

Exhibit No.: _____
Application: A.22-09-015
Witness: Michael Foster
Chapter: 21a

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

(RATE DESIGN)

July 28, 2023
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CHAPTER 21
PREPARED REBUTTAL TESTIMONY OF MICHAEL FOSTER
(RATE DESIGN)

I. PURPOSE

The purpose of my testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants) is to address and rebut the rate design assertions, arguments and recommendations contained in the direct testimony of Scott J. Logan of Public Advocates Office (Cal Advocates), Jaime McGovern of The Utility Reform Network (TURN), and Mitchell Pratt of Clean Energy.¹

II. CAL ADVOCATES ALSO PROPOSES AN INCREASE IN THE RESIDENTIAL FIXED CUSTOMER CHARGE, WHILE SOCALGAS AGREES WITH CAL ADVOCATES THAT THERE SHOULD BE AN INCREASE IN THE FIXED CHARGE, SOCALGAS'S PROPOSAL SHOULD BE ADOPTED

SoCalGas proposes to gradually increase the residential fixed customer charge during the CAP period from its current level of \$5.00 for non-CARE customers and \$4.00 CARE customers according to the following schedule:

	Non-CARE Fixed customer charge \$/month	Effective CARE Fixed customer \$/month
2024	\$5	\$4
2025	\$10	\$5
2026	\$15	\$7.50
2027	\$20	\$10

Notably, Cal Advocates also proposes an increase in the fixed customer charge, proposing a gradual increase in the residential fixed customer charge from the current levels to

¹ Given the volume of the various arguments, positions, and proposals raised by intervenors, Applicants have prioritized which issues to address in rebuttal testimony. Silence on any issue should not be construed as agreement with, or non-opposition to, that issue, as Applicants reserve the right to address additional issues not specifically mentioned in this rebuttal testimony at a later opportunity, such as evidentiary hearings and briefs.

1 \$10.00 for non-CARE residential customers and \$5.00 for residential CARE customers.²

2 TURN, however, proposes that the Commission reject SoCalGas’s proposed gradual
3 increase to the customer fixed charge; instead, it proposes to maintain the fixed charge at its
4 current levels of \$5.00 for non-CARE customers and \$4.00 for CARE customers. As addressed
5 in SoCalGas’s direct testimony it is important to recognize that retaining the current low
6 residential fixed charges will increasingly cause affordability challenges for low- and moderate-
7 income gas customers who do not have extremely low usage and are therefore very sensitive to
8 continued increase to per-therm charges. This is an undesirable outcome because of long- and
9 short-term affordability issues in the face of energy transition. As certain residential customers
10 electrify some or all of their gas appliances, the resulting gas volume reductions will put upward
11 pressure on natural gas rates faced by customers who are not able to readily transition.
12 SoCalGas’s proposal helps remediate the affordability issues and support the objectives of the
13 Commission as included in its Annual Affordability Report in Decision (D.) 20-07-032 and
14 D.22-08-023.

15 The Commission should adopt SoCalGas’s proposal, for these reasons which are
16 explained in greater detail below.

17 **A. TURN’s Analysis Fails to Recognize the Economic Justification for Fixed**
18 **Charge Increase**

19 TURN’s argument to reject SoCalGas’s proposal to increase the residential fixed charge
20 is mainly predicated by the associated bill impacts for CARE customers, and potentially for
21 some non-CARE customers that have income near CARE customer’s income. The premise of
22 this reasoning is that customers with consistently low usage would be harmed by an increase in

² Cal Advocates Report (Logan) at 1–5:2-8.

1 the fixed charge. Notwithstanding the long-term benefits of the proposed fixed charge for CARE
2 customers, as described later in this testimony, this argumentation ignores the economic
3 principles behind decisions on rate structures, which require looking at all customers and goes
4 beyond the affordability of a subgroup of customers.

5 SoCalGas's proposal takes into account the whole customer base and the benefits from
6 relying less heavily on per-therm charges for cost recovery by increasing the current fixed charge
7 in a gradual manner. This gradual revision to the fixed charges is a sensible step towards meeting
8 the goals of efficiency and equity, acknowledged by the California Public Utilities Commission
9 ("Commission") in various proceedings as key ratemaking goals, and by extensive academic
10 literature that discusses methods to improve rate designs. A discussion of key ratemaking goals
11 was provided by James Bonbright in his "Principles of Public Utility Rates"³ which have been
12 widely accepted in the energy industry as the gold standard for ratemaking.

13 The main principles discussed by the Commission in setting rates is adequate revenue
14 requirement, fair apportionment of costs among customers, and economic efficiency. Optimal
15 economic efficiency requires prices that reflect as much as possible the marginal costs of
16 providing electric or gas service to each class of consumers.

17 An economically efficient outcome cannot be achieved with existing SoCalGas
18 residential rates because their very low fixed charge forces the per-therm charges to be
19 artificially high and much higher than marginal per-therm costs. It is important for charges to
20 reflect as close as possible the true cost impact of changes in usage for two main reasons. First,
21 if price is above the marginal per-therm cost, customers will be likely to reduce the amount of

³ James C. Bonbright, *Principles of Public Utility Rates* (Columbia Univ. Press, 1st ed. 1961),
available at: <https://www.raponline.org/wp-content/uploads/2016/05/powellgoldstein-bonbright-principlesofpublicutilityrates-1960-10-10.pdf>.

1 natural gas consumption but without any efficiency gain or capacity cost savings. The
2 Company's infrastructure currently has and expects to continue to have sufficient capacity in gas
3 delivery system to accommodate higher usage. Second, SoCalGas must recover its fixed costs,
4 and when sales decrease, the same share of the revenue requirement needs to be recovered from
5 a lower amount of sales (therms). This leads to increased rates for all customers.

6 The Commission has endorsed in past decisions related to ratemaking the need to revisit
7 rates so that they better promote economically efficient decisions by utility electricity customers
8 by lowering volumetric charges to reflect marginal cost price signals.⁴ The Commission has
9 approved electric vehicle (EV) and other electrification rates that include a higher monthly fixed
10 charge and lower volumetric charges compared to standard rates. Lowering volumetric charges
11 towards marginal cost levels was also approved during the NEM 3.0 proceeding when the
12 Commission introduced reforms to rates and export compensation for customers with renewable
13 distributed generation. California is also currently in the process of implementing a reform to
14 improve efficient decisions on electrification which calls for an increase in the fixed charge and
15 such reform is in principle equally relevant to the design of natural gas distribution rates. This
16 argumentation recognizes the benefits of bringing the volumetric charges lower to reflect the
17 current excess capacity and low marginal cost of delivery.

18 **B. Cost Basis for Requested Fixed Charge Increase**

19 TURN is proposing removal of connection costs from the cost basis for determining the
20 appropriate level of fixed customer charge due to the change in the line extension allowance
21 policy in D.22-09-026. In that decision, the Commission ended the provision of line extension

⁴ 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.

1 allowances for new service applications received after July 1, 2023 (with certain exceptions). In
2 this application, SoCalGas considered the impact of line extension changes and service line,
3 regulator, and meter (SRM)-related allowance removal on marginal customer-related costs. As
4 discussed in the rebuttal testimony of Marjorie Schmidt-Pines (Chapter 18[a](#)), the Long Run
5 Marginal Cost (LRMC) studies considered that the full impact of the new line extension
6 allowance policy is not going to be immediately observed for customer connections near term,
7 particularly in the Cost Allocation Proceeding period of 2024 to 2027.

8 Notwithstanding, SoCalGas’s residential fixed charge proposal considers customer-
9 related costs and connection costs as indicative of the *floor* price level, and not the *cap* level.
10 The proposed increase to the fixed charge is not intended only to recover the level of customer
11 connection costs that are not paid by customers up front, but also other non-marginal costs, to
12 meet the efficiency goal in rate design discussed earlier.

13 SoCalGas referred to D.17-09-035 in direct testimony for the prescriptive guidance it
14 provided to electric utilities on how to calculate residential fixed customer charges and presented
15 a fixed customer charge proposal that adheres to its guidance.⁵ However, D.17-09-035 provides
16 a very narrow definition of the minimum costs that could be included when determining a fixed
17 customer charge, generally including only customer related costs. While Applicants have used
18 D.17-09-035 as indicative guidance in helping craft its proposal, D.17-09-035 does not provide
19 absolute authority on the matter. In D.21-11-016 the Commission stated that “D.17-09-035 does
20 not hold precedential value outside the context of its originating proceeding”⁶, thus allowing for
21 the consideration of other non-customer related costs to be included in determining fixed

⁵ Applicants’ Ch. 13b (Foster) at 14:9-15:2.

⁶ D.21-11-016 at 114.

1 customer charge amounts. Other cost categories that could be candidates for determining fixed
2 customer charges include Public Purpose Program costs and non-marginal distribution costs.

3 California Assembly Bill 205⁷ removed the statutory language strictly requiring
4 residential rates to be almost exclusively charged on a volumetric basis and provided a
5 framework to make the residential electricity rate structure more equitable.

6 As shown in the direct testimony (Ch. 13b), using the rental method, the long run
7 marginal cost of residential customer connections in 2024 dollars is \$22.69, which represents the
8 minimum amount that SoCalGas should be collecting per customer per month in fixed customer
9 charges in 2024.⁸ SoCalGas's 2027 fixed customer charge proposal of \$20.00 for non-CARE
10 customers and \$10.00 for CARE customers would be the equivalent of collecting approximately
11 \$17.17 per residential customer per month.⁹ This is well below the *minimum* supported customer
12 charge of \$22.69 per residential customer per month.

13 TURN's proposed adjustments to the LRMC study result in long run marginal costs of
14 \$9.34 per residential customer per month.¹⁰ However, as discussed in Ms. Schmidt-Pines'
15 rebuttal testimony (Ch. 18a), the adjustments proposed by TURN are not justified from a cost-
16 basis perspective or best practice in marginal costing. The basis underlying SoCalGas's
17 customer costs is consistent with expectations of the customer's opportunity cost to connect and
18 to maintain connection and service over time.

⁷ AB 205 (Committee on Budget, 2022)
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205.

⁸ Applicants' Ch. 13b (Foster) at 22, table 6.

⁹ \$17.17 per residential customer per month is derived as the weighted average of SoCalGas's 2027 fixed customer charge proposal of \$20 for non-CARE customers and \$10 for CARE customers, assuming 71.7% non-CARE customers and 28.3% CARE customers.

¹⁰ Ex. TURN-02 (McGovern) at 14, table at line 14.

1 Nonetheless, even when considering TURN’s unjustified adjustments to the LRMC, they
 2 are presenting support for a minimum fixed customer charge of \$9.34 per residential customer
 3 per month in 2024. Assuming an income differentiated fixed customer charge scenario where
 4 CARE customers’ effective fixed customer charge is 50% of non-CARE customers’ charge (as
 5 per Applicant’s proposal), TURN’s LRMC results of \$9.34 per residential customer per month
 6 support a weighted average minimum fixed customer charge of \$10.88 for non-CARE customers
 7 and \$5.44 for CARE customers. This is above the 2027 residential fixed customer charge
 8 proposal presented by Cal Advocates of \$10.00 per non-CARE customer and \$5.00 per CARE
 9 customer. The following table summarizes the LRMC results and fixed customer charge
 10 proposals discussed above.

SoCalGas - 2027 Fixed Customer Charge Scenarios				
CARE fixed customer charge set at 50% of non-CARE fixed customer charge				
\$ per meter per month				
	Minimum Fixed Customer Charge per SoCalGas LRMC Results^	SoCalGas 2027 Fixed Customer Charge Proposal	Minimum Fixed Customer Charge per TURN's LRMC Results^	Cal Advocates 2027 Fixed Customer Charge Proposal
non-CARE fixed customer charge	26.43	20.00	10.88	10.00
CARE fixed customer charge	13.22	10.00	5.44	5.00
Weighted average fixed customer charge*	22.69	17.17	9.34	8.58
	^ In 2024 dollars			
	* Weighted at 71.7% non-CARE and 28.3% CARE			

11
 12 TURN’s comment that only “customer directly caused” or “imposed” costs should be
 13 considered, vs. “customer-related” costs in the determination of fixed charges is a distinction that
 14 TURN is trying to establish that is unsubstantiated and should be ignored. Customer-related
 15 marginal unit cost reflects the cost of a customer’s access to the gas utility’s supply system and is
 16 comprised of: (1) the marginal capital cost of service lines and meter set assemblies; (2) the

1 marginal direct O&M (operation and maintenance) costs associated with the installation and
2 service of those assets, as well as other customer support functions; and (3) O&M loaders.¹¹

3 **C. Implications for Low-Income & Moderate-Income Customers**

4 TURN expresses concern that SoCalGas's fixed charge proposal raises affordability
5 concerns and alleges SoCalGas did not do enough in its direct showing to consider these impacts.
6 However, TURN's affordability concerns are limited to a tiny subset of low-income residential
7 customers in the near term and ignore the affordability benefits provided to low-income
8 customers by increased fixed charges during the energy transition in the long term. SoCalGas
9 presented in its testimony evidence that there are high usage, low-income customers, as well as
10 high usage customers in moderate income segments. These customers are negatively impacted
11 by inefficient high per-therm charges, and they do not likely have the means to switch to electric
12 space heating or water heating. Keeping the residential fixed charge at its current level as
13 supported by TURN will create increasing affordability problems not just to high-usage, low-
14 income gas customers, but also to a significant share of moderate- and average-income natural
15 gas customers. See direct testimony (Ch. 13b) for a Partial Electrification Scenario.¹²

16 TURN claims that Applicants did not conduct a thorough enough analysis of bill impacts
17 for various subsegments of residential customers such as Medical Baseline customers and
18 customers in Areas of Affordability Concern, implying that a detailed bill impact is necessary for
19 each subsegment. However, it's important to note that a customer's volume is the primary
20 variable in whether that customers will face bill increases or bill decreases as a result of
21 increasing the monthly fixed customer charge. Applicants' analysis in direct testimony used four

¹¹ Applicants' Ch. 9b (Schmidt-Pines) at 5.

¹² Applicants' Ch. 13b (Foster) at 19-21.

1 different usage levels to depict the varied impacts from changes to the fixed customer charge.
2 Within the subsegments TURN proposes for additional bill impact analysis, customers could
3 have a wide range of usage. The Applicant’s analysis already provides insight to how customers
4 within those subsegments will be impacted.

5 In direct testimony (Ch. 13b), Applicants presented analysis showing that within the low-
6 income residential customer subsegment, customers at the most indicative usage levels will
7 realize bill decreases due to raising the fixed customer charge to \$10, except for customers at the
8 lowest 10th percentile of usage. In fact, approximately 83% of CARE customers will see bill
9 decreases from SoCalGas’s proposal. The remaining customers already have very low bills and,
10 at the 10th percentile level, are expected to see very modest bill increases of about \$3 per month
11 over the 3-year implementation period from 2024 to 2027 – or, only approximately \$1 per month
12 per year. Applicants believe they have provided adequate empirical evidence for the
13 Commission to understand the impacts of increasing the fixed customer charge on the most
14 vulnerable customer subsegment. Notwithstanding, Applicants provide in Appendix A additional
15 analysis examining the bill impacts of non-CARE customers as well as “essential use” customers
16 as defined in the Affordability OIR, D.22-08-023.

17 Appendix A shows the bill impacts on non-CARE customers at 10th percentile usage,
18 median usage, average usage and 90th percentile usage – the same indicative usage levels
19 presented in direct testimony for CARE customers. Average usage non-CARE customers will
20 see slight bill decreases and median non-CARE customers will see bill increases of less than \$1
21 per month over the 3-year implementation period. Appendix A also shows bill impacts for
22 customers at essential usage levels as defined in the Affordability OIR. For both CARE and
23 non-CARE essential usage customers, an increase in fixed customer charge to \$10 and \$20

1 respectively is expected to result in decreased bills. D.22-08-023 also specifies that when
2 considering affordability metrics, residential customers at the 20th and 50th percentile of income
3 must be considered. Since about 28% of SoCalGas residential customers are CARE customers,
4 the CARE essential usage results shown are representative of the 20th percentile of income
5 distribution, and the non-CARE essential usage results are representative of the 50th percentile of
6 income. In both cases, an increase in the fixed customer charge is beneficial to customers.

7 Further, for all customers who will realize bill savings, the savings is maximized in the
8 winter months, providing relief when bills are typically at their highest levels. Usage is highest
9 in winter months, so the benefit of a lower volumetric rate is the most pronounced during these
10 months.

11 Finally, a review of the CARE 5-year average monthly gas usage reveals that there is
12 little difference in terms of average or median values of monthly usage between CARE and non-
13 CARE customers. When averaged across the year, CARE monthly usage is only about 25
14 percent below the 5-year average monthly use of non-CARE customers. On average across the
15 year, CARE and non-CARE median monthly usage are almost identical (23 therms per month
16 versus 24 therms per month respectively). See Chart 1 below. To demonstrate that there are
17 significant high usage CARE customers, we reviewed the 90th percentile of CARE monthly
18 usage and found that it exceeds the non-CARE monthly median usage by about 2.1 times on
19 average. In five months out of twelve the 90th percentile of CARE customers actually has higher
20 usage than the 90th percentile of non-CARE customers. See chart 2 below. The data
21 demonstrates that it is incorrect to assume that retaining a lower fixed charge would be in the
22 benefit of all, or even most CARE (low income) customers.

Chart 1

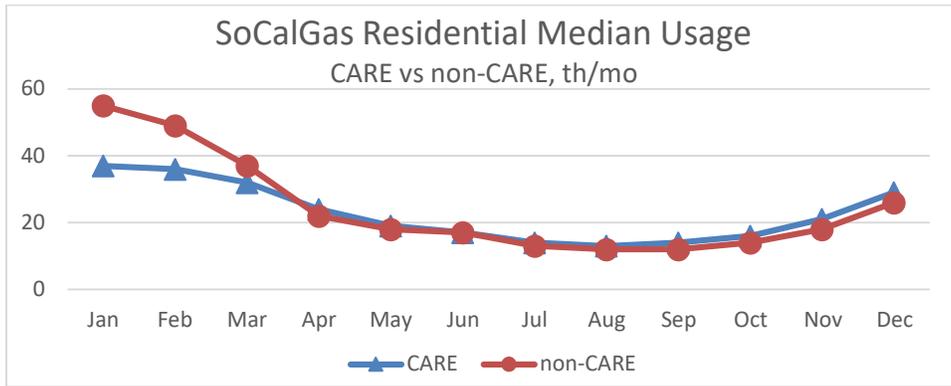
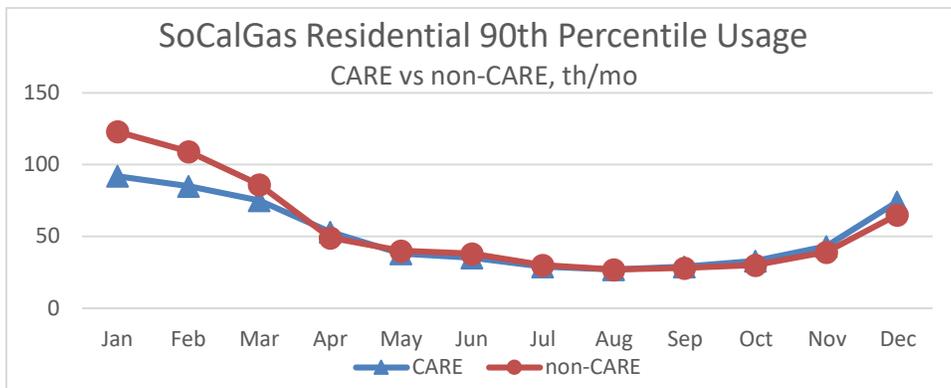


Chart 2



D. Comparison with Other Investor-Owned Gas Utilities

1 **D. Comparison with Other Investor-Owned Gas Utilities**
2 TURN rejects the customer charge increase without acknowledging that California
3 residential natural gas rates are far below the level of fixed charges for many other utilities in the
4 country. For example, the SoCalGas proposed increase to reach \$20.00 in 2027 for non-CARE
5 customers is well aligned with the fixed charge levels currently in place for gas residential
6 customers in New York, including Rochester Gas & Electric Corp. and New York State Electric
7 and Gas, where gas residential fixed charges are currently at \$18.20 per month and \$19.23 per
8 month. In fact, the NY Commission is currently in the process of considering further proposals to
9 increase the fixed charge by both gas utilities. These proposals are supported by their respective
10 filed Marginal Cost of Service (MCOS) gas studies, both of which demonstrated that there is

1 almost zero marginal cost per therm and therefore no capacity savings when customers reduce
2 load, due to slow recent growth of demand and little growth-related investment.¹³

3 **III. THE COMMISSION SHOULD REJECT CAL ADVOCATES**
4 **RECOMMENDATION TO USE NEW CUSTOMER ONLY METHOD FOR**
5 **CALCULATING MARGINAL CUSTOMER CAPITAL COST**

6 Applicants proposed the Rental method for calculating marginal customer capital cost
7 (for capital equipment such as meter, regulator, and service line). Cal Advocates recommends
8 the use of the New Customer Only (NCO) method stating that “Cal Advocates is using the
9 LRMC Method and New Customer Only Method, as it is a better reflection of marginal
10 customer-related costs.” However, Cal Advocates does not provide any reasons or arguments as
11 to why the NCO method is superior to the Rental method for allocating the capital component of
12 customer-related costs.

13 The NCO method is inappropriate as a marginal customer cost approach in the context of
14 ratemaking because it fails to estimate the costs for the average customer in the class and so the
15 resulting value is not meaningful. The Rental method, however, calculates the cost of providing
16 access and serving the typical customer regardless of specific vintage of customer connection.

17 For the reasons described in direct testimony (Ch. 13b), Appendix C, the Commission
18 should reject Cal Advocates’ proposal to employ the NCO method. Further, in the most recent
19 cost allocation proceeding, the Commission adopted the Rental method for allocating the capital
20 component of customer-related costs.¹⁴

¹³ The MCOS filing is available on the New York State Public Service Commission’s website as part of Cases 22-G-0318 and G-0320. See Nieto’s Direct Testimony (Gas Marginal Cost Study for NYSEG and RG&E) before the New York State Public Service Commission (May 26, 2022), available at: <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7BD31DDE0F-AB00-454C-8F42-174FBDC985E8%7D>.

¹⁴ D.20-02-045 at 45, 104 (OP 7).

1 **IV. THE PROPOSAL TO ALLOW NATURAL GAS VEHICLE CUSTOMERS TO**
2 **ELECT NONCORE SERVICE SHOULD NOT BE ADOPTED**

3 Clean Energy proposes that “the commission should require SoCalGas to modify its
4 current offerings to allow eligible NGV customers to elect to receive noncore service.”

5 SoCalGas opposes Clean Energy’s proposal for several reasons.

6 Assuming every newly eligible¹⁵ NGV customer elected noncore service, the
7 uncompressed NGV rate for those customers who were not large enough to elect noncore service
8 would increase substantially, from \$0.~~38~~~~37~~ per therm for SoCalGas and \$0.~~37~~~~36~~ per therm for
9 SDG&E to around \$1.~~42~~~~02~~ per therm for SoCalGas and \$1.~~42~~~~01~~ per therm for SDG&E. This
10 ~~493~~~~172~~% increase for SoCalGas and ~~499~~~~178~~% for SDG&E in rates would negatively impact
11 smaller NGV customers, which comprise of approximately ~~64~~~~58~~% of the total number of NGV
12 customers. This rate impact would occur because there would be a smaller pool of throughput to
13 recover costs allocated to the NGV rate. Such a large rate increase would run contrary to the
14 rationale behind the creation of a Sempra-wide NGV rate, which was originally proposed to
15 promote development of additional NGV refueling stations, large and small, in both the
16 SoCalGas and SDG&E service territory.

17 Clean Energy states that a potential benefit to creating a noncore NGV rate is that the
18 noncore transportation rate would be lower than the core NGV rate. Clean Energy does not
19 identify a specific rate design for their proposed noncore NGV rate, so for illustrative purposes,
20 Applicants assume that NGV customers would face gas transportation rates similar to noncore
21 Commercial Industrial Distribution (NCCI-D). SoCalGas NCCI-D rates have four tiers based on

¹⁵ Customers who use more than 20,800 therms per month are eligible for noncore service per SoCalGas Rule No. 23 – Continuity of Service And Interruption Of Delivery at Sheet 1, *available at:* https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-RULES_23.pdf.

1 usage with the tier 1 rate being approximately \$0.48-45 per therm¹⁶, which is higher than the
2 proposed NGV uncompressed rate of approximately \$0.378 per therm, and the tier 2 rate being
3 approximately \$0.334 per therm, which is not significantly below the proposed NGV
4 uncompressed rate. Additionally, the NCCI-D class has a much higher monthly customer charge
5 (\$350) than the NGV class (\$13 or \$65). Thus, it is unclear how much savings, if any, a NGV
6 refueling customer would experience by switching to a noncore rate.

7 Clean Energy also states that a benefit of creating a noncore NGV rate is that it would
8 provide NGV fueling station operators the ability to choose a rate structure that aligns with its
9 load size and characteristics. Within the NGV customer class, customers who would be eligible
10 for noncore service represent approximately 93% of the class volume. With such an
11 overwhelming majority of the volume, the existing core NGV class already largely aligns with
12 the load size of the noncore eligible customers.

13 **V. THE PROPOSAL TO REDUCE SUBMETER CREDITS SHOULD NOT BE**
14 **ADOPTED**

15 TURN proposes to adjust applicants submeter credit calculation by removing capital
16 related SRM costs and adjusting O&M overhead loaders. Cal Advocates does not explicitly
17 propose a reduction in submeter credit; however, their workpapers reflect a reduction in the
18 calculated submeter credit. TURN argues that capital related SRM costs should be eliminated
19 from the LRMC studies and overhead loaders should be adjusted downward. These adjustments,
20 inputted into the submeter credit calculation would lower the submeter credit. See the rebuttal
21 testimony of Marjorie Schmidt-Pines (Ch.18a) as to why TURN's proposed adjustments are
22 inappropriate during this CAP period.

¹⁶ NCCI Tier 1 and Tier 2 rates presented here assume NGV costs related to the departing NGV customers are reallocated to the NCCI class.

1 Further, TURN erroneously states that “the applicants propose an increase based on costs
2 that will not be present during the CAP effective period”. While D.22-09-026 effectively
3 eliminates SRM related capital costs for most incremental residential customers, legacy capital
4 costs are not eliminated by D.22-09-026. D.04-04-043 specifies that capital related costs should
5 be included when determining the submeter credit. Both SoCalGas Schedule GS and SDG&E
6 Schedule GS which defines the submeter credits in question are closed to new customers. They
7 were both closed as of December 15, 1981, for gas service to new Multi-family Accommodation
8 structures where such multi-unit tenants use gas directly in gas appliances in each occupancy and
9 which requires venting. They were both also closed to new Mobilehome Parks or manufactured
10 housing communities for which construction has commenced after January 1, 1997.

11 **VI. NO PARTY APPEARS TO DISPUTE APPLICANTS’ PROPOSAL TO GO TO A**
12 **FOUR-YEAR COST ALLOCATION CYCLE**

13 As set forth in direct testimony (Ch. 13b), Applicants proposed a four-year CAP cycle to
14 be consistent with the newly adopted four-year general rate case cycle.¹⁷ No intervenor appeared
15 to submit testimony objecting to this proposal. Accordingly, this proposal for a four-year cycle
16 should be adopted.

17 This concludes my prepared rebuttal testimony.

¹⁷ Applicants’ Ch. 13b (Foster) at 3.

1 **VII. QUALIFICATIONS**

2 My name is Michael Foster. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013-1011.

4 I am employed by SoCalGas as the Rate Design and Demand Forecasting Manager
5 within the CPUC/Federal Energy Regulatory Commission (FERC) Gas Regulatory Affairs
6 Department, which supports gas regulatory activities of both SoCalGas and SDG&E. I have been
7 employed with the Companies since December 2001. I have held my current position managing
8 the rates and demand forecasting groups since February 2023. Previously, I held various
9 positions of increasing responsibility, most recently as a Principal Economic Advisor for the gas
10 Rate Design function for both SoCalGas and SDG&E, from December 2016 through February
11 2023.

12 I received a Bachelor of Arts degree in Economics from the University of California,
13 Santa Barbara in 1995 and a Master of Business Administration degree from the Darden School
14 of Business at the University of Virginia in 2000.

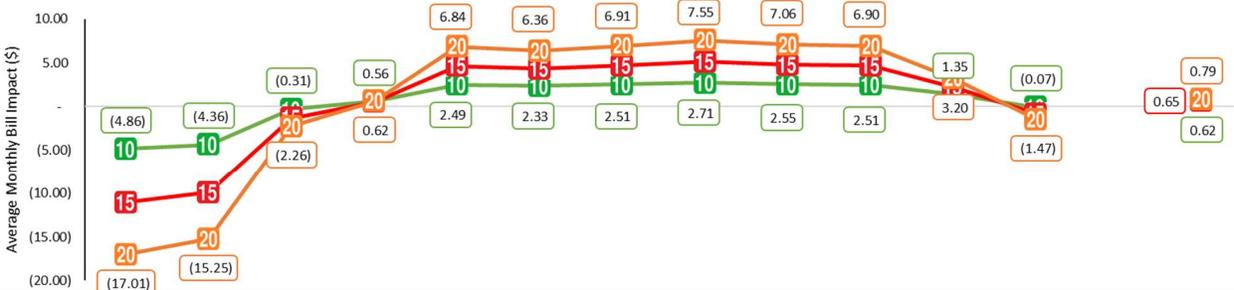
15 I have previously testified before the Commission.

APPENDIX A

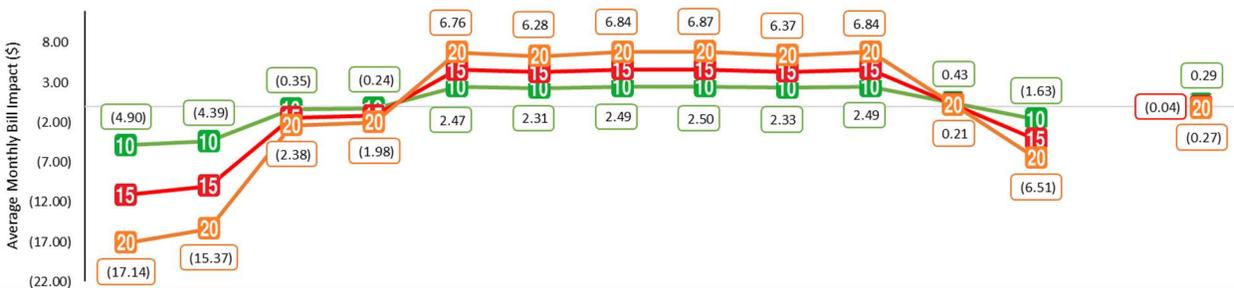
SCG Bill Impacts \$5 Customer Charge vs \$10, \$15, \$20 (2025, 2026, 2027)
SoCalGas Non-CARE 10th Percentile Usage



SoCalGas Non-CARE Median Usage



SoCalGas Non-CARE Average Usage

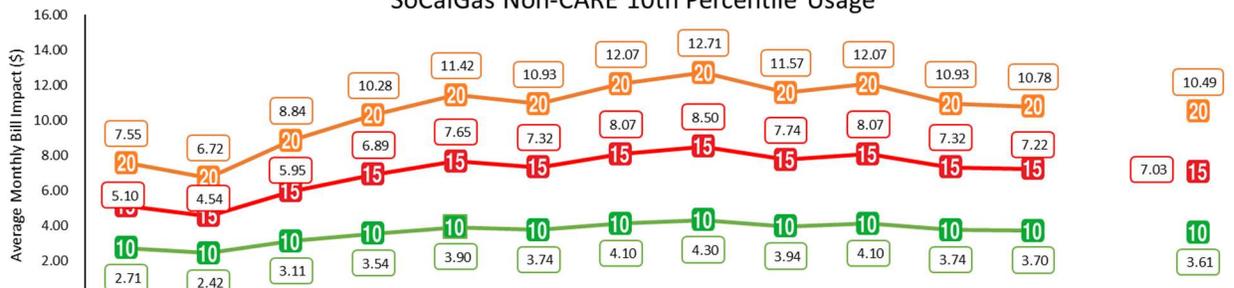


SoCalGas Non-CARE 90th Percentile Usage

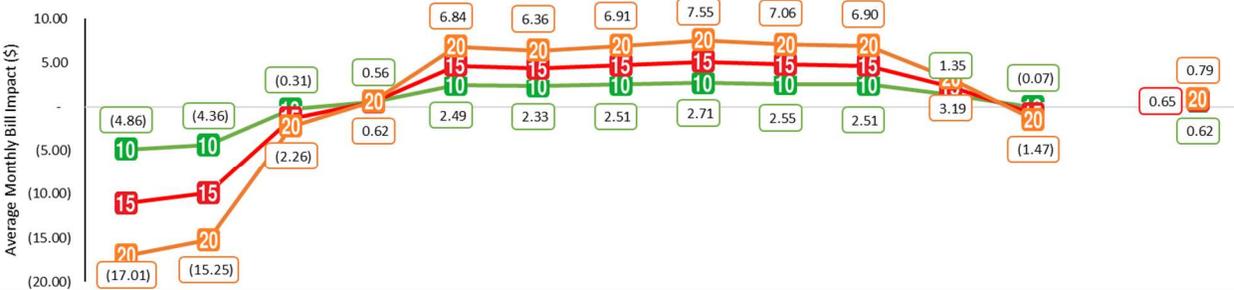


— 2025 Customer Charge \$5.00 to \$10.00 — 2026 Customer Charge \$5.00 to \$15.00 — 2027 Customer Charge \$5.00 to \$20.00

SCG Bill Impacts \$5 Customer Charge vs \$10, \$15, \$20 (2025, 2026, 2027)
SoCalGas Non-CARE 10th Percentile Usage



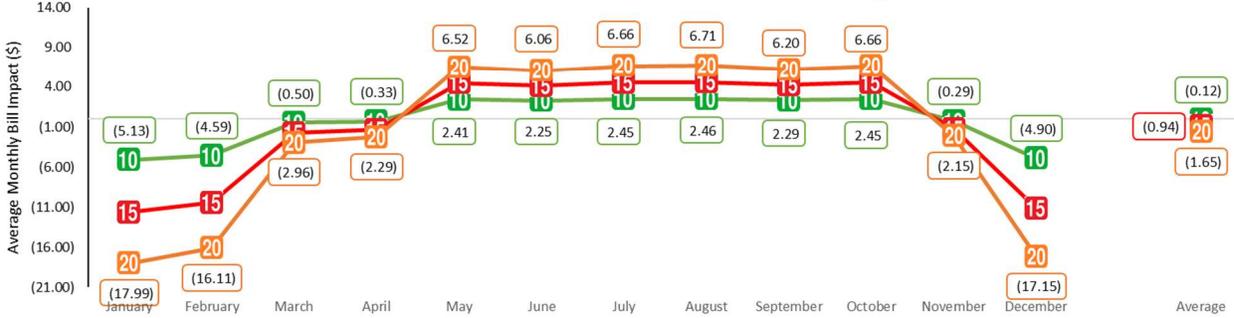
SoCalGas Non-CARE Median Usage



SoCalGas Non-CARE Average Usage



SoCalGas Non-CARE 90th Percentile Usage



— 2025 Customer Charge \$5.00 to \$10.00 — 2026 Customer Charge \$5.00 to \$15.00 — 2027 Customer Charge \$5.00 to \$20.00

