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Witness: M. Foster
Chapter: 12a

PREPARED DIRECT TESTIMONY OF MICHAEL FOSTER ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY

(RATE DESIGN)

September 30, 2025
(Errata redlined dated December 29, 2025)
(Redlined dated June 9, 2026)

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CHAPTER 12

PREPARED TESTIMONY OF MICHAEL FOSTER

(Rate Design)

I. PURPOSE

The purpose of my testimony is to present the illustrative 2027-2029 natural gas transportation rates of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, Applicants). These proposed rates reflect revisions to present rates based on Applicants' cost allocation proposals in this proceeding to allocate each utility's authorized base margin[1] across customer classes, as well as the demand forecast proposals in this proceeding to determine rates. Applicants' various cost allocation proposals, based on updated cost studies, are described by witness M. Michelle Dandridge (Chapter 1, Storage), Frank Seres and Marjorie Schmidt-Pines (Chapter 8, Embedded Costs) and Marjorie Schmidt-Pines (Chapter 9, Long Run Marginal Costs). Applicants' demand forecast proposals are consolidated by witness E. Martinez (Chapter 5). Finally, Applicants propose a three-year cost allocation proceeding (CAP) cycle.

A. Overview of Rate Design

Applicants' rate design methodology starts with the proposed allocated base margin and then incorporates the integration of the local transmission system costs for the two utilities,[2] along with the unbundling of the Backbone Transportation Service (BTS) costs.[3] Additionally,

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[1] Base margin is authorized by the California Public Utilities Commission (Commission) in the General Rate Case (GRC) or equivalent cost of service proceedings.

[2] This integration reflects the splitting of total local transmission costs between the utilities by their respective percentage share of cold-year peak month throughput.

[3] BTS costs represent the costs of SoCalGas's and SDG&E's backbone transmission service from the Southern California border receipt points to SoCalGas's Citygate.

Applicants' rate design methodology recovers in rates all relevant Commission-authorized non-base margin costs during the cost allocation time horizon. These non-base margin costs include, but are not limited to, unaccounted-for gas (UAF),[4] company-use fuel, regulatory account balances (over-or-under collections), and any additional revenue requirements authorized by the Commission in proceedings outside the GRC.

Cost causation principles are described in the testimony of Frank Seres and Marjorie Schmidt-Pines (Chapter 8) as follows, "Allocating cost based on identifying which customers or customer groups are responsible for specific utility costs. Establishing a clear, causal link between customer usage patterns and the resulting utility expenses ensuring equitable rate-setting practices."

B. Non-Margin Cost Allocation and Rate Design Proposals

Except as noted below, the methods employed to develop and allocate non-margin costs are consistent with those adopted in the 2024 Cost Allocation Proceeding (CAP) decision, (D.) 24-07-009. This testimony incorporates the following rate design and non-margin cost allocation proposals in this proceeding:

(1) Retain SoCalGas's current $5 per month residential non-CARE fixed customer charge in 2027, and then phase-in increases in customer charge (and commensurate decreases in volumetric rates) from $5 to $12 in 2028, and from $12 to $20 in 2029 (the corresponding proposed effective residential

[4] As described by witness Eduardo Martinez (Chapter 5), UAF gas is the difference between total receipts into SoCalGas's and SDG&E's respective service territories and total deliveries within SoCalGas's and SDG&E's respective service territories over a specified period.

CARE fixed customer charges are consideration of the CARE discount are $4, $6 and $10 in 2027, 2028, and 2029 respectively);[5]

(2) Retain SDG&E's current residential non-CARE minimum bill of $4 per customer per month in 2027 through 2029 (the corresponding residential CARE minimum bill would be $3.20 per month);

(3) Update SoCalGas's and SDG&E's respective residential submeter credits;

(4) Update SoCalGas's and SDG&E's Natural Gas Vehicle (NGV) station compression costs;

(5) Eliminate the Gas Air Conditioning tariff and rate; and

(6) Propose a three-year CAP cycle.

C. Illustrative 2027-2029 Rates

The allocated non-margin costs are added to the allocated base margin costs to derive the allocated transportation revenue requirement by customer class. The allocated transportation revenue requirements by customer class become the starting point for the development of rates for each customer class.

Applicants propose a three-year CAP cycle. As such, Applicants have used three-year average gas demand forecasts (2027 through 2029) for allocating costs across customer classes, as described in the testimony of Marjorie Schmidt-Pines and Frank Seres (Chapter 8). Likewise, for calculating rates proposed in this CAP, Applicants have used three-year average gas demand forecasts.

[5] Fixed customer charges are often discussed in this testimony as a monthly charge for convenience; in practice, fixed customer charges are billed as a per-meter per-day charge, which is derived from the monthly proxy. For example, a $5 per month fixed customer charge is billed as $0.16438 per-meter per-day ($5 per month * 12 months / 365 days).

Table MF-1 and Table MF-2 below show, respectively, SoCalGas's and SDG&E's normalized class average transportation rates as of September 1, 2025[6] and illustrative 2027, 2028 and 2029 class average rates proposed in this proceeding.[7]

Present and normalized September 2025 rates reflect the cost allocation results and gas demand forecasts adopted in Applicants' 2024 CAP decision. Applicants will implement the resulting updated rates on January 1, 2027. Proposed 2027 rates reflect a new set of updated cost studies and gas demand forecasts proposed in this CAP. Except for the updated cost studies, the 2027-2029 rates are based on the base margins and regulatory account balances as in present rates. As discussed by witnesses Eduardo Martinez (Chapter 3), Robert Fiola (Chapter 4) and Eduardo Martinez (Chapter 5), the Applicants' gas demand forecast is generally declining for customer classes relative to the forecasts adopted in the 2024 CAP. Applicants' 2027-2029 proposed rates are derived using the present base margins and present regulatory account

[6] For purposes of isolating rate and bill impacts presented in this chapter to the impacts generated directly by the CAP proposals, present September 1, 2025 tariffed rates have been normalized by making the following 5 adjustments: 1) the border cost of gas is updated and consistent across all scenarios presented, 2) the Backbone Transportation Balancing Account (BTBA) balance has been set to zero, and is consistent across all scenarios presented, 3) residential submeter credits are recalculated based on inputs as of September 1, 2025 as opposed to the actual settled September 1, 2025 value, and will be updated in each scenario presented based on proposals, the 4) CARE discount is recalculated using September 1, 2025 class average rates, and will be updated in each scenario presented based on proposals, and 5) SoCalGas Exchange Revenues & Interutility Transactions revenue updated to authorized 2025 amount. See Appendix A for the impacts of this normalization process.

[7] 2027, 2028 and 2029 rates are illustrative because, as of now, Applicants do not know their respective approved revenue requirements to be recovered in rates for these years. While Applicants know the 2027 base margins to be recovered in rates, they do not know the regulatory account balances at the end of 2026 to be amortized in 2027 rates. For 2028, Applicants do not know either the base margins or the regulatory account balances at the end of 2027 to be amortized in 2028 rates. Consistent with past practices, to isolate the impacts of demand forecast and cost allocation proposals, Applicants have held the respective base margins and regulatory account balances at the present 2025 levels. In this testimony, references to 2027, 2028 and 2029 rates, refer to illustrative rates.

balances. Witness Payal Gadani (Chapter 6) and witness Jon Bautista (Chapter 7) discuss, respectively, the current regulatory account balances in their testimony.

Table MF-1 below shows SoCalGas's normalized September 1, 2025 class-average transportation rates, and the 2027-2029 illustrative class average rates proposed in this CAP.

Table MF-1: SoCalGas Illustrative Natural Gas Transportation Rates (2025 vs 2027-2029)[8]

		Present Rates			Proposed Rates			Changes		
		04-Rate Change: September 1, 2025 - Normalized for CAP			Proposal-Class Average Rates 2027-2029					
		Volumes Mth	Proposed Rate $/therm	Sep-1-25 Revenues $000's	Volumes Mth	Proposed Rate $/therm	Jan-1-27 Revenues $000's	Revenue Change $000's	Rate Change $/therm	% Rate change %
		A	B	C	D	E	F	G	H	I
1	CORE									
2	Residential	2,185,983	$1.50429	$3,288,351	1,981,918	$1.65503	$3,280,137	($8,214)	$0.15074	10.0%
3	Commercial & Industrial	880,320	$0.98655	$868,477	888,551	$1.08256	$961,907	$93,430	$0.09601	9.7%
4										
5	NGV - Pre Sempra-Wide	195,899	$0.40505	$79,348	251,725	$0.35961	$90,524	$11,175	($0.04544)	-11.2%
6	Sempra-Wide Adjustment	195,899	$0.00769	$1,506	251,725	$0.01595	$4,016	$2,511	$0.00826	107.4%
7	NGV - Post Sempra-Wide	195,899	$0.41273	$80,854	251,725	$0.37557	$94,540	$13,686	($0.03716)	-9.0%
8										
9	Gas A/C	140	$0.77320	$109	0	$0.00000	$0	($109)	($0.77320)	-100.0%
10	Gas Engine	19,830	$0.29627	$5,875	16,975	$0.29137	$4,946	($929)	($0.00490)	-1.7%
11	Total Core	3,282,172	$1.29294	$4,243,666	3,139,169	$1.38302	$4,341,530	$97,864	$0.09008	7.0%
12										
13	NONCORE COMMERCIAL & INDUSTRIAL									
14	Distribution Level Service	894,285	$0.28358	$253,605	809,016	$0.25534	$206,574	($47,031)	($0.02824)	-10.0%
15	Transmission Level Service (2)	750,680	$0.08899	$66,806	733,661	$0.10762	$78,955	$12,149	$0.01863	20.9%
16	Total Noncore C&I	1,644,965	$0.19478	$320,411	1,542,678	$0.18509	$285,529	($34,882)	($0.00969)	-5.0%
17										
18	NONCORE ELECTRIC GENERATION									
19	Distribution Level Service									
20	Pre Sempra-Wide	335,280	$0.27397	$91,856	299,352	$0.24976	$74,765	($17,090)	($0.02421)	-8.8%
21	Sempra-Wide Adjustment	335,280	($0.00371)	($1,244)	299,352	$0.00416	$1,245	$2,488	$0.00787	-212.1%
22	Distribution Post Sempra Wide	335,280	$0.27026	$90,612	299,352	$0.25392	$76,010	($14,602)	($0.01634)	-6.0%
23	Transmission Level Service (2)	1,800,969	$0.08146	$146,711	1,986,976	$0.09954	$197,775	$51,064	$0.01808	22.2%
24	Total Electric Generation	2,136,249	$0.11109	$237,323	2,286,328	$0.11975	$273,785	$36,462	$0.00866	7.8%
25										
26	TOTAL RETAIL NONCORE	3,781,214	$0.14750	$557,734	3,829,006	$0.14607	$559,314	$1,580	($0.00143)	-1.0%
27										
28	WHOLESALE									
29	Wholesale Long Beach (2)	91,703	$0.06884	$6,313	84,571	$0.08644	$7,311	$997	$0.01760	25.6%
30	Wholesale SWG (2)	74,685	$0.06884	$5,141	89,197	$0.08644	$7,710	$2,569	$0.01760	25.6%
31	Wholesale Vernon (2)	97,040	$0.06884	$6,680	84,803	$0.08644	$7,331	$650	$0.01760	25.6%
32	International (2)	139,490	$0.06884	$9,603	137,982	$0.08644	$11,928	$2,325	$0.01760	25.6%
33	Total Wholesale & International	402,918	$0.06884	$27,738	396,553	$0.08644	$34,279	$6,541	$0.01760	25.6%
34	SDG&E Wholesale	841,578	$0.07514	$63,233	845,098	$0.06767	$57,187	($6,046)	($0.00747)	-9.9%
35	Total Wholesale Incl SDG&E	1,244,496	$0.07310	$90,971	1,241,652	$0.07366	$91,466	$495	$0.00056	0.8%
36										
37	TOTAL NONCORE	5,025,711	$0.12908	$648,704	5,070,657	$0.12834	$650,780	$2,076	($0.00074)	-0.6%
38										
39	Unbundled Storage (4)			$31,952			$36,472	$4,520		
40	System Total (w/o BTS)	8,307,883	$0.59273	$4,924,322	8,209,826	$0.61253	$5,028,782	$104,460	$0.01980	3.3%
41	Backbone Transportation Service BTS (3)	2,406	$0.78773	$691,877	2,406	$0.65289	$573,450	($118,427)	($0.13484)	-17.1%
42	**SYSTEM TOTAL w/BTS**	**8,307,883**	**$0.67601**	**$5,616,199**	**8,209,826**	**$0.68238**	**$5,602,232**	**($13,967)**	**$0.00637**	**0.9%**
43										
44	EOR Throughput	154,067			105,839					
45	Total Throughput w /EOR Mth/yr	8,461,949			8,315,665					

Table MF-1 also shows that, relative to 2025 rates, the proposed 2027-2029 rates are higher for Residential, Core C&I, and Wholesale and lower for NGV, Noncore C&I, EG and the

[8] Transportation rates are for Natural Gas Transportation Service from the Citygate to customer meters. All rates include Franchise Fees & Uncollectible charges. The average Transmission Level Service (TLS) rate is shown here. The unbundled Backbone Transportation Service (BTS) rate is for service from California border receipt points to Citygate.

BTS tariff. These rate changes are primarily due to the gas demand forecasts and embedded cost study allocations for customer classes in this CAP relative to the last CAP.

Table MF-2 below shows SDG&E's normalized September 1, 2025 class-average transportation rates, and the 2027-2029 illustrative class average rates proposed in this CAP.

Table MF-2: SDG&E Illustrative Natural Gas Transportation Rates (2025 vs 2027-2029)[9]

		Present Rates			Proposed Rates			Changes		
		Change: September 1, 2025 - Normalized for Volumes	Proposed Rate	Sep-1-25 Revenues	11-REV-CAP Proposal-Class Average Rates 2027-2029 Volumes	Proposed Rate	Jan-1-27 Revenues	Revenue Change	Rate Change	% Rate change
		Mth	$/therm	$000's	Mth	$/therm	$000's	$000's	$/therm	%
		D	E	F	D	E	F	G	H	I
1	CORE									
2	Residential	270,604	$2.13084	$576,614	237,105	$2.34060	$554,968	($21,646)	$0.20976	9.8%
3	Commercial & Industrial	178,913	$0.93926	$168,046	176,487	$1.08720	$191,876	$23,830	$0.14794	15.8%
4										
5										
6	NGV - Pre Sempra-Wide	23,179	$0.45717	$10,596	36,474	$0.47017	$17,149	$6,553	$0.01300	2.8%
7	Sempra-Wide Adjustment	23,179	($0.06545)	($1,517)	36,474	($0.11095)	($4,047)	($2,530)	($0.04550)	69.5%
8	NGV - Post Sempra-Wide	23,179	$0.39172	$9,079	36,474	$0.35923	$13,102	$4,023	($0.03249)	-8.3%
9										
10	Total Core	472,696	$1.59455	$753,739	450,066	$1.68852	$759,946	$6,207	$0.09397	5.9%
11										
12	NONCORE COMMERCIAL & INDUSTRIAL									
13	Distribution Level Service	35,337	$0.40554	$14,331	35,370	$0.53920	$19,071	$4,741	$0.134	33.0%
14	Transmission Level Service (2)	13,965	$0.07154	$999	17,068	$0.08940	$1,526	$527	$0.018	25.0%
15	Total Noncore C&I	49,302	$0.31093	$15,330	52,438	$0.39279	$20,597	$5,268	$0.082	26.3%
16										
17	NONCORE ELECTRIC GENERATION									
18	Distribution Level Service									
19	Pre Sempra-Wide	71,656	$0.28832	$20,660	60,493	$0.32222	$19,492	($1,168)	$0.034	11.8%
20	Sempra-Wide Adjustment	71,656	$0.01749	$1,253	60,493	($0.02073)	($1,254)	($2,507)	($0.038)	-218.5%
21	Distribution Post Sempra Wide	71,656	$0.30581	$21,913	60,493	$0.30149	$18,238	($3,675)	($0.004)	-1.4%
22	Transmission Level Service (2)	225,945	$0.06892	$15,572	273,564	$0.08848	$24,204	$8,632	$0.020	28.4%
23	Total Electric Generation	297,600	$0.12596	$37,485	334,056	$0.12705	$42,442	$4,957	$0.001	0.9%
24										
25	**TOTAL NONCORE**	**346,902**	**$0.15225**	**$52,814**	**386,494**	**$0.16310**	**63,039**	**$10,225**	**$0.011**	**7.1%**
26										
27	**SYSTEM TOTAL**	**819,598**	**$0.98408**	**$806,554**	**836,560**	**$0.98377**	**$822,985**	**$16,432**	**($0.00031)**	**0.0%**

Table MF-2 also shows that, relative to 2025 rates, SDG&E's proposed 2027-2029 rates are higher for all customer classes, except for the NGV and EG classes. These rate changes are primarily due the gas demand forecasts and embedded cost studies allocations for customer classes in this CAP relative to the last CAP.

[9] Transportation rates are for Natural Gas Transportation Service from the Citygate to customer meters. All rates include Franchise Fees & Uncollectible charges. The average Transmission Level Service (TLS) rate is shown here.

Per D.24-07-009, applicants shall present "a benchmark cost allocation utilizing Long Range Marginal Cost (LRMC) studies for the customer-related and distribution functions. The benchmark cost allocation may leverage underlying LRMC data presented in this [2024] cost allocation proceeding, updated to account for changes in line extension allowance policy, loaders, and demand projections, and scaled to representative dollars in the corresponding test year." The class average transportation rate impacts of this LRMC study are presented in Appendix B. The detailed study is available upon request, as part of the workpapers of Marjorie Schmidt Pines.

II. CORE RATE DESIGN

In this section, Applicants describe core rate updates based on the respective CAP proposals. For residential customers, the rate updates include SoCalGas's and SDG&E's proposed phase-in customer charge increases and the corresponding compensating decrease in volumetric rates.

A. Residential Rates

Residential rates apply to three categories of residential customers: single-family, multi-family, and small master-metered dwellings. SoCalGas's current residential transportation rate structure consists of a fixed customer charge of about $5 per customer per month for customers who are not in the California Alternative Rates for Energy (CARE) program;[10] and a two-tiered volumetric rate, baseline and non-baseline, with the baseline rate lower than the non-baseline rate. The baseline rate and the non-baseline rates are related to each other through the concept of

[10] The Commission adopted the current $5 per month fixed customer charge for non-CARE customers in the 1993 BCAP (*see* D.94-12-052). In SoCalGas's tariff, the fixed customer charge is implemented as per-meter per-day charge (currently at $0.16438). Hence, the monthly fixed customer charge varies slightly around $5 from month to month depending on the number of days in a month. The current effective fixed customer charge for CARE customers is around $4 per month, after reflecting a 20% discount.

the Composite rate, where a Composite rate is defined by adding the gas price and the customer charge revenues per unit of baseline volume to the baseline rate. The non-baseline rate is derived as 115% of the Composite rate less the gas price.

B. SoCalGas's Residential Fixed Charge

1. Deficiency in Residential Fixed Customer Charge

SoCalGas's fixed customer charge was last updated in 1994 (D.94-12-052) and has not been modified since. D.94-12-052 noted that the fixed customer charge was intended to pay for the fixed cost of serving a residential customer, and the Commission approved an increase in that decision so that SoCalGas's residential customer charge would better reflect the fixed costs of serving a customer. At the time, the existing charge of $4.05 per month recovered less than 25% of the cost to serve a residential customer. Even with the proposed increase to $5.00 per month, the charge would still recover less than 40% of the fixed cost. The Commission recognized that the customer charge was significantly below actual customer-related costs, resulting in a rate structure where low-usage customers were subsidized by higher-usage customers. In the decision, the Commission reaffirmed concerns first raised in 1986 (D.86-12-009), noting that the existing customer charges appeared low relative to actual costs. The 1994 decision cited the earlier finding that "(t)he customer charge now in place appear to be low in comparison to costs… An imposition or raising of customer charges might be appropriate in the near future."[11] The Commission did not oppose SoCalGas's proposal to increase the monthly residential customer charge to $5.00, stating "[the Division of Ratepayer Advocates] recognizes that

[11] D.86-12-009 at 54.

recovering through the customer charge at least a portion of the fixed costs incurred by each residential customer is economically efficient and equitable."[12]

In this regard, it is important to recognize that fixed costs are incurred in serving residential customers even when they consume no gas. Among other things, each customer must have a meter installed and maintained, and the utility must operate a customer contact center to provide support even if no gas is consumed.

When the fixed customer charge is deficient and does not completely cover the fixed costs associated with servicing that customer, a subsidy is created where the customers with the highest and least affordable bills are subsidizing the fixed costs for the customers with the lowest and most affordable bills. All residential customers whose total bills are under the fixed cost of service are receiving an intraclass subsidy for their fixed cost of service.

The California Public Utilities Commission (CPUC) recently approved a billing structure that introduces a flat rate to recover infrastructure costs while reducing electricity prices. According to the Energy Division Fact Sheet (May 9, 2024), "The CPUC's decision moves these existing fixed costs into a 'flat rate' line item on bills. This change shrinks the price for a unit of electricity for all customers, making it more affordable to electrify homes and vehicles, regardless of income or where someone lives." Though the focus was on electric utilities, the principles apply directly to SoCalGas—especially as gas infrastructure costs are largely fixed. Electrification policies may reduce some gas usage, but infrastructure costs remain, and fixed charges ensure cost recovery and rate stability for gas customers.

[12] D.94-12-052 at 37.

2. Fixed Cost of Residential Service

Per the embedded cost allocation study results presented by witnesses Frank Seres and Marjorie Schmidt-Pines (Chapter 8), embedded customer related costs for SoCalGas were $1,635.8 million in 2025, and of that, $1,410.9 million, or about 86.3%, is allocated to the residential class. Customer Related embedded costs include distribution operations and maintenance (O&M) expenses --- such as meters, service lines and regulators--- as well as customer account expenses like billing and meter reading. It also includes customer service (O&M) expenses, administrative and general (A&G) costs including payroll taxes and pensions & benefits, along with taxes and depreciation. For the purposes of cost allocation, the Commission has long recognized that Customer Related costs vary by meter count and not by therms. In the 1984[13] LRMC decision, the Commission identified the number of meters as the appropriate marginal demand measure for customer related costs, a precedent that has remained in place ever since.

Other costs could have reasonably been considered for recovery through a fixed customer charge such as costs related to energy efficiency and low-income assistance programs, thus, the resulting fixed cost per meter per month shown below should be considered a minimum monthly fixed cost of service. Considering the residential active meter forecast provided in the testimony of Eduardo Martinez (Chapter 3), SoCalGas's minimum fixed residential cost is $20.12 per meter per month. *See* Table MF-3 below for details.

[13] D.84-06-032.

Table MF-3: SoCalGas Residential Customer Related Costs per Meter - Minimum Fixed Costs

2024 Residential Embedded Customer Costs	$ **1,410,949,394**
2027-2029 Forecast Active Meters	5,844,466
Customer Costs / Meter / Year	$ 241.42
Customer Costs / Meter / Month	$ 20.12

In 1994, the Commission confirmed that the $5 fixed charge only covered about 40% of the marginal customer costs, and reiterated the 1986 decision that stated "The customer charges now in place appear to be low in comparison to costs... An imposition or raising of customer charges might be appropriate in the near future."[14] In 1994 the Commission adopted a fixed cost of service in 1994 was approximately $12.83 per meter per month for SoCalGas.[15] Applying a blended escalation index using various customer related capital and O&M indexes provided by S&P Global that are appropriate for Customer related costs, the $12.83 monthly meter cost recognized in 1994 grows to $41.69 in 2029 (see Appendix C).

In 2015 the American Gas Association's (AGA) published a study (See Appendix D) which compiled monthly customer charges and fixed costs across 197 rate jurisdictions nationwide. In 2025, AGA updated this study to reflect current costs and trends. Using data from both studies and applying the blended escalation index described above (based on customer-related capital and O&M indices from S&P Global) we estimate the implied level of

[14] D.86-12-009 at 54.

[15] D.94-12-052 ($154 per year).

fixed customer costs across regions in 2028 and 2029 by escalating the 2024 implied fixed cost of service.

Table MF-4: Residential Fixed Costs per Meter as reported by AGA

Census Region	Pacific	East North Central	East South Central	Middle Atlantic	Mountain	New England	South Atlantic	West North Central	West South Central	National Excluding Pacific
Implied 2024 Fixed Cost of Service[16]	47.06	36.75	36.54	57.03	28.57	45.35	30.60	41.73	27.20	40.22
Escalated to 2028	50.49	39.43	39.20	61.19	30.65	48.66	32.83	44.77	29.18	43.15
Escalated to 2029	51.45	40.18	39.95	62.35	31.24	49.59	33.46	45.62	29.74	43.97

The 1994 Commission decision recognized that the fixed customer charge should be increased "in the near future" to better align actual fixed cost to serve residential customers with the fixed charge collected from customers. The same logic should hold true today as it has been over 30 years since the last time the Commission increased the fixed customer charge, and the Commission has not yet approved any increases to the residential fixed customer charge despite the fixed cost of service increasing markedly since 1994. Indeed, the current fixed charge still does not even cover 1994 level fixed cost of service recognized by that Commission.

3. Residential Subsidies for the Most Affordable Bills

Based on the SoCalGas CAP 2027 CAP rates shown above in Table MF-1, residential non-CARE customers who have an annual average monthly consumption of about 7.4 therms per month or less receive fixed cost subsidies when the fixed customer charge is $5 per meter per month. Residential CARE customers who have an annual average monthly consumption of about 10 therms per month or less received fixed cost subsidies when the effective fixed customer charge is $4. In both cases, customers with the highest and least affordable gas bills

[16] The implied 2024 Fixed Cost of Service is calculated based on the Customer Fixed Charge for 2024 and the portion of monthly fixed costs recovered through the customer charge, as reported in AGA's 2025 and 2015 studies *See* (Appendix D).

are subsidizing the fixed cost of service for those customers with the lowest and most affordable bills.

The Commission recognized this subsidy in D.94-12-052, stating "Furthermore, at the current customer charge, which is far below actual customer-related costs, low volume users are subsidized by high volume users."

In denying SoCalGas's 2024 fixed customer charge proposal, the Commission stated, "we find that the Fixed Charge Settlement is not consistent with Public Utilities Code Section 451, which requires the Commission to ensure that all charges demanded or received by any public utility are just and reasonable." Applicants believe it is neither justified nor reasonable to continue to require those residential customers with the highest and least affordable bills to subsidize the fixed cost of service for those customers with the lowest and most affordable bills. Rather, PUC section 451 requires the adoption of a fixed customer charge that most closely aligns with the fixed cost of service to ensure just and reasonable charges to all residential customers.

An approximation of this existing fixed cost of service subsidy[17] is illustrated in Chart MF-1 below for non-CARE customers, and Chart MF-2 for CARE customers.

[17] The graphics shown in Charts MF-1 and MF-2 underrepresent the value of the fixed cost subsidy but serves as a good approximation. These graphs show the total bill as a comparison of the minimum fixed cost of service, and the subsidy is approximated to the be the difference of the two. Actual subsidy is larger as these total bills include the variable portion associated with their therm usage.

Chart MF-1: Residential non-CARE Customers Fixed Charge Subsidy at Various Monthly Therm Levels

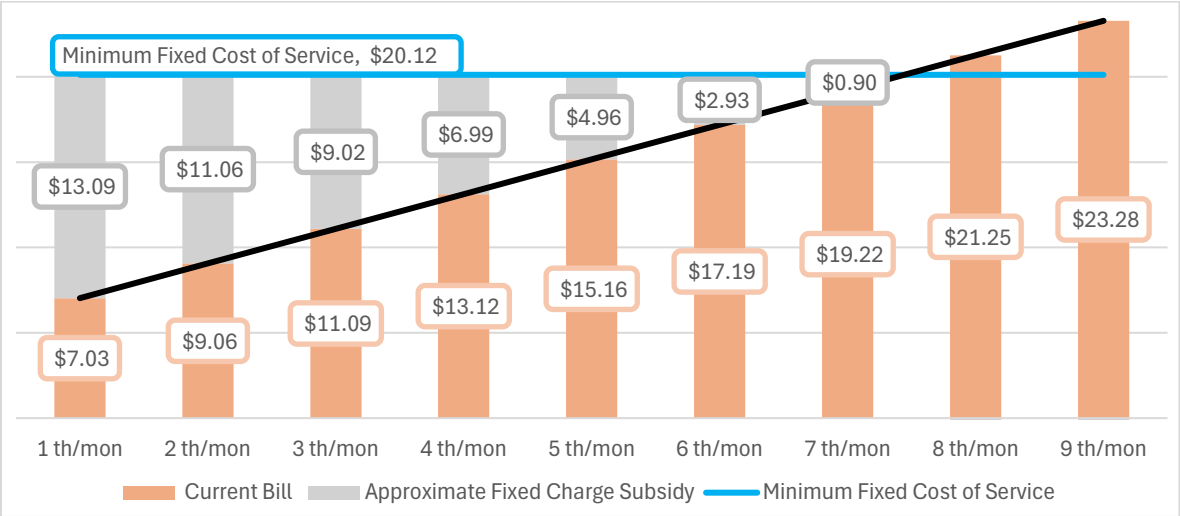
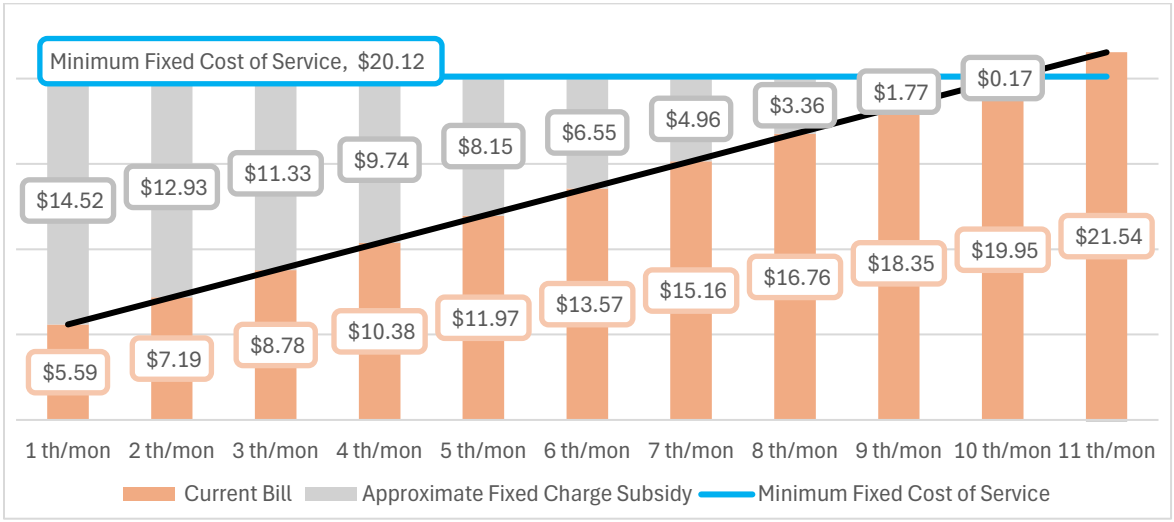


Chart MF-2: Residential CARE Customers Fixed Charge Subsidy at Various Monthly Therm Levels



Cost causation principles discussed above in section I.A and in the testimony of Marjorie Schmidt-Pines (Chapter 8) dictate that mitigating this subsidy is just and reasonable. Setting the

monthly residential fixed customer closer to the actual fixed cost of service is the most immediate and equitable way to mitigate the intraclass fixed cost subsidies.

4. Fixed Customer Charge Proposal

SoCalGas proposes to increase their residential fixed customer charge beginning in 2028. While the benefits of an increased fixed customer charge could be realized sooner if implemented in 2027, planned billing systems upgrades make a 2027 implementation infeasible. SoCalGas proposes to implement residential non-CARE fixed customer charge increases in a phased-in approach over the CAP horizon: retain the current $5 customer charge in 2027; increase it from $5 to $12 in 2028; and from $12 to $20 in 2029.

For residential CARE customers SoCalGas proposes a separate, lower CARE fixed customer charge, which, when considering the 20% CARE discount, will be effectively 50% below the non-CARE fixed customer charge in 2028 and 2029. This proposal is summarized in Table MF-5.

Table MF-5: Summary of Fixed Customer Charge Proposal

SCG	Current	2027	2028	2029
Non-CARE	$5.00	$5.00	$12.00	$20.00
CARE[18]	$4.00	$4.00	$6.00	$10.00

By proposing a separate lower CARE fixed customer fixed charge, SoCalGas will maintain the currently effective 20% CARE discount on volumetric transportation charges and gas costs. While the 20% discount afforded to CARE customers will continue to be collected through Public Purpose Program Surcharge (PPPS) rates pursuant to other Commission decisions, the lower CARE fixed customer charge will be recovered through residential transportation rate design. That is to say, the baseline and non-baseline transportation rates will

[18] The enhanced CARE Fixed Charge before 20% discount would $7.50 in 2028 and $12.50 in 2029.

be set to fully recover SoCalGas's authorized revenue requirement allocated to the residential class based on the two-tier fixed customer charge structure.

An increase in the fixed customer charge for SoCalGas is neither a structural change to SoCalGas's residential rate design, nor an increase to residential class average rate. SoCalGas currently has a fixed customer charge for recovery of fixed cost of service and increasing it to appropriately reflect actual fixed cost of service does not constitute a structural change to the residential rate. Further, any revenue requirement that is allocated for recovery in the fixed charge, is then removed from recovery in the volumetric rates. Therefore, the residential class average rate remains constant regardless of the size of the residential fixed charge. Accordingly, it is not appropriate to classify this proposal as a rate increase without also classifying it as a rate decrease to residential volumetric rates as well. This is illustrated in tables MF-6 and MF-7 below. Year 2027 represents the current fixed customer charge as SoCalGas does not propose to change the residential fixed customer charge until 2028.

Table MF-6: SoCalGas non-CARE Residential Rate Impacts of Fixed Charge Proposal

non-CARE	2027 *$5 fixed Charge* Rate	2028 *$12 fixed Charge* Rate	Change vs 2027		2029 *$20 fixed Charge* Rate	Change vs 2027	
Baseline Rate	1.30316	0.99863	-0.30453	-23%	0.62260	-0.68056	-52%
Non-Baseline Rate	1.85449	1.85536	0.00088	0%	1.85644	0.00196	0%
PPPS Rate	0.15492	0.15055	-0.00437	-3%	0.14764	-0.00728	-5%

Table MF-7: SoCalGas CARE Residential Rate Impacts of Fixed Charge Proposal

CARE	2027 *$4 fixed Charge* Rate	2028 *$6 fixed Charge* Rate	2028 Change vs 2027		2029 *$10 fixed Charge* Rate	2029 Change vs 2027	
Baseline Rate	1.04253	0.79890	-0.24362	-23%	0.49808	-0.54444	-52%
Non-Baseline Rate	1.48359	1.48429	0.00070	0%	1.48516	0.00156	0%
PPPS Rate	0.09301	0.09301	0.00000	0%	0.09301	0.00000	0%

As shown in the table, illustrative residential baseline rates in 2029 are reduced by over 50% in conjunction with SoCalGas's fixed customer charge proposal. SoCalGas's baseline and non-baseline rates are calculated using the composite tier differential where the non-baseline rate is set 115% of the baseline rate less the price of gas. Commission policy credits all fixed customer charge revenue to baseline rates in this equation – that is to say, as fixed customer charges increase, baseline rates decrease while non-baseline rates remain materially unchanged. Therefore, customers using more natural gas than their baseline allowances will see no change in the marginal price of gas because of a higher fixed customer charge, maintaining the conservation price signal.

Non-CARE public purpose program surcharge (PPPS) rate will decrease approximately 5% by implementing SoCalGas's fixed customer charge proposal. The CARE discount, which is a revenue requirement that represents the recovery of CARE subsidies from non-CARE customers, is collected in the PPPS rate and is a function of the residential class average

transportation rate. As stated above, the overall residential class average rate will remain unchanged. However, since the enhanced CARE discount for the CARE fixed customer charge will be collected in transportation rates, the class average residential rate realized by CARE residential customers will be slightly lower than the overall residential class average rate. Applying this lower CARE specific class average rate to the CARE discount will lower the amount of revenue needed for the CARE discount and therefore reduce PPPS rates for all non-CARE customers, including non-residential non-CARE customers who pay PPPS charges.[19]

Increasing SoCalGas's fixed customer charge to $20 per month much more closely aligns with actual minimum fixed cost of service described in section II.D.b above. In addition to helping mitigate intraclass subsidies as described in section II.D.c above, aligning the monthly residential fixed charge more closely with actual monthly fixed cost of service, several other ratepayer benefits are realized as identified in the section following subsections (5-8).

5. Applicants Fixed Customer Charge Proposal will have an immediate and positive impact on residential Affordability

In denying applicants Residential Fixed Customer charge proposal in the 2020 TCAP application, the Commission stated "we find that Applicants' request for a $10 fixed monthly residential customer charge for SDG&E and SoCalGas customers does not meet the objectives of affordability and hence, does not demonstrate that the rate increases are reasonable."[20] Here, Applicants' current fixed customer charge proposal enhances affordability across a wide spectrum of metrics.

[19] Since CARE customers do not pay any of the CARE discount, residential CARE PPPS rates will not be impact by SoCalGas's fixed customer charge proposal.

[20] D.20-02-045 at 71.

In recent years, the Commission has heightened its focus on and sensitivity of residential affordability. In the D.22-08-023 (Affordability Decision), the Commission ordered major California utilities to present various residential affordability metrics to allow the Commission to gain a more thorough understanding of the impact of utility spending on residential bill affordability. These metrics led to detailed analysis of affordability by Climate Zone and Public Use Microdata Area (PUMA). Further, in the most recent SoCalGas and SDG&E General Rate Case Decision (D.24-12-074), affordability concerns took a much more prominent role in guiding the Commission's review of utility spending proposals. In the most recent decision, the Commission explicitly considered the impact of rate increases on customers and chose to amortize under-collected revenues over 18 months to enhance affordability.[21] Additionally, the decision references a Settlement Agreement for Customer Services, which includes a commitment by SoCalGas to conduct a research effort focused on small business customers, specifically addressing affordability payment options and customer savings. Further demonstrating the Commission's emphasis on affordability across customer classes.[22]

While increased scrutiny on spending is one way to consider residential affordability, implementing SoCalGas's fixed customer charge proposal in this application will immediately and positively impact residential natural gas bill affordability. This vital rate design tool can no longer be overlooked as a key element in managing residential natural gas bill affordability.

[21] *Id.* at 970 (Finding of Fact (FOF) 68.

[22] D.24-12-074, Appendix C at 3.

a. Affordability Metrics Improve with Reduced Volumetric Rates Associated with an Increased Residential Fixed Customer Charge

Going forward and pursuant to D.22-08-023, SoCalGas is required to submit Affordability Metrics in any initial filing in a proceeding with a revenue increase estimated to exceed one percent of currently authorized revenues systemwide for a single fuel. This requirement is not applicable to this application as the company is seeking no increase in revenues. However, in Tables MF-8 and MF-9 below SoCalGas shows that ***all*** the Affordability Metrics required in D.22-08-023 will improve due to volumetric rate reductions associated with increasing SoCalGas's residential fixed customer charge from $5 per month for non-CARE customers and $4 per month for CARE customers to $20 per month for non-CARE customers and $10 per month for CARE customers:

a) Essential usage bills by climate zone;

b) Average usage bills by climate zone;

c) Affordability Ratio 50 (AR50) by climate zone;

d) Affordability Ratio 20 (AR20) by climate zone;

e) Hours required to work at minimum wage to pay monthly gas bill; and

f) For climate zones with Areas of Affordability Concern (AAC) as defined in the most recent 2022 Annual Affordability Report, AR20 by climate zones subdivided by Public Use Microdata Area (PUMA).

This testimony also presents additional analyses of (1) including the California Alternate Rates for Energy (CARE) discounts for low-income households; and (2) energy burden (EB) to isolate the impact of the gas revenue requirements. SoCalGas recommended the inclusion of these metrics in the Affordability Order Instituting Rulemaking (OIR) (R.18-07-006) and although the Commission declined to adopt them as official affordability metrics, SoCalGas still believes these are important supplemental metrics that complement the affordability metrics

adopted in D.22-08-023 and provide a rounded view of potential impacts to its customers. All CARE related and EB related affordability metrics improve by lowering residential volumetric rates in coordination with increasing SoCalGas's residential fixed customer charge from $5 per month for non-CARE customers and $4 per month for CARE customers to $20 per month for non-CARE customers and $10 per month for CARE customers. *See* Tables MF-8 and MF-9 below for a summary of affordability metrics.[23]

Table MF-8: SoCalGas Residential Non-CARE Affordability Metrics

	Essential Use Bill			**Average Use Bill**			**Hours @ Min Wage**		
Fixed Charge	$5	$20	Change	$5	$20	Change	$5	$20	Change
Climate Zone 1	$ 56.12	$ 53.81	-$2.31	$ 84.98	$ 82.69	-$2.29	3.15	3.02	-0.13
Climate Zone 2	$ 61.03	$ 57.05	-$3.97	$ 86.52	$ 82.49	-$4.03	3.43	3.20	-0.22
Climate Zone 3	$ 84.22	$ 72.39	-$11.83	$109.48	$ 98.34	-$11.14	4.73	4.06	-0.66

	EB20			**AR20**			**AR50**			**AACs**		
Fixed Charge	$5	$20	Change	$5	$20	Change	$5	$20	Change	$5	$20	Change
Climate Zone-1	0.94%	0.90%	-4.1%	10.81%	10.57%	-2.2%	0.97%	0.93%	-4.1%	18	17	-1
Climate Zone-2	1.15%	1.07%	-6.5%	4.46%	4.17%	-6.5%	1.21%	1.13%	-6.5%	N/A - No AACs		
Climate Zone-3	1.31%	1.13%	-14.0%	5.48%	4.71%	-14.0%	1.36%	1.17%	-14.0%	N/A - No AACs		

Table MF-9: SoCalGas Residential CARE Affordability Metrics

	Essential Use Bill			Average Use Bill			Hours @ Min Wage		
		$10	Change	$4	$10	Change	$4	$10	Change
Climate Zone-1	$44.13	$42.43	-$1.70	$47.06	$40.70	-$6.37	2.48	2.38	-0.10
Climate Zone-2	$47.98	$44.96	-$3.02	$62.87	$54.01	-$8.86	2.69	2.52	-0.17
Climate Zone-3	$66.19	$56.95	-$9.23	$100.36	$85.15	-$15.21	3.72	3.20	-0.52

	EB20			**AR20**			**AR50**			**AACs**		
Fixed Charge	$4	$10	Change	$4	$10	Change	$4	$10	Change	$4	$10	Change
Climate Zone-1	6.89%	6.74%	-2.1%	9.37%	9.16%	-2.3%	0.76%	0.74%	-3.9%	14	12	-2

[23] *See* Appendix E for a summary of the areas of affordability concern (AACs).

Climate Zone-2	2.94%	2.76%	-6.3%	3.51%	3.29%	-6.3%	0.95%	0.89%	-6.3%	N/A - No AACs
Climate Zone-3	3.78%	3.25%	-14.0%	4.31%	3.71%	-14.0%	1.07%	0.92%	-14.0%	N/A - No AACs

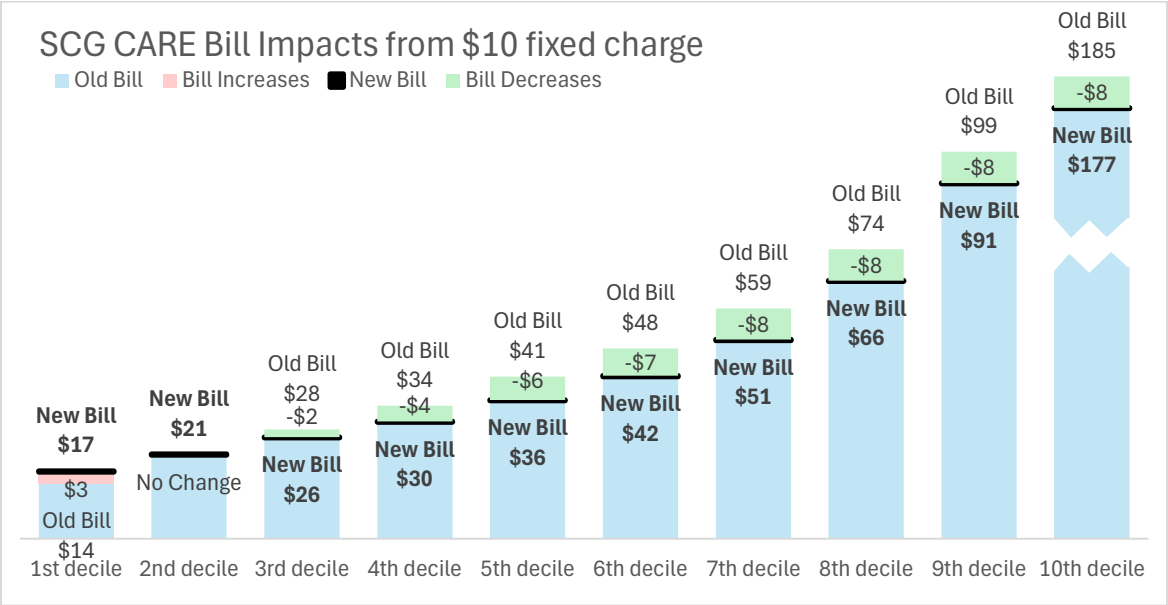
b. Bill Impacts and Affordability at Varying Usage Levels

As previously stated, a change to the fixed customer charge has no impact on the residential class average rate. Therefore, while most residential customers will realize bill decreases by reducing the volumetric rate in association with an increased fixed customer charge, other residential customers will realize bill increases. Based on 5-year recorded actual gas usage data for residential customers, SoCalGas calculated monthly bills for residential customers across 10 gas usage scenarios, representing 10 deciles of usage beginning at 10%.[24]

CARE customers at all decile usage levels will realize bill decreases due to the decreased volumetric rates related to SoCalGas fixed customer charge proposal, except for customers at the lowest two deciles of usage. Customers at the lowest decile of usage already have very low bills and are expected to see very modest bill increases of about $3 per month over the 2-year implementation period from 2028 to 2029. Customers at the 2nd decile of usage will have approximately no impact on their bill. See Chart MF-3 for details.

[24] For the 10th decile, SoCalGas is presenting at the 99th percentile instead of the 100th to eliminate outliers that skew the results.

Chart MF-3: SoCalGas CARE Residential Bill Impacts at Various Percentile Levels[25]

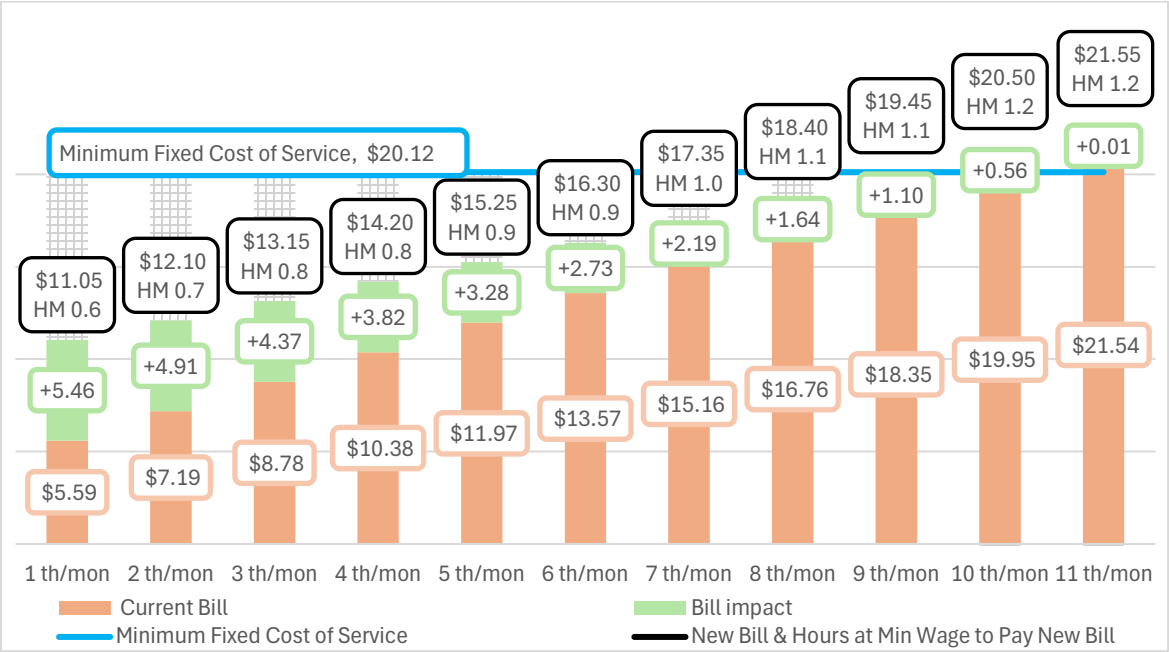


SoCalGas estimates that between 80-82%[26] of CARE customers would see bill decreases from SoCalGas's fixed customer charge proposal. The estimated 18-20% percent of CARE customers who will realize modest bill increases currently have the most affordable natural gas bills of all SoCalGas residential customers, and they will continue to have the most affordable natural gas bills of all SoCalGas residential customers after the CARE volumetric rate is reduced as part of SoCalGas fixed customer charge proposal. See Chart MF-4 below for a more granular summary of bill impacts for this residential customer segment.

[25] Therms used in bill calculations for each decile are based on an analysis of monthly usage data from 2020 through 2024.

[26] Calculated based on the average usage across all months, year by year, from 2020 through 2024.

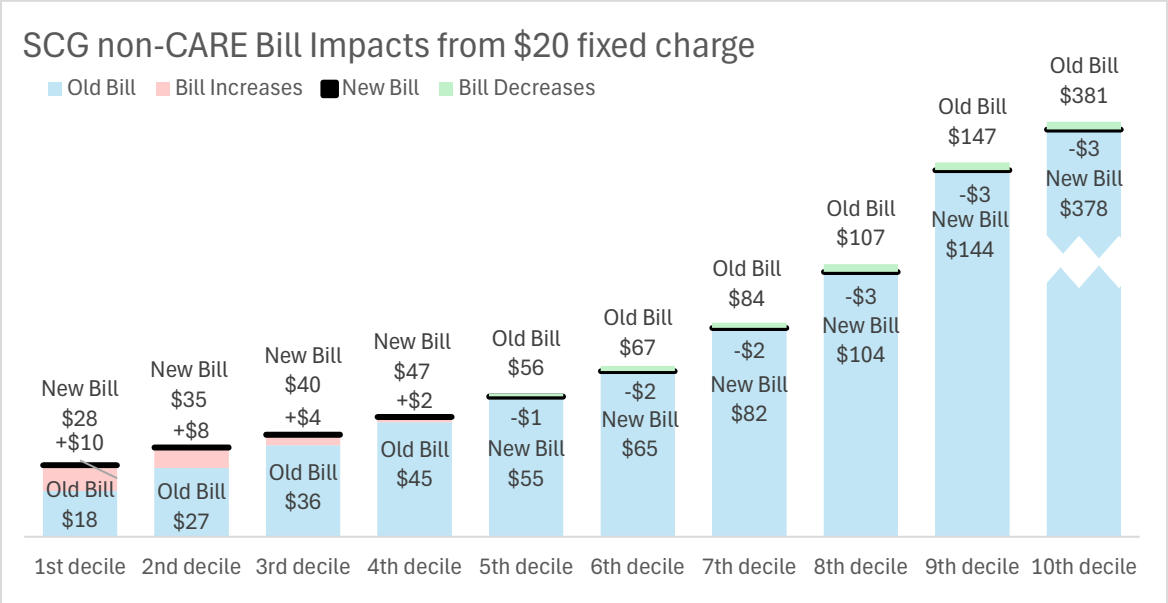
Chart MF-4: Bill Impacts of Residential CARE Customers Who Will Have Bill Increases



The estimated 18-20% percent of CARE customers who will realize modest bill increases are the customer segment with the most heavily subsidized fixed cost of service despite having the most affordable natural gas bills of all residential customers. And their fixed cost of service will continue to be subsidized after the fixed charge is increased to $10. After the CARE residential fixed charge is increased to $10, total average monthly bills for these customers will only require between 0.6 and 1.2 hours of labor at minimum wage (HM) per month.

SoCalGas estimates that about 51% of non-CARE residential customers will experience bill decreases upon implementation of SoCalGas's fixed customer charge proposal. Customers at and below the 4th decile will see modest bill increases, as shown in Chart MF-5 below. As discussed above, this shift is expected as the fixed charge subsidy for low usage customers with the most affordable bills, paid by high usage customers with the least affordable bills, is justly and reasonably mitigated.

Chart MF-5: SoCalGas non-CARE Residential Bill Impacts at each Decile level[27]



d. American Gas Association (AGA) Recognizes the Affordability Benefits of a fixed charge that aligns with the fixed cost of service.

In its whitepaper released on June 5, 2025, the AGA states "In recent years, on average, gas bills have shifted towards a larger fixed component cha[r]ge that benefits both customers and utilities. While some worry this could lead to higher bills, the data show the opposite: as the fixed charge component of gas bills has increased, gas bills have remained the same in inflation-adjusted terms, which contrasts with rising electric bills."

AGA goes on to state "Since 2014, 100-therms adjusted residential natural gas bills have decreased from $143 to $136 per month, or -0.4% per year. The inflation-adjusted fixed customer charge for residential customers has, on average, increased from $18.66 to $18.85 since

[27] For the 10th decile, SoCalGas is presenting at the 99th percentile instead of the 100th to eliminate outliers that skew the results.

2014, or 0.1% per year. The relative stability of fixed customer charges over this period is principally due to inflation and maintaining the natural gas system."[28]

6. Economic efficiencies are realized by setting variable price at marginal cost of service

The economic principles behind decisions on rate structures require looking at all customers. SoCalGas's proposal takes into account the whole customer base and the benefits from relying less heavily on per-therm charges for cost recovery by increasing the current fixed charge in a gradual manner. This gradual revision to the fixed charges is a sensible step towards meeting the goals of efficiency and equity, acknowledged by the Commission in various proceedings as key ratemaking goals, and by extensive academic literature that discusses methods to improve rate designs. A discussion of key ratemaking goals was provided by James Bonbright in his "Principles of Public Utility Rates"[29] which have been widely accepted in the energy industry as the gold standard for ratemaking.

Part of Bonbright's ten principles in setting rates is adequate revenue requirement, fair apportionment of costs among customers, and economic efficiency.[30] Optimal economic efficiency requires prices that reflect as much as possible the marginal costs of providing electric or gas service to each class of consumers.

More recent research conducted by the Stanford Woods Institute for the Environment highlights the growing economic inefficiencies in California's natural gas rate structure, particularly as fixed infrastructure costs are increasingly recovered through volumetric per-therm

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[28] *See* Appendix D for details.

[29] James C. Bonbright, Principles of Public Utility Rates (1st ed. 1961), *available at:* https://www.raponline.org/knowledge-center/principles-of-public-utility-rates/.

[30] James C. Bonbright, *et al.*, Principles of Public Utility Rates 383 (2nd ed.1988), *available at:* https://justandreasonable.com/knowledge-base/bonbright-principles/

charges rather than fixed monthly fees. This approach, the study argues, leads to distorted price signals, disproportionately impacts low-usage and low-income customers, and undermines the principles of marginal cost pricing—especially as overall gas consumption declines due to building electrification policies.[31]

An economically efficient outcome cannot be achieved with existing SoCalGas residential rates because their very low fixed charge forces the per-therm charges to be artificially high and much higher than marginal per-therm costs. It is important for charges to reflect as close as possible the true cost impact of changes in usage for two main reasons. First, if price is above the marginal per-therm cost, customers will be likely to reduce the amount of natural gas consumption but without any efficiency gain or capacity cost savings. The Company´s infrastructure currently has and expects to continue to have sufficient capacity in gas delivery system to accommodate demand. Second, SoCalGas must recover its fixed costs, and when sales decrease, the same share of the revenue requirement needs to be recovered from a lower amount of sales (therms). This leads to increased rates for all customers.

The Commission has endorsed in past decisions related to ratemaking the need to revisit rates so that they better promote economically efficient decisions by utility electricity customers by lowering volumetric charges to reflect marginal cost price signals.[32] The Commission has approved electric vehicle (EV) and other electrification rates that include a higher monthly fixed

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[31] Alison Ong, *et al.*, The Costs of Building Decarbonization Policy Proposals for California Natural Gas Ratepayers: Identifying Cost-effective Paths to a Zero Carbon Building Fleet. Stanford Woods Institute for the Environment (2021), *available at:* https://woodsinstitute.stanford.edu/system/files/publications/Building_Decarbonization_Policy_CA_Natural_Gas_Ratepayers_Whitepaper.pdf

[32] In D.15-07-001, D.17-01-006, and D.17-08-030, the Commission refers to the "Ten principles of rate design", including several principles on efficiency, and in particular, the principle that rate design should be based on marginal cost. D.15-07-001 at 28; D.17-01-006 at 37; D.17-08-030 at 30-31.

charge and lower volumetric charges compared to standard rates. Lowering volumetric charges towards marginal cost levels was also approved during the NEM 3.0 proceeding when the Commission introduced reforms to rates and export compensation for customers with renewable distributed generation. California is also currently in the process of implementing a reform to improve efficient decisions on electrification which calls for an increase in the fixed charge, and such reform is in principle equally relevant to the design of natural gas distribution rates. This argumentation recognizes the benefits of bringing the volumetric charges lower to reflect the current excess capacity and low marginal cost of delivery.

In its recent whitepaper, the AGA confirms these efficiencies, stating "Fixed customer charges provide predictable cost recovery for essential gas infrastructure without inflating customer bills and thereby encouraging more energy efficiency and decarbonization measures."[33]

7. Benefits of seasonal bill smoothing

In addition to the affordability benefits described above, implementing a lower residential volumetric rate in conjunction with higher fixed charges will lower seasonal bill volatility for residential customers. When a larger portion of the residential bill is based on a volumetric rate, bills are more sensitive to seasonal fluctuations in volume throughout the year. Generally, and on average, residential customers use significantly more natural gas volume in winter months relative to summer months. Average residential non-CARE volumes fluctuate between 19 therms per month in summer months to 65 therms per month in the peak winter month. Average residential CARE volumes fluctuate between 15 therms per month in summer months to 45 therms per month in the peak winter month. As a result, residential bills fluctuate dramatically throughout the year. See Tables MF-10 and MF-11 below.

[33] *See* AGA whitepaper, Appendix D.

Table MF-10: SoCalGas non-CARE Residential Monthly Residential Bill and Volatility Improvement

	Volume	Bill w/ $5 fixed Charge	Bill w/$20 Fixed Charge	Average Bill & Volatility Improvement
Average	**36**	**84.98**	**82.69**	**-2.29**
Standard Deviation	**16**	**34.70**	**26.23**	**-8.47**
Range	**46**	**99.06**	**74.06**	**-25.01**
Peak Winter Bill (Jan)	**65**	**145.80**	**126.62**	**-19.18**
January	65	145.80	126.62	-19.18
February	58	130.55	113.33	-17.22
March	52	124.99	121.57	-3.42
April	42	98.33	95.16	-3.17
May	30	75.67	81.93	6.25
June	26	65.94	71.72	5.78
July	22	54.70	60.99	6.30
August	19	47.02	53.33	6.31
September	19	46.74	52.56	5.82
October	22	55.68	61.97	6.30
November	31	70.62	67.50	-3.12
December	49	103.79	85.65	-18.13

Table MF-11: SoCalGas CARE Residential Monthly Residential Bill and Volatility Improvement

	Volume	Bill w/ $5 fixed Charge	Bill w/$20 Fixed Charge	Average Bill & Volatility Improvement
Average	**26**	**47.06**	**40.70**	**-6.37**
Standard Deviation	**11**	**16.56**	**10.88**	**-5.68**
Range	**30**	**46.72**	**30.50**	**-16.22**
Peak Winter Bill (Jan/Mar)	**45/37**	**75.34**	**58.16**	**-17.18**
January	45	75.34	57.12	-18.22
February	40	67.63	51.32	-16.31
March	37	66.73	58.16	-8.57
April	30	52.59	44.36	-8.23
May	22	43.31	42.36	-0.95
June	19	37.75	36.60	-1.15
July	17	32.21	31.26	-0.96

August	15	28.62	27.66	-0.96
September	15	29.40	28.24	-1.16
October	17	32.45	31.49	-0.96
November	23	39.89	33.54	-6.36
December	34	58.80	46.23	-12.57

With the current $5 fixed charge, residential non-CARE bills have a range of $99.06 over the year, with a $34.70 standard deviation, and a $145.80 peak winter bill. By lowering the volumetric rate through implementation of a $20 fixed charge, the range, standard deviation and peak winter bill decline to $74.06, $26.23, and $126.62 respectively.

With the current $4 fixed charge, residential CARE bills have a range of $46.72 over the year, with a $16.56 standard deviation, and a $75.34 peak winter bill. By lowering the volumetric rate through implementation of a $10 fixed charge, the range, standard deviation and peak winter bill decline to $30.50, $10.88, and $58.16 respectively.

In both cases bill volatility is measurably improved, by creating bill relief in the winter season when customers face their least affordable bills and most need bill relief.

8. Long term bill impact benefits

Meeting California's decarbonization goal is likely to lead to reduction in natural gas demand in the future, particularly for residential customers. To mitigate rates and bill impacts, it is imperative that the Commission address residential rate design issues, particularly the appropriate level of residential fixed charge.

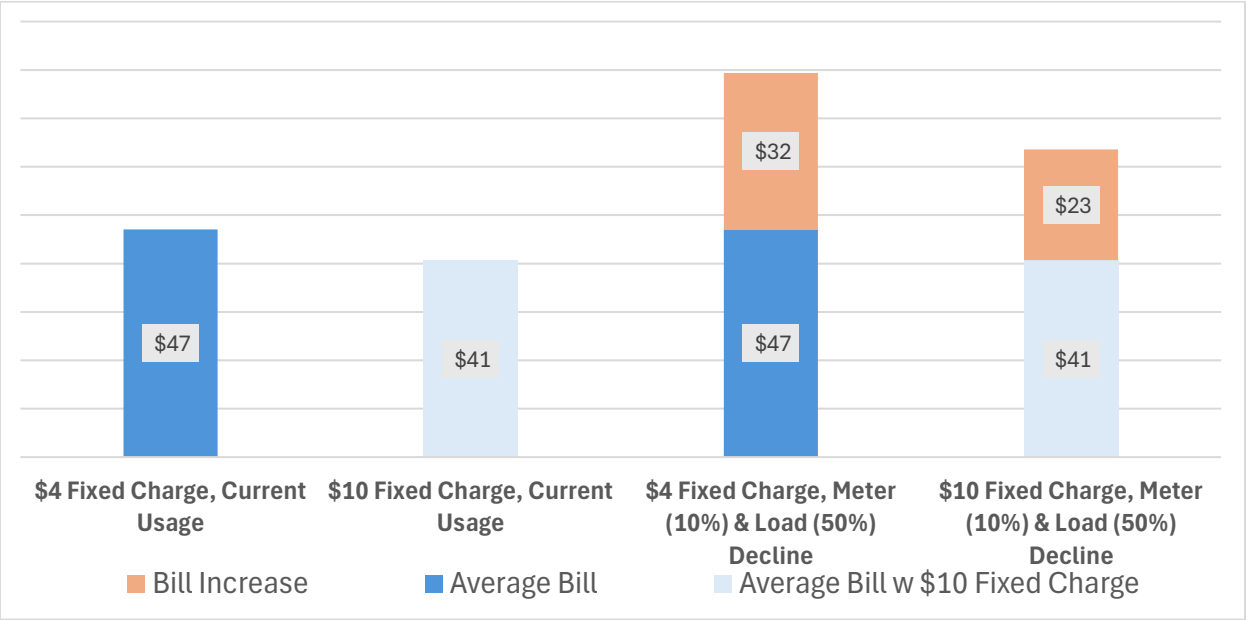
To highlight the importance of setting the appropriate level of residential fixed charge now to mitigate the bill impacts for low-income customers in an uncertain future, SoCalGas conducted a hypothetical analysis (keeping revenue requirement static) assuming 50% of residential gas load and 10% of residential customers were reduced. While the extent and pace of core gas consumption decline due to energy efficiency along with gas appliance replacements

is uncertain[34], it is likely that significant customer count reduction will not occur, as customers retain gas service for other appliances. The directional analysis presented here is therefore intended to illustrate that transitioning to the enhanced fixed charge as proposed in this application now, which will create short-term benefits as described earlier in my testimony, is a no regrets solution given additional longer-term benefits should such a scenario materialize. Because low-income CARE customers are less likely to replace gas appliances with electric appliances due to budget constraints, CARE customers are more likely to remain as relatively high usage customers for a longer period of time.

Under these assumptions, SoCalGas estimated the impacts of a $4 and a $10 per month CARE fixed customer charge (representing a 20% CARE discount under the propose residential rate design method) on an average-usage residential CARE customer's bill (current usage and customer counts) and 50% gas load and 10% customer count reduction as shown in Chart MF-6 below.

[34] Statewide zero emission appliance standards regulations promulgated by the California Air Resources Board have been delayed at least through 2025. Similarly, in June 2025, South Coast Air Quality Management District declined to adopt proposed amendments that would implement zero emission appliance standards for residential space and water heating.

Chart MF-6: Hypothetical Load Reduction Scenario – Mitigation of SoCalGas CARE Customer Impacts using a Higher Residential Fixed Charge



Bill increases related to loss of meters and volumes for a typical CARE customer would be significantly mitigated by reducing volumetric rates with SoCalGas Fixed Customer Charge proposal. In this example, the related bill increases would drop from $32 to $23 per month on average for the typical CARE customer.

9. Timeliness

Notwithstanding the discussion of the longer-term benefits of SoCalGas's fixed customer charge proposal, the fixed charge should be increased *now* as most of the benefits described above will be realized immediately upon implementation of reduced volumetric rates in coordination with an increased fixed customer charge. In the previous CAP the Commission stated "Additionally, the proposed changes to SoCalGas's residential rate design in this application are not in the public interest because their implementation would be premature and any changes should be considered on an industry-wide basis in the long-term gas planning rulemaking, R.20-01-007. We find insufficient facts in the record to support that a fundamental

change to the structure of residential gas rates is needed prior to a determination of the issue in R.20-01-007. It is important for the Commission to consider such important changes in a wholistic manner rather."

However, at the Commission's July 11, 2024 business meeting, Commissioner Karen Douglas, who was at the time the assigned Commissioner for R.20-01-007, raised concerns about the 2024 CAP decision, noting that it rejected the fixed fees settlement on the grounds that the settlement was considered premature, and, thus, that the decision would have any fixed charge changes be addressed more broadly in the long-term gas planning rulemaking. Commissioner Douglas explained that the CAP decision language made her pause because, *inter alia*, since the long-term gas planning rulemaking commenced in January 2020, the rulemaking had yet to include any specific scope related to fixed charge, which was mentioned in comments by the Applicants and Cal Advocates in the fixed charge settlement. Further, Commissioner Douglas expressed a perspective that the existence of the gas planning rulemaking should not preclude the Commission from addressing issues in real time as such issues are brought in other appropriate and timely forums.[35]

Indeed, the issue of fixed customer charges has been repeatedly addressed without resolution across several CPUC proceedings, including: The 2020 Triennial Cost Allocation Proceeding (TCAP) under Decision D.20-02-045 with unresolved issues deferred to successor proceedings, the 2024 Cost Allocation Proceeding (CAP) under Decision D.24-12-074 which continued to examine cost allocation and rate design but did not reach a final determination on fixed charges and the ongoing Gas Planning Order Instituting Rulemaking (OIR) under R.24-09-

[35] AdminMonitor, CPUC Voting Meeting – Public Agenda 3548 (July 11, 2024) at 2:05:35-2:13:19 (fixed charge discussion), *available at:* https://www.adminmonitor.com/ca/cpuc/voting_meeting/20240711/.

012, where the ALJ's Ruling Seeking Comments Regarding Interim Actions (issued November 13, 2024) and the Assigned Commissioner's Scoping Memo (issued January 31, 2025, and amended April 21, 2025) both acknowledged the need to revisit fixed customer charges in future General Rate Cases. This highlights the complexity and importance of the topic.

10. Other Regulatory Precedent

In the CPUC's Gas Planning Rulemaking proceeding (R.24-09-012), both the Assigned Commissioner's Scoping Memo and the Administrative Law Judge's (ALJ) ruling outline the next steps for addressing fixed customer charges, with a particular focus on rate design reform and future General Rate Case (GRC) requirements. This issue was specifically raised in the ALJ's Ruling Seeking Comments Regarding Interim Actions, issued on November 13, 2024, which asked stakeholders whether the Commission should require gas utilities to present rate options both with and without fixed customer charges in their next GRCs. It also posed the question of how large such fixed charges should be, if included.[36]

There is an additional impetus for the Commission to grant SoCalGas its proposed two-tier residential fixed customer charge structure. In June 2022, Assembly Bill (AB) 205 was passed into law. AB 205 addresses various residential rate reforms for California electric utilities. AB205 would: (i) require the CPUC to authorize a fixed customer charge for default residential rates no later than July 1, 2024; (ii) eliminate the $10 and $5 fixed customer charge caps; (iii) require the fixed customer charge to be established on at least a three income-graduated basis, ensuring low-income customers pay a smaller fixed customer charge; and (iv) allow the CARE discount to exceed 35%. These electric rate reform initiatives are conceptually transferable to gas utilities. The lower fixed customer charges for CARE customers relative to

[36] R.24-09-012.

non-CARE customers, as proposed in my testimony, is essentially a two-tier income-graduated fixed customer charge, consistent with the policy direction of AB 205.

The Commission implemented AB205 with the issuance of D.24-05-028, adopted May 15, 2024, approving a new framework for Income Graduated Fixed Charges (IGFC) applicable to the State's investor-owned electric utilities. This decision established policy foundation and guiding principles for implementing tiered fixed charges based on customer income levels. In the decision TURN's position that now is the appropriate time to implement a fixed charge structure that benefits low-income customers. TURN emphasized "A fixed charge must lower the monthly bill, averaged over the course of a calendar year, for a low-income ratepayer with average electricity usage levels in each baseline territory." This perspective helped shape the Commission's approach to income-graduated fixed charges, reinforcing the need for affordability and equity in rate design, and SoCalGas's fixed charge proposal meets this standard.

11. Other jurisdictions

California residential fixed charge rates are far below the level of fixed charges for many other utilities in the country. For example, the SoCalGas proposed increase to reach a $20.00 residential fixed customer charge in 2029 for non-CARE customers still falls behind the national average excluding the Pacific Region. *See* Table MF-12.

Table MF-12: Monthly Residential Fixed Charge as reported by AGA

Census Region	Pacific	East North Central	East South Central	Middle Atlantic	Mountain	New England	South Atlantic	West North Central	West South Central	National Excluding Pacific
AGA Reported Customer Fixed Charge in 2024	7.53	23.52	17.54	19.39	12.00	14.06	14.69	22.95	23.12	20.06
Escalated to 2028	8.08	25.23	18.82	20.80	12.87	15.08	15.76	24.62	24.80	21.52
Escalated to 2029	8.23	25.71	19.18	21.20	13.12	15.37	16.06	25.09	25.28	21.93

Table MF-12 estimates 2028 and 2029 fixed charge by region based on data presented in the American Gas Association's 2025[37] study and adjusted using the blended cost escalation index described in Appendix C to approximate 2028 and 2029 values. The national average shown in Table MF-12 is the AGA reported national average for all regions, adjusted to exclude the Pacific Region. This adjustment is made so that the Pacific Region, and SoCalGas, can be compared to the average of all other regions. SoCalGas's current $5 residential fixed customer charge is less than 25% of the average of all other regions in 2024.

C. SDG&E's Residential Minimum Bill

In this proceeding, SDG&E proposes to retain the current $4 per month residential minimum bill even though SDG&E continues to believe that cost-based residential fixed customer charge, rather than minimum bill, reflects superior rate design principle. SDG&E is in the process of implementing a new fixed customer charge for its electric customers and will continue its focus on successfully finalizing that implementation before proposing a fixed charge for residential gas customers.

[37] *See* Appendix D.

D. Residential Submeter Credit

Submeter credits apply to utility customers with a master meter who provide gas service to residential sub-units (e.g., multi-family dwelling units and mobile home parks). D.04-04-043 established a method for calculating submeter credits. In that decision, certain categories of costs were defined as "Utility Avoided Costs"--the costs that utilities avoid for which a master meter customer is reimbursed through the submeter credit provided by the utility.[38] In this proceeding, the Applicants' proposed submeter credits are based on updated studies in compliance with the methodology set forth in D.04-04-043, and as was used most recently to update the submeter credits in the 2024 CAP approved by D.24-07-009. Currently, SoCalGas's non-CARE submeter credit is set at $0.27945/meter/day and SoCalGas proposes to set it at $0.15310/meter/day for 2027. With residential customer charge increasing in 2028 and 2029, the submeter credits in these years will be $0.00000 and $0.00000, respectively.[39]

SDG&E's submeter credits are currently set at $0.57534/meter/day for both multi-family (GS) and mobile home (GT) customers. For 2027 - 2029 SDG&E proposes to set them at $0.53620/meter/day for GS customers and $0.55528/meter/day for GT customers.

E. Core C&I Rates

SoCalGas and SDG&E each have a single tariff serving its core commercial and industrial (C&I) customers, Schedule G-10 for SoCalGas and Schedule GN-3 for SDG&E. Presently, SoCalGas's G-10 rate design consists of a $15 customer charge and three tiers of

[38] To the extent these costs do not exceed the average costs that a utility would have incurred in providing direct service to sub-unit customers.

[39] Per the method for calculating submeter credit, SoCalGas's proposed increases in customer charge has the effect of lowering submeter credits in 2028 and 2029. Where this calculation results in a negative submeter credit (effectively a submeter charge), SoCalGas proposes to set the submeter credit to $0.00000 per day.

declining block volumetric rates. SDG&E's GN-3 rate design consists of a $10 customer charge and three tiers of declining block volumetric rates.

In D.24-07-009, the Commission retained the current rate structure for the different tiers within SoCalGas's G-10 rate design and SDG&E's GN-3 rate design. Neither SoCalGas nor SDG&E propose any changes to the current methodology.

F. Natural Gas Vehicle (NGV) Compression Rate Adder

A compression surcharge or compression rate adder is intended to cover the cost of providing compressed natural gas (CNG) to motor vehicles fueling at public access CNG vehicle refueling stations owned and operated by Applicants. The compression rate adder is charged to customers on a volumetric basis. This adder is incremental to the uncompressed commodity charge and transportation charge. The compression rate adder reflects the capital and operating costs of compressing the natural gas and providing public access to CNG fuel for NGV owners. Additional state fuel tax, federal excise tax, and utility user taxes, which can vary by location, are also charged to customers. Currently, there is a Sempra California Utilities-wide[40] compression rate adder across both SoCalGas and SDG&E. Therefore, the compression rate adders for SoCalGas and SDG&E are nearly identical, with only a small difference due to differences in the Franchise Fees and Uncollectibles between the utilities.

In this CAP, Applicants have updated the NGV compression rate adders to reflect current costs. These costs are composed of a capital-related revenue requirement for public-access refueling equipment and a fully-loaded O&M-related revenue requirement. The Sempra California Utilities-wide NGV compression rate adder is derived by dividing the combined

[40] Sempra California Utilities-wide rate refers to the calculation of a single rate between SoCalGas and SDG&E for a customer class, before applying utility-specific adders, such as Franchise Fees and Uncollectibles.

SoCalGas and SDG&E compression cost revenue requirements by the combined demand forecast for compressed NGV volumes.[41] The resulting NGV compression rate adders proposed for this TCAP term are $0.43681 per therm and $0.44013 per therm for SoCalGas and SDG&E, respectively.

Per D.24-07-009 SoCalGas and SDG&E are required to "make available a study presenting a tiered core rate option as well as a noncore rate option for NGV customers. SoCalGas is not required to present this study as one of their proposals." This study is available to interested parties upon request.

G. Gas Air Conditioning Rates

SoCalGas proposes to eliminate Schedule G-AC, the core air conditioning service for commercial and industrial, including G-AC, G-ACC and GT-AC Rates. There are currently three meters being billed under these rates. SoCalGas proposes to move these meters to the applicable rate under Schedule G-10 (GN-10. GN-10C, GT-10 respectively).

Where G-AC billed meters exist on the same premises as an existing G-10 billed meter, it might be possible to combine the meters volume for billing purposes.

III. NONCORE RATE DESIGN

A. Noncore Distribution Rates

Applicants' current distribution-level services for noncore C&I and electric generation (EG) customers are provided under Schedule GT-NC for SoCalGas and Schedules GTNC and EG for SDG&E. The current noncore C&I rate design consists of a customer charge of $350 per month for both the utilities, four tiers of declining block volumetric rates for SoCalGas and a single tier volumetric rate for SDG&E. For EG customers, there are Sempra California Utilities-

[41] The compressed NGV volumes are presented by witness Eduardo Martinez (Chapter 3).

wide rates; small EG customers pay a $50 customer charge and a volumetric rate, and large EG customers pay a lower volumetric rate. Neither SoCalGas nor SDG&E propose any changes to the current methodology.

B. Transmission Level Service Rates

Applicants' current Sempra California Utilities-wide rates for transmission-level service customers are provided under Schedule GT-TLS for SoCalGas and Schedule TLS for SDG&E. The current rate design consists of a class-average volumetric rate option and a reservation rate option for customers served from the transmission system. Neither SoCalGas nor SDG&E propose any changes to the current methodology.

This concludes my prepared direct testimony.

IV. QUALIFICATIONS

My name is Michael W. Foster. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I am employed by SoCalGas as the Rate Design and Demand Forecasting Manager within the CPUC/Federal Energy Regulatory Commission (FERC) Gas Regulatory Affairs Department, which supports gas regulatory activities of both SoCalGas and SDG&E. I have been employed with the Companies since December 2001.

I have held my current position managing the rates and demand forecasting groups since February 2023. Previously, I held various positions of increasing responsibility, most recently as a Principal Economic Advisor for the gas Rate Design function for both SoCalGas and SDG&E, from December 2016 through February 2023. I received a Bachelor of Arts degree in Economics from the University of California, Santa Barbara in 1995. I received a Master of Business Administration degree from the Darden School of Business at the University of Virginia, Charlottesville in 2000.

I have previously testified before the Commission.

Appendix A: Normalization of September 1, 2025 Published Rates

For purposes of isolating rate and bill impacts presented in this chapter to the impacts generated directly by the CAP proposals, present September 1, 2025 tariffed rates have been normalized by making the following 5 adjustments: 1) the border cost of gas is updated and consistent across all scenarios presented, 2) the Backbone Transportation Balancing Account (BTBA) balance has been set to zero, and is consistent across all scenarios presented, 3) residential submeter credits are recalculated based on inputs as of September 1, 2025 as opposed to the actual settled September 1, 2025 value, and will be updated in each scenario presented based on proposals, the 4) CARE discount is recalculated using September 1, 2025 class average rates, and will be updated in each scenario presented based on proposals, and 5) SoCalGas Exchange Revenues & Interutility Transactions revenue updated to authorized 2025 amount.

SDGE Rates

		Present Rates			Proposed Rates			Changes		
		03-Rate Change: September 1, 2025	Proposed	Sep-1-25	04-Rate Change: September 1, 2025 - Normalized for CAP	Proposed	Sep-1-25	Revenue	Rate	% Rate
		Volumes	Rate	Revenues	Volumes	Rate	Revenues	Change	Change	change
		Mth	$/therm	$000's	Mth	$/therm	$000's	$000's	$/therm	%
		A	B	C	D	E	F	G	H	I
1	CORE									
2	Residential	270,604	$2.12615	$575,344	270,604	$2.13084	$576,614	$1,270	$0.00469	0.2%
3	Commercial & Industrial	178,913	$0.93456	$167,206	178,913	$0.93926	$168,046	$840	$0.00470	0.5%
4										
5										
6	NGV - Pre Sempra-Wide	23,179	$0.45247	$10,488	23,179	$0.45717	$10,596	$109	$0.00470	1.0%
7	Sempra-Wide Adjustment	23,179	($0.06317)	($1,464)	23,179	($0.06545)	($1,517)	($53)	($0.00228)	3.6%
8	NGV - Post Sempra-Wide	23,179	$0.38930	$9,023	23,179	$0.39172	$9,079	$56	$0.00242	0.6%
9										
10	Total Core	472,696	$1.58997	$751,573	472,696	$1.59455	$753,739	$2,166	$0.00458	0.3%
11										
12	NONCORE COMMERCIAL & INDUSTRIAL									
13	Distribution Level Service	35,337	$0.40307	$14,243	35,337	$0.40554	$14,331	$87	$0.002	0.6%
14	Transmission Level Service (2)	13,965	$0.07064	$986	13,965	$0.07154	$999	$13	$0.001	1.3%
15	Total Noncore C&I	49,302	$0.30891	$15,230	49,302	$0.31093	$15,330	$100	$0.002	0.7%
16										
17	NONCORE ELECTRIC GENERATION									
18	Distribution Level Service									
19	Pre Sempra-Wide	71,656	$0.28585	$20,483	71,656	$0.28832	$20,660	$177	$0.002	0.9%
20	Sempra-Wide Adjustment	71,656	$0.01887	$1,352	71,656	$0.01749	$1,253	($99)	($0.001)	-7.3%
21	Distribution Post Sempra Wide	71,656	$0.30472	$21,835	71,656	$0.30581	$21,913	$78	$0.001	0.4%
22	Transmission Level Service (2)	225,945	$0.06801	$15,367	225,945	$0.06892	$15,572	$205	$0.001	1.3%
23	Total Electric Generation	297,600	$0.12501	$37,202	297,600	$0.12596	$37,485	$283	$0.001	0.8%
24										
25	**TOTAL NONCORE**	**346,902**	**$0.15114**	**$52,431**	**346,902**	**$0.15225**	**52,814**	**$383**	**$0.001**	**0.7%**
26										
27	**SYSTEM TOTAL**	**819,598**	**$0.98097**	**$804,005**	**819,598**	**$0.98408**	**$806,554**	**$2,549**	**$0.00311**	**0.3%**

SCG Rates

		Present Rates			Proposed Rates			Changes		
		03-Rate Change: September 1, 2025 Volumes Mth A	Proposed Rate $/therm B	Sep-1-25 Revenues $000's C	04-Rate Change: September 1, 2025 - Normalized for CAP Volumes Mth D	Proposed Rate $/therm E	Sep-1-25 Revenues $000's F	Revenue Change $000's G	Rate Change $/therm H	% Rate change % I
1	CORE									
2	Residential	2,185,983	$1.50214	$3,283,659	2,185,983	$1.50429	$3,288,351	$4,693	$0.00215	0.1%
3	Commercial & Industrial	880,320	$0.98441	$866,599	880,320	$0.98655	$868,477	$1,878	$0.00214	0.2%
4										
5	NGV - Pre Sempra-Wide	195,899	$0.40293	$78,933	195,899	$0.40505	$79,348	$416	$0.00212	0.5%
6	Sempra-Wide Adjustment	195,899	$0.00742	$1,453	195,899	$0.00769	$1,506	$52	$0.00027	3.6%
7	NGV - Post Sempra-Wide	195,899	$0.41034	$80,386	195,899	$0.41273	$80,854	$468	$0.00239	0.6%
8										
9	Gas A/C	140	$0.77108	$108	140	$0.77320	$109	$0	$0.00212	0.3%
10	Gas Engine	19,830	$0.29627	$5,875	19,830	$0.29627	$5,875	$0	$0.00000	0.0%
11	Total Core	3,282,172	$1.29080	$4,236,627	3,282,172	$1.29294	$4,243,666	$7,039	$0.00214	0.2%
12										
13	NONCORE COMMERCIAL & INDUSTRIAL									
14	Distribution Level Service	894,285	$0.28280	$252,908	894,285	$0.28358	$253,605	$697	$0.00078	0.3%
15	Transmission Level Service (2)	750,680	$0.08809	$66,126	750,680	$0.08899	$66,806	$680	$0.00090	1.0%
16	Total Noncore C&I	1,644,965	$0.19395	$319,034	1,644,965	$0.19478	$320,411	$1,377	$0.00083	0.4%
17										
18	NONCORE ELECTRIC GENERATION									
19	Distribution Level Service									
20	Pre Sempra-Wide	335,280	$0.27319	$91,594	335,280	$0.27397	$91,856	$261	$0.00078	0.3%
21	Sempra-Wide Adjustment	335,280	($0.00400)	($1,342)	335,280	($0.00371)	($1,244)	$98	$0.00029	-7.3%
22	Distribution Post Sempra Wide	335,280	$0.26919	$90,253	335,280	$0.27026	$90,612	$359	$0.00107	0.4%
23	Transmission Level Service (2)	1,800,969	$0.08056	$145,078	1,800,969	$0.08146	$146,711	$1,632	$0.00090	1.1%
24	Total Electric Generation	2,136,249	$0.11016	$235,331	2,136,249	$0.11109	$237,323	$1,992	$0.00093	0.8%
25										
26	TOTAL RETAIL NONCORE	3,781,214	$0.14661	$554,365	3,781,214	$0.14750	$557,734	$3,369	$0.00089	0.6%
27										
28	WHOLESALE									
29	Wholesale Long Beach (2)	91,703	$0.06794	$6,230	91,703	$0.06884	$6,313	$83	$0.00090	1.3%
30	Wholesale SWG (2)	74,685	$0.06794	$5,074	74,685	$0.06884	$5,141	$68	$0.00090	1.3%
31	Wholesale Vernon (2)	97,040	$0.06794	$6,592	97,040	$0.06884	$6,680	$88	$0.00090	1.3%
32	International (2)	139,490	$0.06794	$9,476	139,490	$0.06884	$9,603	$126	$0.00090	1.3%
33	Total Wholesale & International	402,918	$0.06794	$27,373	402,918	$0.06884	$27,738	$365	$0.00090	1.3%
34	SDG&E Wholesale	841,578	$0.07435	$62,572	841,578	$0.07514	$63,233	$661	$0.00079	1.1%
35	Total Wholesale Incl SDG&E	1,244,496	$0.07227	$89,944	1,244,496	$0.07310	$90,971	$1,026	$0.00083	1.1%
36										
37	TOTAL NONCORE	5,025,711	$0.12820	$644,309	5,025,711	$0.12908	$648,704	$4,395	$0.00088	0.7%
38										
39	Unbundled Storage (4)			$31,952			$31,952	$0		
40	System Total (w/o BTS)	8,307,883	$0.59135	$4,912,889	8,307,883	$0.59273	$4,924,322	$11,434	$0.00138	0.2%
41	Backbone Transportation Service BTS (3)	2,406	$0.57976	$509,220	2,406	$0.78773	$691,877	$182,658	$0.20797	35.9%
42	**SYSTEM TOTAL w/BTS**	**8,307,883**	**$0.65265**	**$5,422,108**	**8,307,883**	**$0.67601**	**$5,616,199**	**$194,091**	**$0.023**	**3.6%**
43										
44	EOR Throughput	154,067			154,067					
45	Total Throughput w/EOR Mth/yr	8,461,949			8,461,949					

Appendix B: LRMC results vs. September Normalized

SCG rates

		Present Rates			Proposed Rates			Changes		
		04-Rate Change: September 1, 2025 - Normalized for CAP			07-LRMC - Against Normalized Sep 1					
		Volumes	Proposed Rate	Sep-1-25 Revenues	Rates Volumes	Proposed Rate	Jan-1-27 Revenues	Revenue Change	Rate Change	% Rate change
		Mth	$/therm	$000's	Mth	$/therm	$000's	$000's	$/therm	%
		A	B	C	D	E	F	G	H	I
1	CORE									
2	Residential	2,185,983	$1.50429	$3,288,351	1,981,918	$1.46510	$2,903,708	($384,643)	($0.03919)	-2.6%
3	Commercial & Industrial	880,320	$0.98655	$868,477	888,551	$1.20089	$1,067,057	$198,580	$0.21434	21.7%
4										
5	NGV - Pre Sempra-Wide	195,899	$0.40505	$79,348	251,725	$0.52326	$131,718	$52,370	$0.11821	29.2%
6	Sempra-Wide Adjustment	195,899	$0.00769	$1,506	251,725	$0.00291	$734	($772)	($0.00478)	-62.2%
7	NGV - Post Sempra-Wide	195,899	$0.41273	$80,854	251,725	$0.52618	$132,452	$51,598	$0.11345	27.5%
8										
9	Gas A/C	140	$0.77320	$109	0	$0.00000	$0	($109)	($0.77320)	-100.0%
10	Gas Engine	19,830	$0.29627	$5,875	16,975	$0.29018	$4,926	($949)	($0.00609)	-2.1%
11	Total Core	3,282,172	$1.29294	$4,243,666	3,139,169	$1.30867	$4,108,142	($135,523)	$0.01573	1.2%
12										
13	NONCORE COMMERCIAL & INDUSTRIAL									
14	Distribution Level Service	894,285	$0.28358	$253,605	809,016	$0.42408	$343,087	$89,482	$0.14050	49.5%
15	Transmission Level Service (2)	750,680	$0.08899	$66,806	733,661	$0.10051	$73,737	$6,931	$0.01152	12.9%
16	Total Noncore C&I	1,644,965	$0.19478	$320,411	1,542,678	$0.27020	$416,824	$96,413	$0.07542	38.7%
17										
18	NONCORE ELECTRIC GENERATION									
19	Distribution Level Service									
20	Pre Sempra-Wide	335,280	$0.27397	$91,856	299,352	$0.41005	$122,749	$30,893	$0.13608	49.7%
21	Sempra-Wide Adjustment	335,280	($0.00371)	($1,244)	299,352	($0.01552)	($4,645)	($3,401)	($0.01181)	318.3%
22	Distribution Post Sempra Wide	335,280	$0.27026	$90,612	299,352	$0.39453	$118,104	$27,492	$0.12427	46.0%
23	Transmission Level Service (2)	1,800,969	$0.08146	$146,711	1,986,976	$0.09242	$183,645	$36,934	$0.01096	13.5%
24	Total Electric Generation	2,136,249	$0.11109	$237,323	2,286,328	$0.13198	$301,749	$64,426	$0.02089	18.8%
25										
26	TOTAL RETAIL NONCORE	3,781,214	$0.14750	$557,734	3,829,006	$0.18767	$718,573	$160,839	$0.04017	27.2%
27										
28	WHOLESALE									
29	Wholesale Long Beach (2)	91,703	$0.06884	$6,313	84,571	$0.07933	$6,709	$396	$0.01049	15.2%
30	Wholesale SWG (2)	74,685	$0.06884	$5,141	89,197	$0.07933	$7,076	$1,935	$0.01049	15.2%
31	Wholesale Vernon (2)	97,040	$0.06884	$6,680	84,803	$0.07933	$6,728	$47	$0.01049	15.2%
32	International (2)	139,490	$0.06884	$9,603	137,982	$0.07933	$10,946	$1,343	$0.01049	15.2%
33	Total Wholesale & International	402,918	$0.06884	$27,738	396,553	$0.07933	$31,459	$3,721	$0.01049	15.2%
34	SDG&E Wholesale	841,578	$0.07514	$63,233	845,098	$0.07146	$60,389	($2,844)	($0.00368)	-4.9%
35	Total Wholesale Incl SDG&E	1,244,496	$0.07310	$90,971	1,241,652	$0.07397	$91,848	$877	$0.00087	1.2%
36										
37	TOTAL NONCORE	5,025,711	$0.12908	$648,704	5,070,657	$0.15983	$810,421	$161,716	$0.03075	23.8%
38										
39	Unbundled Storage (4)			$31,952			$36,722	$4,770		
40	System Total (w/o BTS)	8,307,883	$0.59273	$4,924,322	8,209,826	$0.60358	$4,955,285	$30,963	$0.01085	1.8%
41	Backbone Transportation Service BTS (3)	2,406	$0.78773	$691,877	2,406	$0.73053	$641,639	($50,238)	($0.05720)	-7.3%
42	**SYSTEM TOTAL w/BTS**	**8,307,883**	**$0.67601**	**$5,616,199**	**8,209,826**	**$0.68173**	**$5,596,925**	**($19,275)**	**$0.00572**	**0.8%**
43										
44	EOR Throughput	154,067			105,839					
45	Total Throughput w/EOR Mth/yr	8,461,949			8,315,665					

SDG&E rates

		Present Rates			Proposed Rates			Changes		
		Change: September 1, 2025 - Normalized for Volumes Mth D	Proposed Rate $/therm E	Sep-1-25 Revenues $000's F	07-LRMC - Against Normalized Sep 1 Rates Volumes Mth D	Proposed Rate $/therm E	Jan-1-27 Revenues $000's F	Revenue Change $000's G	Rate Change $/therm H	% Rate change % I
1	CORE									
2	Residential	270,604	$2.13084	$576,614	237,105	$2.15133	$510,091	($66,523)	$0.02049	1.0%
3	Commercial & Industrial	178,913	$0.93926	$168,046	176,487	$1.25310	$221,156	$53,110	$0.31384	33.4%
4										
5										
6	NGV - Pre Sempra-Wide	23,179	$0.45717	$10,596	36,474	$0.53139	$19,382	$8,785	$0.07422	16.2%
7	Sempra-Wide Adjustment	23,179	($0.06545)	($1,517)	36,474	($0.02027)	($739)	$778	$0.04518	-69.0%
8	NGV - Post Sempra-Wide	23,179	$0.39172	$9,079	36,474	$0.51112	$18,642	$9,563	$0.11940	30.5%
9										
10	Total Core	472,696	$1.59455	$753,739	450,066	$1.66618	$749,889	($3,851)	$0.07163	4.5%
11										
12	NONCORE COMMERCIAL & INDUSTRIAL									
13	Distribution Level Service	35,337	$0.40554	$14,331	35,370	$0.64831	$22,931	$8,600	$0.243	59.9%
14	Transmission Level Service (2)	13,965	$0.07154	$999	17,068	$0.08229	$1,404	$405	$0.011	15.0%
15	Total Noncore C&I	49,302	$0.31093	$15,330	52,438	$0.46408	$24,335	$9,006	$0.153	49.3%
16										
17	NONCORE ELECTRIC GENERATION									
18	Distribution Level Service									
19	Pre Sempra-Wide	71,656	$0.28832	$20,660	60,493	$0.37275	$22,549	$1,889	$0.084	29.3%
20	Sempra-Wide Adjustment	71,656	$0.01749	$1,253	60,493	$0.07736	$4,680	$3,427	$0.060	342.3%
21	Distribution Post Sempra Wide	71,656	$0.30581	$21,913	60,493	$0.45011	$27,229	$5,316	$0.144	47.2%
22	Transmission Level Service (2)	225,945	$0.06892	$15,572	273,564	$0.08137	$22,259	$6,687	$0.012	18.1%
23	Total Electric Generation	297,600	$0.12596	$37,485	334,056	$0.14814	$49,487	$12,003	$0.022	17.6%
24										
25	**TOTAL NONCORE**	**346,902**	**$0.15225**	**$52,814**	**386,494**	**$0.19101**	**73,823**	**$21,008**	**$0.039**	**25.5%**
26										
27	**SYSTEM TOTAL**	**819,598**	**$0.98408**	**$806,554**	**836,560**	**$0.98464**	**$823,711**	**$17,158**	**$0.00056**	**0.1%**

Appendix C: Escalation of 1994 CPUC adopted SCG fixed cost of service

Capital Related Costs, Annual Growth Rates							O&M Related Costs, Annual Growth Rates				
Steel Services	Plastic Services	Meters	Meter Installations	House Regulators	Installations	Average Annual Growth	Labor	Gas Nonlabor O&M	Average Annual Growth	Weighted Average Annual Growth	Monthly Customer Fixed Charge Escalated
104%	102%	99%	108%	102%	108%	**104%**	104%	103%	**103%**	**104%**	$ 12.83
103%	104%	101%	104%	100%	104%	**103%**	103%	103%	**103%**	**103%**	$ 13.20
102%	102%	101%	100%	100%	100%	**101%**	103%	102%	**103%**	**102%**	$ 13.44
102%	102%	102%	102%	100%	102%	**102%**	104%	102%	**103%**	**103%**	$ 13.79
102%	102%	100%	101%	101%	101%	**101%**	104%	102%	**103%**	**102%**	$ 14.08
102%	102%	97%	102%	100%	102%	**101%**	103%	102%	**102%**	**102%**	$ 14.33
102%	102%	106%	104%	100%	104%	**103%**	103%	104%	**103%**	**103%**	$ 14.79
102%	102%	104%	101%	102%	101%	**102%**	104%	103%	**103%**	**103%**	$ 15.18
103%	103%	96%	102%	102%	102%	**101%**	102%	102%	**102%**	**102%**	$ 15.42
103%	102%	96%	105%	100%	104%	**102%**	103%	103%	**103%**	**102%**	$ 15.80
109%	103%	95%	124%	102%	123%	**109%**	103%	104%	**104%**	**106%**	$ 16.78
111%	105%	101%	125%	105%	123%	**112%**	104%	105%	**104%**	**108%**	$ 18.08
104%	104%	106%	104%	106%	104%	**105%**	103%	104%	**103%**	**104%**	$ 18.79
100%	104%	115%	95%	106%	96%	**103%**	102%	103%	**103%**	**103%**	$ 19.30
108%	105%	110%	117%	104%	117%	**110%**	103%	105%	**104%**	**107%**	$ 20.67
102%	105%	102%	97%	102%	97%	**101%**	102%	100%	**101%**	**101%**	$ 20.84
103%	103%	99%	105%	103%	105%	**103%**	102%	103%	**102%**	**103%**	$ 21.38
107%	103%	101%	113%	103%	112%	**107%**	103%	104%	**103%**	**105%**	$ 22.40
106%	103%	105%	110%	102%	110%	**106%**	103%	102%	**102%**	**104%**	$ 23.30
100%	102%	108%	98%	102%	99%	**101%**	102%	102%	**102%**	**102%**	$ 23.69
102%	103%	121%	100%	103%	100%	**105%**	102%	102%	**102%**	**103%**	$ 24.41
100%	102%	108%	96%	103%	97%	**101%**	104%	100%	**102%**	**102%**	$ 24.78
101%	103%	107%	98%	102%	99%	**102%**	104%	101%	**102%**	**102%**	$ 25.26
104%	102%	112%	107%	103%	106%	**106%**	103%	102%	**102%**	**104%**	$ 26.24
104%	102%	108%	107%	108%	107%	**106%**	101%	103%	**102%**	**104%**	$ 27.27
103%	103%	106%	103%	105%	103%	**104%**	100%	102%	**101%**	**102%**	$ 27.92
104%	102%	94%	108%	99%	108%	**102%**	104%	100%	**102%**	**102%**	$ 28.54
112%	106%	100%	121%	103%	120%	**110%**	104%	107%	**106%**	**108%**	$ 30.76
112%	105%	113%	120%	118%	119%	**114%**	106%	111%	**108%**	**111%**	$ 34.16
111%	104%	108%	120%	114%	119%	**113%**	105%	103%	**104%**	**108%**	$ 36.87
102%	104%	108%	100%	114%	100%	**105%**	102%	102%	**102%**	**103%**	$ 38.13
105%	106%	59%	104%	107%	104%	**98%**	102%	103%	**103%**	**100%**	$ 38.26
101%	104%	112%	98%	102%	98%	**103%**	103%	102%	**103%**	**103%**	$ 39.28
101%	102%	110%	99%	101%	100%	**102%**	103%	102%	**103%**	**102%**	$ 40.20
101%	101%	104%	100%	100%	101%	**101%**	103%	102%	**102%**	**102%**	$ 40.91
101%	100%	104%	102%	99%	102%	**101%**	103%	102%	**102%**	**102%**	$ 41.69

Appendix D: AGA studies

2015 AGA Study

ea_2015-03_customercharge2015.pdf

2025 AGA Study

Affordable-Natural-Gas-Supported-by-Fixed-Rate-Design.pdf

Appendix E – Areas of Affordability Concern at $4/$5 fixed Charge vs $10/$20 fixed Charge

14 AACs – CARE with $4 fixed Charge

PUMA #	County / City	Climate Zone	# of Housing Units	2027
03721	Los Angeles County (North)--LA City (Northeast/North Hollywood & Valley Village) PUMA	SCG 1	60,113	100.0%
03722	Los Angeles County (Northwest)--LA City (North Central/Van Nuys & North Sherman Oaks) PUMA	SCG 1	66,340	16.4%
03723	Los Angeles County (North)--LA City (North Central/Mission Hills & Panorama City) PUMA	SCG 1	42,981	10.4%
03727	Los Angeles County (Central)--LA City (Central/Pacific Palisades) PUMA	SCG 1	83,669	12.6%
03728	Los Angeles County (Southwest)--Santa Monica City PUMA	SCG 1	51,158	11.0%
03729	Los Angeles County (West Central)--LA City (West Central/Westwood & West Los Angeles) PUMA	SCG 1	103,596	43.2%
03731	Los Angeles County (Central)--West Hollywood & Beverly Hills Cities PUMA	SCG 1	65,583	21.5%
03732	Los Angeles County (Central)--LA City (East Central/Hollywood) PUMA	SCG 1	92,097	80.3%
03733	Los Angeles County (Central)--LA City (Central/Koreatown) PUMA	SCG 1	51,641	100.0%
03738	Los Angeles County (Central)--El Monte & South El Monte Cities PUMA	SCG 1	32,364	18.1%
03744	Los Angeles County (Central)--LA City (East Central/Central City & Boyle Heights) PUMA	SCG 1	65,418	100.0%
03746	Los Angeles County--LA City (Central/Univ. of Southern California & Exposition Park) PUMA	SCG 1	36,301	100.0%
03750	Los Angeles County (South Central)--LA City (South Central/Westmont) PUMA	SCG 1	57,867	10.3%
03751	Los Angeles County (South Central)--LA City (South Central/Watts) PUMA	SCG 1	41,676	100.0%

12 AACs – CARE with $10 fixed Charge

PUMA #	County / City	Climate Zone	# of Housing Units	2027
03721	Los Angeles County (North)--LA City (Northeast/North Hollywood & Valley Village) PUMA	SCG 1	60,113	100.0%
03722	Los Angeles County (Northwest)--LA City (North Central/Van Nuys & North Sherman Oaks) PUMA	SCG 1	66,340	15.8%
03727	Los Angeles County (Central)--LA City (Central/Pacific Palisades) PUMA	SCG 1	83,669	12.1%
03728	Los Angeles County (Southwest)--Santa Monica City PUMA	SCG 1	51,158	10.6%
03729	Los Angeles County (West Central)--LA City (West Central/Westwood & West Los Angeles) PUMA	SCG 1	103,596	41.5%
03731	Los Angeles County (Central)--West Hollywood & Beverly Hills Cities PUMA	SCG 1	65,583	20.6%
03732	Los Angeles County (Central)--LA City (East Central/Hollywood) PUMA	SCG 1	92,097	77.2%
03733	Los Angeles County (Central)--LA City (Central/Koreatown) PUMA	SCG 1	51,641	100.0%
03738	Los Angeles County (Central)--El Monte & South El Monte Cities PUMA	SCG 1	32,364	17.9%
03744	Los Angeles County (Central)--LA City (East Central/Central City & Boyle Heights) PUMA	SCG 1	65,418	100.0%
03746	Los Angeles County--LA City (Central/Univ. of Southern California & Exposition Park) PUMA	SCG 1	36,301	100.0%
03751	Los Angeles County (South Central)--LA City (South Central/Watts) PUMA	SCG 1	41,676	100.0%

18 AACs – non-CARE with $5 fixed Charge

PUMA #	County / City	Climate Zone	# of Housing Units	2027
03721	Los Angeles County (North)--LA City (Northeast/North Hollywood & Valley Village) PUMA	SCG 1	60,113	100.0%
03722	Los Angeles County (Northwest)--LA City (North Central/Van Nuys & North Sherman Oaks) PUMA	SCG 1	66,340	20.5%
03723	Los Angeles County (North)--LA City (North Central/Mission Hills & Panorama City) PUMA	SCG 1	42,981	13.2%
03727	Los Angeles County (Central)--LA City (Central/Pacific Palisades) PUMA	SCG 1	83,669	16.0%
03728	Los Angeles County (Southwest)--Santa Monica City PUMA	SCG 1	51,158	14.0%
03729	Los Angeles County (West Central)--LA City (West Central/Westwood & West Los Angeles) PUMA	SCG 1	103,596	54.8%
03730	Los Angeles County (West Central)--LA City (Central/Hancock Park & Mid-Wilshire) PUMA	SCG 1	85,296	11.8%
03731	Los Angeles County (Central)--West Hollywood & Beverly Hills Cities PUMA	SCG 1	65,583	27.2%
03732	Los Angeles County (Central)--LA City (East Central/Hollywood) PUMA	SCG 1	92,097	97.5%
03733	Los Angeles County (Central)--LA City (Central/Koreatown) PUMA	SCG 1	51,641	100.0%
03734	Los Angeles County--LA City (East Central/Silver Lake, Echo Park & Westlake) PUMA	SCG 1	84,863	12.4%
03738	Los Angeles County (Central)--El Monte & South El Monte Cities PUMA	SCG 1	32,364	19.6%
03742	Los Angeles County (Central)--Huntington Park City, Florence-Graham & Walnut Park PUMA	SCG 1	25,990	12.0%
03744	Los Angeles County (Central)--LA City (East Central/Central City & Boyle Heights) PUMA	SCG 1	65,418	100.0%
03746	Los Angeles County--LA City (Central/Univ. of Southern California & Exposition Park) PUMA	SCG 1	36,301	100.0%
03750	Los Angeles County (South Central)--LA City (South Central/Westmont) PUMA	SCG 1	57,867	13.0%
03751	Los Angeles County (South Central)--LA City (South Central/Watts) PUMA	SCG 1	41,676	100.0%
05912	Orange County (Northwest)--Westminster, Stanton & Garden Grove (West) Cities PUMA	SCG 1	46,374	10.1%

17 AACs – non-CARE with $20 fixed Charge

PUMA #	County / City	Climate Zone	# of Housing Units	2027
03721	Los Angeles County (North)--LA City (Northeast/North Hollywood & Valley Village) PUMA	SCG 1	60,113	100.0%
03722	Los Angeles County (Northwest)--LA City (North Central/Van Nuys & North Sherman Oaks) PUMA	SCG 1	66,340	19.7%
03723	Los Angeles County (North)--LA City (North Central/Mission Hills & Panorama City) PUMA	SCG 1	42,981	12.6%
03727	Los Angeles County (Central)--LA City (Central/Pacific Palisades) PUMA	SCG 1	83,669	15.3%
03728	Los Angeles County (Southwest)--Santa Monica City PUMA	SCG 1	51,158	13.4%
03729	Los Angeles County (West Central)--LA City (West Central/Westwood & West Los Angeles) PUMA	SCG 1	103,596	52.5%
03730	Los Angeles County (West Central)--LA City (Central/Hancock Park & Mid-Wilshire) PUMA	SCG 1	85,296	11.3%
03731	Los Angeles County (Central)--West Hollywood & Beverly Hills Cities PUMA	SCG 1	65,583	26.1%
03732	Los Angeles County (Central)--LA City (East Central/Hollywood) PUMA	SCG 1	92,097	97.2%
03733	Los Angeles County (Central)--LA City (Central/Koreatown) PUMA	SCG 1	51,641	100.0%
03734	Los Angeles County--LA City (East Central/Silver Lake, Echo Park & Westlake) PUMA	SCG 1	84,863	11.9%
03738	Los Angeles County (Central)--El Monte & South El Monte Cities PUMA	SCG 1	32,364	19.3%
03742	Los Angeles County (Central)--Huntington Park City, Florence-Graham & Walnut Park PUMA	SCG 1	25,990	11.5%
03744	Los Angeles County (Central)--LA City (East Central/Central City & Boyle Heights) PUMA	SCG 1	65,418	100.0%
03746	Los Angeles County--LA City (Central/Univ. of Southern California & Exposition Park) PUMA	SCG 1	36,301	100.0%
03750	Los Angeles County (South Central)--LA City (South Central/Westmont) PUMA	SCG 1	57,867	12.5%
03751	Los Angeles County (South Central)--LA City (South Central/Watts) PUMA	SCG 1	41,676	100.0%