Company: Southern California Gas Company (U 904 G)
Proceeding: 2028 General Rate Case
Application: A.26-06-___
Exhibit: SCG-07

PREPARED DIRECT TESTIMONY OF ELSA VALAY-PAZ

(GAS ACQUISITION)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 2026

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SUMMARY

GAS ACQUISITION (In 2025 $)			
	2025 Adjusted-Recorded (000s)	**TY 2028 Est. (000s)**	**Change (000s)**
Total Non-Shared Services	4,907	5,274	367
Total Shared Services (Incurred)	0	0	0
Total O&M	**4,907**	**5,274**	**367**

Summary of Requests

- SoCalGas requests authority to recover $5.274 million in Test Year (TY) 2028 operations and maintenance (O&M) costs (an increase of $367,000 from Base Year (BY) 2025 adjusted-recorded costs) to support the Gas Acquisition Department (Gas Acquisition or the Department). The Department procures natural gas and lower- and no-carbon fuels[1] for retail core customers of SoCalGas and San Diego Gas and Electric (SDG&E)[2] and procures Cap-and-Invest greenhouse gas (GHG) emissions compliance instruments for SoCalGas's covered end-use customers and its gas transmission and storage facilities.
- The forecast reflects normalization of staffing levels following BY vacancies and workforce transitions, consistent with the Department's responsibilities related to natural gas and lower- and no-carbon fuels procurement, and to meet Cap-and-

[1] *See e.g.,* SoCalGas Advice Letter (AL) 5295 (approved July 5, 2018; effective June 17, 2018) established a voluntary RNG procurement pilot for transportation fuel use. Decision (D.) 20-12-022 subsequently authorized a Voluntary Renewable Natural Gas Tariff (VRNGT) pilot program, enabling procurement of RNG on behalf of core customers for non-transportation (stationary) end uses. D.22-02-025 (February 24-25, 2022) established a Renewable Gas Standard (RGS) with biomethane procurement targets applicable to California's four large natural gas Investor-Owned Utilities (IOUs). The RGS was subsequently modified by D.26-04-044 (April 30, 2026) in Rulemaking (R.) 13.02-008, which revised procurement targets, extended compliance timelines, and adopted cost-containment mechanisms.

[2] Pursuant to D.07-12-019, Ordering Paragraph 4, the retail core portfolios of SoCalGas and SDG&E were consolidated into a single portfolio managed by SoCalGas's Gas Acquisition Department, effective April 1, 2008.

Invest compliance and reporting obligations under Assembly Bill (AB) 32.[3] The change of $367,000 from BY 2025 to TY 2028 consists of the following:

1. Labor costs decrease by $18,000 due to workforce transitions and position mix normalization, while maintaining stable Full-Time Equivalent (FTE) levels of 31.4.
2. Non-labor costs increase by $385,000 from BY 2025 to TY 2028, primarily reflecting contracted technical and application support services and subscription-based data and analytical tools required to sustain the Department's trading, scheduling, compliance, and risk management functions.

[3] *See* Assembly Bill (AB) 32 (2005-2006 Reg. Sess.), *California Global Warming Solutions Act of 2006,* and related regulations under Cal. Code Regs., Title 17, article 5, "California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms," § 95801 et seq., for discussion of program compliance and reporting requirements for covered entities.

PREPARED DIRECT TESTIMONY OF ELSA VALAY-PAZ
(GAS ACQUISITION)

I. INTRODUCTION

A. Summary of Gas Acquisition Costs and Activities

My testimony supports the TY 2028 forecast for non-shared O&M costs for non-shared services, associated with the Gas Acquisition area for SoCalGas. Table EVP-1 summarizes my sponsored costs.

TABLE EVP-1
Test Year 2028 Summary of Total Costs

GAS ACQUISITION (In 2025 $)			
	2025 Adjusted-Recorded (000s)	**TY 2028 Est. (000s)**	**Change (000s)**
Total Non-Shared Services	4,907	5,274	367
Total Shared Services (Incurred)	0	0	0
Total O&M	**4,907**	**5,274**	**367**

SoCalGas requests CPUC approval of $5.274 million in annual 2028 O&M funding to enable Gas Acquisition to meet its procurement responsibilities, support retail core operational priorities, and comply with applicable regulatory requirements. Gas Acquisition is responsible for:

1. Procuring reliable natural gas and lower- and no-carbon fuels for SoCalGas and SDG&E retail core customers at reasonable cost,
2. Procuring Cap-and-Invest greenhouse gas (GHG) emissions compliance instruments for covered end-use customers and for SoCalGas's transmission and storage facilities at a reasonable cost on behalf of core customers,
3. Supporting implementation of California's decarbonization policies and programs applicable to natural gas procurement and GHG compliance, and
4. Complying with applicable state and federal regulatory requirements.

Gas Acquisition fulfills these responsibilities using CPUC-authorized procurement tools and assets, including storage inventory rights, interstate and intrastate pipeline capacity, Secondary Market Services (SMS) transactions,[4] natural gas sales, exchange-traded and bilateral

[4] SMS activities include natural gas parks, loans, and wheels with the intent to optimize the use of retail core allocated assets and reduce retail core gas costs.

derivative hedging, and GHG compliance instruments.[5] These activities occur through daily operations and long-term commercial planning.

Sustained performance requires Gas Acquisition to:

- Negotiate and maintain contracts for physical and financial gas, lower- and no-carbon fuels, storage, and transportation,
- Acquire and manage GHG compliance instruments cost-effectively,
- Attract and retain skilled professional staff at levels appropriate for reliable procurement operations,
- Collaborate with IT to support execution for Energy Trading and Risk Management (ETRM) and the technology ecosystem, and
- Maintain a strong risk governance framework with appropriate segregation of duties.

The purpose of this testimony is to present Gas Acquisition's TY 2028 non-shared O&M forecast and describe the activities, cost composition, forecast methodology, and cost drivers underlying that request.

B. Organization of Testimony

This testimony is organized as follows:

- Introduction
- Summary of Gas Acquisition Costs and Activities
- Affordability and Efficiency
- Description of Costs and Underlying Activities
- Forecast Method
- Cost Drivers
- Conclusion

[5] GHG compliance instruments purchased to meet SoCalGas customer emissions obligations under the Cap-and-Invest program include California Carbon Allowances (CCAs) and California Carbon Offsets (CCOs). These instruments can be purchased bilaterally, exchange-traded, or at the California Air Resources Board (CARB) quarterly auctions. Gas Acquisition procures natural gas and lower- and no-carbon fuels for SoCalGas and SDG&E retail core customers. Additionally, Gas Acquisition procures AB 32 Cap-and-Invest emission compliance instruments for SoCalGas covered facilities and end-use customers, including noncore customers with an annual compliance obligation of less than 25,000 metric tons of carbon dioxide equivalent ($MTCO_2e$) per annum.

C. Support To and From Other Witnesses

This testimony references the testimony and workpapers of the Information Technology (IT) witness's testimony (Ex. SCG-10) whose responsibilities intersect with Gas Acquisition operations, related to the ETRM system.

The ETRM system functions as the centralized system of record supporting Gas Acquisition's procurement, scheduling, settlements, exposure monitoring, and compliance reporting activities. It enables transaction capture, position tracking, valuation support, and documentation necessary for execution and oversight of CPUC-authorized procurement functions.

II. AFFORDABILITY & EFFICIENCY

Gas Acquisition executes its responsibilities with a focus on affordability and operational efficiency, while maintaining compliance with CPUC requirements and internal business control. The Department implemented operational practices designed to optimize resource utilization, strengthen institutional knowledge, and reduce reliance on higher-cost or higher-risk staffing alternatives.

A. Workforce Utilization and Flexibility

To manage workload demands while avoiding premature or misaligned permanent hires, the Department utilized temporary and rotational resources to support standard, less technical activities. This approach enabled permanent staff to focus on complex procurement, scheduling, and compliance responsibilities during periods of extended vacancies.

In specialized areas such as contract administration, this strategy maintained continuity of operations and compliance coverage without compromising quality or increasing long-term cost exposure. The use of temporary and rotational resources enabled the recruitment and onboarding of permanent employees with the necessary technical expertise while avoiding the risks associated with premature hiring, such as training inefficiencies and future turnover.

B. Process Standardization and Compliance Frameworks

The Department also focuses on improving efficiency through process standardization and the implementation of compliance management tools. These efforts enhance documentation consistency, reduce rework, and strengthen audit readiness across procurement, settlement, and reporting activities. In addition, these measures support accurate reporting, timely settlements,

and effective procurement outcomes while minimizing the risk of corrective actions or retroactive adjustments that could increase customer costs.

By investing in structured processes and compliance control frameworks, the Department reduces reliance on manual workarounds and institutionalized knowledge that would otherwise be vulnerable to staff turnover.

C. Knowledge Transfer and Operational Continuity

Recognizing the importance of institutional knowledge in a highly technical and regulated environment, the Department emphasizes intentional knowledge transfer and cross-training. Without this knowledge transfer and training, additional time and resources would be necessary to onboard new Gas Acquisition employees.

III. NON-SHARED O&M COSTS

"Non-Shared Services" are activities performed by SoCalGas solely for its own benefit. Corporate Center provides certain services to the utilities and to other subsidiaries. For purposes of this general rate case, SoCalGas treats costs for services received from Corporate Center as Non-Shared Services. Table EVP-2 summarizes the total non-shared O&M forecasts for the listed cost categories.

TABLE EVP-2
Non-Shared O&M Summary of Costs

GAS ACQUISITION (In 2025 $)			
Categories of Management	**2025 Adjusted-Recorded (000s)**	**TY 2028 Estimated (000s)**	**Change (000s)**
Total Labor	4,540	4,522	(18)
Total Non-Labor	367	752	385
Total Non-Shared Services	**4,907**	**5,274**	**367**

A. Description of Costs and Underlying Activities

Gas Acquisition costs support the three functional groups reporting to the Vice President of Gas Acquisition: Origination, Energy Trading and Transportation ("Front Office"); Contract Management, Finance & IT ("Back Office"); and Energy Economics & Planning. There is a "Middle Office" function that provides independent risk oversight, but it transitioned to SoCalGas's Enterprise Risk Management organization in late 2023, where it continues to perform risk oversight activities that support Gas Acquisition's procurement operations. Their responsibilities are summarized below.

Vice President of Gas Acquisition: The Vice President of Gas Acquisition provides strategic direction and officer-level oversight for the Department's 31.4 FTE employees.[6] Responsibilities include setting procurement priorities aligned with SoCalGas's mission to provide safe, reliable, and affordable energy, and meeting compliance with internal policies, risk management requirements, and all applicable regulations.

Front Office: The Front Office manages deal origination and execution, transaction capture, and gas scheduling. Traders procure natural gas across daily, monthly, and longer-term horizons and execute parks, loans, and wheels to optimize the allocation of storage and transportation assets. Trading activities also include managing price and basis exposure and implementing risk management strategies consistent with CPUC-authorized parameters. The Front Office additionally procures GHG emissions compliance instruments, including CCAs and CCOs, and sources biomethane for consumption at SoCalGas and SDG&E compressed natural gas (CNG) fueling facilities. Gas schedulers nominate and schedule supply volumes to meet retail core load across six daily scheduling cycles while managing pipeline constraints and supply interruptions.

Back Office: The Back Office conducts contract negotiation and administration for natural gas, biomethane, financial, and carbon transactions; provides portfolio accounting and settlements; calculates core monthly prices; prepares financial and regulatory reports; and maintains the risk governance framework for procurement operations. The Back Office also includes a dedicated team that provides analytical and operational system support for Gas Acquisition activities, working in coordination with enterprise IT to effectively manage the reliability, integrity, and continuity of the trading, settlement, and reporting systems that support the Department's ETRM platform.

Energy Economics and Planning: Energy Economics and Planning analyzes market fundamentals and forecasts supply and demand conditions. Key activities include monitoring market trends, evaluating storage operations, analyzing price drivers and basin interactions, and providing ad hoc analysis to support procurement activities.

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[6] The employee count includes personnel performing Gas Acquisition–related functions, including independent risk oversight activities provided by the Middle Office. While Middle Office staff are organizationally housed within the Enterprise Risk Management organization, their activities directly support Gas Acquisition procurement operations and are necessary to maintain appropriate risk governance, segregation of duties, and compliance with CPUC requirements and internal policies.

Middle Office: The Middle Office provides independent risk governance and oversight for Gas Acquisition procurement activities. Middle Office responsibilities include identifying and monitoring market, credit, financial, and operational risks; performing risk valuation and reporting; validating forward curves and transaction data; and monitoring compliance with position, credit, and risk limits applicable to procurement operations. While the Middle Office function is organizationally housed within SoCalGas's Enterprise Risk Management organization, its activities directly support and are driven by the scale, complexity, and risk profile of Gas Acquisition's procurement portfolio. This structural alignment provides oversight independence while maintaining close operational coordination with Gas Acquisition functions.

Given the volume, complexity, and value of transactions executed on behalf of core customers, the Department maintains industry-standard capabilities, including integrated systems and personnel with specialized expertise. Because Middle Office activities directly support Gas Acquisition's CPUC-authorized procurement operations, the associated costs are included in this testimony to reflect the full cost of maintaining effective risk governance and segregation of duties.

B. Forecast Method

1. Labor Forecast Method

The labor forecast for Gas Acquisition is based on BY 2025, consistent with forecast approaches used in prior GRCs[7] and is adjusted to reflect normalization of staffing levels required to support ongoing procurement, compliance, and internal business control functions. In addition, the labor forecast also reflects stabilization of staffing levels following base year vacancies and workforce transitions, consistent with maintaining effective segregation of duties, risk governance, and continuity of operations. These adjustments support the Department's continued execution of its responsibilities in a controlled and compliant manner aligned with CPUC's expectations.

The Department operates in a highly regulated and risk-sensitive environment in which staffing levels directly affect procurement oversight, compliance execution, and audit readiness. Accordingly, the labor forecast reflects normalization to staffing levels sufficient to support prudent procurement execution and effective internal business controls.

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[7] *See* Application (A.) 17-10-007 and A.17-10-008, 2019 General Rate Case (Exhibit (Ex.) SCG-216), and A.22-05-015, 2024 General Rate Case (Ex. SCG-11).

The labor forecast for TY 2028 reflects a net decrease of $18,000. This includes a $500,000 reduction offset by a $301,000 increase, associated with stabilization of staffing following base year vacancies and workforce transitions, and a $181,000 increase associated with compensation modernization. Labor assumptions, vacancy adjustments, and related staffing considerations are discussed further in "Cost Drivers," with supporting cost detail provided in the accompanying workpapers.

2. Non-Labor Forecast Method

The non-labor forecast for Gas Acquisition is based on a five-year historical average methodology, consistent with forecasting approaches used in prior GRCs for recurring O&M cost categories. This approach is appropriate because the Department's non-labor expenses primarily reflect the ongoing costs of maintaining the tools, systems, and services required to execute CPUC-authorized procurement functions, perform settlements, support compliance and reporting obligations, manage risk, and maintain audit-ready documentation.

A five-year historical average provides a normalized estimate of ongoing non-labor costs and mitigates the impact of timing differences such as contract renewal cycles, billing term changes, and intermittent implementation or integration costs. This approach reduces the likelihood that the forecast is distorted by a single year that is unusually high or low.

This methodology is also appropriate because a significant portion of the Department's non-labor costs consists of subscription-based market data, trading or settlement support services, and system support necessary to maintain accurate pricing, settlements, reporting, and internal verification. These expenses are structural components of the procurement function and are incurred to enable prudent execution, accurate settlements, and effective cost pass-through, independent of commodity price levels or transaction volumes. Accordingly, this five-year historical-average approach provides a more stable and representative estimate of expected non-labor costs in the test year, while remaining transparent and readily reconcilable with recorded history and supporting documentation.

This five-year historical average approach captures normal business variability while mitigating distortion from short-term timing effects or anomalous year-to-year fluctuations. It provides a transparent, readily reconcilable estimate of steady-state non-labor spending required to maintain essential operational capabilities and aligns with the Department's cost drivers by

forecasting the ongoing resources needed to support disciplined oversight and compliance functions.

The non-labor forecast for TY 2028 reflects a net increase of $266,000. This includes $167,000 for third party IT supplemental resources to support trading and Back Office operations and to maintain the ETRM system, and $99,000 for higher subscription expenses due to a shift from a user-based licensing model to an enterprise subscription model. Non-labor cost components and assumptions are further described in "Cost Drivers," with supporting cost detail provided in the accompanying workpapers.

C. Cost Drivers

The cost drivers behind the Gas Acquisition forecast are: (1) regulatory and policy obligations, (2) risk governance and portfolio stewardship, and (3) operational capacity and control continuity. Each driver reflects the baseline effort necessary to support prudent and compliant procurement activities consistent with CPUC expectations.

The TY 2028 forecast reflects stable full-time staffing levels of 31.4 FTEs and a net O&M increase of approximately 7.5% relative to 2025 adjusted recorded costs. Labor costs decline due to workforce transitions and normalization following voluntary departures, partially offset by targeted backfilling of critical roles. Non-labor costs increase primarily due to specialized system and application support required to sustain the Department's trading, scheduling, and risk management control environment. Together, these elements maintain continuity and control without expansion of scope.

1. Regulatory and Policy Obligations

The Department operates within an established regulatory framework that imposes generally applicable compliance, oversight, and reporting obligations on procurement activities. These requirements are fundamental in nature and apply consistently across operations, independent of specific transactions or market conditions.

Labor costs associated with this driver reflect the staffing required to support regulatory filings, respond to CPUC inquiries, and maintain compliance-related documentation. From BY 2025 to TY 2028, these costs primarily reflect normalization from base-year vacancies.

Non-labor costs associated with this driver reflect systems, tools, and services required to support regulatory and compliance functions. Supporting cost details are provided in the workpapers.

2. Risk Governance and Portfolio Stewardship

Gas Acquisition operates within market conditions that include price variability and contractual obligations. The Department's role is to conduct procurement activities in accordance with CPUC-authorized policies and risk parameters. Risk governance encompasses the evaluation and oversight of risks associated with procurement activities. These functions support consistent and informed decision-making aligned with authorized parameters.

Portfolio stewardship reflects the management of procurement positions and contractual commitments over time, with a focus on maintaining portfolio value and supporting efficient execution. Forecasted costs associated with this driver reflect the resources necessary to support oversight functions commensurate with the scale of Gas Acquisition operations.

Labor costs associated with this driver reflect staffing required to support risk monitoring, portfolio review, valuation, and contract oversight activities.

Non-labor costs associated with this driver reflect the systems, tools, and services required to support risk and portfolio oversight functions consistent with Gas Acquisition activities. Supporting cost details are provided in the accompanying workpapers.

3. Operational Capacity and Control Continuity

The Department's ability to execute procurement activities depends on maintaining sufficient operational capacity and internal controls. Maintaining appropriate staffing supports reliable transaction execution, settlements, and reporting. Sustaining baseline operational capacity is necessary for consistent performance of these activities.

The forecast reflects staffing required to maintain this baseline following base-year vacancies. These costs do not reflect expanded scope or new initiatives but support ongoing operations.

Labor costs associated with this driver reflect staffing required to support transaction processing, settlements, reporting, and internal control functions. From BY 2025 to TY 2028, total labor costs decline while FTE levels remain unchanged, reflecting normalization following workforce transitions.

Non-labor costs associated with this driver reflect the systems, tools, and services required to support operational and control functions consistent with Gas Acquisition activities. Supporting cost details are provided in the workpapers.

IV. CONCLUSION

In conclusion, the TY 2028 O&M forecast presented in this testimony is reasonable and necessary to support Gas Acquisition's CPUC-authorized procurement responsibilities.

The forecast reflects the baseline resources required to execute natural gas and lower- and no-carbon fuels procurement, meet applicable regulatory obligations, and maintain appropriate internal controls within a regulated, market-sensitive operating environment. It reflects normalized staffing levels and essential non-labor support necessary to sustain disciplined procurement execution and accurate cost administration.

Approval of the requested O&M costs will allow SoCalGas to continue procuring natural gas and lower- and no-carbon fuels on behalf of core customers in a cost-effective manner while maintaining effective oversight and operational continuity.

This concludes my prepared direct testimony.

V. WITNESS QUALIFICATIONS

My name is Elsa Valay-Paz. My business address is 555 West Fifth Street, Los Angeles, California 90013. I am currently employed by SoCalGas as Vice President of Gas Acquisition.

In my current role, I provide executive leadership and oversight of Gas Acquisition, which is responsible for procuring natural gas and lower- and no-carbon fuels for SoCalGas and SDG&E retail core customers, as well as supporting GHG-compliance procurement activities.

Prior to my current role, I held positions of increasing responsibility within the Sempra family of companies. These roles include Director of Origination and Energy Supply and Dispatch at SDG&E, as well as Director of Supply Chain at SDG&E. In these positions, I was responsible for procurement strategies, market operations, and supply-related functions within the regulated utility environment.

I have over 20 years of experience in energy and markets across the western United States, with a focus on regulated procurement, market operations, and utility compliance.

I hold a Bachelor's degree in Accounting from the Universidad Autónoma de Nuevo León and a Master of Business Administration with a concentration in Finance from Pepperdine University.

I have not previously testified before the CPUC.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A

Glossary of Terms

ACRONYM	DEFINITION
AB	Assembly Bill
AL	Advice Letter
CARB	California Air Resources Board
Bcf	Billion Cubic Feet
BY	Base Year
CCA	California Carbon Allowance
CCO	California Carbon Offset
CPUC	California Public Utilities Commission
ETRM	Energy Trading and Risk Management
FTE	Full-Time Equivalent
GHG	Greenhouse Gas
GRC	General Rate Case
IT	Information Technology
IOU	Investor-Owned Utility
MTCO2e	Metric Ton Carbon Dioxide Equivalent
SDG&E	San Diego Gas & Electric
SMS	Secondary Market Services
SoCalGas	Southern California Gas Company
TY	Test Year
O&M	Operations and Maintenance
RNG	Renewable Natural Gas
SDG&E	San Diego Gas & Electric Company