

Application: A.23-11-003
Witness: Marjorie Schmidt-Pines
Chapter: 6 - Supplemental

**SUPPLEMENTAL TESTIMONY OF
MARJORIE SCHMIDT-PINES
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
(RATE IMPACT)**

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



March 11, 2024

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1 **SUPPLEMENTAL TESTIMONY OF MARJORIE SCHMIDT-PINES**
2 **(RATE IMPACT)**

3 **I. PURPOSE**

4 This supplemental testimony has been prepared as directed by the February 8, 2024,
5 Administrative Law Judge (ALJ) Ruling Requesting Additional Information (Ruling)¹ issued in
6 Application (A.) 23-11-003, the Application of Southern California Gas Company (SoCalGas)
7 for Authorization to Recover Costs Recorded in Its Catastrophic Event Memorandum Account
8 (CEMA) and Its COVID-19 Pandemic Protections Memorandum Account (CPPMA)
9 (Application). The Ruling directs SoCalGas to provide responses to five questions with regard
10 to subaccounts and cost allocation methodology. This supplemental testimony will address the
11 three questions concerning the Equal Cents Per Therm (ECPT) cost allocation methodology.
12 Those three questions are: “Please define the ECPT cost allocation methodology and describe
13 how SoCalGas proposes to allocate costs across customer classes using this methodology;” “If
14 SoCalGas considered any alternatives to the ECPT cost allocation methodology, please list and
15 define these alternatives;” and, “Please provide workpapers that demonstrate how SoCalGas used
16 the ECPT cost allocation methodology to produce the Statement of Proposed Rate Change in
17 Attachment B to the Application.”²

18 **II. ECPT METHODOLOGY AND ALLOCATION ACROSS CUSTOMER CLASSES**

19 In SoCalGas’s Application, ECPT is the proposed cost allocation methodology for
20 recovery of the revenue requirement associated with the CEMA and CPPMA. The ECPT cost
21 allocation method allocates costs across customer classes based on each customer class’s
22 respective share of total average year gas demand forecast from Decision (D.) 20-02-045 issued
23 in SoCalGas’s most recently decided Triennial Cost Allocation Proceeding. The allocation is
24 38.7% to Core customers, of which 25.7% of the total is allocated to the Residential class, and
25 61.3% to Noncore customers. In other words, ECPT allows for allocated costs across the
26 customer classes to be socialized more in alignment with the consumption of gas versus
27 methodologies based on embedded and marginal costs of gas service and infrastructure.
28 Accordingly, ECPT assigns less proportionate cost to core customers, and particularly residential

¹ See: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K929/524929875.PDF>.

² *Id.* at 3.

1 customers, relative to some other cost allocation methodologies, and does less to exacerbate the
2 cost pressures from electrification for this group, which is particularly susceptible to this risk.

3 D.20-07-032 adopted affordability metrics by which the California Public Utilities
4 Commission could assess the relative affordability of essential utility service across industries
5 and proceedings, including examination of how different geographic areas of California are
6 impacted. The metrics use the residential essential bill.

7 The residential bill impact for Non-CARE customers is approximately \$0.22/month or
8 0.3%. SoCalGas uses the ECPT method to allocate costs across customer classes in the
9 allocation of the California Alternate Rates for Energy (CARE) program costs for low-income
10 customers. CARE program costs are recovered in the Public Purpose Program Surcharge
11 (PPPS). SoCalGas uses the ECPT method for the cost recovery in transportation rates of the
12 balance in the Residential Uncollectible Balancing Account (RUBA). Both programs benefit the
13 residential customers.

14 **III. ALTERNATIVE COST ALLOCATION METHODOLOGIES CONSIDERED**

15 In the preliminary stages of preparing this Application, SoCalGas considered to recover
16 the CEMA and CPPMA using the Equal Percentage of Authorized Margin (EPAM) cost
17 allocation methodology, which is consistent with the allocation of current base margin pursuant
18 to D.20-02-045. D.20-02-045 is based on Long Run Marginal Costs Studies for Customer Costs
19 and Distribution and Embedded Costs for Transmission and Storage. The allocation is 91.8% to
20 Core customers, of which (75.1% of total) is allocated to the Residential class, and 8.2% to
21 Noncore customers. The residential bill impact for Non-CARE customers is approximately
22 \$0.68/month or 1.0%. The residential bill impact is larger compared to the ECPT allocation.
23 EPAM is used to allocate costs in the Storage Integrity Management Program Balancing
24 Account (SIMPBA) and Distribution Integrity Management Program Memorandum Account
25 (DIMPBA).

26 **IV. WORKPAPERS SUPPORTING THE STATEMENT OF PROPOSED RATE** 27 **CHANGE IN A.23-11-003**

28 The workpapers supporting the Statement of Proposed Rate Change in A.23-11-003 are
29 provided in Attachment B.

30 This concludes my supplemental testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Marjorie Schmidt-Pines. My business address is 555 West Fifth Street, Los
3 Angeles, California, 90013-1011. I am Senior Principal Regulatory Economic Advisor in the
4 CPUC/FERC Gas Regulatory Affairs Department for SoCalGas and SDG&E.

5 I hold a Bachelor of Science degree in Business Administration with an emphasis in
6 Accounting from California State University at Northridge, California. I have been employed by
7 SoCalGas since 1981 and have held positions of increasing responsibilities as an Accountant and
8 Senior Accountant in the Accounting & Finance department, as an Analyst and a Budget
9 Coordinator in the Gas Supply department, as a Market Advisor for the Marketing and Customer
10 Services departments and Principal Regulatory Economic Advisor in the Regulatory Affairs
11 Department.

12 As Senior Principal Regulatory Economic Advisor, I represent the Gas Rate Design
13 Group for both SoCalGas and SDG&E in the role of Project Manager, Senior Analyst and
14 witness in various major regulatory proceedings and filings dealing with allocating authorized
15 revenue requirements to functions and customer rate classes, developing rate design for each
16 class, calculating customer rate changes, and computing customers' bill impacts.

17 I have previously testified before the California Public Utilities Commission.