

Application No: A.23-08-XXX  
Exhibit No.: \_\_\_\_\_  
Witness: Sakif Wasif

**PREPARED DIRECT TESTIMONY OF**  
**SAKIF WASIF**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
  
**(REVENUE REQUIREMENTS)**

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

August 24, 2023

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**PREPARED DIRECT TESTIMONY OF  
SAKIF WASIF  
(REVENUE REQUIREMENTS)**

**I. PURPOSE & OVERVIEW**

The purpose of this prepared direct testimony on behalf of SoCalGas is to present the illustrative revenue requirement associated with the Ventura Compressor Modernization Project (“Project”). The forecasted revenue requirement for this Project is set to be recovered spanning 2032 to 2083, with a maximum annual revenue requirement of \$68 million. Since all costs included in this proposal are above and beyond the costs authorized by the California Public Utilities Commission (Commission or CPUC) in SoCalGas’s most recent GRC, all costs associated with this Project are incremental, and thus are additive to SoCalGas’s currently authorized levels of revenue requirement.

**II. CAPITAL EXPENDITURES**

Table 6-1 below summarizes the Fully Loaded costs described in the Application<sup>1</sup>. Total Fully Loaded costs encompass direct costs, overheads, escalation, Allowance for Funds Used During Construction (AFUDC) and property taxes to be capitalized.

**Table 6-1: Fully Loaded Costs**  
*(In Millions, includes escalation, overheads, AFUDC and capitalized property tax)*

	2022 PTD	2023	2024	2025	2026	2027	2028	2029- 2033	Total
<b>Capital</b>	\$ 46	(\$ 2)	\$ 9	\$ 10	\$ 19	\$ 13	\$ 28	\$455	\$ 578

<sup>1</sup> Application of Southern California Gas Company (U 904 G) for a Certificate of Public Convenience and Necessity for the Ventura Compressor Modernization Project.

1 **III. REVENUE REQUIREMENT**

2 The revenue requirement includes all capital related costs (depreciation, taxes and  
3 authorized return) and franchise fees & uncollectibles (FF&U)<sup>2</sup>. The sections below cover these  
4 components in greater detail.

5 **A. Rate Base (Return of Capital)**

6 Rate base is defined as “the net investment of property, plant, equipment, and other assets  
7 that [SoCalGas] [has] respectively acquired or constructed to provide utility services to [its]  
8 customers.”<sup>3</sup> The annual revenue requirement amount associated with the return of capital is  
9 equal to the amount of capital that is depreciated each year which includes the future cost of  
10 removal. Consistent with the decision in SoCalGas’s 2019 GRC, SoCalGas will utilize the  
11 following useful life for the asset category presented in Table 6-2.<sup>4</sup> The useful life is subject to  
12 revision in a future GRC.

13 **Table 6-2: Capital – FERC Useful Life**

<b>Asset Category (FERC Account)</b>	<b>Useful Life Years</b>
G-368 Transmission – Compressor Station Equipment	50

14 **B. SoCalGas’s Authorized Capital Structure and Rate of Return**

15 SoCalGas’s authorized capital structure is comprised of common equity, long-term debt,  
16 and preferred stock. The Cost of Capital proceeding is the regulatory forum that establishes  
17 SoCalGas’s capital structure and its authorized cost of debt financing, preferred equity, and  
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<sup>2</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.

<sup>3</sup> D.19-09-051 at 607

<sup>4</sup> *Id.* at 623.

1 common equity. The revenue requirement calculations utilize the current authorized rate of  
2 return, determined by the weighted capital structure, at 7.10 percent.<sup>5</sup>

3 **C. Income Tax, Property Tax, and FF&U**

4 The revenue requirement includes costs related to the payment of income taxes, property  
5 tax, and FF&U. Federal income tax expense is based on the current corporate federal income tax  
6 rate of 21.00 percent. State income tax expense is based on the current California Franchise Tax  
7 rate of 8.84 percent. Property tax expense is based on SoCalGas's effective tax rate of 1.428  
8 percent. FF&U rate of 1.656 percent is consistent with those supported in SoCalGas's 2019  
9 GRC.<sup>6</sup> FF&U covers payments made to counties and incorporated cities pursuant to local  
10 ordinances granting right of way access, as well as uncollectible expenses incurred by SoCalGas.

11 **D. Forecasted Revenue Requirement**

12 Table 6-3 below illustrates the forecasted revenue requirement for the Project.

**Table 6-3: Forecasted Revenue Requirement Summary (*In Millions*)**

	2032	2033	2034	2035	2036	2037	2038	2039- 2083	Total
<b>Revenue Requirement</b>	\$ 48	\$ 65	\$ 68	\$ 66	\$ 64	\$ 63	\$ 61	\$ 1,348	\$ 1,783

13  
14 Throughout the authorized useful life of the asset, SoCalGas will record the difference  
15 between the authorized revenue requirement and the incremental actual capital revenue  
16 requirement associated with the project in the approved regulatory account for recovery in rates.  
17 Further details of the regulatory accounting treatment of the actual revenue requirement are  
18 discussed in the testimony of Rae Marie Yu.

<sup>5</sup> SoCalGas's current authorized ROR is 7.10% per D.22-12-031.

<sup>6</sup> D. 19-09-051 at 641; *see also*, SoCalGas Advice Letter 5892.

1           SoCalGas uses the forecasted revenue requirement for purposes of illustrating the  
2 potential rate impact of the Project. The details of the illustrated rate impact are discussed in the  
3 testimony of Julia Leigh Cortez.

4           This concludes my prepared direct testimony.

1 **IV. QUALIFICATIONS**

2 My name is Sakif Wasif. My business address is 555 West Fifth Street, Los Angeles,  
3 California, 90013-1011. I am currently employed by SoCalGas as a Principal Business Analyst  
4 in the Financial and Strategic Analysis group. I am responsible for completing financial analysis  
5 and developing the revenue requirement forecasts for SoCalGas projects and programs. I joined  
6 SoCalGas in 2018. Prior to SoCalGas, I worked as an Accounting Analyst with Farmers  
7 Insurance for three years. I received a Bachelor of Science degree in Finance from California  
8 State University, Long Beach in 2014.

9 I have not previously testified before the Commission.