

Exhibit No.: _____
Application: A.25-09-XXX
Witness: P. Gadani
Chapter: 6

PREPARED DIRECT TESTIMONY OF PAYAL GADANI
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
(REGULATORY ACCOUNTS)

September 30, 2025

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1 **CHAPTER 6**

2 **PREPARED DIRECT TESTIMONY OF PAYAL GADANI**

3 **(REGULATORY ACCOUNTS – SOCALGAS)**

4 **I. PURPOSE**

5 The purpose of my direct testimony is to present Southern California Gas Company's
6 (SoCalGas) regulatory account balances that support the illustrative rates presented in the direct
7 testimony of Michael Foster (Chapter 12) and tariff-related modifications. Specifically,
8 SoCalGas proposes to eliminate the Enhanced Oil Recovery Account (EORA) and incorporate
9 the recovery of EOR allocated costs to the Noncore Fixed Cost Account (NFCA) and a revision
10 to the proposed cost recovery of the Firm Access and Storage Rights Memorandum Account
11 (FASRMA).

12 **II. REGULATORY ACCOUNT BALANCES FOR ILLUSTRATIVE RATE IMPACT**

13 SoCalGas provides illustrative rates based on the proposals included in this 2027 Cost
14 Allocation Proceeding (CAP) in the direct testimony of Michael Foster (Chapter 12). The
15 regulatory account amortizations included in the calculation of the illustrative rates are based on
16 the regulatory account balances currently authorized for rates as of July 2025. Attachment A,
17 Table 1 itemizes the detailed balances that were approved among three advice letter (AL) filings,
18 AL 6384-G-A, AL 6430-G-A, and AL 6493-G.

19 SoCalGas filed and received approval of AL 6384-G-A, SoCalGas's annual regulatory
20 account update AL, requesting authority to incorporate estimated December 31, 2024 regulatory
21 account balances into rates effective January 1, 2025,¹ SoCalGas also filed AL 6430-G-A in

¹ SoCalGas AL 6384-G-A, Supplemental Annual Regulatory Account Balance Update for Rates Effective January 1, 2025 (filed November 27, 2024, approved on December 18, 2024), *available at*: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4885&flngId=6384-G-A&flngStatusCd=Approved>.

January 2025 requesting authority to incorporate revised revenue requirement and rates to implement Test Year 2024 General Rate Case (GRC) Decision (D.) 24-12-074 and CAP D.24-07-009 effective February 1, 2025.² SoCalGas ALs 6430-G-A and 6430-G-B included additional regulatory account amortization and adjustments pursuant to D.24-12-074. Recently, SoCalGas filed AL 6493-G in July 2025 to revise rates effective July 1, 2025 for its Transmission Integrity Management Program Balancing Account Consolidated Rate Implementation in Compliance with Res. G-3600 & Res. G-3611. SoCalGas expects to file annual regulatory account balance updates in October 2025 and October 2026, the latter of which will represent the balances used to set rates effective January 1, 2027, when this CAP is expected to be implemented.

III. SOCALGAS PROPOSES TO ELIMINATE THE EORA

SoCalGas proposes to eliminate the EORA, an interest-bearing balancing account, recorded on SoCalGas' financial statements. Originally, the Commission authorized creation of the EORA in D.87-05-046 to track EOR revenues as a result of long-term contracts that would be incremental to SoCalGas's cost allocation proceedings.³ In 2009, the Commission adopted the 2009 Biennial Cost Allocation Proceeding Settlement Agreement on Phase 2 issues, which authorized a cost allocation to the EOR customer class and eliminated the 5% enhanced oil recovery shareholder incentive in D.09-11-006.⁴ Currently, the purpose of the EORA is to

² SoCalGas AL 6430-G-A, Supplement: Rate Implementation Submittal for TY 2024 GRC & CAP Decision for Rates Effective February 1, 2025, *available at*: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4919&flngId=6430-G-A&flngStatusCd=Approved>; SoCalGas AL 6430-B, Partial Supplemental, Rate Implementation Submittal for TY 2024 GRC & CAP Decision for Rates Effective February 1, 2025, *available at*: <https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4934&flngId=6430-G-B&flngStatusCd=Approved>.

³ D.87-05-046 at 243.

⁴ Settlement Agreement (June 2, 2009) at 13-14.

1 balance the difference between authorized revenue requirements (excluding the local
2 transmission revenue requirement and Backbone Transportation Service (BTS) revenue
3 requirement) and other non-gas costs allocated to the EOR market with revenue intended to
4 recover these costs.⁵ SoCalGas requests that all activity for the EOR customer class be recorded
5 to the NFCA instead of the EORA.

6 Currently, distribution and transmission costs allocated to all other non-core customer
7 classes (e.g., Commercial, Industrial, Electric Generation and Wholesale) are recorded to the
8 NFCA; likewise, all core customer classes are balanced in the Core Fixed Cost Account (CFCA).
9 EOR is the smallest noncore customer class from an authorized throughput basis. Recently,
10 D.24-07-009 authorized a reduction of 66.5% in authorized EOR throughput from 231,570 Mth.⁶
11 to 154,067 Mth.⁷ The EOR throughput is further reduced to 68.9% from 154,067 Mth. to
12 105,839 Mth.⁸ as proposed in the 2027 CAP. Maintaining a separate regulatory account for EOR
13 activity is unnecessary due to the small share of authorized volumes for the EOR class.
14 Embedding the EOR activity in the NFCA will simplify SoCalGas's accounting process for
15 recordation of costs and tracking related revenues. SoCalGas is not proposing any changes to the
16 determination of EOR rates. SoCalGas's proposal is limited to recording the authorized revenue
17 requirement allocated to EOR customers and the actual revenue collections intended to recover
18 this revenue requirement in the NFCA on a prospective basis. Upon Commission approval,

⁵ EORA Preliminary Statement
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=331>.

⁶ Application (A.) 18-07-024 (2020 TCAP), Direct Testimony of Sharim Chaudhury (Rate Design) on behalf of SoCalGas (Chapter 12) at 3, Table 1.

⁷ A.22-09-015 (2024 TCAP), Direct Testimony of Sharim Chaudhury (Rate Design) on behalf of SoCalGas (Chapter 13) at 5-6, Table 1.

⁸ See Chapter 12, Direct Testimony of Michael Foster (Rate Design) at Table MF-1.

1 SoCalGas will amortize the remaining balance in the EORA pursuant to the disposition outlined
2 in the EORA preliminary statement⁽⁹⁾ and transfer to the NFCA any residual balances that
3 remain in the EORA at the end of the amortization period. Once the balance is zero, SoCalGas
4 will eliminate the EORA.

5 **IV. RECOVERY OF THE FASRMA**

6 SoCalGas requests recovery of the FASRMA under-collection balance of \$4.0 million.
7 Pursuant to D.06-12-031, SoCalGas established the Firm Access Rights Memorandum Account
8 (FARMA) to record costs incurred to implement a firm tradable access rights structure which
9 would provide customers with an opportunity to obtain firm access into the utility system at a
10 specific receipt point throughout the year.⁹

11 In D.07-12-019, SoCalGas was authorized to rename FARMA to FASRMA and expand
12 the scope of the memorandum account to record costs incurred to implement storage rights
13 structure that provides customers with an opportunity to obtain storage capacity throughout the
14 year.

15 Pursuant to SoCalGas AL 4258, the FASRMA was authorized to record system
16 modifications costs in providing interruptible and firm off-system delivery (OSD) service and
17 any related OSD revenues to recover these costs.¹⁰ As discussed in the direct testimony of Paul
18 Borkovich (Chapter 10), OSD revenues have not offset the under-collected balance in the
19 FASRMA associated with the system modifications required to comply with D.11-03-029.

⁹ Pursuant to SoCalGas AL 3704 – Establishment of the Firm Access Rights Memorandum Account (FARMA) at 1, *available at*:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=1415&flngId=3704&flngStatusCd=Approved>.

¹⁰ Pursuant to SoCalGas AL 4258 – Expansion of Off-System Delivery at 2, *available at*:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=2013&flngId=4258&flngStatusCd=Approved>.

1 The FASRMA is \$4.0 million under-collected as of September 1, 2025. The under-
2 collected balance is primarily due to unrecovered capital revenue requirement of \$3.1 million
3 related to the system modifications required to comply with D.11-03-029 to provide interruptible
4 and firm OSD services. The balance also includes \$0.8 million of on-going interest.

5 For SoCalGas to fully recover the capital revenue requirement recorded to FASRMA,
6 SoCalGas proposes to transfer any resulting over-collection balance (i.e., net storage revenues)
7 from the Noncore Storage Balancing Account (NSBA) to FASRMA until the remaining
8 FASRMA balance can be fully offset to zero. The NSBA balances authorized costs for
9 unbundled storage service with revenues collected from customers who contract for storage
10 service under the unbundled storage program. In addition, the NSBA records net revenues from
11 hub services collected under the SoCalGas' G-PAL (Operational Hub Services) tariff. By doing
12 so, storage customers are effectively paying for the system modifications to provide off-system
13 delivery service. Once the balance is zero, SoCalGas will eliminate the FASRMA. As a result
14 of the proposed transfer, storage customers will effectively pay for the system modifications and
15 is further discussed in the direct testimony of Paul Borkovich (Chapter 10).

16 This concludes my prepared direct testimony.

1 **V. QUALIFICATIONS**

2 My name is Payal Gadani. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Principal Accountant-
4 Supervisor in the Regulatory Accounts group within the Accounting and Finance Department
5 which supports the regulatory activities for SoCalGas. My responsibilities for SoCalGas’
6 regulatory balancing, tracking, and memorandum accounts include implementation of regulatory
7 accounting procedures for compliance with Commission decisions, quantifying and recording the
8 monthly entries and adjustments to the regulatory accounts and preparing forecasted balances for
9 regulatory accounts for inclusion in SoCalGas’ annual compliance filings. I began my
10 employment at SoCalGas in 2014 in the Sundry Billing Department. I have held various
11 positions of increasing responsibility in Sundry Billing, Plant Accounting, and Utility Regulatory
12 Accounting before assuming my current position. I received my Bachelor of Science degree in
13 Accounting from San Diego State University in 2011.

14 I have not previously testified before the Commission.

ATTACHMENT A

Southern California Gas Company - 2027 TCAP
Present Regulatory Account Balances
(Over)/Under Collection
Attachment A - Table 1

#	Regulatory Account Name	Present 7/1/2025 Amortization (\$000) ¹
1.	Affiliate Transfer Fee Account (ATFA)	(\$157)
2.	Aliso Canyon Memorandum Account (ACMA)	\$11,987
3.	Avoided Cost Calculator Update Memorandum Account (ACCUMA)	\$64
4.	Advanced Metering Infrastructure Balancing Account (AMIBA)	\$357
5.	Backbone Transmission Balancing Account (BTBA)	(\$179,742)
6.	California Consumer Privacy Act Memorandum Account (CCPAMA)	\$3,610
7.	California Solar Initiative Thermal Memorandum Account (CSITPMA)	\$2,638
8.	Company-Use Fuel for Load Balancing Account (CUFLBA)	\$2,513
9.	Compressor Station Fuel and Power Balancing Account (CFPBA)	\$13,834
10.	Core Fixed Cost Account (CFCA)	\$104,120
11.	Core Gas Balancing Memorandum Account (CGBMA)	\$4,403
12.	Diary Biomethane Project Memorandum Account (DBPMA)	\$6,174
13.	Diary Biomethane Solicitation Develop. Memorandum Account (DBSDMA)	\$1,021
14.	Economic Practicality Shortfall Memorandum Account (EPSMA)	\$326
15.	Emergency Customer Protection Memorandum Account (ECPMA)	\$354
16.	Enhanced Oil Recovery Account (EORA)	\$1,212
17.	Establishment of the Assembly Bill 802 Memorandum Account (AB802MA)	\$1,216
18.	General Rate Case Revenue Requirement Memorandum Account (GRCMA)	\$272,791
19.	Green House Gas Balancing Account (GHGBA)	(\$115,490)
20.	Hazardous Substance Cost-Recovery Account (HSCRA)	\$6,972
21.	Integrated Transmission Balancing Account (ITBA) ²	\$13,397
22.	Injection Enhancement Cost Memorandum Account (IECMA)	(\$206)
23.	Intervenor Award Memorandum Account (IAMA)	\$1,554
24.	Liability Insurance Premium Balancing Account (LIPBA)	(\$14,917)
25.	Master Meter Balancing Account (MMBA)	\$55,139
26.	Morongo Right of Way Memorandum Account (MROWMA)	\$55,117
27.	New Environmental Regulatory Balancing Account (NERBA)	(\$3,317)
28.	Noncore Fixed Cost Account (NFCA)	\$37,411
29.	Noncore Storage Balancing Account (NSBA)	(\$27,737)
30.	PBOP Balancing Account (PBOPBA)	(\$3,189)
31.	Pension Balancing Account (PBA)	\$17,609
32.	Percentage of Income Payment Plan Balancing Account (PIPPBA)	\$882
33.	Residential Disconnect Memorandum Account (RDMA)	\$10
34.	Residential Disconnect Protections Memorandum Account (RDPMA)	\$2,569
35.	Research Royalty Memorandum Account (RRMA)	(\$185)
36.	Residential Uncollectible Balancing Account (RUBA)	\$67,008
37.	Rewards & Penalties Balancing Account (RPBA)	(\$4,381)
38.	Safety Enhancement Capital Cost Balancing Account (SECCBA) ³	\$42,301
39.	Safety Enhancement Expense Balancing Account (SEEBA)	\$1,366
40.	San Joaquin Valley Disadvantaged Communities Bal Acct (SJV DACBA) - TTM subaccount	\$298
41.	System Operator Gas Account (SOGA)	\$1,046
42.	System Reliability Memorandum Account (SRMA)	\$15,083
43.	Wildfire Customer Protection Memorandum Account (WCPMA)	\$126
Total		\$395,168

Notes:

¹ Balances exclude Franchise Fees and Uncollectibles.

² Balance reflects combined SoCalGas & SDG&E ITBA Balanced re-allocated between utilities based on cold year throughput.

³ Balance excludes 2017 PSEP Forecast & 2018 Reasonableness Review.