

Application: A.23-01-XXX  
Witness: Nasim Ahmed and Marjorie Schmidt-Pines  
Chapter: 3

**SOUTHERN CALIFORNIA GAS COMPANY'S TESTIMONY IN SUPPORT OF ITS  
APPLICATION FOR APPROVAL OF ITS DEMAND RESPONSE PILOT PROGRAMS  
(CHAPTER 3: REGULATORY ACCOUNTING, COST RECOVERY, REVENUE  
REQUIREMENT, AND RATES)**

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

**January 06, 2023**

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**CHAPTER 3  
DIRECT TESTIMONY OF NASIM AHMED  
(REGULATORY ACCOUNTING, COST RECOVERY, REVENUE  
REQUIREMENT, AND RATES)**

5 **I. OVERVIEW AND SUMMARY OF REGULATORY ACCOUNTING**

6 **A. Purpose**

7 The purpose of this prepared direct testimony on behalf of Southern California Gas  
8 Company (SoCalGas) is to sponsor the regulatory accounting treatment and recovery of costs  
9 associated with SoCalGas's 2023-2025 Gas Demand Response Pilot Programs (Pilot Programs)  
10 as described in Chapter 2.

11 **II. REGULATORY ACCOUNTING AND COST RECOVERY (WITNESS: NASIM  
12 AHMED)**

13 SoCalGas proposes to establish the Demand Response Pilot Programs Balancing Account  
14 (DRPPBA). The DRPPBA is an interest-bearing two-way balancing account recorded on  
15 SoCalGas's financial statements. The purpose of the DRPPBA is to record the difference  
16 between the funding in Public Purpose Program (PPP) rates approved in this Application and the  
17 actual incremental operations and maintenance (O&M) costs including applicable incremental  
18 overheads, associated with the proposed Pilot Programs. SoCalGas proposes to include the  
19 balance of its DRPPBA in its annual PPP Surcharge Rates filing for amortization in PPP rates.  
20 At the end of the amortization period, SoCalGas will transfer any residual balance in the  
21 DRPPBA to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA)  
22 and eliminate the account.

23 **III. GAS RATE IMPACTS AND AMORTIZATION METHODOLOGY (WITNESS:  
24 MARJORIE SCHMIDT-PINES)**

25 Gas Demand Response Pilot Program costs as described in the testimony of Darren  
26 Hanway total \$12.5 million for 2023-2025. SoCalGas proposes to incorporate each year's costs  
27 into its Public Purpose Program (PPP) Surcharge rates effective January 1 of the following year  
28 as filed in SoCalGas's annual October PPP Surcharge Rate Update filing. The gas PPP  
29 surcharge is shown on a customer's bill as a separate line item. The surcharge is authorized to  
30 recover the cost of public purpose programs such as low-income assistance, energy efficiency,  
31 and public interest research and development. The Gas DR Pilots should be treated similarly as

an energy efficiency program to manage behind the meter customer demand. SoCalGas proposes to include these costs in rates as follows:

**Table 1 – Program Cost**

Programs (\$ in millions)	<b>Total</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Total Proposed Budgets	\$12.5	\$1.6	\$5.7	\$5.2
In rates beginning January of:		2024	2025	2026

SoCalGas Proposes to include these costs in the PPP surcharge rate and allocate to customer classes using Equal Percent of Authorized Margin (EPAM) method. SoCalGas used the same EPAM method for allocating its demand response program costs proposed in A.18-11-005. Also, EPAM is the cost allocation methodology used for public interest research and development. Table 2 below shows the estimated bundled rate, which includes Gas Core Procurement rate, Transportation rate and the PPS rate, impact for years 2024-2026. The percent change in year 2024 is compared to current rates. Each subsequent percent change is compared to the previous year.

**Table 2  
Southern California Gas Demand Response Pilot Programs – Gas  
Illustrative estimated Bundled Rate increase for Years 2024-2026**

Customer Class		Current Rates	2024		2025		2026	
		\$/th	\$/th	% change	\$/th	% change	\$/th	% change
Core-CARE								
	Residential	\$1.54592	\$1.54644	0.03%	\$1.54777	0.09%	\$1.54760	-0.01%
	Commercial/ Industrial	\$1.15852	\$1.15877	0.02%	\$1.15940	0.05%	\$1.15932	-0.01%
	Gas AC	\$1.09854	\$1.09862	0.01%	\$1.09881	0.02%	\$1.09879	0.00%
Core-Non CARE								
	Residential	\$1.96190	\$1.96242	0.03%	\$1.96375	0.07%	\$1.96359	-0.01%
	Commercial/ Industrial	\$1.47195	\$1.47219	0.02%	\$1.47282	0.04%	\$1.47274	-0.01%
	Gas AC	\$1.34459	\$1.34467	0.01%	\$1.34486	0.01%	\$1.34484	0.00%
	Gas Engine	\$1.02505	\$1.02537	0.03%	\$1.02620	0.08%	\$1.02610	-0.01%

	Natural Gas Vehicle	\$1.04410	\$1.04410	0.00%	\$1.04410	0.00%	\$1.04410	0.00%
Noncore								
	Commercial/Industrial	\$0.19262	\$0.19266	0.02%	\$0.19275	0.05%	\$0.19274	-0.01%

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This concludes our prepared direct testimony.

1 **IV. QUALIFICATIONS**

2 **Nasim Ahmed**

3 My name is Nasim Ahmed. I am employed by SoCalGas. My business address is 555  
4 West Fifth Street, Los Angeles, California 90013-1011. I am the Principal Accountant –  
5 Supervisor in the Regulatory Accounts group within the Accounting and finance Department  
6 which supports the regulatory activities for SoCalGas. My responsibilities for SoCalGas’s  
7 regulatory balancing, tracking, and memorandum accounts include implementation of regulatory  
8 accounting procedures for compliance with Commission decisions, quantifying and recording the  
9 monthly entries and adjustments to the regulatory accounts, and preparing forecasted balances  
10 for regulatory accounts for inclusion in SoCalGas’s annual compliance filings. I began my  
11 employment with Pacific Lighting Corporation, then the parent company of SoCalGas, in 1987  
12 in the Internal Audit Department. I have held various positions of increasing responsibility in  
13 Internal Audit, General Accounting, and Utility Regulatory Accounting before assuming my  
14 current position. I received my Bachelor of Science degree in Accounting from California State  
15 University, Long Beach in 1987. I have previously testified before the Commission.

16 **Marjorie Schmidt-Pines**

17 My name is Marjorie A. Schmidt-Pines. My business address is 555 West Fifth Street,  
18 Los Angeles, California 90013-1011. I am a Senior Principal Regulatory Economic Advisor in  
19 the CPUC/FERC Gas Regulatory Affairs Department for SoCalGas and San Diego Gas and  
20 Electric Company (SDG&E). I hold a Bachelor of Science degree in Business Administration  
21 with an emphasis in Accounting from California State University at Northridge, California. I  
22 have been employed by SoCalGas since 1981 and have held positions of increasing  
23 responsibilities as an Accountant and Senior Accountant in the Accounting & Finance  
24 department, as an Analyst and a Budget Coordinator in the Gas Supply department, as a Senior  
25 Market Analyst and Market Advisor for the Marketing and Customer Services departments and  
26 Principal Regulatory Economic Advisor in the Regulatory Affairs Department. As Senior  
27 Principal Regulatory Economic Advisor, I represent the Gas Rate Design Team for both  
28 SoCalGas and SDG&E in the role of Project Manager, Senior Analyst and witness in various  
29 major regulatory proceedings and filings dealing with allocating authorized revenue  
30 requirements to functions and customer rate classes, developing the design of the rate for each

- 1 class, calculating customer rate changes, and computing the impact on customers' monthly bills.
- 2 I have previously testified before the Commission.