

Application: A.25-12-~~XXX~~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~~December 30, 2025~~

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1 **PREPARED DIRECT TESTIMONY OF**
2 **PAYAL A. GADANI, SAKIF WASIF, AND JULIA L. CORTEZ**
3 **(REGULATORY ACCOUNTING, COST RECOVERY,**
4 **REVENUE REQUIREMENT, AND RATES)**

5 **I. INTRODUCTION**

6 Our testimony supports the Application for Authorization to Implement Revenue
7 Requirement for Advanced Meter Infrastructure Replacement Project (Application). The
8 purpose of our joint testimony is to present SoCalGas’s cost recovery proposal related to the: (1)
9 establishment of the Advanced Meter Infrastructure Replacement Balancing Account
10 (AMIRBA) to record the authorized and actual revenue requirement; (2) forecasted revenue
11 requirement associated with the cost forecasts described in the Direct Testimonies of Amy D.
12 Vulin (Chapter III) and Linden S. Olah (Chapter IV); (3) proposed cost allocation methodology;
13 and (4) natural gas rate and customer bill impacts.

14 **II. REGULATORY ACCOUNTING AND COST RECOVERY**

15 In this Application, SoCalGas proposes to establish the AMIRBA, an interest-bearing
16 two-way balancing account that would appear on SoCalGas’s financial statements to record costs
17 associated with the Advanced Meter Infrastructure Replacement (AMIR) Project. The AMIR
18 Project forecasted costs are described in the Direct Testimonies of Amy D. Vulin (Chapter III)
19 and Linden S. Olah (Chapter IV), with a proposed revenue requirement for inclusion in rates
20 presented below in Section III. The purpose of the AMIRBA is to record the authorized funding
21 approved for recovery in rates and the actual operating and maintenance (O&M) costs and
22 capital revenue requirement. SoCalGas proposes that upon the AMIR Project completion, if the
23 total expenditures¹ are less than the authorized expenditures, the balance in the AMIRBA will be
24 amortized in SoCalGas’s transportation rates based on the cost allocation method described
25 below through SoCalGas’s annual Regulatory Account Balance Update filing. However, if upon
26 the Project completion, the total expenditures are greater than the authorized expenditures,
27 SoCalGas proposes the balance in the AMIRBA to be subject to a reasonableness review in a
28 future General Rate Case (GRC), or other applicable proceeding.

29 To meet the timelines outlined in the Direct Testimonies of Amy D. Vulin (Chapter III)
30 and Linden S. Olah (Chapter IV), SoCalGas must initiate several AMIR Project activities during

¹ Total expenditures is the combination of operating and maintenance (O&M) and capital expenditures.

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 |
|----------------|--------|----------------------------|----------------------------|----------------------------|----------|------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|----------------------------------|
| O&M | \$ - | \$ 3.9 3.8 | \$ 4.2 6.6 | \$ 6.1 6.8 | \$ 22.9 | \$ 45.2 48.4 | \$ 51.0 56.0 | \$ 42.8 47.6 | \$ 33.9 37.7 | \$ 18.5 19.5 | \$ 228.5 249.3 |
| Capital | \$ 5.4 | \$ 13.8 17.8 | \$ 51.5 46.1 | \$ 62.8 59.3 | \$ 219.5 | \$ 274.9 277.4 | \$ 255.3 255.9 | \$ 196.4 195.6 | \$ 81.7 82.6 | \$ 17.0 17.5 | \$ 1,178.3 1,177.0 |

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.² 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.³

16 **Table V-2: Total Costs Loaded and Escalated (in millions)**

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | Total |
|----------------|--------|----------------------------|----------------------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|----------------------------------|
| O&M | \$ - | \$ 4.8 | \$ 5.1 7.6 | \$ 7.6 8.4 | \$ 30.5 31.1 | \$ 72.9 79.2 | \$ 88.5 98.4 | \$ 77.1 87.1 | \$ 63.1 71.3 | \$ 32.4 35.0 | \$ 382.0 422.9 |
| Capital | \$ 6.8 | \$ 17.6 21.8 | \$ 65.0 59.1 | \$ 81.8 77.8 | \$ 279.1 279.3 | \$ 371.0 372.5 | \$ 366.6 365.0 | \$ 298.8 295.8 | \$ 137.5 137.3 | \$ 33.0 33.2 | \$ 1,657.2 1,648.6 |

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~~ ~~3.76~~ billion over the years 2026 through 2071. The sections
23 below cover these revenue requirement components in greater detail.

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

³ [Note that the table does not include AFUDC and capitalized property tax.](#)

1 **1. Rate Base (Return of Capital)**

2 Rate base is defined as the net investment of property, plant, equipment, and other assets
3 that SoCalGas has acquired or constructed to provide utility services to its customers. The
4 annual revenue requirement amount associated with the return of capital is equal to the amount
5 of capital that is depreciated each year. Consistent with the Test Year (TY) 2024 GRC decision,⁴
6 SoCalGas will utilize the following useful lives for each asset category presented in Table V-3

7 **Table V-3: Capital – FERC Useful Life**

| Asset Category (FERC Account) | Useful Life Years |
|-------------------------------|-------------------|
| G-381 Gas Modules | 20 |
| G-381 Gas Meters | 25 |
| G-382 Module Installation | 20 |
| G-382 Meter Installation | 30 |
| G-391 Software Programs | 3 / 5 / 10 |
| G-397 Communication Equipment | 15 40 |

8 **2. SoCalGas’s Authorized Capital Structure and Rate of Return**

9 SoCalGas’s authorized capital structure is comprised of common equity, long-term debt,
10 and preferred stock. The Cost of Capital proceeding is the regulatory forum that establishes
11 SoCalGas’s capital structure and its authorized costs of financing. SoCalGas’s authorized rate of
12 return effective January 1, 2026, based on its weighted capital structure, is 7.52 percent.⁵
13 SoCalGas’s weighted average rate of return is multiplied by rate base to determine the amount of
14 funds required for the revenue requirement.

15 **3. Working Cash**

16 Working cash is a component of rate base that compensates investors for providing funds
17 committed to operating expenses in advance of receiving associated revenues from the utility’s
18 customers. It is included as a component of the total revenue requirement.

⁴ Decision (D.) 24-12-074.

⁵ Authorized Rate of Return approved in Decision (D.)25-12-043.

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

The revenue requirement includes costs related to the payment of income taxes, property taxes, and FF&U. Federal income tax expense is based on the current corporate federal income tax rate of 21.00 percent. State income tax expense is based on the current California Franchise Tax rate of 8.84 percent. Property tax expense is based on SoCalGas’s current average system-wide rate of 1.478 percent. FF&U rate of 1.622 is consistent with the TY 2024 GRC.⁶ FF&U covers payments made to counties and incorporated cities pursuant to local ordinances granting right of way access, as well as uncollectible expenses incurred by SoCalGas. Table V-4 below 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 | \$ <u>5.0</u> 4.9 | \$ <u>5.3</u> 8.9 | \$ <u>13.1</u> 14.6 | \$ <u>64.4</u> 64.2 | \$ <u>198.0</u> 203.1 | \$ <u>265.9</u> 274.3 | \$ <u>299.6</u> 308.7 | \$ <u>310.2</u> 317.7 | \$ <u>277.7</u> 279.5 | \$ <u>214.1</u> 212.4 | \$ <u>2,085.9</u> 2,073.3 |

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. During the AMIR Project’s life, SoCalGas will record the actual revenue requirement in the approved regulatory account for recovery in rates. Further details of the regulatory accounting treatment of the actual revenue requirement are discussed above in Section II.

IV. COST ALLOCATION METHODOLOGY

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

⁶ 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&fngKey=4919&fngId=6430-G-A&fngStatusCd=Approved>.

⁷ 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,⁸ 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 0.23%, or \$0.1622 per month, followed by 0.10% or
13 \$0.051 in 2028, 1.1% or \$0.820 in 2029, 2.83.0% or \$2.1523 in 2030, 1.45% or \$1.0914 in 2031,
14 0.7% or \$0.545 in 2032, and 0.2% or \$0.174 in 2033. After 2034 there is a decrease of -0.78% or
15 -\$0.5261 in 2034 and -1.34% or \$-1.028 in 2035.

⁸ 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 | 1.499 | 1.499 | 1.521 | 1.583 | 1.614 | 1.629 | 1.633 | 1.616 | 1.587 |
| Year over Year rate change (\$) | | 0.01 | 0.00 | 0.02 | 0.06 | 0.03 | 0.02 | 0.00 | -0.02 | -0.03 |
| Year over Year rate change (%) | | 0.4% | 0.0% | 1.5% | 4.0% | 2.0% | 0.9% | 0.2% | -1.0% | -1.8% |

| 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 | 0.987 | 0.989 | 0.991 | 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 (%) | | 0.1% | 0.0% | 0.2% | 0.5% | 0.3% | 0.1% | 0.0% | -0.1% | -0.3% |

| 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% |

| Bill Impacts (2027-2035) | Present Bill | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| Average Bill (\$/Mo) | 74.47 | 74.69 | 74.70 | 75.50 | 77.73 | 78.87 | 79.42 | 79.56 | 78.95 | 77.87 |
| Year over Year bill change (\$) | | 0.22 | 0.01 | 0.80 | 2.23 | 1.14 | 0.55 | 0.14 | (0.61) | (1.08) |
| Year over Year bill change (%) | | 0.3% | 0.0% | 1.1% | 3.0% | 1.5% | 0.7% | 0.2% | -0.8% | -1.4% |

1

VI. CONCLUSION

2

This concludes our prepared direct testimony.

3

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.