

Company: San Diego Gas and Electric Company (U 902 M),  
Southern California Gas Company (U 904 G)  
Proceeding: 2024 General Rate Case – Track 3  
Application No: A.22-05-015, A.22-05-016  
Exhibit No.: SCG\_SDG&E-T3-PSEP-03

**PREPARED DIRECT TESTIMONY OF**

**MICHAEL FOSTER**

**(RATES)**

**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**



**April 30, 2025**

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**PREPARED DIRECT TESTIMONY OF  
MICHAEL FOSTER  
(RATES)**

**I. PURPOSE AND OVERVIEW OF TESTIMONY**

The purpose of my direct testimony on behalf of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) is to provide the gas transportation rate impacts that would result from the amortization of the balances in the Safety Enhancement Capital Cost Balancing Accounts (SECCBAs), and the Safety Enhancement Expense Balancing Accounts (SEEBAs), SoCalGas’s PSEP Memorandum Account – Line 44 Subaccount (PSEPMA) and PSEP-Phase 2 Memorandum Account (PSEP-P2MA), and SDG&E’s Line 1600 Records Audit Memorandum Account (L1600RAMA).

**II. METHODOLOGY TO ALLOCATE PSEP COSTS**

Pursuant to Decision (D.) 14-06-007, Pipeline Safety Enhancement Plan (PSEP) costs will be allocated consistent with the existing cost allocation and rate design for SoCalGas and SDG&E and include allocation to the backbone function.<sup>1</sup> D.16-12-063 clarified that the PSEP costs functionalized as high pressure distribution shall be allocated using the existing marginal demand measures for high pressure distribution costs.<sup>2</sup> As such, SoCalGas and SDG&E propose to allocate the requested PSEP revenue requirement (described below) on a functional basis consistent with D.16-12-063. Table 1 depicts the methods of allocating the PSEP account balances to each function and rate classes.

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<sup>1</sup> D.14-06-007 authorized the allocation of safety-related costs. D.14-06-007 at 61 (Ordering Paragraph (OP) 9) (“Safety Enhancement costs will be allocated consistent with the existing cost allocation and rate design for the companies.”). In addition, D.14-06-007 ordered allocation of relevant costs to Backbone Transmission Service. *Id.* at 50.

<sup>2</sup> D.16-12-063 at 59 (Conclusion of Law (COL) 24).

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**Table 1**  
**Existing Functional Allocation Methods**

| <b>Function</b>            | <b>SoCalGas</b>   | <b>SDG&amp;E</b>  |
|----------------------------|---|---|
| Backbone Transmission      | 100% to the SoCalGas/SDG&E Backbone Transmission Service Rate             | 100% to the SoCalGas/SDG&E Backbone Transmission Service Rate             |
| Local Transmission         | Based on Peak Month Demand by Class on Local Transmission System.         | Based on Peak Month Demand by Class on Local Transmission System.         |
| High Pressure Distribution | Based on Peak Month Demand by Class on High Pressure Distribution System. | Based on Peak Month Demand by Class on High Pressure Distribution System. |

3 **III. BALANCES TO BE COLLECTED IN GAS TRANSPORTATION RATES**

4 The PSEP revenue requirements requested to be collected in transportation rates have  
5 been recorded in several accounts: (1) the memorandum accounts (including PSEPMA, PSEP-  
6 P2MA, and L1600RAMA), (2) the SECCBAs, and (3) the SEEBAs. The balances to be  
7 amortized in rates amount to \$182.3 million (\$132.2 million at SoCalGas and \$50.1 million at  
8 SDG&E), as discussed in the testimony of Sakif Wasif (Exhibit (Ex.) SCG-T3-PSEP-02) and the  
9 testimony of Eric Dalton (Ex. SDG&E-T3-PSEP-02).

10 **IV. ALLOCATION OF PSEP COSTS TO FUNCTIONS**

11 The first step in allocating the PSEP balances to transportation rates is the allocation of  
12 these costs to the relevant pipeline functions: backbone, local transmission, and high-pressure  
13 distribution. To allocate the annual revenue requirement to the functions, the annual revenue  
14 requirement is allocated to the designated function that the line provides (e.g., backbone  
15 transmission, local transmission, or high-pressure distribution). In instances where revenue  
16 requirements were not attributable to a specific line, and, therefore, not to a specific Backbone,  
17 Local, or Distribution function, such costs are identified as Non-Functional. A summary of the  
18 initial allocation of revenue requirements, without Franchise Fees & Uncollectibles (FF&U), is  
19 shown in Tables 2 and 3 below. Revenue requirement, by project, is allocated to the designated  
20 function that the line provides (e.g., backbone transmission, local transmission, or high-pressure  
21 distribution). The testimony Frank Seres in SoCalGas’s 2024 Triennial Cost Allocation

1 Proceeding (TCAP) contains the functional designation of each pipeline.<sup>3</sup> In instances where  
 2 revenue requirements were not attributable to a specific line, and, therefore, not to a specific  
 3 Backbone, Local, or Distribution function, such costs are identified as Non-Functional. A  
 4 summary of the initial allocation of revenue requirements, without Franchise Fees &  
 5 Uncollectibles (FF&U), is shown in Tables 2 and 3 below.<sup>4</sup>

6 **Table 2**  
 7 **SECCBA<sup>5</sup> (in \$000s)**

| <b>Function</b>            | <b>SoCalGas</b>  | <b>SDG&amp;E</b> | <b>Total</b>     |
|----------------------------|------------------|------------------|------------------|
| Backbone Transmission      | \$26,951         | \$0              | \$26,951         |
| Local Transmission         | \$25,391         | \$0              | \$25,391         |
| High Pressure Distribution | \$59,761         | \$0              | \$59,761         |
| Non-functional             | \$404            | \$49,865         | \$50,269         |
| <b>Total</b>               | <b>\$112,507</b> | <b>\$49,865</b>  | <b>\$162,372</b> |

8 **Table 3**  
 9 **SEEBA/Memorandum Accounts (in \$000s)**

| <b>Function</b>            | <b>SoCalGas</b> | <b>SDG&amp;E</b> | <b>Total</b>    |
|----------------------------|-----------------|------------------|-----------------|
| Backbone Transmission      | \$0             | \$0              | \$0             |
| Local Transmission         | \$0             | \$0              | \$0             |
| High Pressure Distribution | \$13,135        | \$0              | \$13,135        |
| Non-functional             | \$6,603         | \$186            | \$6,789         |
| <b>Total</b>               | <b>\$19,738</b> | <b>\$186</b>     | <b>\$19,924</b> |

10 Non-Functional costs, without FF&U, are then allocated evenly amongst the functions as  
 11 shown in Tables 4 and 5 below.

<sup>3</sup> Application (A.) 22-09-015, Prepared Direct Testimony of Frank Seres (Chapter 8) at Appendix F, available at: [https://www.socalgas.com/sites/default/files/Chapter\\_8-Frank\\_Seres\\_Embedded\\_Costs.pdf](https://www.socalgas.com/sites/default/files/Chapter_8-Frank_Seres_Embedded_Costs.pdf).

<sup>4</sup> Pursuant to D.16-12-063, SoCalGas and SDG&E have been authorized 50% interim rate recovery of PSEP revenue requirements, subject to refund, and have previously incorporated revenue requirements associated with this Application into rates (see SoCalGas Advice Letters 6421-G and SDG&E Advice Letters 3383-G). The tables only illustrate the remaining PSEP revenue requirements to be authorized for recovery in this Application.

<sup>5</sup> Values may not sum to total due to rounding.

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**Table 4**  
**SECCBA (in \$000s)**

| <b>Non-Functional Costs Allocated to Functions</b> | <b>SoCalGas Allocation Factor</b> | <b>SoCalGas</b> | <b>SDG&amp;E Allocation Factor</b> | <b>SDG&amp;E</b> | <b>Total</b>    |
|--|-----------------------------------|-----------------|------------------------------------|------------------|-----------------|
| Backbone Transmission                              | 33%                               | \$135           | 50%                                | \$24,933         | \$25,067        |
| Local Transmission                                 | 33%                               | \$135           | 0%                                 | \$0              | \$135           |
| High Pressure Distribution                         | 33%                               | \$135           | 50%                                | \$24,933         | \$25,067        |
| <b>Total</b>                                       |                                   | <b>\$404</b>    |                                    | <b>\$49,865</b>  | <b>\$50,269</b> |

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**Table 5**  
**SEEBA/Memorandum Accounts (in \$000s)**

| <b>Non-functional costs Allocated to Functions</b> | <b>SoCalGas Allocation Factor</b> | <b>SoCalGas</b> | <b>SDG&amp;E Allocation Factor</b> | <b>SDG&amp;E</b> | <b>Total</b>   |
|--|-----------------------------------|-----------------|------------------------------------|------------------|----------------|
| Backbone Transmission                              | 33%                               | \$2,201         | 50%                                | \$93             | \$2,294        |
| Local Transmission                                 | 33%                               | \$2,201         | 0%                                 | \$0              | \$2,201        |
| High Pressure Distribution                         | 33%                               | \$2,201         | 50%                                | \$93             | \$2,294        |
| <b>Total</b>                                       |                                   | <b>\$6,603</b>  |                                    | <b>\$186</b>     | <b>\$6,789</b> |

6 A summary of the PSEP costs allocated to each function, including the allocation of Non-  
7 Functional costs, but before integration of local transmission costs, without FF&U, is depicted in  
8 Tables 6 and 7.

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**Table 6**  
**SECCBA Allocated to Functions (in \$000s)**  
**(Before System Integration)**

| <b>Function</b>              | <b>SoCalGas</b>  | <b>SDG&amp;E</b> | <b>Total</b>     |
|------------------------------|------------------|------------------|------------------|
| Backbone Transmission        | \$27,085         | \$24,933         | \$52,018         |
| Local Transmission           | \$25,526         | \$0              | \$25,526         |
| High Pressure Distribution:  | \$59,896         | \$24,933         | \$84,828         |
| <b>Total Pre-integration</b> | <b>\$112,507</b> | <b>\$49,865</b>  | <b>\$162,372</b> |

**Table 7**  
**SEEBA/Memorandum Accounts Allocated to Functions (in \$000s)**  
**(Before System Integration)**

| <b>Function</b>              | <b>SoCalGas</b> | <b>SDG&amp;E</b> | <b>Total</b>    |
|------------------------------|-----------------|------------------|-----------------|
| Backbone Transmission        | \$2,201         | \$93             | \$2,294         |
| Local Transmission           | \$2,201         | \$0              | \$2,201         |
| High Pressure Distribution:  | \$15,336        | \$93             | \$15,429        |
| <b>Total Pre-integration</b> | <b>\$19,738</b> | <b>\$186</b>     | <b>\$19,924</b> |

In accordance with the existing cost allocation process, the local transmission costs, without FF&U, are integrated between SoCalGas and SDG&E as part of the integration of transmission system costs.<sup>6</sup> Local transmission integration is shown in Tables 8 and 9 below.

**Table 8**  
**SECCBA**  
**Integration of Local Transmission Costs (\$000's)**

| <b>Local Transmission</b>            | <b>SoCalGas</b> | <b>SDG&amp;E</b> | <b>Total</b>    |
|--------------------------------------|-----------------|------------------|-----------------|
| Allocation before integration        | \$25,526        | \$0              | \$25,526        |
| Integration factor                   | 90%             | 10%              | 100%            |
| <b>Integrated Local Transmission</b> | <b>\$22,922</b> | <b>\$2,604</b>   | <b>\$25,526</b> |

**Table 9**  
**SEEBA memorandum accounts**  
**Integration of Local Transmission Costs (\$000's)**

| <b>Local Transmission</b>            | <b>SoCalGas</b> | <b>SDG&amp;E</b> | <b>Total</b>   |
|--------------------------------------|-----------------|------------------|----------------|
| Allocation before integration        | \$2,201         | \$0              | \$2,201        |
| Integration factor                   | 90%             | 10%              | 100%           |
| <b>Integrated Local Transmission</b> | <b>\$1,976</b>  | <b>\$224</b>     | <b>\$2,201</b> |

Tables 10 and 11 summarize the allocation of PSEP balances into the functions. These are the revenue requirements, without FF&U, allocated to each function for inclusion in transportation rates and are anticipated to be recovered over a 12-month period.

<sup>6</sup> This integration is based on splitting local transmission costs by the percentage share of cold-year throughput (90% SoCalGas and 10% SDG&E), similar to the integration of the Integrated Transmission Balance Account (ITBA) based on the TCAP decision, D.16-10-004.

**Table 10**  
**SECCBA Allocated to Functions (\$000s)**

| <b>Function</b>            | <b>SoCalGas</b>  | <b>SDG&amp;E</b> | <b>Total</b>     |
|----------------------------|------------------|------------------|------------------|
| Backbone Transmission      | \$27,085         | \$24,933         | \$52,018         |
| Local Transmission         | \$22,922         | \$2,604          | \$25,526         |
| High Pressure Distribution | \$59,896         | \$24,933         | \$84,828         |
| <b>Total</b>               | <b>\$109,903</b> | <b>\$52,469</b>  | <b>\$162,372</b> |

**Table 11**  
**SEEBA/Memorandum Accounts Allocated to Functions (\$000s)**

| <b>Function</b>             | <b>SoCalGas</b> | <b>SDG&amp;E</b> | <b>Total</b>    |
|-----------------------------|-----------------|------------------|-----------------|
| Backbone Transmission       | \$2,201         | \$93             | \$2,294         |
| Local Transmission          | \$1,976         | \$224            | \$2,201         |
| High Pressure Distribution: | \$15,336        | \$93             | \$15,429        |
| <b>Total</b>                | <b>\$19,513</b> | <b>\$410</b>     | <b>\$19,924</b> |

Finally, Table 12 summarizes the total PSEP costs, without FF&U, for all the accounts combined.

**Table 12**  
**Total PSEP Costs Allocated to Functions (\$000s)**

| <b>Function</b>            | <b>SoCalGas</b>  | <b>SDG&amp;E</b> | <b>Total</b>     |
|----------------------------|------------------|------------------|------------------|
| Backbone Transmission      | \$29,286         | \$25,026         | \$54,312         |
| Local Transmission         | \$24,899         | \$2,828          | \$27,727         |
| High Pressure Distribution | \$75,232         | \$25,026         | \$100,257        |
| <b>Total</b>               | <b>\$129,417</b> | <b>\$52,879</b>  | <b>\$182,296</b> |

**V. RATE IMPACT**

Applying the allocation methods shown in Table 1 to the functionalized revenue requirement shown in Table 12 results in the proposed transportation rates presented in Table 13 below.<sup>7</sup> The backbone transmission service rate is for transportation service from receipt points to the SoCalGas City Gate. The other listed transportation rates are for service from SoCalGas City Gate to end-use customers' meters. For core customers of SoCalGas and SDG&E, the backbone transmission service rate is embedded in the gas procurement tariff rate, and the residential bill impact is shown in Table 13.

<sup>7</sup> The "Illustrative Transportation Rates" table illustrates the potential rate impact of the remaining PSEP revenue requirements to be recovered in this application. Rates include FF&U.

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**Table 13  
Illustrative Transportation Rates**

| Transportation  | Update Year End Jan-<br>2025 Rates w/CAP<br>and GRC PD 18<br>month GRCMA<br>February 1, 2025 |                | PSEP Track 3<br>February 1, 2025 | Increase<br>(decrease) | % change     |
|---|--|----------------|----------------------------------|------------------------|--------------|
|   | <b>SoCalGas Summary</b>  |                |                                  |                        |              |
| <u>Core Rates</u>                                     |  |                |                                  |                        |              |
| Residential   | \$/therm   | \$1.479        | \$1.505                          | \$0.026                | 1.8%         |
| Core Commercial & Industrial (C&I)                    | \$/therm   | \$0.971        | \$0.990                          | \$0.019                | 1.9%         |
| Natural Gas Vehicle (NGV) (uncompressed)              | \$/therm   | \$0.408        | \$0.420                          | \$0.012                | 2.9%         |
| <u>NonCore Distribution Level Service Rates</u>       |  |                |                                  |                        |              |
| NonCore C&I Distribution Tier 1                       | \$/therm   | \$0.634        | \$0.648                          | \$0.014                | 2.2%         |
| NonCore C&I Distribution Tier 2                       | \$/therm   | \$0.464        | \$0.478                          | \$0.014                | 2.9%         |
| NonCore C&I Distribution Tier 3                       | \$/therm   | \$0.355        | \$0.369                          | \$0.014                | 3.8%         |
| NonCore C&I Distribution Tier 4                       | \$/therm   | \$0.278        | \$0.291                          | \$0.014                | 4.9%         |
| Electric Generation Distribution Tier 1*              | \$/therm   | \$0.447        | \$0.462                          | \$0.015                | 3.3%         |
| Electric Generation Distribution Tier 2*              | \$/therm   | \$0.336        | \$0.350                          | \$0.014                | 4.2%         |
| <u>NonCore Transmission Level Service (TLS) Rates</u> |  |                |                                  |                        |              |
| TLS-C&I Class Average Rate^                           | \$/therm   | \$0.255        | \$0.257                          | \$0.003                | 1.0%         |
| TLS-Electric Generation Class Average Rate*           | \$/therm   | \$0.255        | \$0.257                          | \$0.003                | 1.0%         |
| Backbone Transmission Service (BTS)                   | \$/dth/day   | \$0.733        | \$0.796                          | \$0.063                | 8.6%         |
| <b>System Average Rate w/BTS</b>                      | <b>\$/therm</b>  | <b>\$0.662</b> | <b>\$0.681</b>                   | <b>\$0.019</b>         | <b>2.8%</b>  |
| <b>Rates Revenue Requirement w/BTS</b>                | <b>\$ millions</b>   | <b>\$5,499</b> | <b>\$5,656</b>                   | <b>\$156</b>           | <b>1.3%</b>  |
| <i>Residential Non-CARE class average bill</i>        | <i>\$/month</i>  | <i>\$74.52</i> | <i>\$75.70</i>                   | <i>\$1.18</i>          | <i>1.58%</i> |
| <i>Residential CARE class average bill</i>            | <i>\$/month</i>  | <i>\$41.68</i> | <i>\$42.34</i>                   | <i>\$0.66</i>          | <i>1.58%</i> |

\*w/California Air Resources Board (CARB), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

| Transportation                                  | Update Year End Jan-<br>2025 Rates w/CAP<br>and GRC PD 18<br>month GRCMA<br>February 1, 2025 |                | PSEP Track 3<br>February 1, 2025 | Increase<br>(decrease) | % change     |
|---|--|----------------|----------------------------------|------------------------|--------------|
|   | <b>SDG&amp;E Summary</b>   |                |                                  |                        |              |
| <u>Core Rates</u>                               |  |                |                                  |                        |              |
| Residential                                     | \$/therm   | \$2.137        | \$2.208                          | \$0.070                | 3.3%         |
| Core C&I  | \$/therm   | \$0.943        | \$0.980                          | \$0.037                | 3.9%         |
| NGV (uncompressed) \$/therm                     | \$/therm   | \$0.184        | \$0.196                          | \$0.012                | 6.5%         |
| <u>NonCore Distribution Level Service Rates</u> |  |                |                                  |                        |              |
| NonCore C&I Distribution                        | \$/therm   | \$0.407        | \$0.425                          | \$0.018                | 4.5%         |
| Electric Generation Distribution Tier 1*        | \$/therm   | \$0.446        | \$0.460                          | \$0.015                | 3.3%         |
| Electric Generation Distribution Tier 2*        | \$/therm   | \$0.333        | \$0.347                          | \$0.014                | 4.3%         |
| <u>NonCore Transmission Level Service Rates</u> |  |                |                                  |                        |              |
| TLS-C&I Class Average Rate^                     | \$/therm   | \$0.251        | \$0.254                          | \$0.003                | 1.0%         |
| TLS-Electric Generation Class Average Rate*     | \$/therm   | \$0.251        | \$0.254                          | \$0.003                | 1.0%         |
| <b>System Average Rate</b>                      | <b>\$/therm</b>  | <b>\$0.988</b> | <b>\$1.022</b>                   | <b>\$0.034</b>         | <b>3.5%</b>  |
| <b>Rates Revenue Requirement</b>                | <b>\$ millions</b>   | <b>\$809</b>   | <b>\$838</b>                     | <b>\$28</b>            | <b>1.3%</b>  |
| <i>Residential Non-CARE class average bill</i>  | <i>\$/month</i>  | <i>\$66.32</i> | <i>\$68.16</i>                   | <i>\$1.84</i>          | <i>2.77%</i> |
| <i>Residential CARE class average bill</i>      | <i>\$/month</i>  | <i>\$44.11</i> | <i>\$45.34</i>                   | <i>\$1.23</i>          | <i>2.79%</i> |

\*w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

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1 **VI. CONCLUSION**

2 This concludes my prepared direct testimony.

1 **VII. WITNESS 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 in Economics from the University of California, Santa  
13 Barbara, in 1995 and a Master of Business Administration degree from the Darden School of  
14 Business at the University of Virginia in 2000.

15 I have previously testified before the Commission.