 to the actual fixed cost of service. Within this context, the \$20 level represents a reasonable and
10 incremental step along that path, rather than a fully cost-reflective endpoint. This gradual
11 transition reflects the Commission's practice of balancing cost-causation objectives with rate
12 stability considerations.

13 As demonstrated in direct testimony, customer-related costs alone produce a fixed cost of
14 approximately \$20.12 per month. However, this calculation excludes other categories of costs
15 that may reasonably be considered fixed, including portions of distribution costs.

16 Importantly, TURN acknowledges that a substantial portion of distribution costs are
17 driven by safety and reliability requirements and "bear no real relationship to peak day or peak
18 month demand." TURN states, "These costs are largely fixed in nature, given that they must be
19 incurred independent of the level of demand, as long as that system exists."⁸

20 This is a critical point:

- 21 • Applicants' proposal reflects only customer-related fixed costs;
- 22 • The record shows additional cost categories that are also largely fixed; and
- 23 • TURN's own testimony supports this conclusion.

24 Accordingly, the evidentiary record indicates that the true residential fixed cost of service
25 is higher than minimum fixed cost of service of \$17.18 proposed by TURN and \$20.12 proposed
26 by Applicants. This reinforces that Applicants' proposal is conservative and grounded in cost-
27 causation principles. Maintaining a \$5 fixed charge would therefore result in recovery of only a
28 small fraction of the actual fixed cost of service and would perpetuate a substantial intraclass

⁸ Ex. TURN-01 (Florio) at 49.

1 subsidy.

2 **H. Incentivizing Electrification Through Gas Ratemaking and Residential Gas**
3 **Affordability Are Diametrically Opposed Principles**

4 Applicants strongly oppose distorting residential gas ratemaking for the purposes of
5 promoting electrification. Such practice has no basis in the Public Utilities Code and is in
6 contradiction to longstanding Commission practice. To the extent rate design is used to influence
7 fuel choice, it is important to recognize that the Commission has historically placed clear
8 boundaries on such practices. In D.92-02-075, the Commission established policies governing
9 fuel substitution specifically to prevent utilities from using rates or programs in a manner that
10 would distort competition between fuels or result in so-called “fuel wars.” This framework was
11 intended to ensure that rate design is not used as a tool to artificially advantage one fuel over
12 another.

13 Proposals that maintain intentionally distorted, below-cost rate structures in order to
14 influence electrification outcomes raise similar concerns. Using gas rate design to impose
15 disproportionate costs on certain gas customers for the purpose of shifting consumption to
16 electric service would represent a departure from these longstanding principles.

17 Intervening parties suggest that maintaining low fixed charges will promote
18 electrification by increasing volumetric rates and thereby increasing the relative operating cost of
19 gas appliances.

20 However, this argument highlights a fundamental tension: any effective policy tool
21 intended to discourage gas usage must necessarily increase costs for gas customers. In other
22 words, to the extent such a policy tool is to be successful, it must reduce affordability. Inasmuch
23 as the Commission wishes to distort gas ratemaking outcomes for the purposes of driving
24 electrification goals, it must understand that those distortions reduce affordability across the
25 customer class and increase the likelihood of stranded assets.

26 Promoting electrification through gas ratemaking requires deliberate departures from
27 cost-based outcomes that increase rates for certain customers. These impacts must therefore be
28 evaluated against a cost-based baseline and supported by evidence demonstrating that they are
29 effective and justified.

30 No intervenor provides such evidence in this proceeding:

- 1 • No modeling of customer adoption behavior
- 2 • No quantification of electrification outcomes
- 3 • No assessment of cost-effectiveness relative to other policy tools

4 As a result, the record does not support the conclusion that maintaining below-cost fixed
5 charges will materially advance electrification objectives.

6 The Commission has long recognized that fuel substitution raises unique policy and
7 competitive considerations. In D.92-02-075, the Commission established a multi-prong test
8 requiring that any fuel substitution be demonstrably beneficial, including not increasing energy
9 consumption and not adversely impacting the environment. This framework was designed to
10 ensure that utility programs do not inappropriately shift customers between fuels without clear,
11 measurable benefits.

12 In D.19-08-009, the Commission updated this framework to align with evolving policy
13 objectives but retained the requirement that fuel substitution must be supported by quantitative
14 analysis demonstrating energy and environmental benefits. The decision does not authorize the
15 use of rate design absent such analysis.

16 In this proceeding, no such analysis has been presented. Accordingly, proposals to
17 maintain below-cost rates as a means of influencing fuel choice are not consistent with the
18 Commission’s established approach to fuel substitution, which requires demonstrated and
19 measurable benefits rather than unsupported assumptions.

20 D.19-08-009 requires that fuel substitution be justified through quantified, estimated
21 impacts relative to a baseline—not assumed.

22 In contrast, intervenor fixed-cost proposals seek to maintain an existing unjustified
23 intraclass subsidy without comparable analytical support:

- 24 • no modeling of impacts
- 25 • no quantified electrification outcomes
- 26 • no demonstrated impacts relative to a baseline

27 **I. Affordability**

28 Even modest gains should not be dismissed. Applicants show improvement to all CPUC
29 prescribed affordability metrics. These metrics were reaffirmed in the most recent Affordability

1 Decision⁹ in December 2025.

2 TURN concedes that there are affordability gains but claims they are too modest to act¹⁰.
3 TURN then goes on the point out that SoCalGas' testimony shows that in climate zone 1, non-
4 CARE customers in the lowest decile will face monthly bill increases of approximately 56% per
5 month and CARE customers in the lowest decile will face monthly bill increases of
6 approximately 21% per month. However, per the Commissions own preferred affordability
7 metric, Hours at Minimum Wage, these bill increases are decidedly modest. They would also be
8 phased in over a 3-year period from 2027-2029, mitigating the modest bill impacts even further.
9 Per Applicant's proposal, in 2029 non-CARE customers in the lowest decile would face bill
10 increases equivalent to approximately 35 minutes at minimum wage, or approximately \$10 per
11 month. CARE customers in the lowest decile would face bill increases equivalent to
12 approximately 10 minutes at minimum wage, or approximately at \$3 per month.

13 Cal Advocates is incorrect that affordability concerns from D.20-02-045 were not
14 addressed.¹¹ These were addressed in Applicant's previous CAP application and D.24-07-009 did
15 not raise similar affordability concerns with Applicants' proposal. In fact, even Cal Advocates
16 agreed in the 2024 CAP when they settled with Applicants using the same proposed 50%
17 discount to CARE customers as is proposed in this CAP.¹²

18 Cal Advocates state that, "SCG's own analysis shows that approximately 18 to 20 percent
19 of CARE customers - those in the lowest usage deciles - will experience total bill increases under
20 the \$10 CARE fixed charge."¹³ Cal Advocates fails to point out that the majority of CARE
21 customers benefit from the fixed charge, especially those low-income customers with higher
22 usage.

⁹ D.25-12-044.

¹⁰ Direct Testimony of Sylvie Ashford on behalf of The Utility Reform Network (Ex. TURN-02) at 6.

¹¹ CPUC, Public Advocates Office, Report on the Results of Operations for Southern California Gas Company Cost Allocation Proceeding – Executive Summary, Ex. CA-01 (Botros) at 16.

¹² D.24-07-009 at 10 ("On December 1, 2023, the Applicants and Cal Advocates filed a joint motion for approval of the Fixed Charge Settlement. The settling parties indicate that the Fixed Charge Settlement, if approved by the Commission, would resolve all disputed issues between the Applicants and Cal Advocates as to the Applicants' fixed customer charge proposals.").

¹³ Ex. CA-01 (Botros) at 15.

1 Correcting an intraclass subsidy which would result in modest bill increases for those
2 customers who are unjustly receiving the subsidy and the affordability concerns are framed
3 incorrectly by interveners. The discussion here should be around the need and justification of the
4 subsidy and the bill impact/affordability impact on the customers who are paying for the subsidy.
5 Again, despite recognizing and proposing to maintain this subsidy, no parties provide a
6 justification for the subsidy on its own. This outcome is particularly problematic given that the
7 Commission recognized the existence of this subsidy more than 30 years ago in its 1994
8 decision.¹⁴

9 **J. The Impact of Volumetric Rates Is Overstated**

10 In TURN's testimony the impact of transportation portion of volumetric rate changes is
11 highly overstated.¹⁵ They evaluate those changes in isolation and rely on an inapposite analogy to
12 electric rate design under Decision 24-05-028. While the Commission found that shifting
13 electric fixed costs into a fixed charge—paired with lower volumetric rates—can support
14 electrification by reducing marginal electricity prices, that reasoning does not translate to gas
15 service. Electric service is comparatively non-discretionary for most customers, whereas gas
16 service is optional at the margin due to viable electrification substitutes.

17 As a result, increasing fixed charges in gas rates raises the unavoidable cost of remaining
18 on the system and operates on the participation decision—accelerating customer exit rather than
19 influencing usage.

20 More broadly, evaluating volumetric rate changes in isolation does not accurately reflect
21 consumer behavior. Customers respond to total prices under a budget constraint, and their
22 decisions reflect both substitution and income effects. TURN's analysis appears to ignore the
23 income effect: increasing fixed charges reduces disposable income, tightening the customer's
24 budget constraint and affecting consumption decisions across goods, including energy. As a
25 result, the net behavioral response cannot be inferred from marginal price changes alone.

26 Although quantifying the precise impact would require detailed microeconomic modeling
27 and empirical analysis, economic theory clearly indicates that the effects should not be

¹⁴ D.94-12-052 at 37.

¹⁵ Ex. TURN-02 (Ashford) at 11.

1 overstated by isolating volumetric rate changes. Furthermore, the presence of a two-tier rate
2 structure, combined with minimal changes in non-baseline rates, suggests that any claim that
3 volumetric rate adjustments materially undermine electrification policy is likely overstated.

4 The intervenors attempt to support their claim that cost-based rate making as it pertains to
5 residential fixed charge is a threat to state policy goals of electrification has not been
6 substantiated. The analysis they provide is incomplete and structurally flawed.

7 **K. Intervening Parties Proposals for Unjust and Unjustified Residential**
8 **Intraclass Subsidies Must Be Rejected**

9 TURN, Cal Advocates and Sierra Club are all proposing residential intraclass subsidies in
10 the name of electrification, without providing any of the evidence required to establish or
11 continue such a subsidy.

12 As discussed above:

- 13 • The Commission, guided by the Public Utilities Code, has long recognized that
14 cost-based ratemaking is just and fair, should be the default, and any deviation
15 creates cross-subsidies that should be justified with stated policy goals and
16 rigorous evidence to the effectiveness and fairness of the subsidy.
- 17 • Applicants propose cost-based ratemaking for residential rate design, specifically
18 the fixed customer charge. No intervening party opposes this.
- 19 • The record shows the minimum fixed cost of service is at least \$17.18 per month
20 using the lowest estimate provided among parties. This supports Applicants'
21 proposed \$10 CARE \$20 non-CARE fixed customer charge proposal. The fixed
22 cost of service presented by parties is low as the calculation methodology was
23 chosen to represent a minimum fixed cost of service associated with customer-
24 related costs only.
- 25 • Leaving the residential fixed charge set well below the fixed cost of service
26 creates an intraclass subsidy. No party opposes this.
- 27 • Applicants have met the typical burden of proof required for cost allocation
28 proceedings.
- 29 • Intervening parties have not met the typical burden of proof required to impose
30 intraclass subsidies or fuel substitution initiatives.

- 1 • CAP is the appropriate venue to litigate the level of the fixed charge and
2 implement cost-based ratemaking.
- 3 • Setting the fixed residential charge closer to the fixed cost of service improves
4 every affordability metric prescribed by the Commission and reaffirmed just 6
5 months ago.
- 6 • Intervenors have not proven their proposals advance state electrification goals.
7 Intervenors have not proven their claims that cost-based gas ratemaking harms
8 state electrification goals.

9 Intervenors make other claims and proposals regarding residential fixed customer charge.
10 However, in the context of the above discussion, they are not relevant and should be dismissed.
11 Regardless, the following sections discuss the problems and deficiencies in the claims and
12 proposals they present.

13 **L. TURN'S ZIP Code Analysis Is Not Compelling**

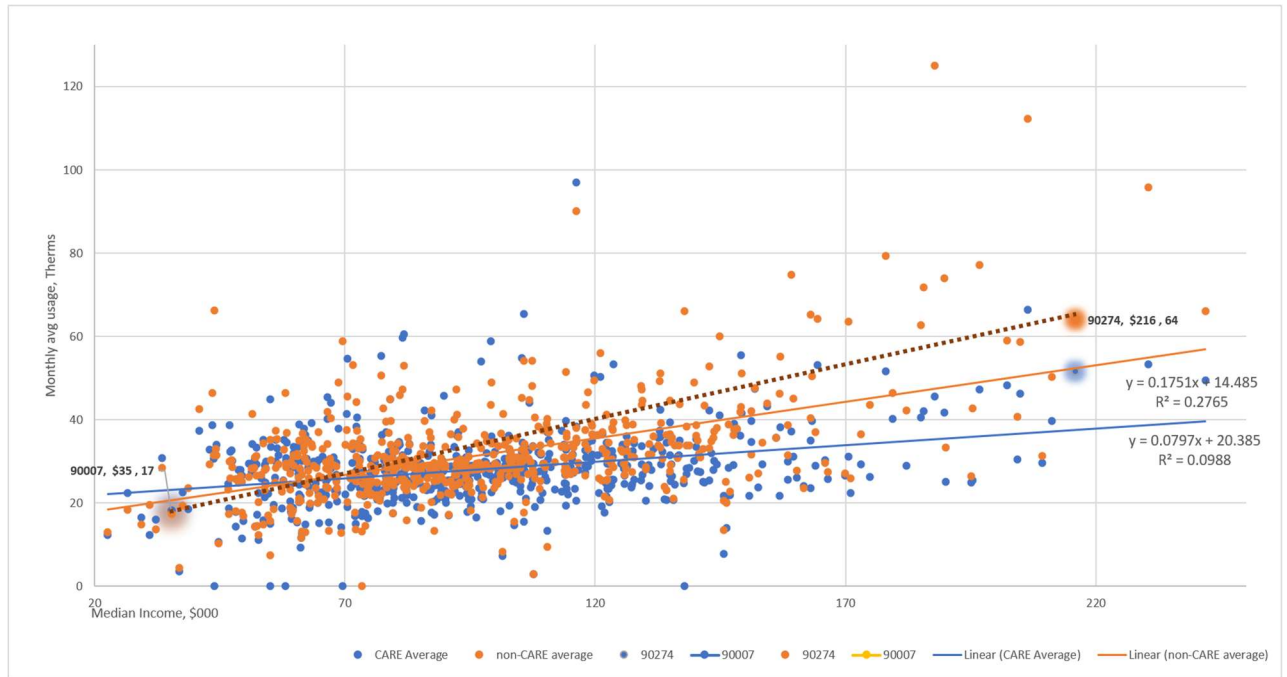
14 Outside TURNs limited and non-representative ZIP code examples¹⁶, TURN does not
15 provide sufficiently robust or well-controlled evidence of a meaningful or interpretable
16 relationship between income and consumption. In fact, when examining the entire population of
17 residential customers instead of cherry-picking 2 specific zip codes, as chart MWF-01¹⁷ below
18 suggests, there is substantial dispersion in usage within similar income levels: for each income
19 group there is a wide range of consumption levels.

¹⁶ Ex. TURN-02 (Ashford) at 7.

¹⁷ U.S. Census Bureau, American Community Survey, ACS 5-Year Estimates, Table S1901, Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars), <https://data.census.gov/table/ACSST5Y2024.S1901> (last visited May 18, 2026).

1

Chart MWF-01



2

3 Clearly, CARE (blue dots) and non-CARE (orange dots) customers do not form distinct
4 usage groups and instead overlap substantially, further indicating that usage is not cleanly
5 segmented by income group.

6 It also shows that the correlation between income and consumption is very modest. If
7 some strong factors impacting consumption were also considered, the observed modest
8 correlation is likely overstated (particularly factors such as home size, which is positively
9 correlated with both income and consumption). The respective R-square for CARE and non-
10 CARE groups indicates that this relationship explains only a limited portion (about 10 percent
11 and 28 percent respectively) of variation in usage.

12 TURN's interpretation of bill impacts appears to treat each ZIP code as strictly low
13 income (TURN's example: zip code 90007) or high income (TURN's example: zip code
14 90274)¹⁸.

15 This assumption is not well supported, as it relies on aggregate ZIP-level measures that
16 obscure significant within-ZIP variation. As a result, ZIP-level data do not reliably reflect
17 individual households, limiting the extent to which these results can be applied to household-

¹⁸ U.S. Census Bureau, id. at tbl. 2.

1 level impacts.

2 **M. TURN's Reliance on D.23-04-040 Is Misguided**

3 TURN relies on D.23-04-040 to argue that gas rate design should promote electrification.
4 Applicants agree that the Commission has identified electrification as an important policy
5 objective within the context of electric rate design. However, TURN's reliance on this decision is
6 incomplete and misapplies both the scope and substance of the Commission's guidance.
7 D.23-04-040 arises from a rulemaking addressing electric rates and demand flexibility and
8 establishes principles for the design of electric rate structures. The decision does not establish a
9 requirement that gas rates be designed to promote electrification, particularly where doing so
10 would require departures from cost-causation principles.

11 Importantly, the same decision reaffirms that rates should be based on cost causation and
12 should avoid cross-subsidies that are not transparently supported by explicit state policy goals.
13 These principles apply regardless of the policy objective being advanced. TURN's proposal
14 relies on maintaining a known intraclass subsidy by setting fixed charges substantially below the
15 fixed cost of service. However, TURN provides insufficient quantitative analysis or empirical
16 evidence demonstrating that this subsidy will produce measurable electrification benefits or
17 otherwise serve a clearly defined policy objective.

18 TURN implies that the concept of economic efficiency no longer applies to gas
19 ratemaking, in favor of state electrification goals.¹⁹ TURN suggests that the principle of
20 economically efficient use of energy, reduction in GHG emission and electrification supersedes
21 all other principles of rate design. In support, TURN cites D.23-04-040; however, that decision
22 does not support this assertion. In fact, D.23.04-040 reaffirms the principle of cost causation
23 "that a customer, or a customer class, that causes a cost to be incurred by receiving service
24 should pay for the cost of service. The purpose of this principle is to fairly apportion utility costs
25 to customers and to encourage economically efficient decision making".²⁰

26 TURN is essentially asking the Commission to not only deprioritize the remaining
27 principals of rate design, but they are also asking the Commission to elevate electrification above

¹⁹ Ex. TURN-02 (Ashford) at 19, lines 8-15.

²⁰ D.23-04-040, Attachment A at 1.

1 residential gas affordability. The Commission reaffirmed its commitment to residential gas
2 affordability just 6 months ago in D.25-12-044.

3 Implementing rates that deliberately overlook economically efficient outcomes create
4 higher costs for both the customer and the company and increase the likelihood of stranded
5 assets which directly erodes long-term affordability. Driving toward economically efficient
6 outcomes in ratemaking will likely prove to be a valuable tool in managing the long-term
7 balance between affordability and electrification.

8 As a result, TURN's proposal is inconsistent even with the framework established in
9 D.23-04-040, which requires that any departure from cost-based ratemaking be explicitly
10 justified and transparently supported. Further nothing in D.23-04-040 alters the Commission's
11 longstanding requirement that policies intended to influence fuel choice must be supported by
12 rigorous analysis (D.92-02-075 and D.19-08-009).

13 **N. TURN'S Analysis of Bill Smoothing Is Inconsistent and Incomplete**

14 TURN claims that smoothing volatility for gas service will be "detrimental" for
15 customers for summer months as they face higher bills for electricity.²¹ In so doing, TURN
16 selectively discounts non-summer bill reductions while amplifying summer increases through
17 reference to electric bill seasonality. This asymmetrical and cross-service framing is not
18 analytically consistent and overstates the impact of gas rate changes.

19 Applicants believe that gas bill volatility remains an appropriate rate setting principle in
20 isolation of electric bill volatility. Within this context, Applicants' analysis on this topic is valid
21 and remains supportive of Applicants' fixed cost proposal. However, if, as TURN suggests,
22 volatility should be viewed under the lens of the customers' broader cost experience, it should
23 include all essential bills. TURN's analysis is again inappropriately selective and incomplete.

24 TURN's analysis evaluates volatility in isolation, without considering the broader
25 household cost burden. Customers face multiple essential expenses, including housing, water,
26 and telecommunications, which are typically considered in comprehensive volatility or
27 affordability assessments. D.25-12-044 affordability ratio calculations examine the following
28 essential bills: natural gas, electricity, water, telecommunications and housing. Focusing

²¹ Ex. TURN-02 (Ashford) at 9.

1 narrowly on seasonal electric bill peaks, without evaluating total household costs or annual bill
2 impacts, does not provide a balanced or reliable measure of total customer essential bill
3 volatility.

4 **O. TURN Misrepresents the Electric Fixed Charge**

5 TURN refers to fixed charge as “The current electric fixed charge level was not set based
6 on a calculation of eligible fixed costs, but instead benchmarked at the fixed charge offered by
7 the Sacramento Municipal Utility District.”²² TURN further states that it is based on “policy
8 objective.”²³ The benchmarked fixed charge level is clearly the result of The Sacramento
9 Municipal Utility District’s calculation, based on their fixed costs. Here is a clear statement by
10 SMUD about their fixed charge: “The System Infrastructure Fixed Charge (SIFC) is a fixed
11 monthly charge that helps pay for things like poles, wires, transformers, meter equipment, billing
12 and customer service costs, including the Contact Center.”²⁴

13 **P. Applicants Oppose TURN’s Alternate Recovery Proposal for Enhanced**
14 **Fixed Customer Charge Discount**

15 Applicants propose to charge CARE enrolled customers a fixed charge amount that is
16 50% of non-CARE customers starting in 2028. Applicants propose that this discount be funded
17 by collecting 20% through normal CARE discount and recovering the balance within residential
18 rates. TURN proposes to collect all the discounted fixed charge in the CARE discount.
19 Applicants oppose this recovery proposal as TURN does not provide adequate evidence or
20 justification for asking non-residential classes to subsidize residential fixed costs.

21 **Q. Sierra Club’s Proposal to Eliminate the Fixed Charge Should Not Be**
22 **Considered**

23 Sierra Club proposes eliminating the residential fixed charge and adopting a minimum
24 bill approach.²⁵ Eliminating fixed charge completely contradicts fair, stable, and grounded in
25 cost causation principles of rate making. It exacerbates existing intraclass subsidies and
26 misaligns cost responsibility, resulting in cost allocation outcomes that are neither fair nor

²² *Id.* at 21.

²³ *Id.*

²⁴ Sacramento Municipal Utility District, Standard (TOD), *available at:*
<https://www.smud.org/Customer-Support/Understand-Your-Bill> (last visited May 18, 2026).

²⁵ Ex. SC-01 (Borden and Schoff) at 13.

1 consistent with cost-causation principles. It also leads to instability as recovery of fixed costs
2 becomes dependent on fluctuating usage rather than customer presence.

3 **R. Minimum Bills Are Not Cost-Based Ratemaking and Create Price**
4 **Distortions**

5 In addition to eliminating the residential fixed charge, Sierra Club proposes an \$8 to \$14
6 minimum residential bill.²⁶

7 The recommendation of a minimum bill to replace fixed charges weakens cost causation
8 and distorts price signals. Customers below the threshold pay some version of fixed charge,
9 while customers above the threshold face only volumetric pricing. This means two customers
10 with identical service impose the same fixed cost but pay very different amounts depending on
11 usage. This violates the cost causation principle.

12 While the existence of a minimum bill is superior to a pure volumetric rate without one it
13 is not a great substitute for an appropriately set fixed customer charge. As shown in direct
14 testimony and reiterated above, the most efficient ratemaking would have 100% of fixed costs
15 covered by a fixed customer charge. With a minimum bill, it is less likely that the amount of
16 revenue ultimately allocated to variable vs fixed costs for residential ratemaking would meet the
17 actual minimum fixed costs of service.

18 **S. Sierra Club's Appliance Study Is Underdeveloped and Not Compelling**

19 Sierra Club presents an appliance study, where the reduction in volumetric price signals
20 is analyzed in isolation from the increase in fixed charges²⁷, thereby treating rate design effects
21 as separable and linear. This approach is conceptually flawed.

22 Unlike electric fixed charges—which are largely unavoidable because customers remain
23 connected to the electric grid—gas fixed charges can be avoided through full electrification and
24 service disconnection. As a result, changes to gas fixed charges do not simply weaken price
25 signals; they fundamentally alter the economics of fuel switching.

26 Specifically, an increase in gas fixed charges may simultaneously weaken incentives for
27 partial electrification while strengthening incentives for complete electrification, where

²⁶ *Id.* at 14-15.

²⁷ *Id.* at 10-11.

1 customers can avoid all gas-related fixed costs. This introduces a non-linear, threshold-based
2 decision structure that cannot be captured through incremental operating cost comparisons.

3 By implicitly assuming continued payment of gas fixed charges even after electrification,
4 the model evaluates a scenario in which customers electrify but retain gas service. This is
5 economically inconsistent with the decision being analyzed and biases the results against full
6 fuel switching.

7 Moreover, the analysis applies a short-run marginal cost framework to evaluate long-run
8 appliance investment decisions. Electrification involves discrete capital investments in
9 equipment with lifetimes of 10–20 years and is driven by total lifecycle economics—including
10 capital costs, expected operating costs, and the ability to avoid future fixed charges.

11 By focusing narrowly on incremental changes in annual operating costs, the analysis fails
12 to reflect how customers actually make fuel-switching decisions and instead evaluates a short-
13 run consumption response.

14 Accordingly, the analysis does not address the relevant economic question—whether
15 electrification is cost-effective on a full lifecycle basis—and therefore produces results that are
16 not a reliable basis for evaluating rate design impacts on electrification.

17 **T. SDG&E’s Proposal Does Not Disqualify SoCalGas’s Proposal**

18 Cal Advocates position that because Applicants do not propose a fixed charge for
19 SDG&E, Applicants proposal for SoCalGas must be disingenuous is a fallacy. As described in
20 direct testimony, there are operational, implantation, and customer experience differences
21 between SoCalGas and SDG&E as it pertains to residential fixed customer charge. Ignoring
22 these distinctions overlooks important differences, and for that reason, Cal Advocates’ line of
23 discussion is not persuasive.

24 **III. SUBMETER CREDIT PROPOSALS**

25 WMA and Cal Advocates both provide testimony on Applicants submeter credit
26 proposal. Applicants proposed a SoCalGas submeter credit of \$0.14516/meter/day for 2027.
27 Applicants also proposed that if their residential fixed charge proposal is adopted that the
28 submeter credit should be reduced as the SoCalGas fixed charge is increased in 2028 and 2029.
29 For 2027 - 2029 SDG&E proposes to set submeter credits at \$0.51583/ meter/ day for GS

1 customers and \$0.53418/ meter/ day for GT customers.

2 WMA agrees that the SoCalGas residential fixed charge proposal should be reduced as
3 the SoCalGas residential fixed customer charge is increased.²⁸

4 WMA points out that Applicants, by relying on the Long Run Marginal Cost (LRMC)
5 study in this application (chapter 8), did not include capital-related costs associated with
6 submeters. Since the LRMC study is intended to estimate costs of an additional unit, incremental
7 capital is excluded because line extension allowance were eliminated. WMA points out that line
8 extension allowances do not apply to submeters²⁹. SoCalGas agrees with WMA. Despite the
9 removal of line extension allowances legacy capital costs are not eliminated for master meters or
10 for the company. WMA proposes inputting the line extension allowance value used in the
11 marginal cost workpapers from the previous CAP into the workpapers³⁰. Applicants do not
12 oppose this proposal.

13 Consistent with the previous CAP, Applicants relied on the LRMC study to determine the
14 capital costs related to Submeter credits in this case. Applicants made this modeling choice
15 despite proposing to move away from the LRMC in favor of an embedded cost methodology for
16 cost allocation. Embedded cost methodology relies on historic recorded costs. SoCalGas and
17 SDG&E accounting systems do not have historical capital costs for the service, regulator and
18 meter (SRM) categorized by customer class, such as residential. If the Commission approves
19 eliminating the LRMC study, Applicants will make a proposal on how to appropriately include
20 capital related costs in the submeter credit while using actual recorded embedded cost data.

21 Section E of Cal Advocates' testimony is labeled "Eliminating the Submeter Credit
22 Harms Master-Metered Customers."³¹ Applicants agree and are not proposing to eliminate the
23 submeter credit. Applicants simply propose to set the submeter credit to \$0 only in cases where
24 an increase in residential fixed customer charge would compensate master meter holders for the
25 avoided costs to the company. The longstanding accepted method for calculating submeter

²⁸ Direct Testimony of Mary Neal on behalf of Western Manufactured Housing Communities Association (WMA) at 6.

²⁹ Ex. WMA (Neal) at 7.

³⁰ Ex. WMA (Neal) at 9.

³¹ Ex. CA-05 (Sierra) at 17.

1 credits correctly adjusts the submeter credit down when the fixed customer change goes up. The
2 more avoided costs of service that the master meter can collect in fixed charge, the less they need
3 to receive as volumetric credit. If the fixed charge gets to a high enough level, the submeter
4 credit is correctly set to zero to remain in compliance with D.04-04-043. WMA does not dispute
5 this.

6 **IV. GAS ENGINE RATE DESIGN PROPOSAL**

7 TURN proposes to eliminate the gas engine rate cap.³² Regarding residential fixed
8 customer charge, TURN claims Applicants must not remove interclass subsidies within the
9 residential class without doing more analysis and insists that the Commission must take it slow
10 and fully understand in precise detail how removing the intraclass subsidy within the residential
11 class would impact electrification of residential customers. Then at the same time they insist
12 Applicants must immediately remove the long-standing gas rate-cap which will put downward
13 pressure on core rates, and like Applicants' fixed charge proposal, will increase affordability for
14 the residential class. TURN did not apply the same logic regarding the relationship between
15 residential rates and electrification to the gas engine rate cap as it does to Applicant's fixed
16 charge proposal. Applying the same logic TURN uses to claim Applicant's fixed charge
17 proposal harms electrification, removing the gas engine rate cap would also disincentivize core
18 customers to electrify. TURN provides no studies on how this would impact electrification
19 efforts of core customers, and if it would even materially impact the adoption rates of heat
20 pumps.

21 Despite TURN's inconsistencies, Applicants agree the subsidy should be removed to
22 drive toward fair, just and cost-based ratemaking. However, it should be phased in. Applicants
23 propose to lower the rate cap adjustment by a factor of 5% per year each, starting in 2028.
24 Specifically, the rate cap adjustment would be calculated as we currently do, but then subject to
25 factor of 95% in 2028, 90% in 2029, etc. We agree with TURN's proposal for a phased
26 approach, however Applicants believe it should be more gradual. TURN stated, "Should the
27 Commission remain concerned about "rate shock" after all these years, it could direct that the

³² Ex. TURN-01 (Florio) at 73.

1 rate be brought up to the full cost-based level in stages over three or four years...”³³

2 Applicants support cost-based ratemaking principles, including aligning costs with cost
3 causation while maintaining rate stability and mitigating abrupt customer bill impacts.

4 **V. CLEAN ENERGY’S REQUEST TO REVISIT COMPRESSION SURCHARGE**
5 **STUDY IS UNNECESSARY**

6 Clean Energy unnecessarily expresses concern that two of the per unit cost components
7 of the compression surcharge, O&M costs and electricity costs, have decreased when compared
8 to the last cost allocation proceeding.³⁴ The total O&M and electricity costs have decreased
9 since the last cost allocation proceeding, so it follows that these per unit costs will decrease as
10 volumes increase. Volumes at SoCalGas public CNG stations have nearly doubled since the last
11 cost allocation proceeding. Further, the author of the compression surcharge study, E3, received
12 CNG station cost data from SoCalGas and used their own independent methodology to allocate
13 and calculate component costs of the compression surcharge, including O&M and electricity
14 costs.

15 **VI. NO PARTY OPPOSES ELIMINATION OF THE GAS AC RATE**

16 No party opposes SoCalGas’s proposal to eliminate their Gas AC Rate. As such, the
17 Commission should adopt SoCalGas’ proposal to eliminate the gas AC rate.

18 This concludes my rebuttal testimony.

³³ Ex. TURN-01 (Florio) at 73-74.

³⁴ Direct Testimony of Allison Smith on behalf of Clean Energy (Ex. CE-01) at 11-12.