

Company: Southern California Gas Company (U 904 G)/San Diego Gas & Electric
Company (U 902 M)
Proceeding: 2028 General Rate Case
Application: A.26-06-014/015
Exhibit: SCG-20.1/SDGE-24.1

**REVISED PREPARED DIRECT TESTIMONY OF EDUARDO J.
MARTINEZ**

(ESCALATION AND GAS CUSTOMER FORECAST)

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



September 2026

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SUMMARY

- Cost escalators are used to adjust for inflation the utility's labor, materials, and services costs from Base Year 2025 nominal dollars into Test Year 2028 nominal dollars, and for annual post-test year (PTY) adjustments.
- S&P Market Intelligence is used to forecast external national/regional-level utility industry cost inputs (except for represented labor costs, which use the utility's actual union contract escalations).
- To aggregate escalators, inputs are weighted based on the utility's actual Base Year 2025 expenses.
- SoCalGas active customers are forecasted to increase from 5.99 million in 2025 to 6.04 million in 2028.
- SoCalGas active customer growth is forecasted to be 0.43% in 2026, 0.27% in 2027, and 0.28% in 2028.
- SDG&E total customers are forecasted to increase from 919,724 in 2025 to 928,691 in 2028.
- SDG&E total customer growth is forecasted to be 0.30% in 2026, 0.32% in 2027, and 0.35% in 2028.

1 **REVISED PREPARED DIRECT TESTIMONY OF EDUARDO J. MARTINEZ**
2 **(ESCALATION AND GAS CUSTOMER FORECAST)**

3 **I. INTRODUCTION**

4 **A. Summary of Proposals**

5 My testimony presents Southern California Gas Company's (SoCalGas) and San Diego
6 Gas & Electric Company's (SDG&E) cost escalation factors and gas customer forecasts for the
7 Test Year (TY) 2028 General Rate Case (GRC) Application. I present the cost escalations as
8 reasonable forecasts that should be adopted by the California Public Utilities Commission
9 (CPUC or Commission) in determining SoCalGas's and SDG&E's TY 2028 revenue
10 requirement and annual post-test year (PTY) adjustments. SoCalGas and SDG&E seek the
11 adoption of these forecasts.

12 Per the Commission's 2007 Rate Case Plan, Decision (D.) 07-07-004, the escalation
13 factors discussed in this testimony will be updated after hearings and before implementation,
14 based on the same indexes used in the original presentation during hearings.

15 **B. Organization of Testimony**

16 Section II of my testimony discusses the cost escalation forecast. Section III discusses the
17 gas customer forecast. My testimony provides a forecast for active meters, which in turn is
18 assumed to translate into the total number of customers for financial planning purposes. As
19 such, meters and customers are used interchangeably herein.

20 **C. Support To/From Other Witnesses**

21 The cost escalation forecast is used to reflect the effect of external inflation on
22 SoCalGas's and SDG&E's labor operations and maintenance (O&M), non-labor O&M, and
23 capital-related costs. The customer forecast is used primarily to help determine financial needs
24 for certain customer services and new meter installations in TY 2028. For this purpose, total
25 customers are defined as total active meters. Needs related to new meter installations are
26 discussed in the Gas Distribution testimony (Exhibits (Ex.) SCG-04 and SDGE-04). The
27 customer forecast is also used to help determine office operations needs in the Customer Services
28 testimony (Ex. SCG-08 and SDGE-12), and to calculate revenues from service establishment
29 charges in the Miscellaneous Revenues testimony (Ex. SCG-26 and SDGE-31). The cost
30 escalation forecast is used in the following chapters; Compensation & Benefits (Ex. SCG-
31 16/SDGE-20), Corporate Center Administration (Ex. SCG-14/SDGE-18), Shared Services

(Ex. SCG-22/SDGE-27), Rate Base (Ex. SCG-23 and SDGE-28), and Summary of Earnings (Ex. SCG-27 and SDGE-32).

II. COST ESCALATION

A. Cost Escalation Methodology to Test Year 2028

SoCalGas and SDG&E request to include in its revenue requirement what expenses it expects to incur in 2025 for labor, materials, and services. It is necessary to account for the effects of inflation on SoCalGas's and SDG&E's expenses between 2025 and 2028. Cost escalators were used to adjust for inflation the costs from 2025 nominal dollars into TY 2028 nominal dollars, using various escalation series from S&P Global Market Intelligence. The SoCalGas and SDG&E forecasts incorporate utility cost escalators from S&P Global Market Intelligence's 4th Quarter 2025 Power Planner Forecast published in January 2026. The S&P Global Market Intelligence O&M escalators are based on recorded utility cost data gathered by the Federal Energy Regulatory Commission (FERC) according to its Uniform System of Accounts (FERC accounts), then forecasted by Global Insight by functional categories (*e.g.*, gas distribution, customer services, etc.) of grouped FERC accounts. Further details of data and weighting calculations are in the workpapers for this testimony, Ex. SCG-20-WP/SDGE-24-WP. The following sections provide additional details regarding the escalation methodologies, and the resulting labor O&M, non-labor O&M, and capital cost annual escalators are summarized in Tables EM-3a – EM 4b.

1. Labor O&M Escalation

SoCalGas's labor escalation index is a weighted average of three Global Insight wage and salary cost indexes: CEU4422000008, "Utility Service Workers" (weighted 44.193%); ECIPWMBFNS, "Managers and Administrators" (weighted 24.129%); and ECIPWPARNs, "Professional and Technical Workers" (weighted 31.679%). SDG&E's labor escalation index is a weighted average of the same three S&P Global Market Intelligence wage and salary cost indexes: CEU4422000008, "Utility Service Workers" (weighted 33.314%); ECIPWMBFNS, "Managers and Administrators" (weighted 27.014%); and ECIPWPARNs, "Professional and Technical Workers" (weighted 39.672%). The weightings are based on latest recorded-year 2025 labor earnings for the three corresponding categories of SoCalGas and SDG&E employees: (1) represented employees; (2) non-represented supervisory employees including managers, directors, and executives; and (3) non-represented, non-supervisory employees. The utility

service workers' portion incorporates wage increases already stipulated by labor contracts for SoCalGas's and SDG&E's represented employees from 2009 through 2028.

2. Non-Labor O&M Escalation

In the 2008 GRC Decision, D.08-07-046, SoCalGas and SDG&E were ordered to file subsequent GRCs using the "cost center" system of internal accounting and control rather than convert and allocate the O&M data to approximate the FERC accounts.¹ To be consistent with the cost center presentation requirements, SoCalGas and SDG&E have combined various weighted S&P Global Market Intelligence's utility cost series to develop a single escalation index for SoCalGas non-labor O&M expenses, labeled as "JGTOTALMSX_SCG" and single escalation indexes for non-labor O&M gas and non-labor O&M electric expenses, labeled as "JGTOTALMSX_SD" and "JETOTALMSX_SD," respectively. These indexes' component weights are based on SoCalGas's and SDG&E's recorded Base Year 2025 expenses. Table EM-1 shows each component's weighting in JGTOTALMSX_SCG, its series name, and description.

TABLE EM-1
S&P Global Market Intelligence's Series Components in SoCalGas' Non-Labor O&M Cost Index

<u>Weight</u>	<u>Series Name</u>	<u>Description</u>
100.00%	JGTOTALMSX_SCG	SoCalGas Composite Gas Non-Labor O&M Index
7.09%	JGUSOMMS	Gas Storage (underground)
34.77%	JGTOMMS	Gas Transmission
28.28%	JGDOMMS	Gas Distribution
8.00%	JGCAOMS	Gas Customer Accounts
2.01%	JGCSIOMS	Gas Customer Service & Information
19.85%	JGADGOMMS_X926	Gas Admin & General, excluding Pensions & Benefits

Table EM-2 shows components' weightings in JETOTALMSX_SCG and JGTOTALMSX_SD, their series names, and descriptions.

¹ D.08-07-046 at 10-11, 106 (Ordering Paragraph (OP) 22).

TABLE EM-2
S&P Global Market Intelligence's Series Components in SDG&E's Non-Labor O&M Cost Index

<u>Weight</u>	<u>Series Name</u>	<u>Description</u>
100.00%	JETOTALMSX_SD	SDG&E Composite Electric Non-Labor O&M Index
3.74%	JEFOMMS	Electric Steam Generation
5.05%	JEOOMMS	Electric Other Generation
63.64%	JEDOMMS	Electric Distribution
4.03%	JECAOMS	Electric Customer Accounts
4.04%	JECSIOMS	Electric Customer Service & Information
19.50%	JEADGOMMS_X926	Electric Administrative & General, excluding Pensions & Benefits
100.00%	JGTOTALMSX_SD	SDG&E Composite Gas Non-Labor O&M Index
48.45%	JGTOMMS	Gas Transmission
19.35%	JGDOMMS	Gas Distribution
5.48%	JGCAOMS	Gas Customer Accounts
2.28%	JGCSIOMS	Gas Customer Service & Information
24.43%	JGADGOMMS_X926	Gas Admin & General, excluding Pensions & Benefits

All the component cost escalators in Tables EM-1 and EM-2 come from S&P Global Market Intelligence's utility O&M cost model, except for the Administrative & General (A&G) series. Most of SoCalGas's and SDG&E's pensions and benefits costs (FERC Account 926) are treated separately and are therefore excluded from regular cost escalations. Pensions have separate balancing account treatment, as discussed in the Corporate Center – Pensions and PBOPs testimony (Ex. SCG-17/SDGE-21). Employee medical expenses (FERC Account 926.3) are also treated separately and are discussed in the Compensation & Benefits testimony (Ex. SCG-16/SDGE-20). The Pensions and Benefits cost component was removed from S&P Global Market Intelligence's two utility A&G cost series JEADGOMMS and JGADGOMMS. The resulting adjusted series JEADGOMMS_X926 and JGADGOMMS_X926 were used to escalate

1 non-labor, non-FERC Account 926 A&G electric costs (SDG&E) and gas costs (SoCalGas and
2 SDG&E), respectively.

3 The single cost escalation series for SoCalGas's and SDG&E's shared services and
4 working cash was based on a weighted average of labor and non-labor O&M indexes. SoCalGas
5 weights were based on actual 2025 SoCalGas shared-service cost charges by FERC account to
6 labor (weighted 45.48%) and to the six non-labor cost categories (weighted an aggregate total of
7 54.52%) described above in Table EM-1. SDG&E weights were based on actual 2025 SDG&E
8 shared-service cost charges by FERC account to labor (weighted 34.07%) and to the non-labor
9 cost categories (weighted an aggregate total of 65.93%) described above in Table EM-2.

10 **3. Capital Cost Escalation**

11 The construction cost index used by SoCalGas and forecasted by S&P Global Market
12 Intelligence is based on the recorded Handy-Whitman Index² cost series for the Pacific Region
13 (encompassing the states of California, Oregon, and Washington). The forecasted S&P Global
14 Market Intelligence utility construction cost series JUG@PCF, "Total Gas Plant, Pacific
15 Region," was used to escalate SoCalGas's capital construction costs.

16 The escalation series for SDG&E Electric Plant was calculated as a weighted average of
17 the three S&P Global Market Intelligence indexes "Electric Distribution Plant" (JUEPD@PCF),
18 "Steam Production Plant" (JUEPPF@PCF), and "Other Production Plant" (JUEPPO@PCF).
19 The weightings are based on SDG&E's 2025 Rate Base for electric distribution (94.8%), natural
20 gas electric generation (4.9%), and for solar electric generation (0.3%).

21 The escalation index for common plant (that includes both electric and gas assets) was
22 developed using a weighted average of JUG@PCF (29.8%), JUEPD@PCF (55.7%), and S&P
23 Global Market Intelligence's construction cost index for electric transmission plant
24 JUEPT@PCF (14.5%). The weights are SDG&E's common-plant allocation factors based on
25 actual 2025 cost data.

26 For electric generation, combined-cycle plant construction cost escalation is applied to
27 the Palomar Generating Facility (Palomar) expenditures. This escalator is a weighted average of
28 the two S&P Global Market Intelligence series JUEPPF@PCF (weighted 75.8%) and

² The Handy-Whitman Indexes tracks recorded cost trends for different types of utility construction. They are updated and published every six months by the firm of Whitman, Requardt and Associates (WRA) of Baltimore, Maryland.

JUEPPO@PCF (weighted 24.2%) - defined as Pacific Region plant construction cost indexes for “Total Steam Production” and “Total Other Production,” respectively. The weightings are based on SDG&E Accounting Operations’ calculated acquisition values of Palomar’s asset classes.

B. Post-Test Year Cost Escalators

Beyond TY 2028, SoCalGas and SDG&E propose that its base margin revenue requirements be updated each year according to the PTY ratemaking mechanism described in the Post-Test Year Ratemaking testimony (Ex. SCG-28 and SDGE-33).

A gas O&M utility input price index (GOMPI) is calculated by SoCalGas and used to adjust O&M expenses to reflect the expected cost inflation of goods and services comprising inputs that SoCalGas and SDG&E will use to serve its customers. The GOMPI’s underlying PTY escalation indexes are the same O&M indexes described in Section II for escalations from 2025 to TY 2028. Based on SoCalGas’s recorded 2025 expenses, the SoCalGas gas labor index is weighted 53.5%, and the non-labor O&M cost index JGTOTALMSX_SCG is weighted 46.5%, to form a single GOMPI. Based on SDG&E’s recorded 2025 expenses, the gas labor index is weighted 51.3%, and the non-labor O&M cost index JGTOTALMSX_SD is weighted 39.0%, to form a single GOMPI.

Tables EM-3a and EM-3b show index values and annual percentage changes respectively for each cost escalator.

TABLE EM-3a
SoCalGas Summary of Cost Escalation Indexes

<i>Annual Percent Changes</i>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<u>Shared Services</u>	0.9021	0.9371	0.9671	1.0000	1.0297	1.0581	1.0861	1.1120	1.1396	1.1683
<u>Operations & Maintenance</u>										
Labor O&M Index	0.8925	0.9259	0.9583	1.0000	1.0411	1.0815	1.1215	1.1551	1.1889	1.2230
Gas Nonlabor O&M Index	0.9267	0.9522	0.9728	1.0000	1.0233	1.0416	1.0579	1.0762	1.0987	1.1249
Post-Test Year GOMPI	0.9084	0.9381	0.9650	1.0000	1.0328	1.0629	1.0920	1.1184	1.1470	1.1774
<u>Capital-Related</u>										
Total Gas Plant	0.8184	0.9467	0.9579	1.0000	1.0028	0.9992	1.0061	1.0237	1.0419	1.0618

TABLE EM-3b
SoCalGas Summary of Cost Escalation Indexes Percent Change

<i>Annual Percent Changes</i>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<u>Shared Services</u>	5.3%	3.9%	3.2%	3.4%	3.0%	2.7%	2.6%	2.4%	2.5%	2.5%
<u>Operations & Maintenance</u>										
Labor O&M Index	3.7%	3.7%	3.5%	4.3%	4.1%	3.9%	3.7%	3.0%	2.9%	2.9%
Gas Nonlabor O&M Index	12.0%	2.8%	2.2%	2.8%	2.3%	1.8%	1.6%	1.7%	2.1%	2.4%
Post-Test Year GOMPI	7.5%	3.3%	2.9%	3.6%	3.3%	2.9%	2.7%	2.4%	2.6%	2.6%
<u>Capital-Related</u>										
Total Gas Plant	16.3%	15.7%	1.2%	4.4%	0.3%	-0.4%	0.7%	1.7%	1.8%	1.9%

Tables EM-4a and EM-4b show index values and annual percentage changes respectively for each cost escalator.

TABLE EM-4a
SDG&E Summary of Cost Escalation Indexes

<i>Annual Percent Changes</i>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<u>Shared Services</u>	0.8993	0.9394	0.9712	1.0000	1.0239	1.0466	1.0690	1.0925	1.1179	1.1446
<u>Operations & Maintenance</u>										
Labor O&M Index	0.8895	0.9287	0.9640	1.0000	1.0347	1.0682	1.1008	1.1329	1.1654	1.1992
Electric Nonlabor O&M Index	0.9084	0.9527	0.9703	1.0000	1.0184	1.0300	1.0435	1.0590	1.0782	1.0991
Gas Nonlabor O&M Index	0.9243	0.9519	0.9728	1.0000	1.0232	1.0412	1.0574	1.0757	1.0981	1.1240
Post-Test-Year GEOMPI	0.9003	0.9403	0.9673	1.0000	1.0272	1.0506	1.0742	1.0985	1.1248	1.1528
<u>Capital-Related</u>										
Steam Production Plant	0.8791	0.9291	0.9784	1.0000	1.0235	1.0342	1.0425	1.0468	1.0540	1.0698
Other Production Plant	0.7544	0.8600	0.9351	1.0000	1.0517	1.0962	1.1316	1.1467	1.1488	1.1478
Electric Distribution Plant	0.7277	0.8727	0.9648	1.0000	1.0419	1.0760	1.0996	1.1188	1.1399	1.1636
Electric Plant	0.7351	0.8754	0.9654	1.0000	1.0410	1.0741	1.0969	1.1153	1.1357	1.1590
Total Gas Plant	0.8184	0.9467	0.9579	1.0000	1.0028	0.9992	1.0061	1.0237	1.0419	1.0618
Combined Cyle Plant	0.8490	0.9124	0.9679	1.0000	1.0303	1.0492	1.0640	1.0709	1.0769	1.0887
Common Plant	0.7677	0.9008	0.9640	1.0000	1.0296	1.0490	1.0650	1.0818	1.1004	1.1212

TABLE EM-4b
SDG&E Summary of Cost Escalation Indexes Percent Change

<i>Annual Percent Changes</i>	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<u>Shared Services</u>	5.4%	4.5%	3.4%	3.0%	2.4%	2.2%	2.1%	2.2%	2.3%	2.4%
<u>Operations & Maintenance</u>										
Labor O&M Index	4.2%	4.4%	3.8%	3.7%	3.5%	3.2%	3.1%	2.9%	2.9%	2.9%
Electric Nonlabor O&M Index	13.9%	4.9%	1.9%	3.1%	1.8%	1.1%	1.3%	1.5%	1.8%	1.9%
Gas Nonlabor O&M Index	11.8%	3.0%	2.2%	2.8%	2.3%	1.8%	1.6%	1.7%	2.1%	2.4%
Post-Test-Year GEOMPI	8.6%	4.4%	2.9%	3.4%	2.7%	2.3%	2.2%	2.3%	2.4%	2.5%
<u>Capital-Related</u>										
Steam Production Plant	10.1%	5.7%	5.3%	2.2%	2.3%	1.0%	0.8%	0.4%	0.7%	1.5%
Other Production Plant	13.7%	14.0%	8.7%	6.9%	5.2%	4.2%	3.2%	1.3%	0.2%	-0.1%
Electric Distribution Plant	14.9%	19.9%	10.6%	3.6%	4.2%	3.3%	2.2%	1.7%	1.9%	2.1%
Electric Plant	14.6%	19.1%	10.3%	3.6%	4.1%	3.2%	2.1%	1.7%	1.8%	2.0%
Total Gas Plant	16.3%	15.7%	1.2%	4.4%	0.3%	-0.4%	0.7%	1.7%	1.8%	1.9%
Combined Cycle Plant	10.9%	7.4%	6.1%	3.3%	3.0%	1.8%	1.4%	0.6%	0.6%	1.1%
Common Plant	14.9%	17.3%	6.9%	3.7%	2.9%	1.9%	1.5%	1.6%	1.7%	1.9%

III. GAS CUSTOMER FORECAST

A. SoCalGas Recorded Data and Forecast of Customers

SoCalGas year-average total active customers are forecasted to increase from 5.99 million in 2025 to 6.04 million in 2028. This represents a total three-year increase of 58,497 customers and a compound annual growth rate of 0.27 percent. Table EM-5 shows year-average total active customers' recorded data from 2021 through 2025 and forecasted data from 2026 through 2028. The definitions, process, and methodology by which this forecast was derived are described in Section III.B.

TABLE EM-5
SoCalGas Average Annual Total Active Meters

Year	Active Meters	Annual % change
2021	5,873,509	0.47%
2022	5,873,509	0.70%
2023	5,951,315	0.62%
2024	5,981,643	0.51%
2025	5,986,328	0.08%
2026	6,011,992	0.43%
2027	6,028,212	0.27%
2028	6,044,842	0.28%

B. SoCalGas Forecast Methodology

1. General Description

For SoCalGas, the total customer count is the sum of separate forecasts for six segments of customers: residential single-family, residential multi-family, residential master meter, commercial, and industrial.³ For the residential single-family and multi-family market segments, SoCalGas uses housing starts as the basis for its forecast.⁴ Recorded and forecasted housing-start assumptions underlying the residential customer forecast came from S&P Global Market Intelligence's February 2026 forecast (the aggregate of the 11-main counties in which SoCalGas serves customers).⁵ SoCalGas determined that new residential housing construction, as measured by housing starts, remains a significant statistical determinant of new residential meter growth. SoCalGas adjusted its residential meter forecast to reflect reduced growth in new multifuel homes.

SoCalGas uses econometric and statistical techniques to develop quarterly-data customer forecasts (residential single-family, residential multi-family, commercial, and industrial customers for SoCalGas) based on the data discussed above. The econometric models are linear. Once a fitted relationship is established, a comparison is made between the historical data and the predicted values for the most recent observed historical period. As a final step, the forecasts are calibrated to match the last recorded actuals, so the forecast and the historical trend are

³ SoCalGas notes that it will migrate to a new historical database of meters (Vista) in September 2026, which may result in a change of how meter history is presented.

⁴ Residential master meter forecasts are discussed below in section III.B.2.

⁵ The 11-main counties include Imperial, Kern, Kings, Los Angeles, Orange, Riverside, San Bernardino, San Luis Obispo, Santa Barbara, Tulare, and Ventura counties.

consistent. Detailed equations, methods, and data are shown in my workpapers in Ex. SCG-20-WP/SDGE-24-WP.

2. Residential Customers

Connected residential single-family and multi-family customers for SoCalGas are a function of lagged authorized housing starts. A small third sector of the SoCalGas residential class – master meter customers (including sub-metered customers) – is forecasted to decline at a constant annual rate, consistent with its decline in recent recorded years as some existing master meters are gradually converted to individual meters.

3. Industrial Customers

The industrial class is defined as customers associated with the industrial sectors of the North American Industry Classification System (NAICS).⁶ Businesses classified in this market segment include, but are not limited to, areas such as chemical, food processing, mining, textile manufacturing, and transportation equipment. Industrial customers are forecasted to decline at a constant annual rate, consistent with their customer decline in recent recorded years.

4. Commercial Customers

The commercial class is defined as all other non-residential and non-industrial customers except for customers in the natural gas vehicle (NGV) fueling, electric generation, and wholesale sectors. Businesses classified in this market segment include, but are not limited to, areas such as construction, health care, laundry, lodging, office, restaurants, and retail.

5. Connected Customers Split to Active and Inactive

Once the number of connected SoCalGas meters is forecasted for each customer class, it is split into active and inactive meters, where inactive meters are those with no billed gas use during a billing period. Inactive meters are forecasted by applying a factor to each customer class of forecasted connected meters. The factor used to separate out inactive customers for the forecast period is based on a five-year average period of the inactive meters' share in total connected meters. The number of active meters is equal to the number of connected meters, less than the number of inactive meters. Table EM-6 shows each customer class with its historical 2025 active meters and the percentage of its connected meters that were active.

⁶ U.S. Census, *North American Industry Classification System*, available at: <https://www.census.gov/naics/>.

TABLE EM-6
SoCalGas Average 2025 Active Versus Connected Meters (Recorded Values)

Customer Class	Active Customers (Millions)	% of Connected
Residential Single-Family	3.86	98.42%
Residential Multifamily	1.88	95.73%
Commercial	0.19	74.78%
Industrial	0.01	60.39%
TOTAL	5.95	96.47%

Table EM-7 shows the average annual meters by customer class for the historical year 2025, plus the three-year forecast for 2026-2028.

TABLE EM-7
SoCalGas Average Annual Active Meters by Customer Class⁷

Active Gas Customers	2025	2026	2027	2028	Total Change 2025 to 2028
Residential single-family	3,863,586	3,879,654	3,894,025	3,908,852	45,266
Residential multi-family	1,883,368	1,891,659	1,893,792	1,895,891	12,524
Residential master meter	38,427	38,383	38,340	38,297	-130
Commercial	186,267	187,893	187,925	187,936	1,669
Industrial	14,307	14,024	13,747	13,475	-833
NGV	373	378	384	390	17
TOTAL	5,986,328	6,011,992	6,028,212	6,044,842	58,514

C. SDG&E Recorded Data and Forecast of Customers

SDG&E year-average total active core customers are forecasted to increase from 919,724 in 2025 to 929,691 in 2028. This represents a total three-year increase of 8,967 customers and a compound annual growth rate of 0.32 percent. Table EM-8 shows year-average total customers' recorded data from 2021 through 2025 and forecasted data from 2026 through 2028. The definitions, process, and methodology by which this forecast was derived are described in Section III.D.

⁷ This table does not include Annual Average Active Natural Gas Vehicle (NGV) meters, as this meter forecast was not received in time to be included in impacted cost forecasts. As such, cost forecasts that were included in the 2028 Test-Year Application revenue requirement calculation and utilize the gas meter forecast do not account for NGV meters. Any applicable updates will be included in the revenue requirement at the next available opportunity.

TABLE EM-8
SDG&E Average Annual Total Meters

Year	Active Meters	Annual % change
2021	903,652	0.66%
2022	908,086	0.49%
2023	912,608	0.50%
2024	916,995	0.48%
2025	919,724	0.30%
2026	922,519	0.30%
2027	925,472	0.32%
2028	928,691	0.35%

D. SDG&E Forecast Methodology

1. General Description

For SDG&E, the total core customer count is the sum of separate forecasts for six segments of customers: total residential, combined core commercial and industrial, natural gas vehicle (NGV), and electric generation. For the residential, SDG&E uses housing starts as the basis for its forecast.⁸ Recorded and forecasted housing-start assumptions underlying the residential customer forecast came from S&P Global Market Intelligence's February 2026 San Diego County forecast. SDG&E determined that new residential housing construction, as measured by housing starts, remains a significant statistical determinant of new residential meter growth. SDG&E adjusted its residential meter forecast to reflect reduced growth in new multifuel homes.

SDG&E uses econometric and statistical techniques to develop quarterly-data customer forecasts (residential single-family, residential multi-family, commercial, and industrial customers for SDG&E) based on the data discussed above. The econometric models are linear. Once a fitted relationship is established, a comparison is made between the historical data and the predicted values for the most recent observed historical period. As a final step, the model forecasts are calibrated to match the last recorded actuals, so the forecast and the historical trend are consistent. Detailed equations, methods, and data are shown in my workpapers in Ex. SCG-20-WP/SDGE-24-WP.

⁸ Residential master meter forecasts are discussed below in Section III.B.2.

2. Residential Customers

Total residential customers for SDG&E are a function of lagged authorized housing starts. The database used for historical SDG&E meters does not differentiate between active and connected meters.

3. Core Commercial and Industrial Customers

SDG&E's core commercial and industrial customers are reported in a combined category and are based on non-residential tariffs.

TABLE EM-9
SDG&E Average Annual Active Meters by Customer⁹

Active Gas Customers	2025	2026	2027	2028	Total Change 2025 to 2028
Residential	888,781	891,532	894,487	897,710	8,929
Core Commercial & Industrial	30,739	30,784	30,781	30,777	38
NGV	37	37	37	37	0
Noncore C&I	67	67	67	67	0
Electric Generation	99	99	99	99	0
TOTAL	919,724	922,519	<u>925,472</u>	<u>928,691</u>	<u>8,967</u>

IV. CONCLUSION

SoCalGas's and SDG&E's cost escalation forecast projects expenses to increase based on the methodology discussed in Section II above. SoCalGas's customer forecast model projects growth in total active meters to increase from 6.0 million in 2025 to 6.04 million in 2028. SDG&E's customer forecast model projects growth in total meters to increase from 919,724 in

⁹ This table does not include Annual Average Active Natural Gas Vehicle (NGV), Noncore Commercial and Industrial (C&I), or Electric Generation meters, as this meter forecast was not received in time to be included in impacted cost forecasts. As such, cost forecasts that were included in the 2028 Test-Year Application revenue requirement calculation and utilize the gas meter forecast do not account for NGV, Noncore C&I, or Electric Generation meters. Any applicable updates will be included in the revenue requirement at the next available opportunity.

1 2025 to 929,691 in 2028. Based on the foregoing, SoCalGas and SDG&E request that the CPUC
2 adopt these forecasts.

3 This concludes my direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Eduardo Martinez. I am employed by SoCalGas as a Gas Demand Forecast
3 Manager and perform natural gas demand forecast for both SoCalGas and SDG&E. My business
4 address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I received a Bachelor's
5 degree in International Business from California State University Fullerton and Master's degree
6 in Economics from California State University Long Beach. Prior to SoCalGas, I worked in
7 economist and load forecasting positions at Southern California Edison, Moody's Analytics, Los
8 Angeles County Economic Development Corporation, State Department, and Bureau of Labor
9 Statistics.

10 I have previously testified before the Commission.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A

Glossary of Terms

ACRONYM	DEFINITION
CPUC	California Public Utilities Commission
D.	Decision
FERC	Federal Energy Regulatory Commission
GOMPI	Gas O&M Utility Unit Price Index
GRC	General Rate Case
NAICS	North American Industry Classification System
NGV	Natural Gas Vehicle
O&M	Operations and Maintenance
OP	Ordering Paragraph
PTY	Post-Test Year
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TY	Test Year

SCG and SDG&E 2028 GRC Testimony Revision Log – September 2026

Page	Line or Table	Revision Detail
ii	Bullet 6	Changed 919,520 to 919,724 and 928,487 to 928,691
ii	Bullet 7	Changed “active” to “total”
2	Lines 9, 10-11, and 25	Added “Market Intelligence”
2	Lines 11-12	Added “S&P Global Market Intelligence”, removed “Global Insight”
3	Lines 8 and 15	Added “Market Intelligence”
4	Table EM-2	Added “Market Intelligence” to table title
4	Lines 5 and 12	Added “Market Intelligence”
5	Lines 11-12, 14, 17, 23, and 28	Added “Market Intelligence”
6	Lines 16-18	Deleted “For implementation and ease of calculation in PTY adjustments, the values of GOMPI and its component indexes will be re-based from BY 2025 = 1.0000 to TY 2028 = 1.0000.”
9	Table EM-5	Removed J from table number. Corrected all Active Meter counts.
9	Lines 9-10	Added “Market Intelligence”
10	Line 28	Changed 2024 to 2025.
11	Table EM-7	Added NGV row. Updated Total row.
11	Lines 8-9	Changed 919,358 to 919,724 and 929,106 to 929,691.
11	Line 9	Changed 9,748 to 8,967
11	Line 10	Changed 0.35 to 0.32
12	Table EM-8	Corrected all Active Meter counts.
12	Line 9	Added “Market Intelligence”
13	Table EM-9	Added NGV, Noncore C&I, and Electric Generation rows. Updated Total row.
13	Line 15	Changed 919,722 to 919,724
14	Line 1	Changed 929,689 to 919,691