

Application: A.25-12-019

Exhibit No.: \_\_\_\_\_

Witness: Payal A. Gadani, Sakif Wasif, Julia L. Cortez

**REVISED**

**PREPARED DIRECT TESTIMONY OF**

**PAYAL A. GADANI, SAKIF WASIF, AND JULIA L. CORTEZ**

**ON BEHALF OF**

**SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

**(CHAPTER V – REGULATORY ACCOUNTING, COST RECOVERY, REVENUE  
REQUIREMENT, AND RATES)**

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

July 2, 2026

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1 the pendency of the proceeding, well in advance of the widespread module battery failures  
 2 expected to begin in 2030. These upfront efforts, including vendor selection and engagement  
 3 and critical design activities to begin system build, cannot wait for a final decision if the project  
 4 is to stay on schedule and avoid exposing customers to escalating system failures and costs.  
 5 Accordingly, SoCalGas intends to file a motion requesting Commission authorization to  
 6 establish the Advanced Meter Infrastructure Replacement Memorandum Account (AMIRMA),  
 7 to record necessary actual O&M costs, effective the date of this Application. If approved,  
 8 SoCalGas proposes that the balance recorded to the AMIRMA be transferred to the AMIRBA as  
 9 part of the Commission’s final decision in this proceeding, where it can be tracked against  
 10 authorized costs.

11 **III. FORECASTED REVENUE REQUIREMENT**

12 **A. Capital and Operating & Maintenance (“O&M”) Costs**

13 The forecasted costs for the AMIR Project are presented in the Direct Testimonies of  
 14 Amy D. Vulin (Chapter III) and Linden S. Olah (Chapter IV). Table V-1 below summarizes the  
 15 forecasted total direct costs associated with the AMIR Project that are discussed in the Direct  
 16 Testimonies of Amy D. Vulin (Chapter III) and Linden S Olah (Chapter IV).

17 **Table V-1: Total Forecasted Direct Costs (in millions)**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
<b>O&amp;M</b>	\$ -	\$ 3.9	\$ 4.2	\$ 6.1	\$ 22.9	\$ 45.2	\$ 51.0	\$ 42.8	\$ 33.9	\$ 18.5	\$ 228.5
<b>Capital</b>	\$ 5.4	\$ 13.8	\$ 51.5	\$ 62.8	\$ 219.5	\$ 274.9	\$ 255.3	\$ 196.4	\$ 81.7	\$ 17.0	\$ 1,178.3

18 **1. Overhead Allocations**

19 Overhead allocations are directly associated with project costs and are used to account for  
 20 costs that are not directly charged, such as payroll taxes and administrative and general costs.  
 21 Overhead allocations are added to project costs, consistent with the classification of those costs  
 22 as company labor, contract labor, or purchased services and materials. Overhead allocations  
 23 used to develop the revenue requirement for the AMIR Project are for illustrative purposes and  
 24 subject to change. Only overhead allocations considered incremental to the project are applied in  
 25 the determination of the revenue requirement.

1                   **2. Escalation**

2                   Escalation is applied to direct costs to properly account for inflation. SoCalGas applied  
3 the indices published in S&P Global Insight’s 2nd Quarter 2025 Utility Cost Forecast, with  
4 specific exceptions applied to reflect agreements with built-in escalation.<sup>2</sup> These exceptions  
5 include network hardware (e.g., base stations and solar panels), modules, and software (e.g., the  
6 HeadEnd System and the Meter Data Management (MDM) System)). In addition, for  
7 represented employee labor costs, annual escalation rates were applied in accordance with  
8 SoCalGas’s current collective bargaining agreement.

9                   **3. AFUDC and Capitalized Property Tax**

10                  SoCalGas is authorized to apply Allowance for Funds Used During Construction  
11 (AFUDC) rates on capital as it is spent and remains in Construction Work in Progress (CWIP).  
12 Similarly, capitalized property tax represents property tax incurred during the project period  
13 prior to the project being placed in service. Both AFUDC and capitalized property tax are  
14 included as part of the total capital cost of the project.

15                  Table V-2 below provides the total costs loaded and escalated.<sup>3</sup>**Table V-2: Total Costs**

16                                   **Loaded and Escalated (in millions)**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
<b>O&amp;M</b>	\$ -	\$ 4.8	\$ 5.1	\$ 7.6	\$ 30.5	\$ 72.9	\$ 88.5	\$ 77.1	\$ 63.1	\$ 32.4	\$ 382.0
<b>Capital</b>	\$ 6.8	\$ 17.6	\$ 65.0	\$ 81.8	\$ 279.1	\$ 371.0	\$ 366.6	\$ 298.8	\$ 137.5	\$ 33.0	\$ 1,657.2

17                  **B. Revenue Requirement**

18                  The revenue requirement includes O&M and capital expenditures including direct costs,  
19 overheads, and escalation. In addition to all O&M costs and capital expenditures, the revenue  
20 requirement also includes other costs required to support the investment including working cash,  
21 and franchise fees & uncollectibles (FF&U). The forecasted revenue requirement for the AMIR  
22 Project is approximately \$3.74 billion over the years 2026 through 2071. The sections below  
23 cover these revenue requirement components in greater detail.

<sup>2</sup> S&P Global Market Intelligence; Pricing & Purchasing; Copyright © S&P Global Limited, Q2 2025. All rights reserved.

<sup>3</sup> Note that the table does not include AFUDC and capitalized property tax.



1                   **4.       Income Tax, Property Tax, and FF&U**

2                   The revenue requirement includes costs related to the payment of income taxes, property  
3 taxes, and FF&U. Federal income tax expense is based on the current corporate federal income  
4 tax rate of 21.00 percent. State income tax expense is based on the current California Franchise  
5 Tax rate of 8.84 percent. Property tax expense is based on SoCalGas’s current average system-  
6 wide rate of 1.478 percent. FF&U rate of 1.622 is consistent with the TY 2024 GRC.<sup>6</sup> FF&U  
7 covers payments made to counties and incorporated cities pursuant to local ordinances granting  
8 right of way access, as well as uncollectible expenses incurred by SoCalGas. Table V-4 below  
9 illustrates the forecasted revenue requirements for the AMIR Project.

**Table V-4: Forecasted Revenue Requirement Summary (in Millions)**

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036-2071
Revenue Requirement	\$ 5.0	\$ 5.3	\$ 13.1	\$ 64.4	\$ 198.0	\$ 265.9	\$ 299.6	\$ 310.2	\$ 277.7	\$ 214.1	\$ 2,085.9

10                  SoCalGas proposes to incorporate the revenue requirements for 2026 into rates after a  
11 decision in this proceeding, starting January 1, 2027. Additionally, the revenue requirement for  
12 2027 will be included in rates beginning January 1, 2027, and the revenue requirement for future  
13 years will be included in rates starting on January 1 of that year. During the AMIR Project’s life,  
14 SoCalGas will record the actual revenue requirement in the approved regulatory account for  
15 recovery in rates. Further details of the regulatory accounting treatment of the actual revenue  
16 requirement are discussed above in Section II.

17 **IV.       COST ALLOCATION METHODOLOGY**

18                  SoCalGas proposes to allocate the gas transportation revenue requirement changes  
19 associated with the AMIR Project proportionally based on the meter count for each customer  
20 class.<sup>7</sup> Because the vast majority of meters belong to the core customer classes, most of the  
21 associated costs will be assigned to those customers. Only a minimal portion of these costs will

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<sup>6</sup> Authorized FF&U rate for 2025 approved in SoCalGas Advice Letter 6430-G-A, effective February 1, 2025, available at: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&fmgKey=4919&fmgId=6430-G-A&fmgStatusCd=Approved>.

<sup>7</sup> These meter counts were approved in D.24-07-009. The actual allocations that will be applied will be determined by the authorized cost allocation in effect when cost recovery occurs.

1 be assigned to noncore C&I customers. Table V-5 below shows the average meter count per  
2 customer class.

3 **Table V-5: Average Meter Count**

Customer Class	Percentage
Residential	96.62%
Core C&I	3.35%
NGV	0.01%
Gas AC	0.00%
Gas Engine	0.01%
Total Core	99.98%
Total Non-Core	0.02%
System Total	100.00%

4 **V. RATE AND BILL IMPACTS**

5 Table V-6 below summarizes the current and proposed Residential and Core C&I gas  
6 transportation rates to recover costs associated with the AMIR Project. These rates are  
7 calculated using the forecasted revenue requirement for the 2026–2035 period,<sup>8</sup> as detailed in  
8 Table V-4. In addition, Table V-7 below presents the corresponding bill impacts for the non-  
9 CARE residential customer class during the 2027-2035 period, showing a year-over-year  
10 comparison. For a typical non-CARE residential customer using 36 therms, the average monthly  
11 bill is projected to change over time compared to current rates. In 2027, the average bill is  
12 projected to increase by approximately 0.2%, or \$0.16 per month, followed by 0.1% or \$0.05 in  
13 2028, 1.1% or \$0.82 in 2029, 2.8% or \$2.15 in 2030, 1.4% or \$1.09 in 2031, 0.7% or \$0.54 in  
14 2032, and 0.2% or \$0.17 in 2033. After 2034 there is a decrease of -0.7% or -\$0.52 in 2034 and -  
15 1.3% or \$-1.02 in 2035.

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<sup>8</sup> SoCalGas proposes to incorporate the revenue requirements for 2026 into rates after a decision in this proceeding, starting January 1, 2027. Additionally, the revenue requirement for 2027 will be included in rates beginning January 1, 2027, and the revenue requirement for future years will be included in rates starting on January 1 of that year.

**Table V-6: Illustrative Residential and Core C&I Transportation Rates - \$/Therm except as noted**

Transportation Rates	Present Average Rate	2027	2028	2029	2030	2031	2032	2033	2034	2035
Residential (\$/therm)	1.493	1.497	1.499	1.521	1.580	1.610	1.625	1.630	1.616	1.587
Year over Year rate change (\$)		0.00	0.00	0.02	0.06	0.03	0.01	0.00	-0.01	-0.03
Year over Year rate change (%)		0.3%	0.1%	1.5%	3.9%	1.9%	0.9%	0.3%	-0.9%	-1.7%

Transportation Rates	Present Average Rate	2027	2028	2029	2030	2031	2032	2033	2034	2035
Core C&I (\$/therm)	0.979	0.979	0.979	0.981	0.986	0.989	0.990	0.991	0.990	0.987
Year over Year rate change (\$)		0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Year over Year rate change (%)		0.0%	0.0%	0.2%	0.5%	0.3%	0.1%	0.0%	-0.1%	-0.2%

**Table V-7: Residential Non-CARE Bill Impacts**

Bill Impacts (2027-2035)	Present Bill	2027	2028	2029	2030	2031	2032	2033	2034	2035
Average Bill (\$/Mo)	74.47	74.63	74.68	75.50	77.65	78.74	79.28	79.45	78.93	77.91
Year over Year bill change (\$)		0.16	0.05	0.82	2.15	1.09	0.54	0.17	(0.52)	(1.02)
Year over Year bill change (%)		0.2%	0.1%	1.1%	2.8%	1.4%	0.7%	0.2%	-0.7%	-1.3%

1 **VI. CONCLUSION**

2 This concludes our prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 **Payal A. Gadani**

3 My name is Payal A. Gadani. My business address is 555 West Fifth Street, Los  
4 Angeles, California, 90013-1011. I am currently employed by SoCalGas as the Principal  
5 Accountant-Supervisor in the Regulatory Accounts group within the Accounting and Finance  
6 Department which supports the regulatory activities for SoCalGas. My responsibilities for  
7 SoCalGas’s regulatory balancing, tracking, and memorandum accounts include implementation  
8 of regulatory accounting procedures for compliance with Commission decisions, quantifying and  
9 recording the monthly entries and adjustments to the regulatory accounts and preparing  
10 forecasted balances for regulatory accounts for inclusion in SoCalGas’s annual compliance  
11 filings. I began my employment at SoCalGas in 2014 in the Sundry Billing Department. I have  
12 held various positions of increasing responsibility in Sundry Billing, Plant Accounting, and  
13 Utility Regulatory Accounting before assuming my current position. I received my Bachelor of  
14 Science degree in Accounting from San Diego State University in 2011. I have previously  
15 testified before the Commission.

16 **Sakif Wasif**

17 My name is Sakif Wasif. My business address is 555 West Fifth Street, Los Angeles,  
18 California, 90013-1011. I am currently employed by SoCalGas as a Principal Business Analyst  
19 in the Financial and Strategic Analysis group. I am responsible for completing financial analysis  
20 and developing the revenue requirement forecasts for SoCalGas projects and programs. I joined  
21 SoCalGas in 2018. I received a Bachelor of Science degree in Finance from California State  
22 University, Long Beach. I have previously testified before this Commission.

23 **Julia L. Cortez**

24 My name is Julia L. Cortez, and my business address is 555 West Fifth Street, Los  
25 Angeles, California, 90013-1011. I hold a Bachelor of Science degree in Business  
26 Administration with a concentration in Human Resources from California State Polytechnic  
27 University, Pomona, earned in 2007. In 2013, I received a Master of Business Administration  
28 degree from the University of La Verne, California. In my current role as Principal Regulatory  
29 Economic Advisor, I support the development of gas transportation rates for both SoCalGas and  
30 San Diego Gas & Electric (SDG&E). My responsibilities include allocating authorized revenue  
31 requirements across customer rate classes, designing rates for each class, calculating rate

1 changes, and assessing the impact on customer bills. I have not previously provided testimony  
2 before the Commission.