

Application: A.22-09-  
Witness: Nasim Ahmed  
Marjorie Schmidt-Pines  
Chapter: 5

**PREPARED DIRECT TESTIMONY OF  
NASIM AHMED AND MARJORIE SCHMIDT-PINES  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

**(REGULATORY ACCOUNTING, COST RECOVERY,  
REVENUE REQUIREMENT, AND RATES)**

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

September 8, 2022

## TABLE OF CONTENTS

I.	PURPOSE .....	1
II.	SOCALGAS REGULATORY ACCOUNTING AND COST RECOVERY .....	1
III.	SOCALGAS GAS RATES AND BILL IMPACT .....	1
IV.	CONCLUSION.....	4
V.	QUALIFICATIONS .....	5
	Nasim Ahmed .....	5
	Marjorie Schmidt-Pines .....	5

1 **CHAPTER 5**

2 **PREPARED DIRECT TESTIMONY OF NASIM AHMED**  
3 **AND MARJORIE SCHMIDT-PINES**  
4 **(Regulatory Accounting, Cost Recovery, Revenue Requirement, and Rates)**

5 **I. PURPOSE**

6 The purpose of this chapter is to present Southern California Gas Company's (SoCalGas)  
7 cost recovery proposal related to: 1) the accounting treatment and recovery of costs associated  
8 with the Hydrogen Blending Demonstration Project of SoCalGas (Project) as described in  
9 Chapter 2, Direct Testimony of Kevin Woo; and 2) the request of SoCalGas to establish a  
10 balancing account. This chapter will also present SoCalGas' revenue requirement associated  
11 with the Project and provide the cost allocation method for the proposed balancing account.

12 **II. SOCALGAS REGULATORY ACCOUNTING AND COST RECOVERY**

13 SoCalGas proposes to establish the Hydrogen Blending Demonstration Project Balancing  
14 Account (HBDPBA). The HBDPBA will be an interest-bearing, two-way balancing account  
15 recorded on SoCalGas' financial statements. The HBDPBA will record the difference between  
16 the authorized funding in rates approved in this Application and actual incremental operations  
17 and maintenance (O&M) costs including applicable incremental overhead costs, associated with  
18 the Project. SoCalGas proposes to include the balance of the HBDPBA in its annual Regulatory  
19 Accounts Balance update filing for amortization in gas transportation rates. At the end of the  
20 amortization period, SoCalGas will transfer any residual balance in the HBDPBA to the Core  
21 Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and eliminate the  
22 HBDPBA.

23 **III. SOCALGAS GAS RATES AND BILL IMPACT**

24 SoCalGas proposes to recover the cost of this project and any balances recorded to the  
25 HBDPBA in transportation rates using the Equal Cents Per Therm (ECPT) cost allocation

1 methodology. The ECPT cost allocation method allocates costs across customer classes based  
 2 on each customer class’s respective share of total average year gas demand. SoCalGas used the  
 3 ECPT method to allocate costs across customer classes such as the allocation of the California  
 4 Alternate Rates for Energy (CARE) program costs for low-income customers. CARE program  
 5 costs are recovered in the Public Purpose Program Surcharge (PPPS).<sup>1</sup> Another example of the  
 6 application the ECPT method is the cost recovery in transportation rates of the balance in the  
 7 Residential Uncollectible Balancing Account (RUBA).<sup>2</sup>

8 Table MSP-1 below shows the forecasted revenue requirements for the proposed Project.  
 9 The revenue requirement includes all incremental O&M expenditure including direct costs,  
 10 overheads, and escalation. In addition to all incremental O&M expenditures, the revenue  
 11 requirement includes other costs required to support the investment such as working cash, and  
 12 franchise fees & uncollectibles (FF&U)<sup>3</sup>.

**MSP-1: Forecasted Revenue Requirement Summary (*In Millions*)**

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b>Revenue Requirement</b>	<b>\$3.2</b>	<b>\$8.3</b>	<b>\$1.0</b>	<b>\$2.5</b>	<b>\$0.3</b>	<b>\$15.3</b>

13 Table MSP-2 below shows the class average rate and residential bill impacts of the  
 14 project for 2023 to 2027. The table shows current and proposed class average gas transportation  
 15 rates by major customer class upon recovery of costs associated with the project. The gas  
 16 transportation rates are for services from SoCalGas City Gate to end-use customers’ meters. As

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<sup>1</sup> See SoCalGas Advice No. 5891.

<sup>2</sup> See Resolution E-5114, which directed SoCalGas to recover the costs of forgiven gas arrearages through gas transportation rates allocated across customer classes using ECPT.

<sup>3</sup> The revenue requirement components and the rate base calculations are computed based on the same standard, Commission-approved methodology used in the 2019 GRC and other incremental applications.

1 shown in the table above, the highest revenue requirement for the project is in 2024, resulting in  
 2 largest rate impact that year. Even for that year, the residential Non-CARE bill impacts for this  
 3 project are negligible. The 2024 average monthly bill of 36 therms/month is expected to increase  
 4 by \$0.03 per month, or 0.05%, increasing from \$59.84 to \$59.87.

5 **MSP-2**

**Illustrative Class Average Transportation Rates and Residential Bill Impacts**  
 \$/therm except as noted

	2022	2023	Change \$	Change %	2024	Change \$	Change %
<b>SoCalGas Rates \$/th</b>							
<b>CORE</b>							
Residential	\$1.0905	\$1.0908	\$0.0003	0.03%	\$1.0912	\$0.0008	0.07%
Commercial & Industrial	\$0.6313	\$0.6316	\$0.0003	0.05%	\$0.6321	\$0.0008	0.13%
Total Core	\$0.9192	\$0.9195	\$0.0003	0.04%	\$0.9200	\$0.0008	0.09%
<b>Non-CORE</b>							
C&I	\$0.1216	\$0.1221	\$0.0005	0.41%	\$0.1229	\$0.0013	1.03%
Electric Generation	\$0.0486	\$0.0493	\$0.0007	1.54%	\$0.0504	\$0.0018	3.76%
Total Non-CORE	\$0.0636	\$0.0642	\$0.0006	0.94%	\$0.0651	\$0.0015	2.33%
System	\$0.4322	\$0.4327	\$0.0005	0.11%	\$0.4334	\$0.0012	0.29%
<b>SoCalGas Non-CARE Residential Bill \$/month</b>	\$59.84	\$59.85	\$0.01	0.02%	\$59.87	\$0.03	0.05%

6

1

	2022	2025	Change \$	Change %	2026	Change \$	Change %
<b>SoCalGas Rates \$/th</b>							
<b>CORE</b>							
Residential	\$1.0905	\$1.0906	\$0.0001	0.01%	\$1.0907	\$0.0002	0.02%
Commercial & Industrial	\$0.6313	\$0.6314	\$0.0001	0.02%	\$0.6315	\$0.0003	0.04%
Total Core	\$0.9192	\$0.9193	\$0.0001	0.01%	\$0.9195	\$0.0003	0.03%
<b>Non-CORE</b>							
C&I	\$0.1216	\$0.1218	\$0.0001	0.11%	\$0.1220	\$0.0004	0.31%
Electric Generation	\$0.0486	\$0.0488	\$0.0002	0.38%	\$0.0491	\$0.0005	1.13%
Total Non-CORE	\$0.0636	\$0.0638	\$0.0002	0.24%	\$0.0641	\$0.0004	0.70%
System	\$0.4322	\$0.4323	\$0.0001	0.03%	\$0.4325	\$0.0004	0.09%
<b>SoCalGas Non-CARE Residential Bill \$/month</b>							
	\$59.84	\$59.84	\$0.00	0.01%	\$59.85	\$0.01	0.01%

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	2022	2027	Change \$	Change %
<b>SoCalGas Rates \$/th</b>				
<b>CORE</b>				
Residential	\$1.0905	\$1.09049	\$0.00003	0.00%
Commercial & Industrial	\$0.6313	\$0.63131	\$0.00003	0.00%
Total Core	\$0.9192	\$0.91923	\$0.00003	0.00%
<b>Non-CORE</b>				
C&I	\$0.1216	\$0.12169	\$0.00004	0.03%
Electric Generation	\$0.0486	\$0.04863	\$0.00006	0.12%
Total Non-CORE	\$0.0636	\$0.06366	\$0.00005	0.08%
System	\$0.4322	\$0.43221	\$0.00004	0.01%
<b>SoCalGas Non-CARE Residential Bill \$/month</b>				
	\$59.84	\$59.84	\$0.00	0.00%

3 **IV. CONCLUSION**

4 For all the reasons discussed above, SoCalGas requests that the Commission adopt its  
 5 cost recovery, revenue requirement, and rate impact proposals as discussed above, and find the  
 6 request to be just and reasonable. This concludes the joint prepared direct testimony.

1 **V. 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'  
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 for  
10 regulatory accounts for inclusion in SoCalGas' annual compliance filings. I began my  
11 employment at Pacific Lighting Corporation, then the parent company of SoCalGas, in 1987 in  
12 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  
17 **Marjorie Schmidt-Pines**

18 My name is Marjorie A. Schmidt-Pines. My business address is 555 West Fifth Street,  
19 Los Angeles, California, 90013-1011. I am a Senior Principal Regulatory Economic Advisor in  
20 the CPUC/FERC Gas Regulatory Affairs Department for SoCalGas and SDG&E as of December  
21 2017. I hold a Bachelor of Science degree in Business Administration with an emphasis in  
22 Accounting from California State University at Northridge, California. I have been employed by  
23 SoCalGas since 1981 and have held positions of increasing responsibilities as an Accountant and  
24 Senior Accountant in the Accounting & Finance department, as an Analyst and a Budget

1 Coordinator in the Gas Supply department, as a Market Advisor for the Marketing and Customer  
2 Services departments and Principal Regulatory Economic Advisor in the Regulatory Affairs  
3 Department. As Senior Principal Regulatory Economic Advisor, I represent the Gas Rate Design  
4 Group for both SoCalGas and SDG&E in the role of Project Manager, Senior Analyst and  
5 witness in various major regulatory proceedings and filings dealing with allocating authorized  
6 revenue requirements to functions and customer rate classes, developing the design of the rate  
7 for each class, calculating customer rate changes, and computing the impact on customers'  
8 monthly bills. I have previously testified before the Commission.