

Docket	:	<u>A.25-09-014</u>
Exhibit Number	:	<u>CA-01</u>
Commissioner	:	<u>C. Harada</u>
Admin Law Judge	:	<u>C. Sisto</u>
Witness	:	<u>M. Botros</u>



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
Southern California Gas Company
Cost Allocation Proceeding**

Executive Summary

San Francisco, California
May 15, 2026

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EXECUTIVE SUMMARY

I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits its reports and exhibits in response to Southern California Gas Company (SoCalGas or SCG) and San Diego Gas & Electric Company (SDG&E) (collectively, Sempra) Application (A.) 25-09-014 regarding their Cost Allocation Proceeding (CAP) for the 2027–2029.¹

This exhibit presents Cal Advocates’ executive summary regarding Sempra’s proposed CAP to function as the second phase of its 2024 General Rate Case (GRC).² The proceeding distributes authorized revenue requirements among customer classes, including residential, commercial, industrial, and electric generation.

Cal Advocates’ primary objective is to protect the interests of residential and small commercial ratepayers by ensuring that cost allocation is fair, equitable, and based on accurate demand forecasts. In an environment of evolving gas demand and aggressive decarbonization goals, accurate forecasts are essential to provide stable price signals and shield ratepayers from the energy bill affordability crisis.

II. SUMMARY OF RECOMMENDATIONS

This section provides an overview and summary of Sempra’s proposed CAP request and Cal Advocates’ recommendations for 2027 through 2029. Sempra seeks to revise its natural gas rates by updating cost allocation factors and demand forecasts, implementing new storage proposals, and modifying regulatory accounts.

Cal Advocates recommends the following for Sempra’s CAP proposals in this proceeding:

¹ SCG and SDG&E Application, page (p.) 1.

² Decision Addressing The 2024 Test Year General Rate Cases Of Southern California Gas Company And San Diego Gas & Electric Company, D.24-12-074; A.22-05-015, Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.

1 **CA-02 – Storage Overview and Proposals (Maricela Sierra)**

- 2 • Reject the 2024 California Gas Report (CGR) as the sole demand input for
3 the Core storage allocation. The 2024 CGR was produced by SCG and
4 SDG&E using their own Navigator end-use model and California Energy
5 Commission (CEC) Additional Achievable Fuel Substitution (AAFS) policy
6 assumptions. As shown below, the 2024 CGR forecasts are contradicted by
7 five consecutive winters of actual operating data and apply asymmetric
8 statistical standards to supply and demand.
9
- 10 • Require SCG and SDG&E to re-derive Table MMD-2 using a five-year trailing
11 window of actual core demand, symmetric with the median-based supply
12 methodology that SCG and SDG&E themselves adopted in this Application.
13
- 14 • Reduce the Core inventory allocation from 76 billion cubic feet (Bcf) to
15 approximately 60-65 Bcf, reallocating the freed 11-16 Bcf to the UBS Program
16 (which generates net revenues for customers through the Noncore Storage
17 Balancing Account, or NSBA) and to the Balancing function.
18
- 19 • Reduce the Core winter withdrawal allocation from 1,500 million cubic feet per
20 day (MMcfd) to approximately 1,200–1,300 MMcfd, reflecting the corrected
21 Peak Day figure of 2,822 MMcfd and observed five-year peak demand of
22 2,469 MMcfd.
23
- 24 • Adopt a mid-period true-up provision. If actual average daily core demand in
25 calendar year 2027 falls more than 5% below the planning figure, SCG and
26 SDG&E shall file a Tier 1 advice letter to reallocate excess inventory from
27 Core to Unbundled Storage (UBS)/Balancing for the remainder of the CAP
28 period.
29

30 **CA-03 – Regulatory Accounts and Rule 23 Modification (Maricela Sierra)**

- 31 • Reject SCG's proposal to transfer over-collections from the Noncore Storage
32 Balancing Account (NSBA) to offset the \$4.0 million Firm Access and Storage
33 Rights Memorandum Account (FASRMA) under-collection. The proposed
34 cross-subsidy inappropriately shifts the financial consequences of a failed
35 noncore Off-System Delivery (OSD) program onto storage customers who did
36 not cause and have not benefited from the underlying infrastructure
37 investment.
38
- 39 • Direct SCG to recover any remaining FASRMA balance, if recovery is
40 authorized, from the Off-System Delivery (OSD) customer class that the
41 underlying infrastructure was built to serve, consistent with cost-causation

1 principles. Alternatively, the Commission should disallow the \$3.1³ million of
2 unrecovered capital revenue requirement as imprudently incurred or, at
3 minimum, require shareholders to absorb a proportionate share of the under-
4 collection.

- 5
6 • Conditionally approve the Enhanced Oil Recovery Account (EORA)
7 elimination subject to an annual reporting requirement. In each annual
8 regulatory account update, SCG shall identify (i) Enhanced Oil Recovery
9 (EOR)-allocated revenue requirement recorded to the Noncore Fixed Cost
10 Account (NFCA), (ii) actual EOR throughput and revenues, and (iii) net EOR
11 under/over-collection. This condition preserves transparency during the EOR
12 market's continuing decline.
- 13
14 • Reject SCG's proposed modification to Rule 23, which would increase the
15 core Electric Generation (EG) eligibility threshold from 1 megawatts (MW) to
16 10 MW and eliminate the 20,800-therm-per-active-month cap. In the
17 alternative, if the Commission declines to reject the proposal outright, adopt
18 the protective conditions.

19
20 **CA-04 – Weather Design, Demand Forecasts (Core) & Fees, Large EG &**
21 **Cogen Forecast, Noncore Demand & UAF, BTS & Off-System Delivery**
22 **(Samuel Topper)**

- 23 • Adopt Cal Advocates' updated 1-in-35 Cold Year and 1-in-2 Average Year
24 weather designs with revised Heating Degree Day (HDD) values and stronger
25 climate warming trends.
 - 26
27 • Adjust SCG and SDG&E's meter growth forecasts downward and require the
28 utilities to resubmit their residential and core demand forecasts.
 - 29
30 • Require SCG and SDG&E to update their Large EG/Cogen PLEXOS model
31 using the most recent 2025 Integrated Energy Policy Report (IEPR) data.
 - 32
33 • Require SCG and SDG&E to conduct a comprehensive, third-party audited
34 Unaccounted-For Gas (UAF) study that includes physical leak detection, as
35 the 2022 partial review is insufficient for ratemaking.
 - 36
37 • Reject SCG/SDG&E's Backbone Transportation Service (BTS)/OSD Proposal
38 A (the NSBA-to-FASRMA transfer).
- 39

³ Ex. SCG-Chapter 6, p. PG-5, line 2.

1 **CA-05 – Long Run Marginal Cost Study, Embedded Costs, and Rate Design**
2 **(Maricela Sierra)**

- 3 • Retain the Long Run Marginal Cost (LRMC) as a binding benchmark for the
4 Customer-related and Distribution functions, consistent with D.24-07-009,
5 Attachment A. Reject SCG and SDG&E proposal to adopt embedded cost as
6 the universal methodology for future CAPs.
7
8 • Reject the \$116.4 million Backbone-to-Local Transmission reallocation, or
9 condition it on (a) excluding the residential class from any incremental Local
10 Transmission uplift and (b) re-deriving the percentage on a cold-year peak-
11 month basis consistent with how Local Transmission costs are recovered.
12
13 • Require an affordability-metrics-based recalibration of the \$150 million
14 Transition Adjustment under D.20-07-032, including the residential essential-
15 bill metric and geographic disaggregation. Do not approve the figure on a
16 rate-volatility-only rationale.
17
18 • Direct SCG and SDG&E to file sensitivity analyses on demand forecast and
19 cost-driver variances across the 2027–2029 CAP cycle.
20
21 • Ring-fence PSEP and TIMP costs within Backbone Transmission with
22 separate line-item disclosure, and examine the reclassification of \$198 million
23 of SCG and \$15 million for SDG&E PSEP costs into Base Margin as a
24 structural change requiring its own evidentiary basis.
25
26 • Require annual reporting of residential essential-bill impact and a true-up
27 mechanism within the CAP cycle.
28
29 • The Commission should order an audit regarding the SCG and SDG&E
30 (FERC 908 Exclusion): SCG uses a hardcoded \$300.1 million exclusion with
31 no formula, cross-reference, or balancing-account reconciliation. SDG&E
32 allocates \$17.2 million to the Customer Contact Center allocator. Both
33 warrant independent verification.
34
35 • Reject the proposed increase in SCG's non-CARE fixed charge increase from
36 \$5 to \$12 in 2028 and \$20 in 2029. Retain the current \$5 per month charge
37 through the 2027-2029 CAP cycle.
38
39 • Reject the proposed increase in SCG's CARE fixed charge from \$4 to \$6 in
40 2028 and \$10 in 2029. Retain the current \$4 per-month CARE charge.
41
42 • Require consistency between SCG and SDG&E. SCG and SDG&E cannot
43 simultaneously argue that the intraclass subsidy is an urgent injustice
44 requiring a quadrupled SCG fixed charge and that the same correction can
45 wait at SDG&E for administrative convenience.
46

- 1 • Require a true income-tiered affordability analysis (not a binary CARE / non-
2 CARE split), a cumulative cross-fuel fixed-charge impact analysis (gas + AB
3 205 electric), and a PUMA-level Areas of Affordability Concern (AAC) equity
4 analysis before any future fixed-charge increase is considered.
5
- 6 • Preserve the residential submeter credit at a level consistent with
7 D.04-04-043 so that master-metered mobile home park operators and their
8 tenants are not harmed.
9
- 10 • Open an Advanced Gas Rate Design rulemaking to improve reliability,
11 affordability, and equity. This proceeding should evaluate rate design
12 improvements for residential and large Commercial and Industrial (C&I)
13 customers, including data centers, and streamline marginal cost
14 methodologies to reflect current system realities.

15 **III. OVERVIEW OF CAL ADVOCATES' ANALYSES**

16 Cal Advocates thoroughly reviewed SCG and SDG&E's prepared testimony,
17 workpapers, complex Excel models, and responses to multiple data requests across all
18 relevant chapters. Our analyses evaluate the utilities' proposals against core ratemaking
19 principles, including cost causation, consistency with actual operating data, statistical
20 symmetry, prudence, affordability, and alignment with Commission policies on reliability,
21 decarbonization, and residential ratepayer protection.

22 Cal Advocates' multi-witness team examined five years of actual core demand
23 and operational data, which consistently show that SCG and SDG&E's forecasts
24 significantly overstate future needs. We scrutinized the proposed cross-subsidy in
25 regulatory accounts, the unsupported expansion of the core customer class under Rule
26 23, the methodological flaws in storage allocation and cost-of-service studies (including
27 asymmetric statistical standards and the \$0 marginal residential capital treatment), and
28 the regressive impacts of the proposed fixed charge increases on low-usage CARE
29 customers. We also assessed the reasonableness of weather design assumptions,
30 demand forecasts, UAF allocation factors, and the BTS/OSD proposals.

31 These analyses demonstrate that several of SCG and SDG&E's proposals would
32 inappropriately shift costs and risks onto residential and small commercial core
33 ratepayers. Cal Advocates' recommendations correct these issues while preserving
34 system reliability and supporting California's long-term energy goals.

1 **IV. PROCEDURAL BACKGROUND AND SCHEDULE**

2 Southern California Gas Company (SCG) and San Diego Gas & Electric
3 Company (SDG&E) filed this Application (A.25-09-014) on September 30, 2025, in
4 compliance with the directive in the Main Settlement that the Commission approved in
5 Decision (D.) 24-07-009. In this application, SCG and SDG&E request Commission
6 approval of revised rates for gas services, storage allocations, regulatory account
7 treatments, modifications to Rule 23, updated cost allocation methodologies (embedded
8 cost and long-run marginal cost studies), rate design proposals, demand forecasts,
9 weather design updates, and related matters for the three-year period January 1, 2027,
10 through December 31, 2029.

11 The Commission held a prehearing conference on December 8, 2025, and the
12 Assigned Commissioner issued the Scoping Memo and Ruling on December 23, 2025,
13 established the procedural schedule as shown in Table 1-2 below.

1
2

**Table 1-1
Procedural Schedule⁴**

Event	Due Date
Intervenors' Prepared Direct Testimony Served	May 15, 2026
Prepared Rebuttal Testimony Served	June 15, 2026
Status Conference	June 22, 2026
Joint case management statement served	July 10, 2026
Evidentiary Hearing (If needed)	July 20 - July 24, 2026
Opening Briefs	August, 2026
Reply Briefs	September, 2026
Proposed Decision (PD)	October, 2026
Commission Decision	Q4 2026

3

4 The procedural schedule requires intervenors to serve their testimony by May 15,
5 2026. Cal Advocates fulfills the requirement by serving its testimony today.

6 **V. OVERVIEW OF CAL ADVOCATES' EXHIBITS**

7 This section outlines how Cal Advocates' exhibits are organized. Cal Advocates'
8 team for this case consists of two witnesses, Maricela Sierra, and Samuel Topper.

9 **A. Organization of Cal Advocates' Exhibits**

10 Table 1-2 shows the specific exhibits and subject matters for which each Cal
11 Advocates witness is responsible.

⁴ Scoping Memo and Ruling (Scoping Memo), p. 5 (December 23, 2025).

1
2

**Table 1-2
Cal Advocates Exhibits**

Exhibit Number	Subject	Witness
CA-01	Executive Summary	Mina Botros
CA-02	Storage Overview and Proposals	Maricela Sierra
CA-03	Regulatory Accounts and Rule 23 Modification	Maricela Sierra
CA-04	Weather Design, Demand Forecasts (Core) & Fees, Large Electric Generation (EG) & Cogeneration (Cogen) Forecast, Noncore Demand & Unaccounted-For (UAF) Gas, Backbone Transportation Service (BTS) & Off-System Delivery (OSD)	Samuel Topper
CA-05	Long Run Marginal Cost Study, Embedded Costs, and Rate Design	Maricela Sierra

3

B. Summary of Cal Advocates' Recommendations

4

5

The following summarizes the recommendations within each of Cal Advocates' exhibits.

6

<i>Exhibit CA-01 Executive Summary</i>
This exhibit provides the overall Executive Summary of the Public Advocates Office's testimony in Southern California Gas Company and San Diego Gas & Electric Company's 2027 Cost Allocation Proceeding (A.25-09-014). It summarizes Cal Advocates' key findings and recommendations across all issues addressed in Cal Advocates direct testimonies.

7

Exhibit CA-02
Storage Overview and Proposals (Maricela Sierra)

This exhibit presents Cal Advocates' analysis and recommendations regarding SCG and SDG&E's Core storage allocation proposals for the 2027-2029 CAP period.

- Reject the 2024 California Gas Report (CGR) as the sole demand input for the Core storage allocation.
- Reduce the Core inventory allocation from 76 Bcf to approximately 60-65 Bcf.
- Reduce the Core winter withdrawal allocation from 1,500 MMcfd to approximately 1,200–1,300 MMcfd, based on five years of actual operating data with a documented reliability uplift and symmetric statistical standards.
- Adopt a mid-period true-up provision that requires SCG and SDG&E to file a Tier 1 advice letter to reallocate excess inventory from Core to UBS/Balancing if actual average daily core demand in 2027 falls more than 5% below the planning figure.

Exhibit CA-03
Regulatory Accounts and Rule 23 Modification (Maricela Sierra)

This exhibit presents Cal Advocates' analysis and recommendations regarding SCG's proposals on regulatory accounts (FASRMA/NSBA transfer and EORA elimination) and the modification to Rule 23.

- Reject SCG's proposal to transfer over-collections from the Noncore Storage Balancing Account (NSBA) to offset the \$4.0 million under-collection in the Firm Access and Storage Rights Memorandum Account (FASRMA).
- Direct SCG to recover any authorized FASRMA balance from the OSD customer class consistent with cost-causation principles; alternatively, disallow the \$3.14 million unrecovered capital as imprudent or require shareholders to absorb a proportionate share.
- Conditionally approve elimination of the Enhanced Oil Recovery Account (EORA) subject to annual reporting requirements.
- Reject SCG's proposed modification to Rule 23 that expands core electric generation eligibility to 10 MW and eliminates the therm threshold. If any expansion is approved, limit eligibility to 3 MW (or at most 5 MW), retain the therm cap, and impose protective conditions (studies, caps, and reporting).

Exhibit CA-04

Weather Design, Demand Forecasts (Core) & Fees, Large EG & Cogen Forecast, Noncore Demand & UAF, BTS & Off-System Delivery (Samuel Topper)

This exhibit presents Cal Advocates' analysis and recommendations regarding weather design, meter and demand forecasts, Large EG/CoGen, Noncore demand, UAF, and BTS/OSD proposals.

- Adopt Cal Advocates' updated 1-in-35 Cold Year and 1-in-2 Average Year weather designs with revised HDD values and stronger climate warming trends.
- Adjust SCG and SDG&E's meter growth forecasts downward and require resubmission of residential and core demand forecasts.
- Require SCG and SDG&E to update their Large EG/Cogen PLEXOS model using the most recent 2025 IEPR data.
- Require SCG and SDG&E to conduct a comprehensive, third-party audited Unaccounted-For Gas (UAF) study that includes physical leak detection, as the 2022 partial review is insufficient for ratemaking.
- Reject SCG/SDG&E's BTS/OSD Proposal A (the NSBA-to-FASRMA transfer).

Exhibit CA-05
Long Run Marginal Cost Study, Embedded Costs, and Rate Design
(Maricela Sierra)

This exhibit presents Cal Advocates' analysis and recommendations regarding the embedded cost study, LRMC study, and rate design proposals.

- Retain the LRMC study as a binding benchmark for customer-related and distribution functions.
- Reject or significantly constrain the proposed \$116.4 million Backbone-to-Local Transmission reallocation.
- Require an affordability-metrics-based recalibration of the \$150 million Transition Adjustment.
- Reject SCG's proposed increases in residential fixed customer charges (non-CARE to \$20 per month and CARE to \$10 per month by 2029) and direct SCG to retain the current \$5 and \$4 charges, respectively.
- Require consistent treatment between SCG and SDG&E, a full income-tiered affordability analysis, and preservation of the residential submeter credit.
- Require annual residential bill impact reporting, mid-cycle true-ups, sensitivity analyses, and updated illustrative rates.
- Open an Advanced Gas Rate Design rulemaking for holistic review of rate design, affordability, and equity.

1 **VI. WITNESS QUALIFICATIONS – MINA BOTROS**

2 My name is Mina Botros. My business address is 505 Van Ness Avenue, San
3 Francisco, California, 94102. I am employed by the California Public Utilities
4 Commission as a Program and Project Supervisor in Public Advocates Office’s Energy
5 Cost of Service Branch. I am sponsoring the Testimony of M. Botros.

6 I earned a Master of Arts (MA) degree in Mechatronics Engineering from the
7 Information Technology Institute and a Bachelor of Arts (BA) degree in Mechanical
8 Engineering from Alexandria University. I am a registered Professional Engineer (PE)
9 (License No. 38305) and completed graduate-level coursework in Managing Cracks and
10 Seam-Weld Anomalies on Pipelines. While working for the Public Advocates Office from
11 February 2016 until December 2017, and returning in January 2019, I have testified and
12 worked on numerous Commission proceedings related to Pipeline Safety and
13 Infrastructure, Safety and Reliability Standards, Risk Mitigation and Planning, Grid
14 Operations and Community Outreach, Major Fires, Wildfire Expenses Memorandum
15 Account (WEMA), and Catastrophic Event Memorandum Account (CEMA), and Safety
16 Culture Rulemaking and Investigations.

17 In 2018, I worked for Safety and Enforcement Division (SED), Electric Safety and
18 Reliability Branch (ESRB), where I investigated incidents related to electric utilities, and
19 conducted and led audits for compliance with GO 95 and GO 167.

20 This completes my prepared testimony.