Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015
Exhibit: SCG-29-R-E

**REVISED**

**PREPARED DIRECT TESTIMONY OF**

**SARA P. MIJARES**

**(ADMINISTRATIVE AND GENERAL)**

ERRATA

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

**May 2023**

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## SUMMARY

**Test Year (TY) 2024 Summary of Total O&M Costs excluding Franchise Fees**

| ADMINISTRATIVE & GENERAL (In 2021 $) | 2021 Adjusted-Recorded (000s) | TY2024 Estimated (000s) | Change (000s) |
|---|---|---|---|
| Total Non-Shared Services | 33,914 | 41,231 | 7,317 |
| Total Shared Services (Incurred) | 5,450 | 5,946 | 496 |
| **Total O&M** | **39,364** | **47,177** | **7,813** |

**Summary of Franchise Fees**

| ADMINISTRATIVE & GENERAL (In 2021 $) | Estimated 2022 (000s) | Estimated 2023 (000s) | Estimated TY2024 (000s) |
|---|---|---|---|
| Franchise Fees | 43,939 | 47,140 | 52,684 |

**Summary of IT Capital Costs**

| ADMINISTRATIVE & GENERAL (In 2021 $) | Estimated 2022 (000s) | Estimated 2023 (000s) | Estimated TY2024 (000s) |
|---|---|---|---|
| IT Capital Projects | 7,954 | 51,757 | 32,415 |

## Summary of Requests

Southern California Gas Company's (SoCalGas or the Company) forecasted Test Year (TY) 2024 request for Administrative and General (A&G) is $47.249 million as compared to 2021 adjusted recorded of $39.419 million for an increase of $7.829 million. Collectively, the Accounting and Finance (A&F), Legal, Business Strategy and Energy Policy (BSEP), Regulatory Affairs, and External Affairs costs are known as A&G costs. The A&G costs included in this request are direct operations and maintenance (O&M) costs. This testimony also forecasts the Franchise Fees expense and provides business justification for four information technology (IT) capital projects. The following testimony supports the forecast of costs related to accounting functions, including internal controls, meeting regulatory and legal requirements, managing third-party claims and payments, and supporting internal clients and external stakeholders.

**REVISED PREPARED DIRECT TESTIMONY OF**
**SARA P. MIJARES**
**(ADMINISTRATIVE & GENERAL)**

# I. INTRODUCTION

## A. Summary of Administrative & General Costs and Activities

My testimony supports the TY 2024 forecasts for O&M costs (for both non-shared and shared services) associated with the A&G area and Franchise Fees for SoCalGas. Table SM-1 and SM-2 below summarize my sponsored costs. A&G functions include accounting, financial and business planning, regulatory support and analysis, case management, legal, business strategy and energy policy, community relations and communications. These functions are necessary in order to attend to our customers, maintain our internal controls, support internal clients and external stakeholders, and meet accounting/regulatory/legal requirements.

In general, expenses attributable to Utility operations are above-the-line and recoverable in rates. Consistent with California Public Utilities Commission (CPUC or Commission) requirements, certain SoCalGas costs are borne solely by shareholders. Those costs include below-the-line (BTL) costs and other non-recoverable expenses (*e.g*., Senate Bill (SB) 901) as determined by the Commission. Examples of such expenses include: (1) political activities; (2) political contributions and memberships; (3) charitable contributions; (4) penalties; and (5) other activities not attributable to Utility operations. In this General Rate Case (GRC) Application, SoCalGas has made adjustments to determine the appropriate amount of BTL and other non-recoverable expenses to be excluded from this GRC. Adjustments have been reflected in my workpapers (*See* Exhibit (Ex.) SCG-29-WP).

The tables that follow within this testimony include both the shared and non-shared service costs. Shared services provide services to/from San Diego Gas & Electric Company (SDG&E), Sempra Energy Corporate Center (Sempra or Corporate Center), and affiliated companies. Services provided to the affiliated companies are permissible services under the CPUC Affiliate Transactions Rules (ATRs). Generally, cost centers in the same department use the same allocation methodology; however, in some cases the allocation methodologies can differ. The allocation methodologies for each cost center can be found in my workpapers (*See* Ex. SCG-29-WP). I am sponsoring the forecasts on a total incurred basis and the shared services allocation percentages related to those costs. The percentages are presented in my shared services workpapers (*See* Ex. SCG-29-WP). The costs that are sponsored in this testimony include costs prior to the allocation to/from SoCalGas, Corporate Center, and affiliates. The dollar amounts allocated to affiliates are presented in the Shared Services Billing, Shared Assets Billing, Segmentation, and Capital Reassignments testimony of Angel N. Le and Paul D. Malin (See Ex. SCG-30/Ex. SDG&E-34).

Test Year 2024 Summary of Total Costs excluding Franchise Fees

**TABLE SM-1**

| ADMINISTRATIVE & GENERAL (In 2021 $) | 2021 Adjusted-Recorded (000s) | TY2024 Estimated (000s) | Change (000s) |
|---|---|---|---|
| Total Non-Shared Services | 33,914 | 41,231 | 7,317 |
| Total Shared Services (Incurred) | 5,450 | 5,946 | 496 |
| **Total O&M** | **39,364** | **47,177** | **7,813** |

**Summary of Franchise Fees**
**TABLE SM-2**

| ADMINISTRATIVE & GENERAL (In 2021 $) | Estimated 2022 (000s) | Estimated 2023 (000s) | Estimated TY2024 (000s) |
|---|---|---|---|
| Franchise Fees | 43,939 | 47,140 | 52,684 |

### B. Support To and From Other Witnesses

My testimony also references the testimony and workpapers of several other witnesses, either in support of their testimony or as referential support for mine. Those witnesses are Gregory S. Flores (Exhibit SCG-03, Chapter 2, RAMP to GRC Integration), Angel N. Le (Exhibit SCG-30, Shared Services Billing, Shared Assets Billing and Capital Reassignments) and William J. Exon (Exhibit SCG-21, Chapter 2, Information Technology).

### C. Organization of Testimony

In the remainder of my testimony, I summarize the part of my request that is linked to safety culture. Then I address the Company's A&G request by divisions in Table SM-3 below. I will provide summary tables for each corresponding division (and subdivisions), which will include costs for both Utility Shared Services (USS) and Non-Shared Services (NSS). Lastly, this testimony also forecasts the Franchise Fees expense and provides business justification for four IT capital projects. The testimony will end with a conclusion as well as my witness qualifications.

**TABLE SM-3**
**TY 2024 Summary of Total Costs excluding Franchise Fees**

| **ADMINISTRATIVE & GENERAL (In 2021 $)** | **2021 Adjusted-Recorded (000s)** | | | **TY2024 Estimated (000s)** | | | **Change (000s)** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **NSS** | **USS** | **Total** | **NSS** | **USS** | **Total** | **NSS** | **USS** | **Total** |
| III. ACCOUNTING AND FINANCE DIVISION | 14,083 | - | 14,083 | 15,737 | - | 15,737 | 1,654 | - | 1,654 |
| IV. LEGAL DIVISION | 14,029 | 1,461 | 15,490 | 17,210 | 1,638 | 18,848 | 3,181 | 178 | 3,358 |
| V. BUSINESS STRATEGY & ENERGY POLICY DIVISION | 2,825 | - | 2,825 | 4,814 | - | 4,814 | 1,989 | - | 1,989 |
| VI. REGULATORY AFFAIRS DIVISION | 834 | 3,990 | 4,824 | 1,016 | 4,308 | 5,324 | 182 | 318 | 500 |
| VII. EXTERNAL AFFAIRS DIVISION | 2,143 | - | 2,143 | 2,454 | - | 2,454 | 311 | - | 311 |
| **Total O&M** | **33,914** | **5,451** | **39,365** | **41,231** | **5,946** | **47,178** | **7,317** | **496** | **7,813** |

## II. SAFETY CULTURE

A&G expenses are of a general nature and are not directly chargeable to any specific utility function. They include general office labor and supply expenses, including items such as consultants, employee benefits, and regulatory expenses. These and other A&G expenses support the Company's ability to provide safe and reliable gas transportation and distribution.

The Accounting and Finance (A&F), Legal, Regulatory Affairs, Business Strategy & Energy Policy (BSEP) and External Affairs divisions for SoCalGas drive safety culture in important ways. These divisions work toward creating and fulfilling the safety culture strategies and objectives of SoCalGas. The Controller's office makes sure that resources are being deployed effectively in the manner that they were intended. The Finance function oversees that the financial planning process incorporates safety into the resource allocation process and finds methods to finance and plan for important safety improvements. Finally, Legal, Regulatory Affairs, BSEP, and External Affairs work to integrate the demands of important external legal, legislative, environmental, and regulatory stakeholders. They also work toward providing input into the regulatory, environmental, and legislative process to improve the safety of the natural gas systems, and they are the channels to communicate to these stakeholders when issues arise.

Included in my testimony are a few examples of activities, efforts, and initiatives that are undertaken or proposed that will further develop, implement, and support the safety culture at SoCalGas.

- Innovation Support is a department that helps reduce the potential impact that major incidents have on normal operations and reduces potential business interruptions. Innovation Support will work collaboratively with the Risk Management, Emergency Services, and the Safety & Wellness departments to coordinate with individual business units on identifying historical major incidents (*e.g.*, enterprise-wide IT outage, high pressure line struck in Visalia) to develop proactive response plans of support and incident mitigations measures.

- Financial and Strategic Analysis conducts financial modeling and analysis to support business cases and financial plans for incremental projects, such as investments in the energy delivery infrastructure to improve safety and reliability. The group maintains the financial evaluation model that is utilized Company-wide, thereby applying consistent economic, regulatory, and financial assumptions to be used for the evaluation of SoCalGas' capital projects.

- The Claims Management Department is responsible for investigating and managing the claims process. In doing so, the Claims Management Department also conducts loss control and prevention activities intended to help prevent and reduce accidents, which mitigate utility operational expenses, reduce customer costs, and promote public safety.

- The Regulatory and Legal areas of SoCalGas advise management and operational groups within SoCalGas on new rules, regulations, tariffs, rate issues, initiatives, and investigations at the regulatory agencies that have regulatory authority over SoCalGas. Many of these requirements have safety-related aspects to them. Understanding and complying with regulations and requirements also builds and sustains a culture of safety.

- Finally, External Affairs builds and maintains relationships with key stakeholders, communities, and customer organizations to provide clear and transparent communication as well as to inform customers, stakeholders, and the public on safety-related issues.

# III. ACCOUNTING AND FINANCE DIVISION

## A. Introduction

The A&F division is comprised of the following departments, which are described in greater detail below:

- Controller & Chief Financial Officer (CFO);
- Accounting Operations;
- Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing (ABC);
- Innovation Support;
- Finance; and
- Financial and Operational Planning.

Due to an increased level of support needed to address accounting and regulatory compliance, the A&F division has experienced increasing costs associated with the services it provides. In addition, A&F expects increased cost pressures in the future to implement and manage more rigorous accounting procedures and standards, implement the necessary tools to file regulatory financial accountability reports, enhance records management for regulatory standards, and other accounting and regulatory initiatives issued by the Securities Exchange Commission (SEC), CPUC and the other prominent accounting or regulatory governing bodies. TY 2024 forecasts estimate costs to be $15.737 million compared to the 2021 adjusted-recorded costs of $14.083 million. This overall increase of $1.654 million or 12% is primarily due to adding back the full-year impact of full-time equivalents (FTEs) vacant during this period and incremental headcount.

**TABLE SM-4**
**Accounting and Finance Division Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| B. Controller & CFO | 378 | - | 378 | 616 | - | 616 | 237 | - | 237 |
| C. Accounting Operations | 4,495 | - | 4,495 | 4,837 | - | 4,837 | 342 | - | 342 |
| D. Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing | 1,551 | - | 1,551 | 1,792 | - | 1,792 | 241 | - | 241 |
| E. Innovation Support | 83 | - | 83 | 309 | - | 309 | 226 | - | 226 |
| F. Finance | 2,049 | - | 2,049 | 2,247 | - | 2,247 | 198 | - | 198 |
| G. Financial & Operational Planning | 5,526 | - | 5,526 | 5,937 | - | 5,937 | 410 | - | 410 |
| **Total** | **14,083** | **-** | **14,083** | **15,737** | **-** | **15,737** | **1,654** | **-** | **1,654** |

## B. Controller & CFO

**TABLE SM-5**
**VP A&F Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| B. Controller & CFO | 378 | - | 378 | 616 | - | 616 | 237 | - | 237 |

### 1. Description of Costs and Underlying Activities

For TY 2024, the Controller & CFO department requests $0.616 million, which represents an increase of $0.237 million from 2021 adjusted-recorded costs. The organization has approximately 140 professional, administrative, and clerical employees.

The Controller & CFO, which is a non-shared service, has responsibility for the day-to-day executive oversight of the financial and accounting functions at SoCalGas. The CFO, with assistance from the Vice President (VP) of A&F and Assistant Controller, oversees the Utility's compliance process with relevant accounting, financial, and regulatory rules and regulations in accordance with Generally Accepted Accounting Principles (GAAP), including those mandated by Sarbanes-Oxley Act (SOX), SEC, Federal Energy Regulatory Commission (FERC), and CPUC. The Controller & CFO function maintains the integrity of the financial statements and reports submitted both internally and externally, and also sees that the Company's internal controls are adequately maintained.

The VP of A&F and Assistant Controller oversees the preparation of financial statements and supporting schedules, in compliance with the rules of various regulatory bodies (SEC, CPUC, FERC, etc.), research of new transactions and accounting standards, account analyses, and compliance with SOX and internal policies.

In recent years, the complexity and volume of SoCalGas' business operations has risen substantially, as outlined in the Cost Drivers section and detailed in the various A&F testimony sections below.

### 2. Forecast Method

A five-year adjusted average (2017-2021) was used for forecasting the Controller & CFO costs. The five-year average (2017-2021) was adjusted for $0.033 million in labor to add back the full-year impact of 0.3 FTE vacant during this period. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs, for the Controller & CFO, which provides essential compliance governance oversight, and other support to SoCalGas' business. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

### 3. Cost Drivers

The cost drivers for the department are primarily labor driven and fluctuate depending upon new accounting guidance, regulatory compliance, and policy directives impacting the Company's operations.

I am requesting $0.041 million in labor and $0.003 million in non-labor for a 0.5 incremental Executive Administrative Assistant FTE to support the increased activities in this department.

## C. Accounting Operations

**TABLE SM-6**
**Accounting Operations Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| C. Accounting Operations | 4,495 | - | 4,495 | 4,837 | - | 4,837 | 342 | - | 342 |

### 1. Description of Costs and Underlying Activities

For TY 2024, Accounting Operations requests $4.837 million, which represents an increase of $0.342 million from 2021 adjusted-recorded costs. Accounting Operations primarily consists of three non-shared service departments: Asset & Project Accounting (A&PA), Accounts Payable (AP), and Sundry Services. Accounting Operations is a non-shared service.

A&PA is comprised of Plant Accounting and Fixed Asset Management. Plant Accounting is responsible for the gas utility plant portion of rate base accounting, capitalization of cost accounting for gas utility assets, new business accounting, fixed asset management, and billable project accounting. This work requires issuing, monitoring, and accounting for work orders. This includes application of Allowance for Funds Used During Construction and overhead rates, accounting classifications, FERC account assignments, transferring construction work in progress into rate base, analyzing and developing asset classes, accounting for gas plant retirements, accounting and forecasting for asset retirement obligations, evaluating and accounting for cost of removal incurred, and developing and monitoring internal control procedures with the objective of safeguarding Company assets. A&PA is responsible for numerous accounting and regulatory issues including:

- determining proper accounting for property sales and gain/loss classifications; analysis and reconciliation of general ledger accounts; proper reporting of property, plant, and equipment for SEC and FERC form reporting;
- SOX Section 404 and business process control implementation, monitoring, and testing; special projects (such as accounting for asset impairments); and
- publishing capitalization guidelines.

In addition, A&PA provides technical expertise and guidance, information, analytical support, and data responses for various regulatory and tax filings.

The Fixed Asset Management group is responsible for the accounting and analysis of rate base as well as providing rate base testimony and analysis in connection with SoCalGas' GRC filing and any large utility projects. The group also provides support to Regulatory Accounting in the implementation of CPUC decisions (*e.g.*, by determining the capital-related costs that are recorded in CPUC-approved regulatory account mechanisms). In the depreciation area, the group is responsible for depreciation accounting as well as conducting studies of depreciation lives and net salvage rates. The group is also responsible for sponsoring depreciation testimony and analysis in connection with SoCalGas' GRC filing.

AP is responsible for timely and accurate payment of service and material invoices and contract obligations for SoCalGas. AP also sees that payments are properly authorized prior to disbursement, assists in resolving payment disputes, processes employee travel and expense requests, maintains the vendor master information consistent with SOX processes and controls, and works in cooperation with the Financial & Operational Planning department to post operational accruals monthly in accordance with GAAP. AP is responsible for the annual Internal Revenue Service filing of 1099 and 1042 for reportable non-employee and contractor payments. AP is also the full disbursement center for checks, Automated Clearing House, and wire payments made on behalf of SoCalGas.

Sundry Services is responsible for the billing of products and services provided to external customers, vendors, contractors, and other third-party groups. The products and services provided exclude commodity, transportation, and delivery costs of natural gas. Sundry Services is also responsible for supporting SoCalGas with CPUC compliance, policies, and procedures related to non-tariffed products and services (NTP&S). This department conducts the annual training of business managers for sundry activities on how to comply with Company policies and GAAP. Sundry Services also creates monthly reports for business managers to aid in the management of activities and provides analysis of miscellaneous revenues. For information on SoCalGas's Miscellaneous Revenues, please see the direct testimony of Jackie Roberts (Ex. SCG-37). Sundry Services coordinates and prepares the NTP&S annual report to present to the CPUC and participates in the internal and external audits of NTP&S. Additionally, Sundry Services coordinates and supervises the SOX activities related to Sundry Services including SOX detailed testing.

**2. Forecast Method**

A five-year adjusted average (2017-2021) was used for forecasting Accounting Operations costs. The five-year average (2017-2021) was adjusted for $0.151 million in labor to add back the full-year impact of 2.1 FTE vacant during this period. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs, which provides essential accounting for SoCalGas' fixed assets and other related functions, compliance governance oversight, and other support. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

**3. Cost Drivers**

The cost drivers behind this forecast are primarily labor driven and fluctuate depending upon CPUC regulatory compliance or policy directives impacting the Company's operations, assets, or investments. For example, the accurate and timely recording of capital expenditures as plant records, payment of all invoices, and other activities are critical requirements of GAAP and CPUC regulatory guidelines and the activity continues to increase. In addition, the Company's books and records are routinely audited by various regulatory agencies for compliance with the GAAP and CPUC guidelines. I am requesting $0.284 million in labor and $0.012 million in non-labor for 4.0 incremental Staff Accountant FTEs to support increased capital infrastructure investment and sundry activity. In addition, I am requesting $0.100 million for non-labor related to the support of the Financial Risk Management – Risk Based Decision Making IT capital project described in Section XI of this testimony.

### D. Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing

**TABLE SM-7**
**Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| D. Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing | 1,551 | - | 1,551 | 1,792 | - | 1,792 | 241 | - | 241 |

#### 1. Description of Costs and Underlying Activities

For TY 2024, Financial Systems & Innovation, Accounting Research & Business Controls and Affiliate Billing and Costing (ABC) requests $1.792 million, representing an increase of $0.241 million from 2021 adjusted-recorded costs.

Financial Systems & Innovation is a non-shared service that oversees the financial systems of the Company. The responsibilities in this area include, business warehouse reporting, managing user security access, handling trouble tickets generated by the IT help desk and providing user training. It also supports the A&F division by providing technical resources to support large-scale system implementations, development of specifications for functional enhancements to SAP (the Company's financial software system), and the development of information resources needed to manage key business processes. Financial Systems & Innovation also supports business innovations such as robotics process automations for mature and repetitive tasks, business process automations for streamlining and automating workflows, business intelligence dashboards for ease of exception monitoring and delivering relevant business insights in a timely manner.

Accounting Research and Business Controls, which is a non-shared service, includes:

- Technical accounting research for GAAP and CPUC accounting requirements;
- Company records management oversight and guidance;
- Technical accounting review of contracts and other Company transactions;
- Administration and oversight of the SOX compliance activities and Company

policy administration;

- Management of the SOX process, including annual scoping, quarterly SOX attestation, internal controls testing, reporting on the status of SoCalGas' SOX compliance to management and external auditors, and providing annual training to management responsible for the SOX internal control;
- Playing a key role in corporate governance as it relates to the assessment of the effectiveness of financial controls for SOX compliance purposes and Company policy management; and
- Developing, maintaining, and delivering training to the organization.

Accounting Compliance formed in 2021 is also part of Accounting Research & Controls and is primarily responsible for implementing and enhancing policies, procedures and business controls associated with applicable regulatory guidance. In particular, this includes:

- overseeing the business processes designed to facilitate accounting compliance, such as accounting for civic and political activities;
- acting as a point of contact to the organization related to accounting compliance;
- providing support during external audits and having primary responsibility for enhancements to processes and policies for updates to accounting compliance guidance, and interaction with CPUC auditors;
- developing and providing accounting compliance trainings throughout SoCalGas;
- managing the annual web-based training and providing instructor-led training to key focus areas within the Company; and
- providing technical expertise and guidance, information, analytical support, and data responses for various regulatory filings.

ABC is responsible for establishing and administering SoCalGas' overhead allocation rates. This is integral to the proper allocation of costs between O&M and Capital as well as to satisfy that billings to third parties reflect appropriate overhead costs. As subject matter experts on overhead cost allocation, ABC provides analytical support to a variety of special projects and studies used for internal management, regulatory filings, and compliance reporting. ABC is also responsible for managing a portion of the accounting close process and developing the information used to bill affiliates for shared services and shared assets provided by SoCalGas. In addition to the primary responsibilities listed above, the ABC department oversees the Company's shared services and shared assets policies and supports the annual reporting requirements related to compliance with Affiliate Transaction Rules. They are also responsible for establishing internal orders used for tracking and billing costs that are subject to billing to SDG&E and other affiliates.

### 2. Forecast Method

Financial Systems & Innovation, Accounting Research & Business Controls, Accounting Compliance and ABC is using a five-year adjusted average (2017-2021) to forecast the TY 2024 costs. The five-year average (2017-2021) was adjusted for $0.238 million in labor to add back the full-year impact of 2.2 FTE vacant during this period. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs, which provides essential compliance governance, oversight, and other support for SoCalGas. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

### 3. Cost Drivers

The cost drivers behind this forecast are primarily labor driven and fluctuate as a result of changes to GAAP, SOX or CPUC guidance, regulatory requests or policy directives impacting the Company's operations, assets, or investments. The accurate and timely recording of transactions, performance of reviews and execution of controls are critical requirements of GAAP, SOX and the CPUC regulatory guidelines. The Company's books and records are routinely audited by various regulatory agencies for compliance with the GAAP, SOX and CPUC guidelines. In addition, the complexity of compliance and volume of activity and audits have increased, while the length of time to respond to data requests and audits has decreased, which requires an agile staff with specialized skills and expertise to quickly and accurately update policies, procedures and training to support compliance and audits. I am requesting $0.193 million in labor and $0.006 million in non-labor for 2 Senior Business Analyst FTEs to support the increased regulatory and accounting compliance workload.

### E. Innovation Support

**Table SM-8**
**Innovation Support Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| E. Innovation Support | 83 | - | 83 | 309 | - | 309 | 226 | - | 226 |

#### 1. Description of Costs and Underlying Activities

The Innovation Support department, formerly known as Incident Support & Analysis, requests $0.309 million for TY 2024. Innovation Support is responsible for ongoing financial reporting associated with incidents to regulatory agencies. Additionally, the department provides ongoing data and records management related to prior incidents, and other informational support (*e.g.*, regulatory) during non-incident periods.

In 2021, as a result of increases in workload for the overall organization, Innovation Support began to aid with the design and implementation of technological solutions (*e.g.*, automation of franchise fees, dashboard reporting, etc.).

#### 2. Forecast Method

Innovation Support is using a five-year adjusted average (2017-2021) to forecast the TY 2024 costs. These expenses will be included in the TY 2024 revenue requirement as forecasted. The use of a five-year average is appropriate and provides a reasonable basis for developing a forecast of TY 2024 costs for the department.

#### 3. Cost Drivers

The cost drivers behind this forecast are primarily labor driven. As noted above in Financial Systems & Innovation, there is an increased level of innovations such as robotics process automations, business process automations and business intelligence dashboards planned for the coming years throughout the A&F organization. As a result of the group's technical expertise, Innovation Support will be assisting with the design and implementation of these solutions. As such, I am requesting an additional $0.239 million in labor for 2.4 FTE to handle the increased workload.

### F. Finance

**Table SM-9**
**Finance Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| F. Finance | 2,049 | - | 2,049 | 2,247 | - | 2,247 | 198 | - | 198 |

#### 1. Description of Costs and Underlying Activities

For TY 2024, the Finance department requests $2.247 million, which represents an increase of $0.198 million from 2021 adjusted-recorded costs.

The Finance department is a non-shared service consisting of Financial and Strategic Analysis, Regulatory Accounting and Utility Accounting. The Finance department is primarily responsible for analyzing new projects, technologies, and initiatives, as well as managing regulatory accounts for SoCalGas. SoCalGas' Finance department performs a wide variety of financial and regulatory accounting functions including project evaluation, the development and implementation of revenue requirements, regulatory accounts, and ratemaking mechanisms in support of regulatory filings, and large-scale financial projects. The department also maintains a treasury function that analyzes cash flows and financing requirements in support of SoCalGas' short and long-term debt issuances.

Financial and Strategic Analysis conducts financial modeling and analysis to support business cases and financial plans for incremental capital projects. In the financial modeling area, the group develops and analyzes the calculations of revenue requirements in support of significant regulatory filings, including testifying before the CPUC on the assumptions and methodologies supporting the proposed revenue requirements. The group maintains the financial evaluation model that is utilized Company-wide, thereby applying consistent economic, regulatory, and financial assumptions to be used for the evaluation of SoCalGas' capital projects. In addition, the group supports capital projects by performing short and long-term financial analysis and evaluation of project viability by incorporating current and evolving economic assumptions, regulatory compliance measures, and accounting standards into their financial model. In support of the internal financial planning process, the group is responsible for the development of pro forma financial statements for SoCalGas' incremental projects. With the holistic understanding of the factors that impact a capital project's financial performance, the group provides strategic guidance and performs financial due diligence on proposals and regulatory filings.

Regulatory Accounting is responsible for the development, implementation, maintenance, and analysis of regulatory balancing, tracking, and memorandum accounts as well as other cost recovery and ratemaking mechanisms approved by the CPUC. This includes oversight of approximately 84 regulatory accounts approved in SoCalGas' current tariffs and regulatory support in proceedings before the CPUC, which involve activities such as preparing responses to data requests from intervenors, providing comments to proposed decisions or protests to advice letter filings, and providing testimony where cost recovery issues are addressed. The group also prepares annual advice letter filings to update regulatory account balances that will be amortized in rates and other filings to establish tariffs for new regulatory account mechanisms approved by the CPUC. Regulatory Accounting is also responsible for external reporting requirements with the CPUC and other external regulatory agencies demonstrating that the accounts are maintained in compliance with CPUC directives. From a financial reporting and planning standpoint, Regulatory Accounting is responsible for seeing that the regulatory account information is reported accurately, consistent with current financial accounting standards, and is properly included in rates to minimize the impact of rate volatility on customers.

Utility Accounting is responsible for the timely closing and general maintenance of SoCalGas' general ledger, recording of transactions, financial accounting, preparing financial statements, and reporting of monthly, quarterly and year-end financial results of SoCalGas. The department is responsible for properly accounting for and presenting transactions in accordance with GAAP, SEC regulations, and the regulatory reporting mandates under the CPUC. The following is a non-exhaustive, more specific description of the financial statement responsibilities performed by this department:

- Recording of journal entries;
- Maintaining the accuracy and integrity of the recorded financial data through analysis and reconciliations;
- Compiling and reporting of financial statements and other accounting information for the SEC and other regulatory bodies;
- Preparing financial reports for management;
- Coordinating, testing, and executing financial statement internal controls

prescribed by SOX regulations;

- Implementing new accounting standards; and
- Coordinating the financial statement and other audits.

As the activities of the Company continue to increase, so does the work required by this department.

**2. Forecast Method**

As shown in Table SM-9 above, SoCalGas recorded $2.049 million for these activities in the 2021 base year. A base year (BY) forecast method was used for the Finance department, with $0.108 million in labor added to reflect the full-year impact of 1.3 FTEs that were vacant during the year. These expenses will be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate because trends, multi-year averages or other methods would not reflect the growth in labor force that occurred in 2021, particularly in the Financial & Strategic Analysis and Regulatory Accounting teams, which will be required on a go forward basis as described below in the Cost Drivers section.

**3. Cost Drivers**

The cost drivers behind this forecast are primarily labor driven and have increased as a result of changes to GAAP, SOX or CPUC guidance, regulatory requests or policy directives impacting the Company's operations, assets, or investments. The Company's books and records are audited by various regulatory agencies for compliance with the GAAP, SOX and CPUC guidelines, adding to the importance of the accurate and timely recording of transactions, performance of reviews and execution of controls. In addition, the complexity of compliance and volume of activity and audits have increased, while the length of time to respond to data requests and audits has decreased, which requires an agile staff with specialized skills and expertise to quickly and accurately update policies, procedures and training to support compliance and audits. As such, I am requesting $0.087 million in labor and $0.003 million in non-labor for 1.0 incremental Advisor FTE to handle the increased workload.

### G. Financial & Operational Planning

**TABLE SM-10**
**Financial and Operational Planning Summary of Total Costs**

| III. ACCOUNTING AND FINANCE DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| G. Financial & Operational Planning | 5,526 | - | 5,526 | 5,937 | - | 5,937 | 410 | - | 410 |

#### 1. Description of Costs and Underlying Activities

For TY 2024, the Financial and Operational Planning department requests $5.937 million, which represents an increase of $0.410 million from 2021 adjusted-recorded costs. The Financial & Operational Planning department consists of Financial Planning, Business Planning, and Capital Operational Planning.

The Financial Planning group is responsible for the development of the one-year and five-year financial plan for SoCalGas. This group also performs the forecast and analysis of cash flows as well as assesses market conditions to minimize the costs that support utility Capital expenditures. The Financial Planning group measures and reports actual financial performance against planned targets to management. The responsibility for the CPUC requirements for Risk Assessment Mitigation Phase (RAMP) cost tracking, financial accountability reporting and support for GRC requirements and proceedings are also managed by this group.

The Business Planning & Budgets and Capital Operational Planning groups provide budget, accounting, and financial support to all business departments across SoCalGas. Budget support includes the development, maintenance, and analysis of the O&M and Capital budgets through the coordination and regular review of operations with client organizations. Budget support also entails forecasting miscellaneous revenues and preparing monthly operating cost reports. Within the accounting function, this group sees that transactions are properly recorded, cost centers are updated and maintained, and internal work orders are established in accordance with Company policies and accounting rules. Additionally, they provide support and guidance for various monthly and quarterly accounting obligations. The Capital Operational Planning group supports internal and external stakeholders by providing the necessary financial support with regards to regulatory and compliance matters, including GRC proceedings. The group establishes a calendar of deliverables and validations for consistency and accuracy of the consolidated financial content as well as dissemination of finance related updates.

### 2. Forecast Method

As shown in Table SM-10 above, SoCalGas recorded $5.526 million for these activities in the BY 2021. A BY forecast method is used for Financial & Operational Planning, with $0.293 million in labor added to reflect the full-year impact of 2.5 FTEs that were vacant during the year. These expenses will be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate because trends, multi-year averages or other methods would not reflect the growth in labor force that occurred in 2021 in direct response to the activities described above and the cost drivers described below.

### 3. Cost Drivers

The costs of the Financial & Operational Planning department are primarily labor driven and fluctuate depending upon new accounting guidance, regulatory requests and policy directives impacting the Company's operations. For example, there is increased O&M and Capital Planning activities due to the large increase in capital projects and reporting requirements.

I am requesting $0.114 million in labor and $0.003 million in non-labor for a 0.7 incremental Manager FTE to lead a group that will evaluate and implement internal process improvements and strategic initiatives. Additional labor included in the forecast request is to comply with the CPUC Risk Spending Accountability Report (RSAR) reporting requirements for accountability reporting. The RSAR reporting requirements include reporting authorized GRC funding versus actual results for risks identified in the RAMP filing (risk spending and mitigation results). The ability to track the authorized GRC funds and actual results in our accounting system will require system enhancements to accomplish these new reporting requirements. This additional labor will be dedicated to system enhancements, tracking and reporting of the financial accountability to the CPUC.

# IV. LEGAL DIVISION

## A. Introduction

SoCalGas' Legal division manages SoCalGas's legal matters, issues and risks and advises senior management and the Board of Directors on matters impacting the Company. Additionally, the Legal division supports SoCalGas's broader goals with respect to safety, reliability, and sustainability. The Legal division consists of the following departments, which will be described in greater detail below:

- General Counsel
  - Regulatory law
  - Commercial law
  - Litigation law
  - Environmental law
  - Administrative Staff
  - Legal & Claims Strategy &Technology
  - Outside Counsel
  - Claims Management
- Claims Payments & Recovery Costs

**TABLE SM-11**
**Legal Division Summary of Total Costs**

| **IV. LEGAL DIVISION (In 2021 $)** | **2021 Adjusted-Recorded (000s)** | | | **TY2024 Estimated (000s)** | | | **Change (000s)** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **NSS** | **USS** | **Total** | **NSS** | **USS** | **Total** | **NSS** | **USS** | **Total** |
| B. Legal | 8,380 | - | 8,380 | 8,744 | - | 8,744 | 364 | - | 364 |
| C. Claims Management, Claims Payment and Recovery Costs | 5,650 | 1,461 | 7,110 | 8,467 | 1,638 | 10,105 | 2,817 | 178 | 2,994 |
| **Total** | **14,029** | **1,461** | **15,490** | **17,210** | **1,638** | **18,848** | **3,181** | **178** | **3,358** |

### B. Legal Activities

**TABLE SM-12**
**Legal Summary of Total Costs**

| IV. LEGAL DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| B. Legal | 8,380 | - | 8,380 | 8,744 | - | 8,744 | 364 | - | 364 |

#### 1. Description of Costs and Underlying Activities

TY 2024, SoCalGas's Legal division forecasts A&G expenses of $8.744 million, which represents an increase of $0.364 million from 2021 adjusted-recorded costs.

SoCalGas's Legal division is headed by a Vice President and General Counsel (GC), who is supported by, among others, four Assistant General Counsels (AGC). The GC and AGCs oversee the practicing attorneys who are assigned to Regulatory, Commercial, Litigation, or Environmental practice areas. In addition, SoCalGas's Legal division has a staff of legal research attorneys, paralegals, and administrative assistants who provide support to the attorneys. The Litigation division also oversees and advises the Company's Claims department.

#### 2. Regulatory Law

The Regulatory law section primarily handles regulatory legal matters affecting the Company. This group represents SoCalGas in regulatory proceedings primarily at the CPUC and FERC, as well as in matters related to other regulatory agencies at the state and federal level (*e.g.*, California Energy Commission (CEC), California Geologic Energy Management Division, Pipeline and Hazardous Material Safety Administration, and Transportation Security Advisory). The group advises management and operational groups within SoCalGas on rules, regulations, tariffs, rate issues, initiatives, and investigations at the regulatory agencies that SoCalGas interacts with. As part of that advice, the group also reviews proposed revisions to Company policies and procedures, Gas Standards, and Tariff Rules. Regulatory attorneys are also often involved in commercial and municipal franchise matters where those transactions and ordinances have a regulatory basis or implication. Further, regulatory attorneys are asked to comment or advise on legislation where regulatory ramifications may exist.

In addition to the traditional recurring proceedings (*e.g.*, GRCs, cost of capital applications, gas commodity filings, energy efficiency, low income, and Triennial Cost Allocation Proceeding (TCAP) cost allocation/rate design proceedings), SoCalGas's regulatory attorneys are involved with: emerging proceedings driven by environmental and sustainability initiatives (*e.g*., new greenhouse gas (GHG) emissions reduction and decarbonization initiatives, new proceedings examining new market structure and rate design issues, environmental compliance requirements, incorporating renewable natural gas and hydrogen into the system, microgrids), distributed energy concepts, RAMP, Safety Model Assessment Proceeding (S-MAP) / Risk-Based Decision-making Framework proceeding, new gas storage rules, long-term gas system planning, and various other proceedings. Accountability reporting continues to require regulatory resources to oversee and coordinate necessary filings. Regulatory attorneys also spend time on various CPUC initiatives such as confidentiality rules under General Order (GO) 66-D, accounting compliance requirements, and ex parte rules. These rules and requirements directly impact regulatory attorneys who spend more time with discovery issues, potential confidentiality issues, and compliance advice. There are also matters related to changes in SoCalGas's infrastructure, service, and pipeline safety and integrity that require legal support.

### 3. Commercial Law

The Commercial law section provides legal advice and assists with documentation in connection with commercial transactions, including contracts for physical and financial commodity transactions, storage and hub transactions, interstate pipeline capacity, utility system interconnections, general services and operations procurement, maintenance and new construction, licensing, marketing and communications, intellectual property and technology contracts, municipal franchises, permitting, right-of-way acquisition, land use and other real estate matters, new business structuring, research and development investment, credit support instruments, energy efficiency program contracts, rebates and incentives, federal and state government contracts, customer services agreements, and tariff-based contracts. In addition, the commercial attorneys research, write and edit commercial documents and internal policies, and provide commercially focused and other legal advice, including advice with respect to compliance with anti-trust, privacy, securities, and other laws. To support the increase in commercial law workload, including due to increased amount and complexity of work related to new technology, capital spend program, franchises and general legal compliance, SoCalGas is requesting one legal research attorney (1.0 FTE) to support with a variety of legal tasks that arise, including drafting contracts and other legal documents, conducting legal research and investigations, and other tasks.

**4. Litigation Law**

The Litigation law section represents the company in civil litigation ranging from the defense of personal injury and property damages to more complex commercial, environmental, and business disputes. Company litigation matters are primarily handled in-house, using outside counsel when additional expertise is required or when in-house resources are not available.

Litigation attorneys provide advice to support the Company's emphasis on loss prevention as well as public and employee safety. The Litigation department also advises on a broad spectrum of Company matters, including review of proposed revisions to Company policies and procedures, Gas Standards and Tariff Rules, review of Company communications regarding safety and public awareness programs, and legislative analysis. The Litigation department also engages in a pre-litigation investigation of significant incidents and conducts training programs for incident response. Additionally, Litigation paralegals support the attorneys in assisting with case planning, development, and management. They also research legal and factual issues, conduct interviews, engage in fact gathering and retrieval of information, draft and analyze legal documents, and review and proofread various filings prior to submittal. Paralegals also manage and respond to third-party subpoenas served on the Company by parties seeking production of documents or Company trial and deposition testimony.

In addition, the Litigation law section oversees the Company's internal Claims Department, which is responsible for investigating and determining Company liability or third-party liability on certain matters, including resolving such matters short of litigation. To support the increase in litigation and claims workload, SoCalGas is requesting one senior paralegal (1.0 FTE) to support the litigation law section with a variety of legal tasks that can arise including, responding to litigations, conducting investigations and legal research, drafting legal documents, managing discovery requests, preparing for meditation or depositions, and other tasks.

**5. Environmental Law**

The Environmental law section represents and advises the Company in the areas of environmental compliance, litigation, enforcement, sustainability, policy and permitting. The Environmental attorneys represent the Company in matters before governmental agencies overseeing air, climate, sustainability, water quality, species protection, land use, and other environmental matters. This includes obtaining environmental approvals for construction, operations, and maintenance of natural gas infrastructure and other Company facilities. Furthermore, they provide guidance and representation in regulatory proceedings where environmental review is mandated or recommended by the CPUC or other federal, state, and local agencies. In addition, SoCalGas's Environmental attorneys represent the Company in instances where administrative or governmental permits are required for regulatory-approved capital projects, pipeline integrity projects, or routine operations and maintenance activities, particularly in environmentally sensitive areas where the Company has facilities (*i.e.,* wetlands, the Coastal Zone, the California desert, and other sensitive habitats and ecosystems). Currently, the environmental law department does not have a paralegal to support the department. SoCalGas is requesting one senior paralegal (0.8 FTE) to support the Environmental attorneys with a variety of legal tasks that can arise including, assistance with: responding to environmental citations and litigation, conducting investigations and legal research, drafting legal documents, and other tasks.

**6. Administrative Staff**

SoCalGas's Legal division Administrative Staff supports the Legal division on an array of matters, which includes but is not limited to filings in State and Federal Court, filings at the CPUC and FERC, legal deliverables and deadlines, litigation support (*e.g.*, motions, depositions, court appearances, etc.), and other tasks. Legal Administrators provide general administrative support as well as specialized support depending on practice areas. They are required to be knowledgeable and proficient in civil and regulatory rules, practices, and procedures, as well as enhance their skills as technologies and business practices change. In addition, the Administrative Staff is also responsible for onboarding, supporting outside counsel and claims. SoCalGas is requesting one Legal Administrator (1.0 FTE) to support the increased regulatory, commercial, environmental, litigation administrative workload and responsibilities required to assist attorneys as described in their respective law sections above.

**7. Legal & Claims Strategy and Technology**

The Legal & Claims Strategy and Technology section was formed in 2021 to support the Legal division including the Claims Management department with continuous process improvements through technological advancement and data analytics. The new group evaluates current and new technologies to enhance processes and drive efficiencies, develops and implements new technology systems and platforms, and develops, interprets, communicates, and manages data analytics that support the improvement of processes and procedures.

**8. Outside Counsel**

SoCalGas uses outside counsel to handle certain matters that require special skills or when a case/matter requires additional resources beyond the capacity of the Legal division. Costs relating to the outside legal firms are not included in my testimony. The Sempra Energy Corporate Center department, in consultation with SoCalGas, coordinates retention and oversight of outside firms on behalf of the Utilities, as described in the Direct Testimony of Corporate Center-General Administration witness, Derick Cooper, (Ex. SCG-23).

**9. Forecast Method**

As shown in Table SM-12 above, SoCalGas recorded $8.380 million for these activities in BY 2021. A BY forecast method was used for the Legal department and these expenses will be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate because trends, multi-year averages or other methods would not reflect the growth in labor force that occurred in 2021 in direct response to the cost drivers described below. In addition, there were various resources requested during the 2019 GRC but due to the timing of the decision (late September 2019) and the impact of COVID-19, the roles were not filled until later than estimated. This combined with vacancies in 2019 results in a lower five-year adjusted average (2017-2021) that is not reflective of the current organization's structure and needs.

**10. Cost Driver**

As described above, the Legal division provides many services and has experienced an increase in the workload due to changes and developments in the business and regulatory areas. The volume and complexity of regulatory, commercial, environmental and litigation work have been impacted either by emerging regulatory requirements or business upward pressures requiring additional legal staffing. As such, I am requesting $0.352 million in labor and $0.012 million in non-labor for 1.8 incremental Senior Paralegal FTEs, 1.0 incremental Research Attorney FTE, and 1.0 Administrative FTE to support new legal regulatory requirements, meet the increasing workload demands, and enhance responsiveness to the CPUC and other regulatory agencies.

### C. Claims Management, Claims Payment, and Recovery Costs

**TABLE SM-13**
**Claims Management, Claims Payment, and Recovery Summary of Total Costs**

| IV. LEGAL DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| C. Claims Management, Claims Payment and Recovery Costs | 5,650 | 1,461 | 7,110 | 8,467 | 1,639 | 10,105 | 2,817 | 178 | 2,995 |

#### 1. Description of Costs and Underlying Activities

For TY 2024, the Claims Management department requests $10.105 million, which represents an increase of $2.995 million from 2021 adjusted recorded costs primarily related to the increase in claims payments described below. The department is responsible for investigating claims, documenting evidence into the claims information database, determining Company liability or third-party liability of a recovery matter, and ultimately bringing closure to each type of claim in an expeditious and professional manner. The Claims Management department also conducts loss control and prevention activities intended to prevent and reduce accidents, which mitigate utility operational expenses, reduce customer costs, and promote public safety. The department is a shared service function that provides services to SoCalGas and Sempra and its affiliates.

Additionally, the Claims Management department is responsible for settlement of third-party property damage, bodily injury, loss of revenue or business and recovery claims for SoCalGas. After a liability determination has been made for both third-party liability and recovery cases by the SoCalGas Claims Management department, claims payments and/or billing requests are processed and tracked through internal databases for proper documentation and resolution.

#### 2. Forecast Method

The Claims Management department is using a five-year adjusted average (2017-2021) to forecast the amount of labor, non-labor and claims payments for TY 2024. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs, which provides essential compliance governance, oversight, and other support for SoCalGas.

The Company's trend of litigation and claims does not necessarily predict the future. To predict and plan for claim payments to third parties for TY 2024 is challenging, given the nature, unpredictability and volatility of events that could occur that would cause the Company to incur additional unanticipated costs. Historically, SoCalGas has seen the claims expense vary significantly from one year to the next. While SoCalGas manages its operations to mitigate the impact of third-party claims as much as possible, the exposure to claims will always be a genuine risk to the Company given its large presence of property, assets, and resources across a wide geographic region. As such, it is important that any forecast of claims captures a period that is long enough to reflect the highs and lows of activity that cannot be easily predicted or controlled. Accordingly, a five-year historical average is appropriate to capture a reasonable cycle of Claims Payments and Recovery activity. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

**3. Cost Drivers**

The cost driver behind this forecast is based on historical support for various workgroups in the field. The Claims Management department conducts all investigations into third-party damage claims, determines liability, settlement, and collection of claims from the responsible party. The Claims department currently documents each claim, whether or not SoCalGas's equipment is believed to be involved, pulls meters/meter data as necessary, retains experts (as needed), and takes other necessary steps to investigate any potential liability. SoCalGas adjusters are cross trained to assess liability, bodily injury, motor vehicle accident and third-party damage/recovery claims.

I am requesting \$0.190 million in labor and \$0.006 million in non-labor for 1.0 incremental Senior Claims Advisor and 1.0 incremental Claims Specialist FTEs to support the administration of the third-party recovery damage claims.

## V. BUSINESS STRATEGY & ENERGY POLICY

### A. Introduction

**Table SM-14**
**Business Strategy & Energy Policy Summary of Total Costs**

| V. BUSINESS STRATEGY & ENERGY POLICY (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| V. Business Strategy & Energy Policy | 2,825 | - | 2.825 | 4,814 | - | 4,814 | 1,989 | - | 1,989 |

Table SM-14 above presents the non-shared service costs for the Business Strategy & Energy Policy (BSEP) department.

#### 1. Description of Costs and Underlying Activities

The BSEP department was formed in 2021 by merging the Policy & Environmental Solutions group with a new Business Strategy group. Business Strategy & Energy Policy consists of the Energy Policy (EP) group, the Planning & Legislative Analysis (P&LA) group and the Business Strategy group. The groups are collectively responsible for policy and legislative analysis, decarbonization planning, engagement and outreach related to existing and proposed state and federal policies, which are increasingly focused on the transition away from traditional natural gas, as well as long-term organizational strategic and system planning toward decarbonization targets.

As noted in the Climate Policy direct testimony of Naim Jonathan Peress (Exhibit SCG-02, Chapter 1), since SoCalGas' last GRC filing, the State's GHG emissions goal has changed. Previously, there was an economywide goal to reduce GHG emissions 40 percent below 1990 levels by 2030.[1] Now, there is an economywide 100% carbon neutrality goal seeking achievement no later than 2045.[2] In addition, State agencies have begun considering unprecedented policies, such as in the California Energy Commission (CEC) research project:

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[1] Senate Bill 32 (Pavley, 2016) GHG Emission Reduction Targets.

[2] Executive Order B-55-18 to Achieve Carbon Neutrality (September 10, 2018).

Strategy Pathways and Analytics for Tactical Decommissioning of Portions of Natural Gas Infrastructure, as well as in the CPUC's Rulemaking (R.) 20-01-007.[3] These regulatory efforts will likely have significant implications on the energy transition and SoCalGas' obligation to provide customers safe, reliable, equitable and affordable service.

Against this backdrop, the BSEP group focuses on laws and regulations related to natural gas and clean fuels utilization, and environmental policy, specifically regarding climate change and air quality policy. In addition, the group developed and is helping to lead the SoCalGas Business Transformation Workstream by which the Company is evolving, including business activities geared to reducing, abating, and mitigating greenhouse gas emissions of both the Company and its customers. To represent the interests of SoCalGas customers, the group incurs labor and non-labor costs related to policy analysis and engagement with local and state regulatory organizations, as these organizations develop rules and regulations on climate change, energy utilization and air quality. The state and local jurisdictions have numerous proceedings, hearings and workshops that could impact the utilities' operations and customers. Understanding the implications of these proceedings and providing analysis and evidence to support efficient use of natural gas and increasingly clean fuels in support of state policy benefits customers and state policy makers. Non-labor costs incurred by this group include employee-related costs and costs for external support in the areas of economic, air emissions and decarbonization impacts of proposed policies, laws, and regulations, decarbonization strategies, and company and customer compliance impacts.

The BSEP group provides policy guidance and analysis on proposed regulations and legislation to the Regulatory Affairs and State Government Affairs groups, which are responsible for management of proceedings before the Commission, state agencies and the legislature. In addition, the group provides guidance and strategic direction to various divisions to ensure decisions are made in support of public interest needs, applicable statutory requirements and in support of the utility efficiently executing on obligations to customers.

BSEP has specific expertise with respect to climate change and air quality, and working across agencies, including the local air districts, CARB, CEC, CPUC, and United States

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[3] R.20-01-007, Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and perform Long-Term Gas System Planning (January 16, 2020).

Environmental Protection Agency (US EPA) Region 9, to ensure that environmental policies are promulgated in a reasoned and consistent manner.

SoCalGas forecasts a required funding level of $4.814 million for TY 2024. This request represents an increase of $1.989 million compared to BY 2021 incurred costs. Staffing is increased by 9.7 FTEs, from 17.5 in BY 2021 to 27.2 FTEs in TY 2024. The staffing increases reflected in the forecast are necessary to respond to a significant increase in energy and environmental legislative, policy and regulatory activities and implications to the customers and therefore the Company as its business evolves to address them.

The BSEP group evaluates the impact of state and federal policies, and prospective approaches for decarbonization on the use of energy by and the services SoCalGas provides to customers. The driving issues in our region are decarbonization and air quality. State agencies, local air districts and governments are proposing numerous policies and rules to improve air quality and to reduce GHG emissions. Likewise, SoCalGas is developing and implementing various approaches to facilitate economy wide GHG emission reductions in light of the essential role of the Company and its infrastructure for achieving state climate goals.

BSEP looks across multiple agencies and emissions reduction strategies to identify opportunities for advances in natural gas technologies, clean fuels and clean fuels infrastructure to facilitate the energy transition. These activities benefit customers and the public interest through GHG reductions, cleaner air, reasonable rates and reliable access to energy. In addition, these activities identify and provide compliance approaches and reduce direct compliance costs for customers. While some large customers have policy teams to address issues impacting their operations at these agencies, the majority of the utilities' residential and commercial customers would not be represented in these proceedings and planning efforts without BSEP's engagement.

**2. Forecast Method**

As shown in Table SM-14 above, SoCalGas recorded $2.825 million for this department in BY 2021. A BY forecast method was used for BSEP, with $0.265 million in labor above the base year to reflect the full-year impact of 1.7 FTEs that were vacant for part of the year. These expenses will be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate because BSEP is a recently formed department and a BY method with an adjustment for personnel changes reflects the best representation of the ongoing needs for this function.

### 3. Cost Drivers

The primary cost drivers for BSEP are the number and complexity of policy, regulatory, and legislative matters relative to natural gas, decarbonization planning, and clean fuels. As the State increasingly focuses on climate change, the imperative to reduce GHG emissions, and the transition away from traditional natural gas, the volume and complexity of proceedings, legislation, and organizational strategic planning continues to grow. The team's activities serve to protect the interests of customers by providing specific input, developed through internal and external analysis on policy, regulatory and legislative approaches. BSEP informs policymakers on gas utility operations, the use of natural gas and clean fuels by our customers, and to support regulatory agencies in achieving state environmental goals in the most cost-effective manner. CARB, CEC, CPUC and regional air districts benefit from our participation, including attendance at meetings and workshops, evaluation of technologies and monitoring systems, preparation of comments, and education of customers. Likewise, the group provides strategic guidance for the Company on these matters, including SoCalGas' efforts to reduce its GHG emissions and those of its customers.

Work drivers and resourcing levels are discussed below for the following activity areas of the team: (a) State energy and environmental policy and regulation, including air agency support; (b) planning and legislative analysis; (c) business strategy; (d) energy system integration and planning; and (e) external support and non-labor expense.

### 4. Energy Policy - State Environmental Agency Regulatory and Air Agency Support

EP staff support the development and implementation of policies affecting natural gas and clean fuel delivery and utilization. The group is responsible for regulatory proceedings at the CARB and the CEC. Proceedings that EP follows and engages on relate to natural gas utilization, environmental policy and regulation (*e.g.*, CARB Scoping Plan) air quality measures, and energy policy and regulation (*e.g.,* CEC Integrated Energy Policy Report).

In 2021, 9.0 employees were devoted to work on energy and climate policy matters facing SoCalGas customers. For example, CARB staff worked on several major planning initiatives in the 2020-2021 timeframe – Mobile Source Strategy, Advanced Clean Fleets and Trucks regulations, Assembly Bill (AB) 617 Community Emissions Reduction Plans, and the

2022 CARB Scoping Plan.[4] EP staff engaged in all of these efforts to ensure accurate data and discussion include the most cost effective and efficient ways to decarbonize the transportation sector. In 2022, CARB continues to ramp up efforts on its Scoping Plan, which will have broad and overarching policy direction for the California energy system. CARB will also ramp up work on the State Implementation Plan[5] as a roadmap for federal attainment of ozone and NOx emissions. These efforts provide a platform for CARB to develop rules that will significantly improve air quality in our region and reduce GHG emissions, goals shared by SoCalGas.

In addition, CEC staff worked on several funding programs and the Integrated Energy Policy Report (IEPR) in 2021.[6] Funding programs included investment plans that provide grants to fueling infrastructure for transportation, resilient and reliable microgrid solutions that include gaseous fuels, as well as work on injecting hydrogen into the existing natural gas pipeline. . The 2021 IEPR focused on electricity system resiliency, which has a clear reliance on the natural gas system, as well as opportunities for clean fuels like renewable natural gas and hydrogen. EP staff coordinated data requests for use in the demand forecast, testimony during workshops on hydrogen and other clean fuels, provided oral and written comments, and engaged directly with CEC staff, management, and commissioners.

It is important for EP to continue to engage with agency staff in their workshops and technical meetings to share the Company's expertise and experience, to represent our customers' interests, and to advance the public interest. The interdependency of the energy system, most notably the electric grid, on natural gas, clean gaseous fuels, and the infrastructure by which the fuels are carried is becoming more complex over time and analytics and engagement will need to increase.[7] For example, EP staff conducted analyses and submitted comments in various regulatory proceedings to inform policymakers about the use and value of natural gas and clean fuels, as well as gas/electric coordination, and the gas grid's role in supporting electric grid

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[4] CA.Gov, CARB, 2022 Scoping Plan Documents, available at https://ww2.arb.ca.gov/our-work/programs/ab-32-climate-change-scoping-plan/2022-scoping-plan-documents.

[5] CA.Gov, CARB, 2022 State Strategy for the State Implementation Plan (2022 State SIP Strategy), available at https://ww2.arb.ca.gov/resources/documents/2022-state-strategy-state-implementation-plan-2022-state-sip-strategy.

[6] CA.Gov, CEC, 2021 Integrated Energy Policy Report, available at https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report.

[7] *Id.*, Volume III: Decarbonizing the State's Gas System (March 2022), Chapter 2 at 24.

resiliency and enabling decarbonization, to advance state climate goals and to support state policy goals and the needs of energy customers. In comparing available year-over-year data, the group submitted approximately 37 comment letters in 2020, versus 59 in BY 2021. This represents a 59 percent increase in comment letter submissions.

Following is a list of specific matters that EP staff will address over the next several years and beyond. Appendix B includes further details regarding EP's involvement in these matters.

- CARB Scoping Plan CARB Cap & Trade and Carl Moyer Funds Investment Plan
- CARB State Implementation Plan (SIP) Strategy and Mobile Source Strategy
- CEC Integrated Energy Policy Report (IEPR)
- CEC Electric Program Investment Charge (EPIC) Investment Plan
- CEC General Fund monies for industrial decarbonization
- CEC Public Interest Energy Research Natural Gas Program (PIER) Funding

EP staff is further responsible for all regulatory proceedings originating at the South Coast Air Quality Management District (SCAQMD), which is "the regulatory agency responsible for improving air quality for large areas of Los Angeles, Orange County, Riverside and San Bernardino counties, including the Coachella Valley. The region is home to more than 17 million people–about half the population of the entire state of California."[8] The group also supports customer needs for demonstrating and advancing clean energy technologies.

SCAQMD continues to develop and introduce new and increasingly complex air quality regulations in what is one of the most heavily impacted air districts in the nation. The development of new air district regulations is driven by Air Quality Management Plan (AQMP) development and implementation. The AQMP is a regional blueprint for achieving air quality standards and healthful air. It includes a comprehensive analysis of emissions, meteorology, regional air quality modeling, regional growth projection, and the impact of existing and proposed control measures.[9] SCAQMD, along with stakeholders, develop a new Plan every four to six years.

In addition to serving on the Advisory Group Committee for the 2022 AQMP, EP staff will be needed to support the development of Indirect Source Rules (ISR) at SCAQMD at

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8 SCAQMD, What is the South Coast AQMD?, available at https://www.aqmd.gov/nav/about.

9 *Id.*, Air Quality Management Plan (AQMP), available at http://www.aqmd.gov/home/air-quality/clean-air-plans/air-quality-mgt-plan.

railyards and ports. The Indirect Source Rules (ISR) proceeding determines requirements to impose on a site not because of emissions the facility itself generates, but because of emissions from vehicles that intermittently visit the site. ISRs allows an opportunity for EP to partner with SCAQMD to advance clean fuels, technologies, and infrastructure to help reduce customers' mobile source emissions.

EP staff will attend meetings, work with SoCalGas business areas and SCAQMD staff, and write comment letters in these proceedings as they develop over the next 3 to 5 years to ensure natural gas customers are considered. For 2022 to 2025, EP will support the 2022 AQMP and ISR efforts to identify the most cost-effective paths for achieving air quality standards and to advance technologies that ensure a reliable, resilient, and affordable energy system. The group will also be responsible for educating SoCalGas business areas about available incentives so they can share this information with customers, thus enabling customers to take advantage of funding to reduce emissions from their operations and to advance SCAQMD air quality goals.

**a. Planning and Legislative Analysis**

In BY 2021, BSEP hired an FTE in Planning and Legislative Analysis to collaborate with RAND Corporation and participate in the California Energy Commission's research project: Strategy Pathways and Analytics for Tactical Decommissioning of Portions of Natural Gas Infrastructure. The project is anticipated to run through mid-2023.

California has established aggressive policies for reducing emissions associated with natural gas use (*e.g.*, Building codes/Title 24 update, CARB Scoping Plan, CARB Short Lived Climate Pollutant Reduction Strategy). This new research project will necessitate SoCalGas and the research team to develop strategic approaches for decision makers to determine where retreat of portions of natural gas infrastructure is plausible, economically viable, and customer-supported with clearly identifiable ratepayer benefits. How the gas system may be decommissioned over time will have significant impacts on customers and the gas and electricity-serving utilities alike. Ensuring that socioeconomic equity issues are not exacerbated through decommissioning is of paramount concern. SoCalGas' technical expertise is needed to identify data needs and to develop guidelines and criteria that enable decision makers to identify potential project sites for future decommissioning. SoCalGas' participation will enable gas ratepayers to be better informed on the operational and financial impacts of decommissioning.

This emergent decommissioning issue and the new CEC-led research project will require BSEP staff to educate policymakers on gas utility operations and the use of natural gas by our customers. Participating in this project will support the State in achieving carbon reduction goals equitably and cost-effectively.

In BY 2021, two Legislative Analysis employees were devoted to monitoring, analyzing, and determining how a broad range of legislative proposals will affect SoCalGas customers and operations. Specifically, these employees focused on proposals regarding Renewable Gas Procurement, Hydrogen and Carbon Capture, Long-Term Energy Planning, Net Energy Metering, Pipeline Safety, Building Decarbonization, Microgrids, Energy Storage, Distributed Generation, Renewable Gaseous Fuels used for Transportation, Climate Change and Sustainability.

With the exigent need to reduce GHG emissions now in order to meet the State's fast-approaching 2030 decarbonization goal (GHG emissions reduction to 40 percent below 1990 levels) and, ultimately, California's 2045 carbon neutrality goals, there will be an extraordinary emphasis on energy legislation and policy in the coming years.

**b. Business Strategy**

The Business Strategy group incurs labor and non-labor costs associated with long-term system planning towards decarbonization targets, tracking and analyzing natural gas industry trends with a focus on climate policy and clean fuels and clean fuels infrastructure project analysis, as well as the commercial implications on customers and for natural gas utilities, including SoCalGas, as the State transitions away from traditional natural gas.

The group assists various other business areas by providing the analytical and strategic support underpinning company-wide strategies to advance the customer and public interest benefit. These efforts provide strategic guidance to various business areas to ensure strategic decisions across the organization are aligned to facilitate the utility's ability to efficiently execute on its obligations to customers.

In BY 2021, three employees were devoted to providing analytical and execution support for initiatives including decarbonization scenario analysis and long-term demand forecasting; financial modeling and restructuring, including rate restructuring; system planning and framework design that aligns with State climate objectives; the role of clean fuels and clean fuels infrastructure; and, regulatory and legislative policy and engagement in decarbonization-related legislation, proceedings and initiatives.

For example, in BY 2021, the group developed a comprehensive technical analysis examining California's options for moving to a net-zero energy system, which found that electrification combined with clean fuels, carbon management, and technologies like fuel cells provide affordable, resilient, and technologically proven pathways to full carbon neutrality.[10] Moreover, by leveraging the gas system to deliver clean fuels and to manage carbon, California can reach 100% net-zero goals more affordably, more equitably, and with less risk of power disruptions, customer conversion barriers, and technological limitations.[11] The analysis also finds that rapidly scaling up clean fuels initiatives today is vital to putting a clean fuels network in place in time to help California meet its climate goals.[12]

At the same time, the group has been focused on supporting SoCalGas in R.20-01-007, developing decarbonization pathways and performing demand forecasting, financial modeling, system planning and data provision. The group will continue to be heavily involved in the proceeding for the next several years. For instance, Track 2 of R.20-01-007 envisions a system planning process and policy analysis of a complex host of issues around the implications of California's climate goals on the natural gas system, natural gas customers, and the utility business model.[13]

Consistent with the direction of the Gas System Order Instituting Rulemaking (OIR), during the rate case period, Business Strategy will be responsible for developing, adapting and evolving SoCalGas' business model so the utility can continue to fulfill its obligation to serve customers in a safe, reliable, equitable and affordable manner during the energy transition. This will necessitate the group developing analytical tools and conducting financial and technical analyses to support the long-term capital planning process, such that it aligns with decarbonization objectives, and that capital is optimally deployed to benefit customers. In

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[10] SoCalGas, The Role of Clean Fuels and Gas Infrastructure in Achieving California's Net Zero Climate Goal (October 2021), available at https://www.socalgas.com/sites/default/files/2021-10/Roles_Clean_Fuels_Full_Report.pdf.

[11] *Id.*

[12] *Id.*

[13] R.20-01-007, Assigned Commissioner's Amended Scoping Memo and Ruling (January 5, 2022) at 3-13, available at https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M436/K692/436692151.PDF.

addition, Business Strategy will need to develop and maintain collaboration tools to effectively manage considerations ranging from gas acquisition to workforce transition and impacts.

The scope and complexity of the Gas System OIR and other proceedings concerning/related to energy system decarbonization, reliability and resiliency necessitate the addition of three incremental employees with a background in electric and gas market coordination, decarbonization modeling, and assessing and designing new cost allocation and rate design strategies to ensure an equitable and affordable energy transition. The FTEs would provide strategic oversight and analysis to assist in creating an optimal planning framework and reorienting data collection and synthesis of this information to comport with the new planning framework.

#### c. Energy System Integration and Planning

Decarbonization is compelling a more integrated view of the different components of the energy system. According to the CEC:

> There are critical interdependencies between electricity and gas system reliability in the state. Gas-fired generation has long been an integral part of the electricity system, providing baseload power, load following, and reliability. It has also served as the backstop during drought conditions that reduce the availability of in-state hydro generation, as well as imports of hydro from the Pacific Northwest and Southwest regions. The role of gas generation in the electricity system is shifting with the addition of large amounts of renewable generation, primarily solar and wind. Gas generators not only ensure reliability but are key enablers of increasing amounts of renewable resources, which are the primary source of greenhouse gas (GHG) emission reductions in the electric sector. Further, a stable grid is essential to achieving emission reductions from electrification of residential and commercial buildings and electric vehicles to decarbonize the transportation sector.[14]

For SoCalGas, this underscores the need to engage in forums and policy/planning discussions beyond the traditional scope of gas utility planning. Consequently, SoCalGas is proposing the formation of a new BSEP group, Energy System Integration and Planning (ESIP). The group would be responsible for:

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[14] CA.Gov, CEC, 2021 Integrated Energy Policy Report, Volume III: Decarbonizing the State's Gas System, March 2022, Chapter 2 at 24, available at available at https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report.

- Issues involved with optimizing gas/electric coordination and optimization of the integrated energy system as it continues to transform to achieve climate policy goals while maintaining energy customer access to affordable and reliable energy.
- Decarbonization and integrated reliability and resiliency planning efforts at California Independent System Operator (CAISO), CEC, CPUC and FERC, including development and implementation of a system planning framework as envisioned by the Gas System Planning OIR, for which periodic and comprehensive system planning dockets before the CPUC are a presumed outcome, as well as other comprehensive planning proceedings, such as the CPUC's electric Integrated Resource Plan and Long-Term Procurement Plan[15] and the California Independent System Operator's system planning.[16] This would involve management and participation in ongoing system planning focused on achieving state climate objectives, including demand forecasting as well as strategic and operational implications to the Company.

To effectively execute these activities on behalf of our customers, the ESIP group requires five incremental employees.

#### d. External Support and Non-Labor Expense

Due to the societal imperative to rapidly decarbonize, the role of the Company and its infrastructure in advancing decarbonization and the expanding volume and complexity, and the ambitious scope and number of policies and proceedings that affect natural gas customers, BSEP requires external support to contribute information and analysis. Consistent with the SoCalGas climate commitment and the BSEP role in its implementation, such external resources will assist the company in its planning and in informing and interacting with local, state and federal policymakers as they consider how to meet California's decarbonization goals and craft new proposed climate change-related regulations and policies.[17] SoCalGas' objective is to provide

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[15] CA.Gov, Integrated Resource Plan and Long Term Procurement Plan, available at https://www.cpuc.ca.gov/irp/.

[16] CAISO, Transmission planning for a reliable, economic and open grid, available at http://www.caiso.com/planning/Pages/TransmissionPlanning/Default.aspx.

[17] SoCalGas, ASPIRE 2045, Sustainability and Climate Commitment to Net Zero (March 23, 2021), available at https://www.socalgas.com/sites/default/files/2021-03/SoCalGas_Climate_Commitment.pdf.

information relevant to state and federal proceedings about natural gas technologies, clean fuels and controlling Scope 1, 2 and 3 emissions to help meet climate goals in the most efficient and cost-effective manner, while adhering to foundational statutory guideposts in order to advance the public interest and those of our customers.[18]

In BY 2021, the BSEP group incurred $0.355 million in non-labor expenses. Approximately $0.182 million was for external services to: (1) provide expert analysis on the impacts of policy and regulatory initiatives; and (2) assess the potential long-term role of natural gas and the natural gas system in meeting California's GHG and air quality goals.

In TY 2024, non-labor costs are forecast at $1.079 million. This increase is primarily attributable to consulting services related to the Gas System Planning OIR (Rulemaking 20-01-007) proceedings.

I am requesting $1.000 million labor and $0.024 million in non-labor for 3.0 incremental Manager, 3.0 Advisor, and 2.0 Project Manager FTEs and $0.700 million in non-labor consulting for the above activities.

## VI. REGULATORY AFFAIRS DIVISION

### A. Introduction

SoCalGas' Regulatory Affairs division is comprised of six functional areas: (1) Director of Regulatory Affairs; (2) Regulatory Tariffs and Information; (3) Regulatory Case Management; (4) Gas Rates and Analysis; (5) Gas Demand Forecasting and Economic Analysis; and (6) GRC Revenue Requirements. Regulatory Affairs provides project management, policy formulation, regulatory strategy, gas demand forecasting, economic analysis, gas cost allocation, gas rate design, and tariffadministration services. Regulatory Affairs also manages proceedings and issues before the CPUC and other federal and state agencies.

Regulatory Affairs TY 2024 forecast incurred costs are $5.324 million, compared to the 2021 base year of $4.824 million.

[18] SoCalGas defines Scope 1, 2, and 3 emissions in the Climate Policy testimony of Naim Jonathan Peress (Exhibit SCG-02, Chapter 1) at NJP-1 – NJP-2, as follows: Scope 1 – Direct GHG emissions from sources SoCalGas controls, for example, Company vehicles, Company facilities' combustion equipment, the natural gas transmission and distribution systems; Scope 2 – Indirect GHG emissions associated with the generation of purchased electricity consumed by SoCalGas; and, Scope 3 – Indirect GHG emissions from others that are the result of SoCalGas's business activities, primarily from its customers' decisions to acquire and combust natural gas, which as a common carrier, SoCalGas delivers.

**TABLE SM-15**
**Regulatory Affairs Division Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| B. Director of Regulatory Affairs | - | 431 | 431 | - | 321 | 321 | - | (110) | (110) |
| C. Regulatory Tariffs and Information | 834 | - | 834 | 1,016 | - | 1,016 | 182 | - | 182 |
| D. Regulatory Case Management & Regulatory Affairs Strategy Manager | - | 1,127 | 1,127 | - | 1,237 | 1,237 | - | 111 | 111 |
| E. Gas Rates and Analysis | - | 249 | 249 | - | 442 | 442 | - | 193 | 193 |
| F. Gas Demand Forecasting and Economic Analysis | - | 868 | 868 | - | 964 | 964 | - | 97 | 97 |
| G. GRC and Revenue Requirements | - | 1,316 | 1,316 | - | 1,344 | 1,344 | - | 29 | 29 |
| **Total** | **834** | **3,990** | **4,824** | **1,016** | **4,308** | **5,324** | **182** | **318** | **500** |

### B. Director of Regulatory Affairs

**TABLE SM-16**
**Director of Regulatory Affairs Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| B. Director of Regulatory Affairs | - | 431 | 431 | - | 321 | 321 | - | (110) | (110) |

For TY 2024, the Director of Regulatory Affairs requests $0.321 million, a decrease of $0.110 million from 2021 adjusted-recorded costs of $0.431 million. The Director of Regulatory Affairs is a shared service.

#### 1. Description of Costs and Underlying Activities

The Director of Regulatory Affairs oversees, leads, and directly manages the other functional areas within Regulatory Affairs (with the exception of GRC Revenue Requirements). In this capacity, the director is responsible for development and implementation of the Company's key regulatory policies and business objectives as they relate to the Regulatory Affairs functional areas, including safety, reliability, compliance, gas distribution, transmission and storage, energy procurement, incremental revenue requirements, rates analysis, tariffs, cost recovery, new business initiatives, and other energy issues. The director is responsible for maintaining adequate supervision and staffing of the other functional areas so that the Company's policy and business objectives are able to be presented before key regulators. The director is directly involved in the preparation of legal requests, regulatory policies, business proposals, testimonies, and analysis presented to external stakeholders. The director collaborates with other SoCalGas and SDG&E groups to ensure various regulatory-driven initiatives and requirements receive appropriate support.

#### 2. Forecast Method

A five-year adjusted average (2017-2021) was used for forecasting the Director of Regulatory Affairs costs. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs, for the department. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

#### 3. Cost Drivers

The cost driver behind the Director of Regulatory Affairs forecast is labor escalation. There are no forecasted changes for this area as current responsibilities are consistent with historical activity.

### C. Regulatory Tariffs and Information

**TABLE SM-17**
**Regulatory Tariffs and Information Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| C. Regulatory Tariffs and Information | 834 | - | 834 | 1,016 | - | 1,016 | 182 | - | 182 |

For TY 2024, Regulatory Tariffs and Information requests $1.016 million, an increase of $0.182 million from 2021 adjusted-recorded costs. The Regulatory Tariffs and Information department is a non-shared service.

#### 1. Description of Costs and Underlying Activities

The Regulatory Tariffs and Information request funds department activities include:

- submitting advice letters and responding to protests and draft resolutions;
- maintaining, interpreting, revising, and developing tariff schedules and new tariffs;
- providing guidance on regulatory compliance with tariffs; and
- responding to CPUC staff inquiries.

In this capacity, Regulatory Tariffs and Information is primarily responsible for SoCalGas' compliance with GO 96-B. Additionally, the Tariffs department provides case management for certain CPUC investigations and CPUC complaint proceedings, as well as providing tariff support to Regulatory Case Management in major proceedings before the CPUC and tracking certain regulatory compliance requirements. Additionally, the Regulatory Special

Projects Team primarily provides project management for SoCalGas related to specific CPUC proceedings, Investigation (I.) 17-02-002, I.19-06-014, and I.19-06-016. This team's functions include coordinating support for and participation in the identified proceedings, as well as related activities before the CPUC.

In 2016 and 2019 (the last two GRC test years), the Regulatory Tariffs and Information department submitted 186 and 174 Advice Letters, respectively. In 2020 and 2021, the department submitted an average of 199 Advice Letters per year – an increase of 14% from 2019 and 7% from 2016. In addition to submitting more Advice Letters, the Regulatory Tariffs and Information team responds to more inquiries and requests related to such Advice Letters. Much of the increased Advice Letter work relates to increased compliance activity necessitated by decisions issued by the CPUC. SoCalGas proposes to increase its staffing in this department by one FTE, in order to satisfy SoCalGas' ongoing and increasing compliance requirements.

**2. Forecast Method**

The forecast method for the Regulatory Tariffs and Information department is a BY forecast, as this methodology best reflects the current organization and related cost structure for the department.

**3. Cost Drivers**

The cost driver behind the Regulatory Tariffs and Information forecast is primarily headcount and escalation. I am requesting $0.129 million in labor and $0.003 million in non-labor for 1.0 incremental Project Manager FTE to support increased compliance activities. Additionally, I am requesting $0.050 million in non-labor for bill inserts. Although such costs were not spent in the BY, they were historically spent in 2017-2020 and are expected to continue in the future.

### D. Regulatory Case Management

**TABLE SM-18**
**Regulatory Case Management Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| D. Regulatory Case Management & Regulatory Affairs Strategy Manager | - | 1,127 | 1,127 | - | 1,237 | 1,237 | - | 111 | 111 |

For TY 2024, Regulatory Case Management and the Regulatory Affairs Strategy Manager request $1.237 million, an increase of $0.111 million from the 2021 adjusted-recorded costs. Both Case Management and the Regulatory Affairs Strategy Manager are shared services between SoCalGas and SDG&E.

#### 1. Description of Costs and Underlying Activities

The Regulatory Case Management request funds department activities include:

- coordinating SoCalGas' participation in regulatory proceedings and related activities before the CPUC, including rate and non-rate related applications, CPUC-initiated investigations and rulemakings, and related legislative activities;
- managing regulatory filings with the CPUC and other agencies;
- coordinating compliance with CPUC directives and requirements;
- retaining regulatory records and related information as part of the Utilities' Regulatory Central Files; and
- maintaining effective working relationships with state and federal regulatory agencies, and being responsive to their requests for information or assistance.

Regulatory Case Management is also responsible for many of these same activities for applicable FERC gas regulatory proceedings.

Case management of CPUC proceedings is an ever increasing and challenging obligation. The CPUC is presently addressing numerous large policy questions that span multiple years/phases and require significant post-decision implementation work. Recent examples include multiple decisions related to biomethane (R.13-02-008), customer disconnections (R.18-07-005), disaster relief measures (R.18-03-011), building decarbonization (R.19-01-011), long-term gas planning (R.20-01-007), COVID-19 bill debt relief (R.21-02-014), and safety culture (R.21-10-001). SoCalGas anticipates that, in relation to the clean fuels initiatives outlined in this application, additional regulatory activity is likely both in the test year and throughout the rate case cycle. The Regulatory Affairs Strategy Manager provides strategic guidance on all aspects of SoCalGas' interactions with the CPUC, including all regulatory filings and proceedings, ensuring compliance with regulatory mandates, and facilitating positive regulatory outcomes. They also manage relationships with CPUC staff. All of these areas have tested the demands on the Regulatory Case Management department and result in the need for strong staffing with relevant experience and specialized skills.

**2. Forecast Method**

A five-year adjusted average (2017-2021) was used for forecasting the Case Management and Strategy Manager costs as it best reflects the current organizations and cost structure. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

**3. Cost Drivers**

The cost driver behind the Case Management and Strategy Manager forecast is primarily headcount and escalation related to FTEs. I am requesting $0.129 million in labor and $0.003 million in non-labor for 1 incremental Case Manager FTE. As described in detail above, in recent years, there have been increasing CPUC, intervenor and state protocols and requirements as well as regulatory proceedings underway that require more coordination and coverage.

### E. Gas Rates and Analysis

**TABLE SM-19**
**Gas Rates and Analysis Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| E. Gas Rates and Analysis | - | 249 | 249 | - | 442 | 442 | - | 193 | 193 |

For TY 2024, Gas Rates and Analysis requests $0.442 million, an increase of $0.193 million from 2021 adjusted-recorded costs. The Gas Rates and Analysis department is a shared service between SoCalGas and SDG&E.

#### 1. Description of Costs and Underlying Activities

Gas Rates and Analysis department activities include policy support, gas rate design, analysis, and coordination/consultation for use in business development and regulatory proceedings. These activities are used in the development of gas revenue requirement cost allocations across customer classes and customer rate designs for CPUC-required filings, proceedings, and ad hoc requests. These activities also aid in providing expert witness testimony on rate design and cost allocation issues.

The Gas Rates and Analysis department is a shared service staffed with a manager (who also oversees Gas Demand Forecasting and Economic Analysis) and two analysts. In this proceeding, SoCalGas requests increasing staffing to include an additional advisor. Since the 2019 test year, the CPUC has initiated multiple proceedings that directly affect and increase the workload of the Gas Rates and Analysis team. In addition to these new demands on the department, the department will continue submitting cost allocation proceeding testimony and workpapers, supporting ratemaking proceedings as expert witnesses, and maintaining the accurate collection of utility authorized revenue requirements through ever more complicated rate structures.

#### 2. Forecast Method

The forecast method for the Gas Rates and Analysis department is based on a five-year average. The five-year averaging methodology produces an accurate forecast as it best reflects the cost drivers related to this function. The department is forecasted to continue in the test year. A five-year adjusted average (2017-2021) was used for forecasting the Gas Rates and Analysis costs as it best reflects the current organization and cost structure. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

#### 3. Cost Drivers

The cost driver behind the Gas Rates and Analysis forecast is primarily headcount and escalation. I am requesting $0.129 million in labor and $0.003 million in non-labor for 1.0 incremental Principal Economic Advisor FTE to support the increased compliance-driven workload described above.

### F. Gas Demand Forecasting and Economic Analysis

**TABLE SM-20**
**Gas Demand Forecasting and Economic Analysis Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| F. Gas Demand Forecasting and Economic Analysis | - | 868 | 868 | - | 964 | 964 | - | 97 | 97 |

For TY 2024, the Gas Demand Forecasting and Economic Analysis department requests $0.964 million, an increase of $0.097 million from 2021 adjusted-recorded costs. Gas Demand Forecasting and Economic Analysis is a shared service between SoCalGas and SDG&E.

#### 1. Description of Costs and Underlying Activities

The Gas Demand Forecasting and Analysis request funds department activities include:

- analyzing economic data, demographics, and gas customer forecasts;
- developing gas price forecasts;
- developing short and long-term gas demand forecasts and analyses as well as peak gas demand for transmission system planning;

- analyzing policy implications on gas demand;
- supplying analysis for use in business development and regulatory proceedings; and
- providing expert witness testimony regarding cost escalation, economic and demographic trends, and customer/demand forecasting. The department is responsible for the biennial California Gas Report, including operating as the statewide lead for this report on a rotating basis with Pacific Gas and Electric Company (PG&E). As the State monitors progress towards its climate goals, the forecasts prepared by the department have expanded from traditional end-use modeling to include the load reduction impacts of fuel substitution and building electrification. This has led to increased forecasting complexity, as forecasts must take into consideration multiple policy objectives, many of which have high degrees of uncertainty.

**2. Forecast Method**

A five-year adjusted average (2017-2021) was used for forecasting the Gas Forecasting and Analysis costs as it best reflects the current organization and cost structure. The five-year average (2017-2021) was adjusted for $0.123 million in labor to add back the full-year impact of 1.0 FTE vacant during this period. These expenses will be included in the TY 2024 revenue requirement as forecasted. The five-year average best represents a reasonable estimate of annual costs when considering year to year variability, including the cyclical nature of certain costs. This methodology has been consistently applied for this department in prior SoCalGas GRCs.

**3. Cost Drivers**

The cost driver behind this forecast is primarily escalation associated with FTEs performing the activities outlined above. There is no incremental request being made for this area.

### G. GRC and Revenue Requirements

**TABLE SM-21**
**GRC and Revenue Requirements Summary of Total Costs**

| VI. REGULATORY AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| G. GRC and Revenue Requirements | - | 1,316 | 1,316 | - | 1,344 | 1,344 | - | 29 | 29 |

For TY 2024, the GRC and Revenue Requirements department requests $1.344 million, an increase of $0.029 million from 2021 adjusted-recorded costs.

#### 1. Description of Costs and Underlying Activities

The GRC and Revenue Requirements department is a shared department that is responsible for the management and coordination of SoCalGas's and SDG&E's major revenue requirement proceedings before the CPUC. Major proceedings managed by this department include the GRC, including the immediate TY 2024 case, the Cost of Capital proceeding, RAMP, the S-MAP, and other cost recovery-related applications. In addition to these critical proceedings, this department supports various reports filed at the CPUC including the RSAR and Safety Performance Metrics Report (SPMR). These proceedings involve significant undertakings due to their considerable size, scope, and duration. Beyond procedural management of the cases, the GRC & Revenue Requirements department:

- Oversees and coordinates the Company's GRC forecasting efforts, assists Regulatory Law in development of witness testimony and discovery responses, evidentiary hearings, and RSAR and SPMR filings;
- Develops and maintains GRC database software and oversees the Regulatory Management System (RMS);
- Coordinates and responds to numerous intervenor and CPUC inquiries.
- Participates in and facilities workshops at the CPUC;

- Provides detailed analysis of utility revenues, expenses, and investments in plant and equipment to appropriately establish revenue requirements for SDG&E and SoCalGas; and
- Evaluates CPUC decisions and directives, and communicates the compliance obligations, including GRC authorized revenue, to the broader organization.

**2. Forecast Method**

A five-year average of 2017-2021 was employed for forecasting the GRC & Revenue Requirements costs. The five-year average best represents the typical cost stream of this longstanding group, which provides essential compliance, oversight, and support functions. Averaging the costs over a five-year period best reflects a reasonable estimate of annual future costs when considering year-to-year variability. Smoothing year-to-year variability is important for the GRC & Revenue Requirement organization in particular given that a majority of the large regulatory proceedings managed by this organization, which correspond to the cost patterns, occur over cycles (every three to four years) rather than annually. Moreover, a five-year average forecasting methodology has been consistently favored for the GRC & Revenue Requirements costs in prior SoCalGas GRC proceedings. I am requesting $0.130 million in labor above the five-year historical average to reflect the full-year impact of 1.0 FTE.

**3. Cost Drivers**

The responsibilities of the GRC and Revenue Requirements department has increased as a result of new regulatory requirements. Since the last GRC filing, this department has managed the RAMP and S-MAP filings as well as the recent RSAR and SPMR reporting requirements in collaboration with the CPUC and others. Thus, the GRC cycle now involves multiple intensive proceedings and two accountability reporting requirements:

- The S-MAP, which currently has multiple phases and multiple tracks within each phase that includes technical working groups that require significant time and participation;
- The RAMP application, which is filed one year prior to each GRC;
- The GRC itself, which includes major initiatives previously addressed in separate proceedings;
- Annual RSARs; and

- Annual SPMRs, for which the scope was recently revised and expanded by Decision 21-11-009 to include numerous new reportable safety performance metrics.

All of the above proceedings and reporting requirements have increased in complexity in recent years. For example, the RAMP process now utilizes a different, more quantitative risk methodology compared to the risk methods relied upon in SDG&E's prior GRC. The RAMP application proceeding also includes additional steps, including one or more public workshops prior to and after submission, as well as more granular analysis with the introduction of tranches. Also, in scope of the open S-MAP (R.20-07-013) is to consider a timeline and requirements for an additional accountability report, the Risk Mitigation Accountability Report (RMAR).[19] Another accountability reporting requirement will continue to require time and resources by this group.

In addition to the above processes and proceedings, the GRC and Revenue Requirement group is committed to improving its regulatory-related tools. This effort will allow SoCalGas and SDG&E to enhance its internal regulatory-related records and provide timely and user -friendly interfaces for discovery. As the amount of regulatory activity in the State increases (*e.g.*, an increase in regulatory proceedings), so does the amount of regulatory information managed by SoCalGas and SDG&E. Accordingly, SoCalGas and SDG&E are investing in IT platforms and tools to support such efforts. Support staff is also needed to maintain the new IT systems and discovery platforms. As state policy directives and goals continue to advance, the activities of this group must be able to continue to meet regulatory agency requirements, including maintaining IT systems to manage such efforts. As such, I am requesting $0.111 million in labor and $0.003 million in non-labor for 1.0 incremental Project Manager FTE to manage the RMS.

## VII. EXTERNAL AFFAIRS DIVISION

### A. Introduction

External Affairs is comprised of two distinct departments:

[19] R.20-07-013, Assigned Commissioner's Scoping Memo and Ruling (November 2, 2020) at 8.

### 1. Media Relations and Strategic Engagement (MRSE)

The MSRE department, which includes Capital Projects Outreach (CPO), manages and coordinates external communications with a broad set of stakeholders including the media, elected officials, government agencies, community organizations, and members of the public. Specifically, the department manages communications with news media, leads communications related to SoCalGas' major capital projects, and oversees the Company's social media team. MRSE also provides internal stakeholders with consistent messaging, awareness of the broader communications landscape, and supports customer and employee communications. MRSE is a non-shared service.

MRSE consists of a department director, a Manager of Media Relations, a CPO Manger, and a Media and Stakeholder Manager, as well as several staff positions. The department director is responsible for providing leadership and guidance over the activities of this department and its employees and co-manages the Company's roster of on-call Public Information Officers.

### 2. Community Relations

The Community Relations staff is responsible for aligning with nonprofit organizations to inform their constituencies regarding utility customer programs and services. SoCalGas Community Relations staff builds partnerships among Community-Based Organizations (CBOs supporting programming that helps meet community needs and close inequities. Giving is primarily focused in the following giving areas: workforce education & training; education in science, technology, engineering, and mathematics (STEM); sustainability; safety; homelessness; and underserved communities. Designed community investments support hard-to-reach, underserved, historically disadvantaged, low-income populations in demographically diverse communities. In addition, the Community Relations department engages SoCalGas' employee base to get involved and give back to the communities SoCalGas serves through local nonprofit board service, donations, fundraising, and volunteering. While at community events, the team also shares critical SoCalGas customer assistance, energy efficiency, and safety programming information with the community.

**TABLE SM-22**
**External Affairs Division Summary of Total Costs**

| VII. EXTERNAL AFFAIRS DIVISION (In 2021 $) | 2021 Adjusted-Recorded (000s) | | | TY2024 Estimated (000s) | | | Change (000s) | | |
|---|---|---|---|---|---|---|---|---|---|
| | NSS | USS | Total | NSS | USS | Total | NSS | USS | Total |
| VII. External Affairs | 2,143 | - | 2,143 | 2,454 | - | 2,454 | 311 | - | 311 |

For TY 2024, the External Affairs division requests a total of $2.454 million, an increase of $0.311 million from 2021 adjusted-recorded costs.[20]

### B. Media Relations and Strategic Engagement (MRSE)

Media relations is an integral part of the Company's external communications efforts with its customers and other stakeholders. Over the last several years, the media's contact with the Company has grown significantly. MRSE provides timely and accurate information to journalists about SoCalGas' operations and infrastructure around-the-clock. In addition, the Company issues dozens of proactive news releases, social media and blog posts on Company activities each year on topics ranging from CPUC income eligible programs and energy efficiency, to SoCalGas' clean energy and sustainability initiatives, major infrastructure, and safety enhancements.

With the growing importance of social media and direct stakeholder engagement, SoCalGas continues to deploy a more diverse array of communications tools. These tools include community bulletins, targeted micro-sites, infographics, photos, videos, and emergency notification systems all centered on providing our customers and various other stakeholders in the service territory with information in a timely manner.

### C. MRSE - Capital Projects Outreach (CPO)

MRSE's CPO team supports SoCalGas' major construction projects with stakeholder outreach and engagement activities. CPO implements strategic outreach plans to help projects get approved, permitted, and constructed on schedule and with minimal impact to customers. The outreach conducted provides transparent, two-way communications with stakeholders to

[20] The Company has removed costs for political, civic activities, and other nonallowable expenses.

help foster public confidence and increase awareness on pipeline safety and infrastructure enhancements. All public communications and outreach implemented proactively by CPO are in accordance with notification requirements, such as California Public Utilities Code Section 955.5 (AB 1937). CPO engages in early planning stages to identify risks and help remove obstacles that could impact project schedules and/or plans. CPO collaborates with project teams and internal departments to drive integrated communication plans to be consistent on messaging and build strong community relationships that contribute to successful project completion. Public notifications are implemented in a timely and consistent manner for construction related work and satisfy permit conditions/requirements issued by local municipal jurisdictions.

**D. Community Relations**

SoCalGas' service territory consists of 223 cities in 12 counties spanning from central California to the Mexico border. Community Relations is a non-shared service responsible for working with nonprofit CBOs, and local communities. Specifically, the Community Relations staff aligns with non-profit organizations to inform their constituencies regarding the Company's customer programs and services. The department develops relationships with these groups to facilitate the promotion of SoCalGas' customer program and services. The Community Relations department engages these organizations in Company programs, providing charitable support, and linking them with energy efficiency products and programs to save energy and money. The Community Relations charitable giving programs are specifically designed to support hard-to-reach, underserved, historically disadvantaged, low-income populations in demographically diverse communities. The Community Relations department directs grants to local organizations. All grant-making activities require coordinating, accounting, and tracking in a centralized grant tracking system to ensure compliance with state and federal laws and tax requirements. The Community Relations team also organizes meetings between SoCalGas and its Community Advisory Council, which addresses various community issues. An example of the community work managed by this department is programmatic workforce training to create economic prosperity for the individuals and communities served. These programs provide essential training and soft skills to enable adults, young adults, and veterans the opportunity to obtain meaningful and gainful employment. Most recently, SoCalGas supported The Los Angeles Urban League's Construction Career Academy, which has trained dozens of people and enabled SoCalGas to successfully hire nine qualified candidates – thus far. SoCalGas has also invested in the Jewish Vocational Services (JVS) Veterans First program, which provides support and training to Veterans to prepare them for positions with SoCalGas as Field Technicians. Over the past two program years (2020 and 2021), this program has trained 60 people, of which SoCalGas was able to hire at least three veterans so far.

Relationships managed by the Community Relations department include grants to support STEM learning and activities. Through various afterschool enrichment and scholarship programs, the company improves STEM learning for underserved youth in multiple communities. SoCalGas also provides scholarships for underserved students. In 2021, 56 students (86% were students of color) from Central and Southern California received a share of the more than $235,000 in college scholarships awarded. Students who planned to enroll in a community college or trade school received a $1,000 scholarship, and those who planned to attend a four-year college or university received a $5,000 scholarship. Since the program's inception in 2001, the utility has awarded over $2.9 million in scholarships to more than 2,270 students. Priority was given to students majoring in STEM, accounting, or finance.

SoCalGas' Community Relations department also focuses investments in sustainability programs and projects focused on resilient energy, clean air, and organic waste diversion. One example is the SoCal Climate Champions competitive grant initiative, which awards grants to nonprofit organizations for projects that reduce greenhouse gas emissions, clean our air and reduce organic waste. SoCalGas also supports urban greening events and engages its employees in community clean-up efforts where employees can also share information about customer assistance programs and public awareness around safe digging (811).

Project support specific to safety includes contributions in support of emergency preparedness, emergency response and supporting the unhoused. For example, the Company contributes to support Southern California Resource Services for Independent Living, that invests in their emergency and safety app for people with disabilities. The app also includes information for SoCalGas' emergency contacts, Hearing Impaired TDD/TTY line, information on how and when to shut off the gas, as well as dig-in prevention. Furthermore, sponsorship of the American Red Cross' PrepareLA program raises awareness about fire prevention and earthquake preparedness. SoCalGas has also provided grants to the Los Angeles Fire Department Foundation and Los Angeles Police Department Foundation to help fund emergency equipment.

Examples of grants to help those experiencing homelessness include supporting essential and basic needs (*e.g.*, food, emergency shelter and hygiene products), workforce training, long-term housing, and supportive services. The department also partners with our energy efficiency teams to help connect them with Project Home Key providers to upgrade and improve the energy efficiency of the equipment at the newly acquired motels, converted to house the unhoused.

Many SoCalGas employees generously give their time, skills, and energy as volunteers in the neighborhoods and communities where they live and work. Roughly 62% of SoCalGas Directors and Executives serve on one or more local nonprofit boards. In 2021, SoCalGas employees collectively logged nearly 15,000 volunteer hours and donated $1.9 million (including matching contributions from Sempra Energy Foundation) to more than 1,550 charitable organizations. We support and encourage these endeavors through our employee giving programs and by engaging our workforce to help give back to our communities safely in-person or virtually during this time of great need. For example, SoCalGas was the top team at the United Way of Greater Los Angeles' WalkUnitedLA event. More than 900 registered participants raised over $106,000 to help end homelessness, provide equitable and quality education to all students, ensure greater economic mobility, and increase access to opportunities for working families and individuals in Greater Los Angeles.

In this GRC, we are asking for one additional advisor to support strategic board placement, employee engagement activities, and internal/external communications, which allows the Company to build relationships with key stakeholders in the communities we serve.

While the community relations department has remained relatively flat over the past 6-10 years, the community need and demand have increased over the past several years, especially since the pandemic. More community needs require more programmatic support, which requires more time spent on coordination. Employee engagement and board placement particularly require more planning, even in a virtual environment.

An additional Advisor would also support nonprofit board placement, engaging more SoCalGas leaders to donate their time, talents, and resources to CBOs through board service. Lastly, the advisor would also help communicate our community activities and opportunities to help engage more employees, retirees, and the public.

### 1. Forecast Method

As shown in Table SM-22 above, SoCalGas recorded $2.143 million for these activities in the BY 2021. A BY forecast method was used for External Affairs, with $0.197 million in labor added to reflect the full-year impact of 2.2 FTEs that were vacant during the year. These expenses will be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate because trends, multi-year averages or other methods would not reflect the growth in labor force that occurred in 2021 in direct response to the cost drivers described below.

### 2. Cost Drivers

The employees of, and activities associated with the organization, described herein perform a fundamental service to customers and the community by disseminating news and SoCalGas program information working with CBOs and engaging employees to give back to the communities we serve. The cost drivers behind this forecast are the personnel and non-labor necessary for:

- conducting customer outreach through community events; and
- communicating safety and reliability programs for projects that are in construction or soon to be in construction, including PSEP, Mobile Home Park (MHP), Pipeline Integrity and Gas Transmission/Distribution.

These departments are critical for communicating to media, external stakeholders and other important stakeholders including non-profit organizations with diverse and often underserved communities. Communication is vital for safety messages and regulatory changes that impact the community. As such, I am requesting $0.111 million in labor and $0.003 million in non-labor for 1.0 incremental Community Advisor FTE.

## VIII. FRANCHISE FEES

### A. Introduction

The purpose of this section is to provide background and analysis for SoCalGas' Franchise Fees as estimated for TY 2024.

**TABLE SM-23**
**Summary of Franchise Fees**

| ADMINISTRATIVE & GENERAL (In 2021 $) | Estimated 2022 (000s) | Estimated 2023 (000s) | Estimated TY 2024 (000s) |
|---|---|---|---|
| Franchise Fees | 43,939 | 47,140 | 52,684 |

### 1. Description of Underlying Costs

Franchise fees are payments made to counties and incorporated cities pursuant to local ordinances granting a franchise to the company to place utility property in public rights of way. These facilities include pipes and appurtenances for transmitting and distributing gas. As of April 15, 2022, SoCalGas had paid franchise fees for the year 2021 to 244 cities and counties. Franchise fees are calculated using two formulas: (1) the "Broughton Act" formula, and (2) the "Percent of Gross Receipts" formula. The Broughton Act formula, as prescribed by CPUC guidelines, is calculated based upon the summarized receipts within each city or county as allocated by gas pipeline mileage in their public rights-of-way, and the applicable franchise fee rate pursuant to the franchise fee ordinance. The Percent of Gross Receipts formula is calculated based upon the summarized receipts within each city or county and the applicable franchise fee rate pursuant to the franchise fee ordinance.

The franchise agreement with each taxing authority specifies which of the above methods SoCalGas will use to determine its franchise fee liability. The majority of agreements require that the franchise fee be calculated under both methods with SoCalGas paying the higher of the two calculated fees. The remaining agreements specify that only the Broughton Act or Percent of Gross Receipts method be used.

### 2. Forecast Method

The total payments to all taxing authorities were summed and divided by total receipts to arrive at a system-wide franchise fee factor. The system-wide franchise fee factors for the most recent five years were then averaged to yield a forecasted average franchise fee factor for TY 2024. The average franchise fee factor for TY 2024 is projected to be 1.2259% based on the trend from actual 2017-2021 franchise fees.[21] The estimated franchise fees for 2022-2024 were

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21 The forecast methodology used to estimate the franchise fee factor does not reflect ongoing or upcoming negotiations with local jurisdictions, the results of which may be implemented during this GRC cycle.

determined by applying 1.2259% to forecasted revenue requirement. This methodology has been consistently applied in prior SoCalGas GRCs.

#### 3. Cost Drivers

As noted above, the change in franchise fee expense from 2021 to 2024 results from changes in franchise agreements and changes in revenue requirement.

## IX. CAPITAL

### A. Introduction

Capital costs for the forecast years 2022, 2023, and 2024 for IT projects that support A&G, are sponsored by the Information Technology testimony of Mr. Exon (Ex. SCG-21, Chapter 2). The purpose of this section of my testimony is to describe the business rationale for these projects. Refer to Mr. Exon's capital workpapers (CWP) (Exhibit SCG-21-CWP) for the basis of the costs. Table SM-24 captures the capital project forecasts for 2022, 2023, and 2024.

**TABLE SM-24**
**Summary of IT Capital Costs**

| A&G IT CAPITAL COSTS (In 2021 $) | | | | |
|---|---|---|---|---|
| **IT Capital Workpaper Number** | **Project Name** | **Estimated 2022 (000s)** | **Estimated 2023 (000s)** | **Estimated TY 2024 (000s)** |
| 00756AV | Financial Risk Management - Risk Based Decision Making | $1,575 | $6,752 | $5,177 |
| 00756L | SAP Transformation | $5,168 | $42,882 | $22,562 |
| 00756M | GRC & Regulatory Complex Search | $1,211 | $0 | $0 |
| 00786I | SAP S4/HANA - Business Optimization | $0 | $2,124 | $4,677 |
| | **Total** | **$7,954** | **$51,757** | **$32,415** |

#### 1. Financial Risk Management – Risk Based Decision Making

The forecast for Financial Risk Management – Risk Based Decision Making for 2022, 2023, and 2024 is $1.575 million, $6.752 million, and $5.177 million, respectively. The purpose of this project is to enhance the Company's capabilities related to risk-informed decision-making. Risk-informed decision-making is defined as considering information regarding risks associated with running our business to adjust behavior during the different stages of the work we perform (*e.g.*, planning stage, work performance stage, etc.). The availability of more detailed information regarding our safety-, reliability- and maintenance-related efforts will affect how we prioritize the work we perform, how we establish and adjust departmental costs, and consider proposals to our regulators. SoCalGas is managing its risks through a structured, increasingly data-driven approach that identifies threats and hazards, assesses, and prioritizes risks, implements mitigation efforts, and engages in assessments and reviews to understand risk mitigation effectiveness. More detailed information will assist in these efforts and is also consistent with Commission expectations and guidance, including in the S-MAP proceedings, RAMP proceeding, and annual RSAR. The specific details regarding the Financial Risk Management – Risk Based Decision Making project costs can be found in Mr. Exon's capital workpapers (Ex. SCG-21-CWP, 00756AV).

**2. SAP Transformation**

The forecast for SAP Transformation for 2022, 2023 and 2024 is $5.168 million, $42.882 million, and $22.562 million, respectively. The purpose of this project is to meet evolving industry needs; the SAP platform has undergone a re-architecture, which aligns with the Company's digital transformation strategy. For more details regarding the digital technology strategy can be found in the Information Technology testimony of Ben W. Gordon (Ex. SCG-21, Chapter 1). Digital technology, real-time data, intuitive user experience, and continual innovation are some of the key capabilities of this platform. This two-phased project will establish technical readiness, upgrade, and modernize the SAP system. SAP Transformation will enable end-user efficiency, improved system performance, shorter closing cycles, resilient infrastructure, and access to the latest SAP solutions. The specific details regarding the SAP Transformation project costs can be found in Mr. Exon's capital workpapers (Ex. SCG-21-CWP, 00756L).

**3. GRC & Regulatory Complex Search**

The forecast for GRC & Regulatory Complex Search for 2022 is $1.211 million. The purpose of this project is to implement a complex and semantic search tool to support the GRC and Regulatory processes. The search tool will enable enterprise users to search on a large repository of regulatory documents via "semantics" or "meaning." Semantic searching allows a user to search on words that are similar, but not necessarily exact, so that a user can find documents when the user does not know exactly what to search for. This solution supports compliance to regulatory processes and data request response times. The specific details regarding the GRC & Regulatory Complex Search project costs can be found in Mr. Exon's capital workpapers (Ex. SCG-21-CWP, 00756M).

#### 4. SAP S4/HANA - Business Optimization

The forecast for SAP S4/HANA for 2023 and 2024 is $2.124 million and $4.677 million, respectively. The purpose of this project is to deliver business value and efficiencies though additional standard options provided in the upgraded version of SAP which will be delivered via the SAP Transformation project. The Business Optimization project will go beyond the mandatory changes required to complete the technical upgrade itself. The optimizations will leverage the modernized SAP software built around industry best practices and will deliver transformational improvements across the enterprise. Additionally, configuration and implementation improvements will increase performance, efficiency, and end user satisfaction and significantly replace custom development with standard SAP functions. The specific details regarding the SAP S4/HANA project costs can be found in Mr. Exon's capital workpapers (Ex. SCG-21-CWP, 00786I).

## X. CONCLUSION

SoCalGas requests that the CPUC adopt the O&M TY 2024 forecasts and IT capital projects presented in this testimony. SoCalGas' TY 2024 A&G forecasts were carefully developed and scrutinized to reflect a prudent level of funding needed for critical functions and activities during this GRC term. The amount requested for TY 2024 of $47.177 million, which is $7.813 million more than base year 2021, is necessary to meet the needs of utility operations, maintain quality customer service, and see that the Company meets compliance and safety requirements. In addition, my request includes $52.684 million for franchise fees.

This concludes my prepared direct testimony.

## XI. WITNESS QUALIFICATIONS

My name is Sara P. Mijares. My business address is 555 W. 5th Street, Los Angeles, CA 90013. I am employed at SoCalGas as the Vice President of Accounting & Finance and Assistant Controller. In this role, I am responsible for overseeing SoCalGas's compliance process with relevant accounting, financial, and regulatory rules and regulations in accordance with GAAP, including those mandated by SOX, SEC, FERC, and CPUC.

I have been employed by SoCalGas since June 2020. Prior to my time at SoCalGas, I worked for PricewaterhouseCoopers from 2003 to 2020 in the Consumer Products Audit group. I hold a Bachelor of Science Degree in Accounting from Loyola Marymount University. I am a Certified Public Accountant (CPA).

I have not previously testified before the CPUC.

# APPENDIX A

## Glossary of Terms

## APPENDIX A – Glossary of Terms

A&F – Accounting and Finance

A&G – Administrative and General

A&PA – Asset & Project Accounting

AB – Assembly Bill

ABC – Affiliate Billing & Costing

AGC – Assistant General Counsel

AP – Accounts Payable

ATRs – Affiliate Transaction Rules

BSEP – Business Strategy & Energy Policy

CAISO – California Independent System Operator

CBO – Community-based organizations

CARB – California Air Resource Board's

CEC – California Energy Commission

CFO – Chief Financial Officer

CLGCA - Communications, Local Government, and Community Affairs

CPO – Capital Projects Outreach

EP – Energy Policy

EPIC - Electric Program Investment Charge

FERC – Federal Energy Regulatory Commission

FTE – full-time equivalent

GAAP – Generally Accepted Accounting Principles

GC – General Counsel

GHG – greenhouse gas

GO – General Order

GRC – General Rate Case

IEPR - Integrated Energy Policy Report

IS – Innovation Support

ISR - Indirect Source Rules

IT – information technology

JVS - Jewish Vocational Services

MHP – Mobile Home Park

MRSE - Media Relations and Strategic Engagement

NSS – Non-Shared Services

NTP&S - non-tariffed products and services

OIR – Order Instituting Rulemaking

O&M – operations and maintenance

PIER - Public Interest Energy Research

P&LA - Planning & Legislative Analysis

PM – Particulate matter

RAMP – Risk Assessment Mitigation Phase

RD&D – Research, development and demonstration

RMAR – Risk Mitigation Accountability Reports

RMS – Regulatory Management System

RSAR – Risk Spending Accountability Report

SCAQMD - South Coast Air Quality Management District

SDG&E – San Diego Gas & Electric Company

SEC – Securities Exchange Commission

Sempra/Corporate Center – Sempra Energy Corporate Center

SB – Senate Bill

SIP - State Implementation Plan

S-MAP – Safety Model Assessment Proceed

SCG/SoCalGas/Company: Southern California Gas Company

SOX – The Sarbanes-Oxley Act

SPMR – Safety Performance Metrics Report

STEM - science, technology, engineering, and mathematics

TY – Test Year

US EPA - United States Environmental Protection Agency

USS – Utility Shared Services

# APPENDIX B

## Details Regarding Energy Policy Involvement in Specific Matters

**APPENDIX B - Details Regarding Energy Policy Involvement in Specific Matters**

- **CARB Scoping Plan** – California law requires CARB to periodically update its plan to achieve GHG reductions. The current update, which began in 2021 and is targeted for adoption at the end of 2022, includes an expanded scope that, for the first time, comprehensively examines all carbon sources and sinks with an eye to achieving 2035 and 2045 carbon neutrality goals. EP will continue to participate in all the workshops, draft written and oral comments with Company subject matter experts, and coordinate with the Sacramento Operations team to engage with CARB staff. Following adoption of the plan and through 2030, EP will focus on implementation issues before the CARB, CEC, CPUC and regional air districts.

- **CARB Cap & Trade and Carl Moyer Funds Investment Plan –** EP will be engaging with CARB on its funding allocation plan d of approximately $1 billion per year through 2035. The EP group will also be responsible for educating SoCalGas business areas about available incentives so they can share this information with customers, allowing customers to apply for funding to decarbonize their businesses. SoCalGas also has the opportunity to partner with other companies to help build clean gas infrastructure through this program funding.

- **CARB State Implementation Plan (SIP) Strategy and Mobile Source Strategy** -- CARB is responsible for developing a statewide plan to demonstrate attainment of federal National Ambient Air Quality Standards (NAAQS), including ozone and fine particulate matter (PM). The local air districts will have new plans due in 2022 to address ozone and PM, which will require engagement and planning by CARB, as well. In development of the SIP, CARB conducts workshops and public meetings to better understand technology options and to obtain public comment on viable strategies. EP will participate in all workshops and draft written comments; the team will also work with associations, such as California Natural Gas Vehicle Coalition and the California Council for Environmental and Economic Balance, with the ultimate goal to have policies that cost-effectively reduce carbon and particulate emissions, where technically feasible.

- **CEC Integrated Energy Policy Report (IEPR)** -- SB 1389 (Bowen, 2002) requires the CEC to prepare a biennial IPER. The IPER, which is prepared in collaboration with a range of stakeholders including SoCalGas, contains an integrated assessment of major energy trends and issues facing California's natural gas, electric and transportation fuel sectors, and develops and implements associated energy plans and policies. The IEPR has significant implications for how SoCalGas can operate and provide service to its customers. For example, clean microgrids utilizing the resiliency of pipelines to provide energy to fuel cells can meet reliability, affordability, and practical achievability metrics. EP will engage in this proceeding to ensure natural gas customers and a clean fuels network are considered in the development of the Report. Every other year, the CEC updates its IEPR electricity and natural gas forecasts, which requires EP to develop and submit data to the agency. A typical IEPR cycle includes from 20 to 40 workshops with significant amounts of presentations, reports, and testimony to review and provide formal comment via oral or written testimony. CEC staff also asks SoCalGas to participate on panels. This year, SoCalGas has been asked to participate on three panels. Looking forward, the 2022 IEPR Update will continue to focus on electricity grid reliability, of which the natural gas system is an integral part. 2023 and 2025 IEPRs will be significant because they will include all the statutorily mandated requirements of the IEPR, and the 2024 IEPR Update will be scoped out in early 2024.

- **CEC Electric Program Investment Charge (EPIC) Investment Plan** – To help meet the state's climate goals, the EPIC program invests $140 million annually in scientific and technological research to accelerate the transformation of the electricity sector. Because of the interdependency of the electric and gas grids, with natural gas infrastructure providing greater reliability, EP will engage in the CEC planning process to reinforce the importance of clean fuels and a clean fuels network for reliability and resiliency of the electric system. More efficient utilization of existing infrastructure can put downward pressure on costs for all. EP will also be responsible for educating SoCalGas business areas about available incentives and how to apply for them, so they can share this information with customers. Since EPIC funds are available through 2025 and are distributed on a per solicitation basis, EP will be engaged in the implementation during the rate case period.

- **CEC General Fund monies for industrial decarbonization** – CEC received approximately $200 million from the state General Fund to advance industrial decarbonization. The funds will need to be allocated by 2023/2024 and spent within a few years thereafter. EP will work with SoCalGas' RD&D work group and customers on applying for project funds, with a focus on clean fuel use to decarbonize this hard-to-abate sector and to advance state climate goals. The CEC has not developed the details of this program yet, but will likely develop them through a stakeholder process, in which the EP group will actively engage. Program implementation will likely occur through the next five years.

- **CEC Public Interest Energy Research Natural Gas Program (PIER) Funding** – PIER funding was established in 2000 to advance science and technology in the fields of energy efficiency, renewable energy, and transportation technologies. EP will engage with the CEC on the allocation plan for approximately $20 million in annual PIER funds. Funds will be allocated two years after the funding year and spent two years after that on a rolling basis, with SoCalGas focusing on securing funds for green hydrogen research to advance the use of clean fuels and to further state climate goals, as well securing funds for natural gas safety. Similar to the other funding endeavors, EP will serve as a liaison for SoCalGas business areas to explore opportunities to partner with the CEC for these grant funds.