

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit No: SCG-40-WP-2R-E

**SECOND REVISED
WORKPAPERS TO
PREPARED DIRECT TESTIMONY OF
KHAI NGUYEN
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

ERRATA

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



May 2023

PROPOSED POST-TEST YEAR RATEMAKING MECHANISM – SCG

A. REVENUE REQUIREMENT

As described in my testimony (Exhibit SCG-40), SoCalGas’s Post-Test Year (PTY) ratemaking mechanism proposes to adjust Test Year (TY) authorized revenue requirement in PTY’s 2025, 2026 and 2027 for:

1. Labor and non-labor costs based on IHS Global Insight’s (GI) forecast (Section B.1.),
2. Medical costs based on the Willis Towers Watson’s actuarial forecast (Section B.2),
3. Capital-related revenue requirements using:
 - a) An escalated five-year average level of capital additions (Section C), and
 - b) A forecast for capital exceptions beyond TY 2024 (Section E).

The base margin amounts adopted in SoCalGas’s TY 2024 are from the testimony of SoCalGas witness Ryan Hom (Exhibit SCG-39) and utilized throughout these workpapers. Table 1 below summarizes the total revenue requirement with SoCalGas’s PTY ratemaking mechanism including Miscellaneous Revenues and Franchise Fees & Uncollectible (FF&U). FF&U is addressed in Section D.

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Table 1

Line No.	Description (\$ in millions)	PTY – 2025	PTY – 2026	PTY – 2027
1	Total O&M Margin (Exc. FFU)	\$1,792.2	\$1,834.6	\$1,879.5
2	Medical Expense	\$103.6	\$109.3	\$114.7
3	Depreciation	95.1	67.3	68.6
4	Taxes on Income	(22.5)	(19.1)	(17.8)
5	Taxes Other Than on Income	9.5	9.7	10.0
6	Return	96.1	46.1	45.2
7	Cost of Capital	-	-	-
8	PTY Capital Exception Related Costs (Exc. FF&U)	67.0	99.5	212.5
9	Total Capital-Related Costs (Exc. FFU) (Sum L3:L8)	245.1	203.6	318.6
10	Prior Year Capital Related Costs (Exc. FF&U)	2,362.8	2,608.0	2,811.6
11	FF&U	69.8	73.2	77.7
12	Total Base Margin (Inc. FF&U) (L1 + L2 +L9+ L10 + L11)	4,573.6	4,828.6	5,202.1
13	Miscellaneous Revenues	117.4	117.4	117.4
14	Total Revenue Requirement (L12 + L13)	4,691.01	4,946.0	5,319.6
15	Revenue Requirement Increase \$	\$293	\$255	\$374
16	Revenue Requirement Increase %	6.66%	5.44%	7.55%

B. OPERATION & MAINTENANCE (“O&M”) EXPENSES

The starting base for O&M escalation is the TY 2024 revenue requirement excluding miscellaneous revenues, capital related margin, medical expense, franchise fees, and uncollectibles (O&M Margin). Medical costs are escalated separately, as described below in Section B2. After the PTY O&M and medical expenses are escalated, these costs will be grossed up for FF&U using the factors authorized in the TY 2024.

- Escalation of O&M (excluding medical): For simplicity in calculating PTY escalation, a single weighted average gas O&M utility input price index (GOMPI) is used to adjust O&M expenses to reflect the expected cost inflation of goods and services that SoCalGas will incur to serve its customers. The calculation of GOMPI is described in Mr. Scott Wilder’s testimony (Exhibit. SCG-36). The PTY O&M revenue requirement is calculated below (differences due to rounding) in Table 2.

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Table 2

Line No.	O&M Expense Adjustment (\$ in millions)	TY – 2024	PTY – 2025	PTY – 2026	PTY – 2027
1	Prior Year O&M Margin		\$1,754.7	\$1,792.2	\$1,834.6
2	O&M Escalation Rate		2.14%	2.36%	2.45%
3	Attrition Year O&M Escalation (L1 * L2)		\$38	\$42	\$45
4	O&M Expense (L1 + L3)	\$1,754.7	\$1,792.2	\$1,834.6	\$1,879.5

2. Escalation of Medical Costs: Medical costs adopted in SoCalGas’s TY 2024 will be escalated annually using Willis Towers Watson’s medical escalation projections as described in the testimony of Debbie Robinson (Exhibit SCG-25). The associated revenue requirement prior to FF&U gross up is calculated below (differences due to rounding) in Table 3.

Table 3

Line No.	Medical Cost Adjustment (\$ in millions)	TY – 2024	PTY – 2025	PTY – 2026	PTY – 2027
1	Prior Year Medical Expense (net)		\$97.7	\$103.6	\$109.3
2	Medical Escalation Rate		6.00%	5.50%	5.00%
3	Attrition Year Medical Escalation (L1 * L2)		\$6	\$6	\$5
4	Medical Expense (L1+ L3)	\$97.7	\$103.6	\$109.3	\$114.7

C. CAPITAL-RELATED

1. Five-Year Capital Additions Average: This section describes the development of PTY plant additions and other PTY rate base changes to determine the capital-related revenue requirement (authorized return, depreciation expense, tax). The recorded (2020-2021) plant additions are taken from historically recorded rate base. The recorded (2021) and forecasted (2022-2024) rate base components, plant additions and plant retirements are from the testimony and workpapers of Patrick Moersen (Exhibit SCG-31 and SCG-31-WP). Once each attrition year net plant additions are computed, incremental depreciation reserve, and deferred taxes are calculated in order to determine the rate base for each attrition year. The change in year over year rate base is then utilized to calculate the capital costs components of the revenue requirement.

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Table 4

Line No.	Capital-Related Attrition (\$ in millions)	TY – 2024	PTY – 2025	PTY – 2026	PTY – 2027
1	Prior Year Capital-Related Costs		\$2,343.1	\$2,521.2	\$2,625.3
2	Capital-Related Attrition		178.128	104	106
3	Capital-Related Costs (L1+ L2)	\$2,343.1	\$2,521.2	\$2,625.3	\$2,731.4

The development of the PTY rate base and the derivation of individual revenue requirement components are described in detail below.

2. Rate Base: The starting point in developing rate base for each attrition year is the prior year plant in service. Weighted average (WAVG) net plant additions for the attrition year are added, and current year changes to the net depreciation and accumulated deferred tax reserve are made:

- a) Weighted Net Plant Additions:

- 1) The starting point used for the plant additions for the PTY is a five-year average of plant additions. The five-year average comprises two years of recorded (2020-2021, refer to Table-7, Line 7) and three years of forecasted (2022-2024 from the test year RO model, see Table-9, Line 13) capital additions. Each year is escalated to test year dollars and then averaged (Table-6, Line 9-11). The five-year average is then escalated to 2025, 2026 and 2027 (Table-6, Line 12). The five-year average excludes certain programs¹ to prevent double counting when determining the five-year average.
- 2) Plant retirements for the PTY are also calculated using a five-year average of retirements. The five-year average is comprises two years of recorded (2020-2021, refer to Table-8, Line 7) and three years of forecasted (2022-2024) capital retirements from the Test Year RO model (Table-9, Line 14). Each year is escalated to test year dollars (Table-6, Lines 15-17) and then averaged. The resulting five-year average is then escalated to 2025, 2026 and 2027 (Table-6, Line 18). The five-year average excludes certain

¹ Gas Integrity Management Programs (TIMP, DIMP, SIMP, GSEP).

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programs² to prevent double counting when determining the five-year average.

- 3) WAVG Net Plant Additions: Each PTY's WAVG net plant additions is calculated using the ratio of the prior year WAVG net plant additions balance to the prior year end of year (EOY) net plant additions balance multiplied by the attrition-year's EOY net plant additions. (Table-6, Line 2)
- 4) Change in Accumulated Depreciation Reserve: Each PTY's WAVG net depreciation reserve is calculated using the ratio of the attrition year WAVG plant in service balance to the prior year WAVG plant in service balance multiplied by the prior year's net depreciation reserve. Net depreciation reserve includes annual retirements, cost of removal and salvage. (Table-6, Line 5)
- b) Working Capital and Other: SoCalGas is not proposing to change the rate base elements of Materials and Supplies, Working Cash, Customer Advances for Construction, and deferred revenue from the Test Tear 2024 amounts. (Table 5, Line 4,5,7,8)
- c) Repair Deductions Rate Base Adjustment (2021 – 2043) (Table-5, Line 9): SoCalGas proposes to continue the amortization of this rate base adjustment as ordered in D.16-06-054, page 192, and adjusted for Tax Cuts & Jobs Act (TCJA) as discussed in the testimony and workpapers of witness Ragan Reeves (Exhibit SCG-33/Exhibit SCG-33-WP-Tax).
- d) Accumulated Deferred Taxes: 2017 Tax Cuts & Jobs Act Adj (Table-5, Line 11): SoCalGas calculated this rate base adjustment using the average rate assumption method (ARAM) as explained by witness Ragan Reeves (Exhibit SCG-33). SoCalGas proposes to continue the amortization of this adjustment into the PTYs.
- e) Change in Accumulated Deferred Taxes: Plant: Each PTY's WAVG accumulated deferred taxes is calculated using the ratio of

² Gas Integrity Management Programs (TIMP, DIMP, SIMP, GSEP).

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the test year level of deferred taxes to the test year WAVG plant in service. (Table-5, Line 13)

- f) Change in Accumulated Deferred Taxes – CIAC: Each PTY’s WAVG accumulated deferred taxes is calculated using the ratio of the test year level of deferred taxes to the test year WAVG plant in service. (Table 5, Line 14)

The resulting Weighted Average Depreciated Rate Base and supporting calculations are shown in the tables below.

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Table 5

SOUTHERN CALIFORNIA GAS COMPANY
Weighted Average Depreciated Rate Base
(Thousands of Dollars)

2024 RO Model				2025-2027 Attrition Year				
Line No.	Account Description	Recorded Year 2021	Estimated Year 2022 2023		Test Year 2024	AY 2025	AY 2026	AY 2027
<i>Fixed Capital</i>								
1	Plant In Service	19,249,235	21,049,956	22,857,584	24,810,117	26,560,262	27,799,669	29,063,164
2	Work-In-Progress (non-interest bearing)	21,960	3,419	1,602	1,517	1,517	1,517	1,517
3	Total Fixed Capital	19,271,195	21,053,375	22,859,187	24,811,634	26,561,778	27,801,185	29,064,681
<i>Working Capital</i>								
4	Materials & Supplies	52,586	52,022	52,525	50,319	50,319	50,319	50,319
5	Working Cash	95,488	95,488	95,488	167,112	167,112	167,112	167,112
6	Total Working Capital	148,075	147,510	148,014	217,431	217,431	217,431	217,431
<i>Other</i>								
7	Customer Advances For Construction	(141,023)	(158,505)	(169,998)	(181,490)	(181,490)	(181,490)	(181,490)
8	Deferred Revenue - ITCC	(52,355)	(54,232)	(60,242)	(64,255)	(64,255)	(64,255)	(64,255)
9	Repair Deductions Rate Base Adjustment (2021-2043)	(11,050)	(10,400)	(9,750)	(9,100)	(8,450)	(7,800)	(7,150)
10	Total Other	(204,427)	(223,138)	(239,989)	(254,845)	(254,195)	(253,545)	(252,895)
<i>Deductions For Reserves</i>								
11	Accumulated Deferred Taxes - 2017 Tax Cuts & Jobs Act Adj	494,944	485,029	474,991	465,065	455,139	445,213	435,286
12	Accumulated Depreciation Reserve	8,456,635	8,930,908	9,479,067	10,129,086	10,806,080	11,521,725	12,270,279
13	Accumulated Deferred Taxes - Plant	1,011,527	1,014,467	1,018,012	1,033,798	1,106,723	1,158,367	1,211,015
14	Accumulated Deferred Taxes - CIAC	(144,652)	(155,572)	(169,249)	(179,277)	(191,923)	(200,879)	(210,009)
15	Accumulated Deferred Investment Tax Credits	0	0	0	0	0	0	0
16	Total Deductions For Reserves	9,818,455	10,274,832	10,802,821	11,448,671	12,176,019	12,924,425	13,706,572
17	Weighted Average Depreciated Rate Base	9,396,387	10,702,916	11,964,390	13,325,549	14,348,996	14,840,646	15,322,645

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Table 6

Line No.	2024 RO Model		2025-2027 Attrition Year Calc								
	2024		2025			2026			2027		
	End of Year	WAVG	End of Year	WAVG	WAVG Increase	End of Year	WAVG	WAVG Increase	End of Year	WAVG	WAVG Increase
1	23,879,452	23,879,452	26,027,149	26,027,149	2,147,698	27,257,414	27,257,414	1,230,264	28,508,777	28,508,777	1,251,363
2	2,147,698	930,665	1,230,264	533,112	(397,553)	1,251,363	542,255	9,143	1,279,360	554,387	12,132
3	26,027,149	24,810,117	27,257,414	26,560,262	1,750,145	28,508,777	27,799,669	1,239,407	29,788,137	29,063,164	1,263,495
4	9,772,829	9,772,829	10,424,693	10,424,693	651,864	11,122,540	11,122,540	697,847	11,852,951	11,852,951	730,412
5	651,864	356,257	697,847	381,388	25,131	730,412	399,185	17,797	763,609	417,328	18,143
6	10,424,693	10,129,086	11,122,540	10,806,080	676,995	11,852,951	11,521,725	715,644	12,616,560	12,270,279	748,555

	Recorded		Forecast			PTY		
	2020 (2020\$)	2021 (2021\$)	2022 (2022\$)	2023 (2023\$)	2024 (2024\$)	2025	2026	2027
7	1,476,105	1,864,951	2,047,382	1,849,893	2,354,485	Escalation Rate		
8	424,534	475,535	463,054	588,823	643,904	-0.89%	1.71%	2.24%
9	1,051,571	1,389,416	1,584,328	1,261,070	1,710,581			
10	1,209,689	1,389,416	1,472,704	1,233,715	1,732,441			
11	1,194,425	1,371,884	1,454,121	1,218,148	1,710,581			
12					1,389,832	1,377,503	1,401,126	1,432,474
13	134,228	154,625	136,924	121,927	200,462			
14			-	1,813	4,513			
15	134,228	154,625	136,924	120,113	195,949			
16	154,411	154,625	127,277	117,508	198,453			
17	152,462	152,674	125,671	116,025	195,949			
18					148,556	147,238	149,763	153,114
19						1,230,264	1,251,363	1,279,360

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Table 7

Southern California Gas Company
Gas Plant in Service Additions
(\$ in Thousands)

Line No.	Description	Recorded		Forecasts			Exclusions For Post-Test Year Capital Exceptions					Adjusted Additions				
		2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
1	Intangible	-	640	-	-	-	-	-	-	-	-	-	640	-	-	-
2	Storage	108,250	178,061	265,553	241,160	236,703	56,270	87,237	21,322	55,184	44,924	51,980	90,824	244,231	185,976	191,779
3	Transmission	385,213	699,089	500,632	531,294	568,395	74,301	114,037	80,756	150,801	232,213	310,912	585,052	419,876	380,493	336,182
4	Distribution	740,042	745,686	818,144	820,767	826,018	270,551	259,372	341,262	363,091	350,616	469,491	486,313	476,881	457,676	475,402
5	General Plant	242,600	241,475	463,054	256,672	723,370	23,412	14,889	19,714	19,746	16,151	219,188	226,586	443,340	236,926	707,219
6	Cushion Gas Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Total Additions (L1 + L2 + L3 + L4 + L5 + L6)	1,476,105	1,864,951	2,047,382	1,849,893	2,354,485	424,534	475,535	463,054	588,823	643,904	1,051,571	1,389,416	1,584,328	1,261,070	1,710,581

Table 8

Southern California Gas Company
Gas Plant in Service Retirements
(\$ in Thousands)

Line No.	Description	Recorded		Forecasts			Exclusions For Post-Test Year Capital Exceptions					Adjusted Retirements				
		2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
1	Intangible	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Storage	17,600	45,957	30,276	34,353	35,773	-	-	-	401	1,454	17,600	45,957	30,276	33,952	34,318
3	Transmission	13,518	15,112	10,024	11,208	11,689	-	-	-	186	532	13,518	15,112	10,024	11,021	11,158
4	Distribution	47,301	54,083	45,483	48,605	47,938	-	-	-	1,226	2,527	47,301	54,083	45,483	47,379	45,412
5	General Plant	55,808	39,473	51,140	27,760	105,062	-	-	-	-	-	55,808	39,473	51,140	27,760	105,062
6	Cushion Gas Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Total Additions (L1 + L2 + L3 + L4 + L5 + L6)	134,228	154,625	136,924	121,926	200,462	0	0	0	1,813	4,513	134,228	154,625	136,924	120,113	195,949

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Table 9

Southern California Gas Company
Calculation of Monthly CWIP, Plant and Accumulated Depreciation Balances
(Thousands of Dollars)

Asset Type: Total Utility Plant

Line No.		2022	2023	2024
1	Beg Month CWIP Balance	950,908	1,049,939	1,209,856
2	Expenditures	2,055,929	1,911,279	2,062,939
3	Expenditures - AFUDC	90,484	98,532	106,230
4	Total Expenditures	<u>2,146,413</u>	<u>2,009,810</u>	<u>2,169,169</u>
5	Additions	1,978,427	1,780,009	2,240,283
6	Additions - AFUDC	68,956	69,884	114,203
7	Total Additions	<u>2,047,382</u>	<u>1,849,893</u>	<u>2,354,485</u>
8	End Month CWIP	1,049,939	1,209,856	1,024,540
9	Interest Bearing CWIP	1,048,563	1,208,540	1,023,258
10	Non-interest Bearing CWIP	1,376	1,316	1,282
11	End Month CWIP	<u>1,049,939</u>	<u>1,209,856</u>	<u>1,024,540</u>
12	Beg Month Plant Balance	20,241,027	22,151,485	23,879,452
13	Additions	2,047,382	1,849,893	2,354,485
14	Retirements	136,924	121,927	206,788
15	Transfers	0	0	0
16	End Month Plant Balance	<u>22,151,485</u>	<u>23,879,452</u>	<u>26,027,149</u>
17	Depreciation Accrual Accrual Monthly Rate	754,831	816,576	970,383
18	Beg Month Reserve Balance	8,672,865	9,185,757	9,772,829
19	Provision	754,831	816,576	970,383
20	Retirements	136,909	121,912	206,773
21	Salvage	410	441	475
22	Removal Costs	105,440	108,034	112,222
23	Transfers	-	0	0
24	End Month Reserve Balance	<u>9,185,757</u>	<u>9,772,829</u>	<u>10,424,693</u>

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3. Capital-Related Revenue Requirement Calculations: The capital-related revenue requirement components for each attrition year are calculated using the methodologies described below:
- a) Depreciation Expense: Depreciation expense is calculated by multiplying the current PTY plant-in-service weighted average increase by the test year's system average depreciation rate. (Table-10, Lines 1-7)
 - b) Ad Valorem Tax: Ad Valorem Tax is calculated by multiplying the current attrition year additions by the test year's system ad valorem tax rate. (Table-10, Lines 8-12)
 - c) Payroll Tax: Payroll Tax is calculated by multiplying the prior year payroll taxes by the current attrition year labor escalation rate forecasted by Global Insight. (Table-10, Lines 13-15)
 - d) Long-Term Debt Cost: Long-Term Debt Cost is calculated by multiplying the attrition year change in weighted average rate base by the authorized weighted cost of Long-Term Debt. (Table-11, Lines 4-8)
 - e) Preferred Stock Cost: Preferred Stock Cost is calculated by multiplying the attrition year change in weighted average rate base by the authorized weighted return on Preferred Stock. (Table-11, Lines 9-15)
 - f) Common Equity Cost: Common Equity Cost is calculated by multiplying the attrition year change in weighted average rate base by the authorized weighted return on Common Equity. (Table-11, Lines 16-22)
 - g) Federal Tax Depreciation: Federal Tax Depreciation income tax expense is calculated by multiplying current attrition year additions by the test year's system average federal tax depreciation rate and by the federal income tax rate. (Table-12, Lines 1-9)
 - h) State Tax Depreciation: State Tax Depreciation income tax expense is calculated by multiplying the current attrition year additions by the test year's system average state tax depreciation rate and by the state income tax rate. (Table-12, Lines 10-18)

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- i) California Corporation Franchise Tax (Prior Year): Prior Year's state income tax is a deduction for federal income tax purposes. (Table-13, Lines 1-22)

- j) Gross Ups: All revenue requirement components which are not directly deductible for income taxes are grossed up for income taxes. These are Book Depreciation, State Tax Depreciation, Federal Tax Depreciation, Preferred Stock Cost, Common Equity Cost, and California Corporation Franchise Tax (Prior Year). All revenue requirement components are grossed up for FF&U using the factors referenced in Section D.

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Table 10

Southern California Gas Company
2024 GRC
Calculation of Revenue Requirement Increase
(Thousands of Dollars)

Section-1					
<u>Line</u>	<u>Depreciation Expense</u>	2024	2025	2026	2027
1	2024 Accrual	970,383			
2	/ 2024 Wtd Avg Plant in Service	24,810,117			
3	= System Average Depreciation Rate	3.91%	3.91%	3.91%	3.91%
4	x Plant in Service Weighted Average Increase		1,750,145	1,239,407	1,263,495
5	= Increase in Depreciation Expense		68,452	48,476	49,418
6	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726	1.3885726
7	= Increase in Revenue Requirements		95,051	67,313	68,621
<u>Ad Valorem Taxes</u>					
8	2024 Ad Valorem Taxes	167,046			
9	/ 2024 Plant in Service	26,027,149			
10	= System Average Ad Valorem Tax Rate	0.64%	0.64%	0.64%	0.64%
11	x Current Attrition Year Additions		1,230,264	1,251,363	1,279,360
12	= Increase Full Year Additions		7,896	8,031	8,211
<u>Payroll Taxes</u>					
13	Prior Year Payroll Taxes		58,478	60,109	61,825
14	x Current Year Labor Escalation Rate		2.79%	2.85%	2.89%
15	= Increase in Full Year Additions		1,631	1,716	1,789

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Table 11

Southern California Gas Company
2024 GRC
Calculation of Revenue Requirement Increase
(Thousands of Dollars)

Section-2					
<u>Line</u>	<u>Change in Weighed Average Ratebase</u>	2024	2025	2026	2027
1	2024 Test Year Weighted Average Ratebase	13,325,549	13,325,549		
2	Weighted Average Ratebase		14,348,996	14,840,646	15,322,645
3	Change in Weighted Average Ratebase		1,023,447	491,651	481,999
<u>Long Term Debt</u>					
4	Prior Year Return on Debt	4.23%	4.23%	4.23%	4.23%
5	x Prior Year Debt Capitalization	45.60%	45.60%	45.60%	45.60%
6	= Prior Year Weighted Cost of Debt	1.93%	1.93%	1.93%	1.93%
7	x Change in Weighted Average Ratebase		1,023,447	491,651	481,999
8	= Increase in Revenue Requirements		19,741	9,483	9,297
<u>Preferred Stock</u>					
9	Prior Year Return on Preferred Stock	6.00%	6.00%	6.00%	6.00%
10	x Prior Year Preferred Stock Capitalization	2.40%	2.40%	2.40%	2.40%
11	= Prior Year Weighted Cost of Preferred Stock	0.14%	0.14%	0.14%	0.14%
12	x Change in Weighted Average Ratebase		1,023,447	491,651	481,999
13	= Change in Weighted Cost of Preferred Stock		1,474	708	694
14	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726	1.3885726
15	= Increase in Revenue Requirements		2,046	983	964
<u>Common Equity</u>					
16	Prior Return on Common Equity	10.05%	10.05%	10.05%	10.05%
17	x Prior Year Common Equity Capitalization	52.00%	52.00%	52.00%	52.00%
18	= Prior Year Weighted Cost of Common Equity	5.23%	5.23%	5.23%	5.23%
19	x Change in Weighted Average Ratebase		1,023,447	491,651	481,999
20	= Change in Weighted Cost of Common Equity		53,485	25,694	25,189
21	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726	1.3885726
22	= Increase in Revenue Requirements		74,268	35,678	34,977
23	Total Increase in Revenue Requirements		96,056	46,144	45,238

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Table 12

Southern California Gas Company
2024 GRC
Calculation of Revenue Requirement Increase
(Thousands of Dollars)

		Section-3			
Line	Federal Tax Depreciation (ACRS/MACRS Basis)	2024	2025	2026	2027
1	2024 Federal Tax Depreciation	787,887			
2	/ 2024 Plant in Service	26,027,149			
3	= System Average Federal Tax Depreciation Rate	3.03%	3.03%	3.03%	3.03%
4	x Current Attrition Year Additions		1,230,264	1,251,363	1,279,360
5	= Increase in Federal Tax Depreciation Expense		37,242	37,881	38,728
6	x -Federal Income Tax Rate	(0.210)	(0.210)	(0.210)	(0.210)
7	= Federal Income Taxes		(7,821)	(7,955)	(8,133)
8	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726	1.3885726
9	= Increase in Revenue Requirements		(10,860)	(11,046)	(11,293)
<u>State Tax Depreciation</u>					
10	2024 State Tax Depreciation	894,429			
11	/ 2024 Plant in Service	26,027,149			
12	= System Average State Tax Depreciation Rate	3.44%	3.44%	3.44%	3.44%
13	x Current Attrition Year Additions		1,230,264	1,251,363	1,279,360
16	= State Income Taxes		(3,737)	(3,802)	(3,887)
17	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726	1.3885726
18	= Increase in Revenue Requirements		(5,190)	(5,279)	(5,397)

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Table 13

		Section-4		
<u>Line</u>	<u>California Corporation Franchise Tax (Prior Year)</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
1	+ Depreciation		95,051	67,313
2	+ State Tax Depreciation		(5,190)	(5,279)
3	+ Federal Tax Depreciation (ACRS/MACRS)		(10,860)	(11,046)
4	+ Ratebase: Preferred Stock		2,046	983
5	+ Ratebase: Common Stock Equity		74,268	35,678
6	+ Financial Component: Preferred Stock		-	-
7	:Common Equity		-	-
8	+ CCFT		(6,456)	(2,747)
9	+ State & Federal Rate Changes		-	-
10	= Increase in Revenue Requirements		148,860	84,901
12	= Prior Year State Income Tax Increase		13,159	7,505
13	+ Prior Year State Income Tax (State Tax Depreciation Expense)		(3,737)	(3,802)
14	+ Prior Year State Income Tax (State Rate Change)		-	-
15	= Prior Year Total State Income Taxes		9,422	3,704
16	Prior Year Current California Corp Franchise Tax	45,381	54,803	58,506
17	- Prior Year CCFT Deductible for Federal Income Taxes	23,240	45,381	54,803
18	= Increase CCFT Deduction on Federal Income Taxes	22,141	9,422	3,704
19	x -Federal Income Tax Rate	(0.2100)	(0.2100)	(0.2100)
20	= Federal Income Taxes	(4,650)	(1,979)	(778)
21	x Net-to-Gross Multiplier	1.3885726	1.3885726	1.3885726
22	= Increase in Revenue Requirements	(6,456)	(2,747)	(1,080)

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D. FRANCHISE FEES AND UNCOLLECTIBLE GROSS UP

Franchise Fees and Uncollectible Gross Up: The total resulting O&M will be grossed up for FF&U using the franchise fee factors of 1.2259% and the uncollectible factor of 0.310%. The calculation of the gross up factor is shown below:

Table 14

Line No.	Description	2024	2025	2026	2027
1	Revenues	1.000000	1.000000	1.000000	1.000000
2	Uncollectible Tax Rate	0.003100	0.003100	0.003100	0.003100
3	Uncollectible Amount Applied	1.000000	1.000000	1.000000	1.000000
4	Less: Uncollectible (L2 * L3)	0.003100	0.003100	0.003100	0.003100
5	Subtotal (L3 - L4)	0.996900	0.996900	0.996900	0.996900
6	Franchise Fees Tax Rate	0.012259	0.012259	0.012259	0.012259
7	Franchise Fees Amount Applied (L5)	0.996900	0.996900	0.996900	0.996900
8	Less: Franchise Fees (L6 * L7)	0.012221	0.012221	0.012221	0.012221
9	Subtotal (L7 - L8)	0.984679	0.984679	0.984679	0.984679
10	Franchise Fee and Uncollectible Factor (1 / L9)	1.015559	1.015559	1.015559	1.015559

E. PTY CAPITAL EXCEPTION-RELATED COSTS

SoCalGas is proposing limited exceptions to the capital component of the post-test year mechanism, as described in my testimony. These limited exceptions are for capital projects that are either going into service in the post-test years or have capital that are proposed to be balanced in balancing accounts for which revenue requirement for each post-test year is needed for tracking of costs. The proposed capital exceptions are:

- Gas Integrity Programs
 - Distribution Integrity Management Program (DIMP)
 - Transmission Integrity Management Program (TIMP)
 - Storage Integrity Management Program (SIMP)
 - Facilities Integrity Management Program (FIMP)
 - Gas Safety Enhancement Programs (GSEP)
- Customer Information System Replacement Program (CIS)
- Honor Rancho Compressor Modernization (HRCM)

Tables 15-35 provide the revenue requirements calculation for each of the proposed capital exceptions.

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Table 15

**Southern California Gas Company
2024 GRC Post Test Year DIMP Capital Related Costs**

DIMP (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	256,866	46,663	85,336	124,867
FF&U:	2,582	469	858	1,255
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	69,817	12,797	23,124	33,896
Return on Common:	97,058	18,358	32,344	46,356
Return on Preferred:	2,674	506	891	1,277
Return On Debt:	35,823	6,776	11,938	17,110
Federal Taxes:	27,061	5,185	9,023	12,852
State Taxes:	7,292	1,098	2,412	3,781
Property Taxes:	14,559	1,474	4,746	8,339

Table 16

DIMP Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		351,276	618,903	887,030
Return on Equity (\$)	97,058	18,358	32,344	46,356
Weighted Return on Equity (%)		5.23%	5.23%	5.23%
Return on Preferred (\$)	2,674	506	891	1,277
Weighted Return on Preferred (%)		0.14%	0.14%	0.14%
Return on Debt (\$)	35,823	6,776	11,938	17,110
Weighted Return on Debt (%)		1.93%	1.93%	1.93%
Total Return	135,555	25,639	45,173	64,743
Total Rate of Return		7.30%	7.30%	7.30%

Table 17

DIMP Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		350,618	617,728	885,329
Property Tax Rate	0.71%	0.42%	0.77%	0.94%
Property Tax	14,559	1,474	4,746	8,339

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Table 18

**Southern California Gas Company
2024 GRC Post Test Year TIMP Capital Related Costs**

TIMP (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	133,070	21,488	44,800	66,782
FF&U:	1,338	216	450	671
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	38,539	6,558	12,943	19,038
Return on Common:	52,112	9,028	17,623	25,460
Return on Preferred:	1,436	249	486	702
Return On Debt:	19,234	3,332	6,505	9,397
Federal Taxes:	13,485	2,232	4,592	6,661
State Taxes:	(874)	(794)	(266)	185
Property Taxes:	7,801	666	2,467	4,668

Table 19

TIMP Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		172,757	337,227	487,177
Return on Equity (\$)	52,112	9,028	17,623	25,460
Weighted Return on Equity (%)		5.23%	5.23%	5.23%
Return on Preferred (\$)	1,436	249	486	702
Weighted Return on Preferred (%)		0.14%	0.14%	0.14%
Return on Debt (\$)	19,234	3,332	6,505	9,397
Weighted Return on Debt (%)		1.93%	1.93%	1.93%
Total Return	72,782	12,609	24,614	35,558
Total Rate of Return		7.30%	7.30%	7.30%

Table 20

TIMP Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		172,380	336,496	486,121
Property Tax Rate	0.69%	0.39%	0.73%	0.96%
Property Tax	7,801	666	2,467	4,668

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Table 21

**Southern California Gas Company
2024 GRC Post Test Year SIMP Capital Related Costs**

SIMP (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	20,409	2,896	6,773	10,740
FF&U:	205	29	68	108
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	6,156	881	2,043	3,231
Return on Common:	7,305	1,076	2,447	3,781
Return on Preferred:	201	30	67	104
Return On Debt:	2,696	397	903	1,396
Federal Taxes:	2,147	325	722	1,100
State Taxes:	790	117	262	410
Property Taxes:	909	40	259	610

Table 22

SIMP Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		20,596	46,829	72,348
Return on Equity (\$)	7,305	1,076	2,447	3,781
Weighted Return on Equity (%)		5.23%	5.23%	5.23%
Return on Preferred (\$)	201	30	67	104
Weighted Return on Preferred (%)		0.14%	0.14%	0.14%
Return on Debt (\$)	2,696	397	903	1,396
Weighted Return on Debt (%)		1.93%	1.93%	1.93%
Total Return	10,202	1,503	3,418	5,281
Total Rate of Return		7.30%	7.30%	7.30%

Table 23

SIMP Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		20,554	46,732	72,196
Property Tax Rate	0.53%	0.20%	0.55%	0.85%
Property Tax	909	40	259	610

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Table 24

**Southern California Gas Company
2024 GRC Post Test Year FIMP Capital Related Costs**

FIMP (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	1,788	252	591	946
FF&U:	18	3	6	10
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	442	64	146	232
Return on Common:	724	106	242	376
Return on Preferred:	20	3	7	10
Return On Debt:	267	39	89	139
Federal Taxes:	204	30	68	106
State Taxes:	22	3	7	12
Property Taxes:	92	4	26	61

Table 25

FIMP Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		2,029	4,625	7,197
Return on Equity (\$)	724	106	242	376
Weighted Return on Equity (%)		5.23%	5.23%	5.23%
Return on Preferred (\$)	20	3	7	10
Weighted Return on Preferred (%)		0.14%	0.14%	0.14%
Return on Debt (\$)	267	39	89	139
Weighted Return on Debt (%)		1.93%	1.93%	1.93%
Total Return	1,011	148	338	525
Total Rate of Return		7.30%	7.30%	7.30%

Table 26

FIMP Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		2,025	4,617	7,184
Property Tax Rate	0.55%	0.22%	0.57%	0.85%
Property Tax	92	4	26	61

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Table 27

**Southern California Gas Company
2024 GRC Post Test Year GSEP Capital Related Costs**

GSEP (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	121,562	16,322	39,107	66,133
FF&U:	1,222	164	393	665
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	27,161	3,721	8,756	14,684
Return on Common:	51,239	7,178	16,635	27,426
Return on Preferred:	1,412	198	458	756
Return On Debt:	18,912	2,649	6,140	10,123
Federal Taxes:	14,274	1,983	4,633	7,659
State Taxes:	608	11	161	436
Property Taxes:	6,733	418	1,931	4,384

Table 28

GSEP Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		137,350	318,316	524,799
Return on Equity (\$)	51,239	7,178	16,635	27,426
Weighted Return on Equity (%)		5.23%	5.23%	5.23%
Return on Preferred (\$)	1,412	198	458	756
Weighted Return on Preferred (%)		0.14%	0.14%	0.14%
Return on Debt (\$)	18,912	2,649	6,140	10,123
Weighted Return on Debt (%)		1.93%	1.93%	1.93%
Total Return	71,563	10,025	23,234	38,304
Total Rate of Return		7.29%	7.29%	7.29%

Table 29

GSEP Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		137,102	317,750	523,873
Property Tax Rate	0.58%	0.30%	0.61%	0.84%
Property Tax	6,733	418	1,931	4,384

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Table 30

**Southern California Gas Company
2024 GRC Post Test Year CIS Capital Related Costs**

CIS (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	52,451	-	11,522	40,929
FF&U:	527	-	116	411
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	27,017	-	6,754	20,263
Return on Common:	19,319	-	5,163	14,157
Return on Preferred:	532	-	142	390
Return On Debt:	7,131	-	1,905	5,225
Federal Taxes:	4,468	-	692	3,776
State Taxes:	(8,481)	-	(3,250)	(5,231)
Property Taxes:	1,938	-	-	1,938

Table 31

CIS Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		-	98,787	270,886
Return on Equity (\$)	19,319	-	5,163	14,157
Weighted Return on Equity (%)		-	5.23%	5.23%
Return on Preferred (\$)	532	-	142	390
Weighted Return on Preferred (%)		-	0.14%	0.14%
Return on Debt (\$)	7,131	-	1,905	5,225
Weighted Return on Debt (%)		-	1.93%	1.93%
Total Return	26,982	-	7,210	19,772
Total Rate of Return		-	7.30%	7.30%

Table 32

CIS Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		-	98,155	269,395
Property Tax Rate	0.36%	-	0.00%	0.72%
Property Tax	1,938	-	-	1,938

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Table 33

**Southern California Gas Company
2024 GRC Post Test Year HRCM Capital Related Costs**

HRCM (\$ in Thousands of Dollars)	Total	2025	2026	2027
Revenue Requirement - Total	92,416	-	-	92,416
FF&U:	929	-	-	929
O&M:	-	-	-	-
Working Capital:	-	-	-	-
Depreciation:	22,479	-	-	22,479
Return on Common:	37,875	-	-	37,875
Return on Preferred:	1,044	-	-	1,044
Return On Debt:	13,980	-	-	13,980
Federal Taxes:	11,962	-	-	11,962
State Taxes:	4,147	-	-	4,147
Property Taxes:	-	-	-	-

Table 34

HRCM Rate Base & Return (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average Monthly Rate Base		-	-	724,747
Return on Equity (\$)	37,875	-	-	37,875
Weighted Return on Equity (%)		-	-	5.23%
Return on Preferred (\$)	1,044	-	-	1,044
Weighted Return on Preferred (%)		-	-	0.14%
Return on Debt (\$)	13,980	-	-	13,980
Weighted Return on Debt (%)		-	-	1.93%
Total Return	52,898	-	-	52,898
Total Rate of Return		-	-	7.30%

Table 35

HRCM Property Tax (\$ in Thousands of Dollars)	Total	2025	2026	2027
Average of Month-End Rate Base		-	-	723,696
Property Tax Rate	0.00%	-	-	0.00%
Property Tax	-	-	-	-