

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Southern California Gas
Company (U904G), on Behalf of its
Customers, for Approval of Gas Line
Extension Allowances.

Application 26-07-XXX
(Filed July 1, 2026)

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U904G), ON
BEHALF OF ITS CUSTOMERS, FOR APPROVAL OF GAS LINE EXTENSION
ALLOWANCES**

DINAH TOUNY

Attorney for:
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1700
Los Angeles, California 90013
Telephone: (213) 244-2927
Facsimile: (213) 629-9620
E-Mail: dtouny@SoCalGas.com

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I. INTRODUCTION

Pursuant to Ordering Paragraph (OP) 2 of decision (D.) 22-09-026 (Decision), Southern California Gas Company (SoCalGas) files this Application requesting approval from the California Public Utilities Commission (Commission), on behalf of its customers, for a gas line extension allowances for projects meeting the minimum requirements set out in the Decision.¹ This is SoCalGas's second Application seeking approval of line extension allowances, and the estimated allowance amounts, for seven eligible non-residential projects.² The estimated total allowance value for the proposed projects is \$5,292,000.³

II. POLICY BACKGROUND

On September 15, 2022, the Commission issued D.22-09-026 adopting Energy Division's staff proposal to eliminate gas line extension allowances, the 10-year refundable payment option, and the 50 percent discount payment option for all customer classes effective July 1, 2023.⁴ Prior to D.22-09-026, non-residential customers seeking gas service from the SoCalGas system

¹ D.22-09-026 at 81-82 (OP 2).

² On July 1, 2025, SoCalGas filed its first application (A.25-07-001) seeking approval of line extension allowances for seven projects, an update to the non-residential gas line extension allowance multiplier to 3.1 for the approved projects, and proposed to revise its tariffs to align with the intent of D.22-09-026 and Resolution G-3598 to require advance payment of actual project costs for all customers.. The application is still under review and pending a Commission decision.

³ Allowance values are rounded to the nearest thousandth. Allowance values are illustrative estimates and are subject to change.

⁴ D.22-09-026 at 81 (OP 1).

were eligible to receive allowances intended to offset the upfront costs associated with installing gas mains, services, and meters. Those allowances were structured to reflect the anticipated future revenue that such customers would contribute toward meeting the gas system's overall revenue requirement, thereby providing a financially neutral or beneficial outcome for existing gas ratepayers.

D.22-09-026 established an exception process and directs each gas utility to file an annual application by July 1, on behalf of its customers, to seek Commission approval of gas line extension allowances for specific, unique non-residential projects that meet the three criteria set forth in the Decision.⁵ The three criteria are:

- a) The project shows a demonstrable reduction in greenhouse gas (GHG) emissions;
- b) The project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill 32 (Pavley, 2016); and
- c) The project demonstrates that it has no feasible alternatives to the use of natural gas, including electrification.⁶

The Decision also requires each investor-owned gas utility to include in its annual filing an update to the non-residential gas line extension allowance calculations based on the then-current methodology, including all inputs used.⁷

III. APPROVALS REQUESTED IN THIS APPLICATION

SoCalGas seeks Commission approval of gas line extension allowances for seven customer projects: six renewable natural gas (RNG) refueling stations and one beverage manufacturer. SoCalGas is committed to supporting the Commission's efforts to help achieve California's GHG emissions-reduction goals.⁸ Consistent with those goals, RNG serves as a direct replacement for fossil natural gas and is an important strategy for reducing statewide GHG emissions.⁹ D.22-09-026 likewise recognizes the environmental benefits of RNG, stating that

⁵ *Id.* at 81-82 (OP 2).

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 2.

⁹ Commission, *Renewable Gas*, available at: <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/renewable-gas>.

“RNG plays an important role in reducing GHG emissions.”¹⁰ The Direct Testimony of Jason Legner (Chapter 2) explains how each of the seven projects satisfies the three eligibility criteria and “demonstrates the factual basis for the project applicants’ assertions, and confirm[s] that the minimum requirements have been met,” as required by D.22-09-026.¹¹

The Direct Testimony of Jennifer Morris (Chapter 1) discusses the allowance implementation, including the factors used to determine the updated multiplier of 3.6 in accordance with the methodology authorized by the Commission in D.07-07-019¹² and SoCalGas Rule No. 20, Section H.2.

IV. ILLUSTRATIVE REVENUE REQUIREMENT

The estimated gas line extension allowances for the seven customer projects total approximately \$5.292 million.¹³ Following the three-year true-up period for each approved customer project and once the applicable allowance is paid to the customer, SoCalGas will record the actual revenue requirement in a new Gas Line Extension Allowance Balancing Account (GLEABA) for recovery in rates using the Equal Percentage of Authorized Margin (EPAM) cost allocation methodology, consistent with the allocation of current base margin pursuant to D.24-07-009. For purposes of illustrating the potential rate impact of these seven customer projects, SoCalGas used an illustrative forecast revenue requirement. The total illustrative revenue requirement associated with the seven projects is \$11.9 million over the useful life of the assets, with a peak-year revenue requirement of \$722 thousand in 2032. The illustrative revenue requirement reflects incremental capital expenditures for the seven customer projects up to the estimated gas line extension allowance for each project. It also includes other costs required to support the investment, including taxes and franchise fees & uncollectibles (FF&U). The Direct Testimony of Rae Marie Yu, Maria E. Becerra, and Julia L. Cortez (Chapter 3) covers these illustrative revenue requirement components in detail.

¹⁰ D.22-09-026 at 55, n.108.

¹¹ D.22-09-026 at 82 (OP 3).

¹² D.07-07-019 at 4.

¹³ Allowance values are rounded to the nearest thousandth. Allowance values are illustrative estimates and are subject to change.

V. ILLUSTRATIVE RATE AND BILL IMPACTS

Table 1 below illustrates current and proposed gas transportation rates by major customer class upon recovery of costs associated with the GLEABA. These rates are derived from the forecasted revenue requirement,¹⁴ which outlines the total peak incremental revenue requirement to be included in rates in 2032. Over the 12-month recovery period, the typical residential bill using an average of 35 therms per month would see a minimal bill impact of approximately 0.04 cents per month in 2032, the peak revenue year. This is equivalent to less than half a cent per year for the typical residential customer. By 2035, bills are forecast to decline slightly, with the benefits growing in subsequent years.

¹⁴ See Direct Testimony of M. R. Yu, M. Becerra, and J. Cortez (Chapter 3), Section III.

Table 1
Illustrative Transportation Rates
(\$/therm, except as noted)

Transportation			Current Rates	Peak Year 2032	Increase (decrease)	% change	2033	Increase (decrease)	% change	2034	Increase (decrease)	% change	2035	Increase (decrease)	% change
<u>SoCalGas Summary</u>															
<u>Core Rates</u>															
Residential	\$/therm		\$1.434	\$1.434	\$0.000	0.0%	\$1.434	(\$0.000)	0.0%	\$1.434	(\$0.000)	0.0%	\$1.434	(\$0.000)	0.0%
Core Commercial & Industrial (C&I)	\$/therm		\$0.905	\$0.904	(\$0.000)	0.0%	\$0.904	(\$0.000)	0.0%	\$0.904	(\$0.000)	0.0%	\$0.904	(\$0.000)	0.0%
Natural Gas Vehicle (NGV)	\$/therm		\$0.380	\$0.374	(\$0.006)	-1.5%	\$0.374	(\$0.000)	0.0%	\$0.374	(\$0.000)	0.0%	\$0.374	(\$0.000)	0.0%
<u>NonCore Distribution Level Service Rates</u>															
NonCore C&I Distribution Tier 1*	\$/therm		\$0.616	\$0.615	(\$0.000)	0.0%	\$0.615	(\$0.000)	0.0%	\$0.615	(\$0.000)	0.0%	\$0.615	(\$0.000)	0.0%
NonCore C&I Distribution Tier 2*	\$/therm		\$0.432	\$0.432	(\$0.000)	0.0%	\$0.432	(\$0.000)	0.0%	\$0.432	(\$0.000)	0.0%	\$0.432	(\$0.000)	0.0%
NonCore C&I Distribution Tier 3*	\$/therm		\$0.314	\$0.314	(\$0.000)	-0.1%	\$0.314	(\$0.000)	0.0%	\$0.314	(\$0.000)	0.0%	\$0.314	(\$0.000)	0.0%
NonCore C&I Distribution Tier 4*	\$/therm		\$0.230	\$0.230	(\$0.000)	-0.1%	\$0.230	(\$0.000)	0.0%	\$0.230	(\$0.000)	0.0%	\$0.230	(\$0.000)	0.0%
NCCI-D Class Average	\$/therm		\$0.279	\$0.279	(\$0.000)	0.0%	\$0.279	(\$0.000)	0.0%	\$0.279	(\$0.000)	0.0%	\$0.279	(\$0.000)	0.0%
Electric Generation Distribution Tier 1*	\$/therm		\$0.421	\$0.420	(\$0.001)	-0.2%	\$0.420	(\$0.000)	0.0%	\$0.420	(\$0.000)	0.0%	\$0.420	(\$0.000)	0.0%
Electric Generation Distribution Tier 2*	\$/therm		\$0.297	\$0.297	(\$0.000)	-0.1%	\$0.297	(\$0.000)	0.0%	\$0.297	(\$0.000)	0.0%	\$0.297	(\$0.000)	0.0%
EG-D Class Average	\$/therm		\$0.272	\$0.272	(\$0.000)	-0.1%	\$0.272	(\$0.000)	0.0%	\$0.272	(\$0.000)	0.0%	\$0.272	(\$0.000)	0.0%
<u>NonCore Transmission Level Service (TLS) Rates</u>															
TLS-C&I Class Average Rate ^a	\$/therm		\$0.197	\$0.197	(\$0.000)	-0.1%	\$0.197	(\$0.000)	0.0%	\$0.197	(\$0.000)	0.0%	\$0.197	(\$0.000)	0.0%
TLS-Electric Generation Class Average Rate*	\$/therm		\$0.197	\$0.197	(\$0.000)	-0.1%	\$0.197	(\$0.000)	0.0%	\$0.197	(\$0.000)	0.0%	\$0.197	(\$0.000)	0.0%
Backbone Transmission Service (BTS)	\$/dth/day		\$0.896	\$0.896	\$0.000	0.0%	\$0.896	\$0.000	0.0%	\$0.896	\$0.000	0.0%	\$0.896	\$0.000	0.0%
System Average Rate w/BTS	\$/therm		\$0.651	\$0.651	(\$0.000)	-0.1%	\$0.651	(\$0.000)	0.0%	\$0.651	(\$0.000)	0.0%	\$0.651	(\$0.000)	0.0%
Rates Revenue Requirement w/BTS	\$ millions		\$5,412	\$5,413	\$1	0.0%	\$5,413	\$0	0.0%	\$5,413	(\$0)	0.0%	\$5,413	(\$0)	0.0%

^aw/California Air Resources Board (CARB), Greenhouse Gas (GHG) adders

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

VI. DESCRIPTION OF TESTIMONY

Support for the Application is provided in the accompanying direct testimony and workpapers. The direct testimony describes SoCalGas's processes and analyses and provides detail on its efforts to comply with the requirements of D.22-09-026 and to request approval of gas line extension allowances on behalf of its customers. It also demonstrates that the revenue requirements associated with SoCalGas's requested gas line extension allowances are just and reasonable and should be recovered in rates. Table 2 lists each direct testimony chapter number, identifies each sponsoring witness, and provides a brief description of the testimony.

Table 2
Description of Testimony

Chapter	Witness	Description and Purpose
I	Morris	<u>Policy</u> : Describes the procedure for requesting gas line extension allowances and the gas line extension allowance amount for the seven customer projects.
II	Legner	<u>Eligible Projects</u> : Describes each of the seven customer projects and how each project meets all three criteria for obtaining gas line extension allowances pursuant to D.22-09-026.
III	Yu, Becerra, & Cortez	<u>Balancing Account, Revenue Requirement, & Rates</u> : Presents the illustrative revenue requirement associated with the gas line extension allowances requested in this Application and proposed for recording in the GLEABA. Provides the cost allocation method for the GLEABA and presents the gas transportation rates and bill impacts that would result from the amortization of the balance in the GLEABA.

VII. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1(a)-(c)

1. Rule 2.1(a) – Legal Name

SoCalGas is a public utility corporation organized and existing under the laws of the State of California. SoCalGas's principal place of business and mailing address is 555 West Fifth Street, Los Angeles, California, 90013.

2. Rule 2.1(b) - Correspondence

All correspondence and communications to SoCalGas regarding this Application should be addressed to:

Karen Mar
Regulatory Case Manager for:
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, GT14D6
Los Angeles, California 90013
Email: kmar@socalgas.com

A copy should also be sent to:

DINAH TOUNY
Attorney for:
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, Suite 1700
Los Angeles, California 90013
Telephone: (213) 244-2927
Facsimile: (213) 629-9620
Email: dtouny@socalgas.com

3. Rule 2.1(c)

a. Proposed Category of Proceeding

SoCalGas proposes that this proceeding be categorized as “Ratesetting” under Rule 1.3(g) because the Application will have a potential future effect on rates.

b. Need for Hearings

SoCalGas does not believe hearings are necessary. However, in the event the Commission determines that hearings are required, SoCalGas proposes the schedule below.

c. Issues to be Considered, Including Relevant Safety Considerations

The principal issues to be considered in this proceeding are: (1) whether SoCalGas, on behalf of the customers, has demonstrated that the seven customer projects meet the three criteria under D.22.09-026 for gas line extension allowances; (2) whether SoCalGas’ updated non-residential gas line extension allowance multiplier of 3.6 is appropriate; and (3) whether SoCalGas’s revenue requirement associated with the gas line extension allowances in this Application is justified for rate recovery.

d. Proposed Schedule

SoCalGas proposes the following schedule for this Application:

Event	Date
SoCalGas files Application	July 1, 2026
Responses/Protests	within 30 days of Daily Calendar notice
SoCalGas Reply to Protests	within 10 days of Responses/Protests (<i>see</i> Rule 2.6)
Prehearing Conference	August 19, 2026
Intervenor Testimony	September 18, 2026
Rebuttal Testimony	October 16, 2026
Evidentiary Hearings	November 2026
Opening Briefs	January 2027
Reply Briefs	February 2027
Proposed Decision	May 2027
Commission Decision	Q3 2027

B. Rule 2.2 – Articles of Incorporation

A copy of SoCalGas’s Restated Articles of Incorporation, as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on October 1, 1998, in connection with SoCalGas’s Application 98-10-012, and is incorporated herein by reference.

C. Rule 1.9 – Service

This is a new Application. No service list has been established. Accordingly, SoCalGas will electronically serve this Application on parties to the service list for the following proceedings: R.19-01-011.

VIII. CONCLUSION

Pursuant to the exception process set forth in OP 2 of D.22-09-026, SoCalGas, on behalf of its customers, submits this Application with supporting testimony and workpapers and respectfully request that the Commission:

- Find that SoCalGas, on behalf of the customers, has demonstrated that the seven customer projects meet the three criteria under D.22-09-026 for gas line extension allowances;

OFFICER VERIFICATION

I am an officer of the applicant corporation here in Southern California Gas Company, and I am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my knowledge.

Executed this 1st day of July, 2026 in Los Angeles, California.

A handwritten signature in black ink, appearing to read "Andy Carrasco", written in a cursive style.

By: _____

Andy Carrasco

Vice President, Communications and Regional
Stakeholder Engagement for
SOUTHERN CALIFORNIA GAS COMPANY