

Exhibit No: SCG-03
Docket No.: R.13-11-005
Witness: Darren M. Hanway



PREPARED DIRECT TESTIMONY OF
DARREN M. HANWAY
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

March 27, 2020

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Order Instituting Rulemaking Concerning Energy
Efficiency Rolling Portfolios, Policies, Programs,
Evaluation, and Related Issues.

Rulemaking 13-11-005
(Filed November 14, 2013)

PREPARED DIRECT TESTIMONY OF
DARREN M. HANWAY
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

March 27, 2020

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1 **I. PURPOSE**

2 The purpose of my prepared direct testimony on behalf of Southern California Gas
3 Company (SoCalGas) is to address certain requirements in the December 2, 2019 Assigned
4 Commissioner’s Amended Scoping Memo and Ruling for Order to Show Cause Against
5 SoCalGas (Scoping Ruling). The Scoping Ruling directs SoCalGas to submit testimony
6 “regarding its adherence to D.18-05-041 and Commission Rules.”¹

7 **II. SOCALGAS’ ADHERENCE TO D.18-05-041 AND COMMISSION RULES**

8 The Scoping Ruling identifies the factual allegations and issues to be determined as
9 follows:

10 Cal Advocates’ motion makes two allegations to support its
11 request for an order to show cause:

- 12 1. Respondent continued to charge ratepayers for energy
13 efficiency codes and standards advocacy for nearly a month
14 after the Commission ordered Respondent to cease such
15 advocacy; and
- 16 2. Respondent submitted misleading and inaccurate
17 information that minimized the full extent of its codes and
18 standards advocacy after the Commission ordered
19 Respondent to cease its ratepayer-funded advocacy.

20 If Cal Advocates’ allegations are true, the issues to be determined
21 are:
22

¹ Scoping Ruling, p. 3.

- 1 1. If Respondent failed to comply with Decision (D.)18-05-
- 2 041, should Respondent be fined, penalized, or have other
- 3 sanctions imposed for such failure; and
- 4 2. Whether Respondent failed to comply with Rule 1.1 of the
- 5 Commission’s Rules of Practice and Procedure, and if so,
- 6 whether Respondent should be fined, penalized or have
- 7 other sanctions imposed for such failure.²

8 Thus, my testimony will address SoCalGas’ adherence to D.18-05-041 (the Decision),
9 including adherence to Public Utilities Code Sections 702 and 2107, and to Rule 1.1 of the
10 Commission’s Rules of Practice and Procedure (Rule 1.1).

11 **A. SoCalGas’ Adherence to D.18-05-041**

12 My January 10, 2020 testimony, served in this proceeding, addresses the background of
13 SoCalGas’ Energy Efficiency (EE) Codes and Standards (C&S) Program, the prohibition in
14 D.18-05-041, and how SoCalGas accounts for C&S activities.³ The Commission adopted D.18-
15 05-041, *Decision Addressing Energy Efficiency Business Plans* on May 31, 2018.⁴ D.18-05-041
16 has a date of issuance of June 5, 2018.⁵ Along with approving the business plans of eight
17 program administrators, including SoCalGas, the Decision discussed allegations raised by Cal
18 Advocates’ that SoCalGas had engaged in misconduct, including in its opposition of the
19 Department of Energy’s proposed new efficiency standard for residential furnaces.⁶ Cal
20 Advocates’ allegations, and D.18-05-041’s discussion of those allegations, concerned only

² *Id.* at p. 2.

³ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas (January 10, 2020).

⁴ D.18-05-041.

⁵ *Id.* at p. 1.

⁶ *Id.* at pp. 144-145. SoCalGas strongly refuted Cal Advocates’ allegations and continues to contest them, especially the allegation that SoCalGas engaged in any misconduct or misused ratepayer funds.

1 activity undertaken by SoCalGas as part of SoCalGas' two statewide EE C&S programs, which
2 were part of its EE portfolio. Activities undertaken as part of SoCalGas' approved EE portfolio
3 are tracked and recorded in SoCalGas' Demand-Side Management Balancing Account
4 (DSMBA), which in turn is funded through the Public Purpose Program surcharge. The EE
5 portfolio and the DSMBA are not part of SoCalGas' General Rate Case (GRC), which is a
6 separate Commission proceeding.

7 D.18-05-041 did not address whether SoCalGas' activities amounted to misconduct.⁷

8 Nevertheless, D.18-05-041, Ordering Paragraph 53, states:

9 Southern California Gas Company is prohibited from participating
10 in statewide codes and standards advocacy activities, other than to
11 transfer ratepayer funds to the statewide lead for codes and
12 standards, during this business plan period.⁸

13 It is my understanding that the prohibition in D.18-05-041 applies to the two statewide
14 EE C&S programs that were part of SoCalGas' EE portfolio, and not to other activities
15 potentially related to C&S advocacy that are *not* undertaken as part of the EE portfolio and
16 which are subject to the approval of funding in other proceedings, such as the GRC. For the
17 purposes of this testimony, further references to EE C&S advocacy all pertain to activities
18 undertaken as part of SoCalGas' EE portfolio and the associated costs which are tracked in the
19 DSMBA.

20 Upon receiving the Decision, SoCalGas began to assess what activities and programs
21 were impacted by the prohibition and to transition off of impacted EE C&S advocacy activity,
22 including wrapping up ongoing projects which had started prior to the issuance of the Decision.
23 This transition took approximately 40 days, with the last activity related to the Statewide EE

⁷ *Id* at 143 (“Consequently, we also have no rules or guidance for determining whether and under what circumstances a utility may be ‘justified’ in arguing against more stringent codes and standards, which is the basis on which SoCalGas would have us dismiss ORA’s allegations.”)

⁸ *Id.* at p. 193.

1 C&S advocacy programs occurring on July 10, 2018, when SoCalGas informed its consultant to
2 stop monitoring docket activity related to statewide and federal EE codes and standards. The
3 costs associated with the 40 days of activity amounts to \$8,731, which, out of an abundance of
4 caution, has been transferred from the DSMBA to shareholder funded accounts.⁹

5 When D.18-05-041 was issued, SoCalGas only had one employee who spent a portion of
6 their time on energy efficiency statewide and federal C&S advocacy. During the transition
7 period, other SoCalGas employees spent very minimal time (usually less than five minutes) on
8 activities related to transitioning off of energy efficiency funded statewide or federal C&S
9 advocacy activity. Since the issuance of D.18-05-041, SoCalGas has communicated to other
10 parties, including the other Investor Owned Utilities (IOUs), that it can no longer participate in
11 statewide or federal EE C&S advocacy activity. Further, statewide C&S issues have been
12 separated out from EE meetings involving the IOUs and SoCalGas is not invited to the separate
13 meetings held on EE statewide C&S advocacy. Since receiving D.18-05-041, SoCalGas has at
14 all times intended to fully comply with the Decision and has not engaged in any statewide or
15 federal EE C&S advocacy after July 10, 2018. SoCalGas has responded to numerous data
16 requests from Cal Advocates concerning its C&S advocacy activity since June 1, 2018. Attached
17 to my January 10, 2020 testimony is an appendix containing SoCalGas' responses to these data
18 requests, which provide details on the activity in question.¹⁰ In addition, below is a summary of
19 the types of activity that occurred during this 40-day transition period.

20 Federal Activity: SoCalGas engaged in minimal federal C&S advocacy activities for a
21 short period of time after the Decision, based on its reasonable interpretation that federal activity

⁹ SoCalGas committed to make this change in its July 30, 2019 Response to Cal Advocates' Motion for an Order to Show Cause Why SoCalGas Should Not Be Sanctioned for Violating a Commission Order and Rule 1.1 of the Commission's Rules of Practice and Procedure and again in its Amended Responses to Cal Advocates' data requests, which were served on September 11, 2019,

¹⁰ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas, Appendix A.

1 was not covered by the Decision’s prohibition on “statewide” C&S advocacy. The business plan
2 applications of SoCalGas, Southern California Edison (SCE), and Pacific Gas and Electric
3 Company (PG&E), all proposed to establish a separate federal level EE C&S subprogram that
4 would be administered locally rather than statewide.¹¹ Specifically, SoCalGas’ Business Plan
5 provides: “In the near-term, the statewide Building Code & State Appliance Standards
6 subprograms will be separated from the National (and possibly International) Standards
7 subprogram and activities will remain local.”¹² The Commission approved the IOUs Business
8 Plans in D.18-05-041.¹³ During the transition period following the Decision, SoCalGas
9 interpreted D.18-05-041’s prohibition of SoCalGas engaging in statewide C&S advocacy as not
10 including federal C&S advocacy given that the Decision approved the change to have federal
11 C&S advocacy administered locally.

12 In a July 31, 2018 meeting, representatives of the Energy Division (ED) and
13 representatives of SoCalGas, including myself, discussed the issue of whether federal C&S
14 advocacy was included in the Decision’s prohibition. The ED representatives recognized that it
15 may be unclear whether the intent of D.18-05-041 was to include federal codes and standards
16 advocacy in its prohibition of SoCalGas participating in statewide C&S advocacy, but
17 recommended that SoCalGas take a cautious approach. Shortly after this meeting, SoCalGas
18 decided that, in an abundance of caution, it would take a conservative approach, despite the lack
19 of clarity, and no longer engage in federal EE C&S advocacy.

20 Statewide Transition and Wrap Up Activity: At the time of the Decision, SoCalGas was
21 engaged in several ongoing projects related to statewide EE C&S advocacy, many of them in

¹¹ SoCalGas Business Plan, p. 298; PG&E Business Plan, p. 548; SCE Business Plan, p. 224.

¹² SoCalGas Business Plan, p. 298.

¹³ See D.18-05-041, p. 12.

1 coordination with the other IOUs. SoCalGas engaged in minimal activity after the Decision to
2 transition off of and wrap up this activity. Upon receiving the Decision, SoCalGas began to
3 transition out of statewide C&S advocacy activity, including communicating with other parties,
4 including the IOUs about its transition. An example of transition activity includes discussions on
5 June 1, 2018 and June 8, 2018 between SoCalGas and the Los Angeles Department of Water and
6 Power (LADWP). On both occasions, SoCalGas communicated to LADWP that PG&E would
7 be leading statewide lighting C&S activities going forward.

8 During the transition period after the Decision, SoCalGas continued to engage in some of
9 the statewide C&S advocacy activity for a short period of time in an attempt to bring ongoing
10 projects to a logical conclusion. SoCalGas did not engage in substantive work on new projects,
11 such as drafting comments on new potential standards. During the transition period, SoCalGas
12 also attended informational meetings relating to codes and standards, but SoCalGas' presence
13 did not amount to "advocacy." These continuing activities were minimal, are detailed in
14 SoCalGas' data request responses to Cal Advocates, and were taken during a time when
15 SoCalGas was still assessing the full implications of the Decision and what activities were
16 affected.

17 **B. SoCalGas' Adherence to Rule 1.1**

18 Less than a month after D.18-05-041 was adopted, Cal Advocates served data requests on
19 SoCalGas concerning its EE C&S advocacy activities. SoCalGas responded to Cal Advocates'
20 data requests, ORA-HB-SCG-2018-09, on July 16, 2018.¹⁴ SoCalGas's response included a
21 "Preliminary Statement," which stated:

22 For the purposes of these responses, SoCalGas understands the
23 phrase "energy efficiency codes and standards advocacy" to mean

¹⁴ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas, Appendix A, SoCalGas' Amended Responses to ORA-HB-SCG-2018-09 (noting original date submitted).

1 conduct directly concerning statewide energy efficiency codes &
2 standards advocacy, as delineated in Decision 18-05-041. The
3 activities therefore do not include activities for local programs,
4 such as compliance, reach codes, and engagement with the
5 Department of Energy (“DOE”). See Decision (D.) 18-05-041 at
6 12, 91; SoCalGas Business Plan at 298, PG&E Business Plan at
7 548, Southern California Edison Business Plan at 224. In addition,
8 SoCalGas has continued to monitor and be passively involved with
9 statewide energy efficiency Codes & Standards advocacy.
10 Therefore, the time, work, and personnel identified in the below
11 responses include instances where SoCalGas employees were, for
12 example, not “participating” in energy efficiency codes and
13 standards (EECS) advocacy but were merely present for a call.
14 This understanding applies to all response below unless it is stated
15 otherwise.¹⁵

16 By including the preliminary statement, SoCalGas intended to clearly communicate to
17 Cal Advocates what it was and was not providing in response to Cal Advocates’ questions.
18 SoCalGas then responded to questions 1 through 12 detailing the EE C&S advocacy activity it
19 had engaged in since the Decision, the associated costs, and the hours spent on such activity.
20 Based on its preliminary statement, and its interpretation of the Decision at the time, SoCalGas
21 did not include in its responses federal C&S advocacy activity. However, in response to
22 questions 13 through 16, which requested documents from SoCalGas, SoCalGas’ response
23 included the statement:

24 SoCalGas incorporates the preliminary statement. However,
25 SoCalGas is also providing responsive documents relating to
26 federal DOE advocacy.¹⁶

27 In response to questions 13 through 16, SoCalGas produced 94 documents, including emails, in
28 response to Cal Advocates’ data requests concerning both federal and statewide EE C&S
29 advocacy related activities occurring after June 1, 2018.

¹⁵ *Id.*

¹⁶ *Id.* at Responses to Questions 13-16.

1 On December 10, 2018, Cal Advocates served data requests CAL ADVOCATES-HB-
2 SCG-2018-13 on SoCalGas. SoCalGas responded to the data requests on January 7, 2019.¹⁷ The
3 response included the following preliminary statement:

4 SoCalGas generally objects to the defined term “related to” as
5 vague, ambiguous, and overbroad, and to the extent it calls for
6 irrelevant information. For the purposes of these responses, unless
7 otherwise specified, SoCalGas omits time, work, personnel, costs,
8 etc. for items such as overhead or generally allocated items.
9 SoCalGas objects to the phrase “energy efficiency codes and
10 standards (EECS) advocacy” as defined as vague and ambiguous
11 and misleading as phrased.** However, in the interest of
12 responding in good faith, SoCalGas has endeavored to provide
13 responses consistent with the definition provided.

14
15 In addition, many of the requests concern calls, conversations, and
16 meetings from over six months ago which were not necessarily
17 memorialized, or memorialized in detail. These responses are
18 therefore provided based on our recollection and a reasonable,
19 good faith inquiry. Where specific information is provided (such as
20 amounts of time spent), the specificity should not be construed as
21 certainty, as we have provided approximate information to the best
22 of our knowledge in many instances.

23
24 **Footnote: For example, the defined term appears to go beyond
25 statewide energy efficiency codes & standards advocacy,” as
26 delineated in Decision D.) 18-05-041, which appears to be the
27 basis of Cal. Advocates’ requests. The activities therefore do not
28 include activities for local programs, such as compliance, reach
29 codes, and engagement with the Department of Energy. See D.18-
30 05-041 at 12, 91; SoCalGas Business Plan at 298. PG&E Business
31 Plan at 548, Southern California Edison Business Plan at 224.¹⁸

32 By including the preliminary statement, SoCalGas intended to clearly communicate to
33 Cal Advocates what it was providing in response to Cal Advocates’ questions. SoCalGas then
34 provided additional information and details on its EE C&S advocacy activity occurring after
35 June 1, 2018 in response to Cal Advocates’ questions. The responses provided included

¹⁷ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas, Appendix A, SoCalGas’ Amended Responses to CAL ADVOCATES-HB_SCG-2018-13 (noting original date submitted).

¹⁸ *Id.*

1 information on both federal and statewide C&S advocacy activities.

2 In addition, in the months after the decision in D.18-05-041, SoCalGas provided
3 responses to ORA-EF-SCG-2018-01, CAL ADVOCATES-HB-SCG-2018-03, and CAL
4 ADVOCATES-HB-SCG-2019-01 which contained additional questions on SoCalGas' EE C&S
5 advocacy.¹⁹ SoCalGas' responses included information on both federal and statewide C&S
6 advocacy activities when called for by Cal Advocates' questions. The parties never engaged in
7 any meet and confers regarding SoCalGas' responses to these five sets of data requests and Cal
8 Advocates never reached out with any questions or requests for clarification concerning
9 SoCalGas' responses.

10 After receiving Cal Advocates' July 15, 2019 Motion for an Order to Show Cause Why
11 SoCalGas Should Not Be Sanctioned for Violating a Commission Order and Rule 1.1 of the
12 Commission's Rules of Practice and Procedure, SoCalGas undertook a full review of its
13 DSMBA. This review revealed minimal activity taken between June 29, 2018 and July 10, 2018
14 that was unintentionally omitted from SoCalGas' responses to some of Cal Advocates' data
15 requests. Specifically, SoCalGas discovered an additional invoice from a consultant that
16 corresponded to activity in this time period. The last activity that SoCalGas has identified as
17 being related to either EE federal or statewide C&S advocacy since the Decision occurred on
18 July 10, 2018. The consultant in question no longer monitors any of the various dockets for
19 SoCalGas and SoCalGas has not received or paid any further invoices from the consultant related
20 to any EE federal or statewide C&S advocacy. In addition to this July activity by its consultant,
21 SoCalGas also identified as part of its DSMBA review, about \$1,000 more in consultant
22 activities than was estimated in the prior data request responses. Pursuant to this broader scope

¹⁹ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas, Appendix A.

1 of activities, SoCalGas identified minor corrections that needed to be made to some of its
2 responses to Cal Advocates' data requests.

3 On September 11, 2019, SoCalGas served amended responses on Cal Advocates for data
4 requests ORA-HB-SCG-2018-09, CAL ADVOCATES-HB-SCG-2019-01, CAL ADVOCATES-
5 HB-SCG-2018-13, and CAL ADVOCATES-HB-SCG-2018-03.²⁰ SoCalGas amended the
6 responses to include the newly identified activity and costs which were revealed upon a thorough
7 examination of the DSMBA. Additionally, in an attempt to provide transparency and clarity,
8 SoCalGas also amended its responses to: (1) include information on federal EE C&S advocacy
9 activity undertaken in the 40 days after the Decision and any associated costs (2) reflect that the
10 costs associated with any of the federal and statewide EE C&S advocacy activity have been
11 transferred from the DSMBA to shareholder funded accounts; and (3) provide information on
12 activity that, although not called for by Cal Advocates' questions, were raised by Cal Advocates
13 in its Motion.²¹

14 SoCalGas takes its discovery obligations seriously and endeavored to provide complete
15 and accurate responses to all of Cal Advocates' data requests. Any errors in SoCalGas'
16 responses were minimal, inadvertent, and have been rectified in SoCalGas' amended responses.

17 III. QUALIFICATIONS

18 My name is Darren M. Hanway. My business address is 555 West Fifth Street,
19 Los Angeles, California, 90013-1011. I am employed by SoCalGas as the Manager of Energy
20 Programs & Strategy in the Customer Programs and Assistance Department.
21
22

²⁰ *Id.*

²¹ Prepared Direct Testimony of Darren M. Hanway on Behalf of SoCalGas, Appendix A.

1 I joined SoCalGas in October of 2012 to lead the energy efficiency policy support team.
2 In December 2015, I assumed my current position. My current responsibilities include the
3 management of the company's energy efficiency programs, including residential, commercial,
4 industrial, agricultural, workforce education and training, and codes and standards offerings. I
5 also oversee the company's demand response and solar thermal programs.

6 Prior to joining SoCalGas, I held positions of increasing responsibility at
7 Southern California Edison working on their demand-side program offerings. I received a
8 Bachelor of Science degree in Business Administration and a Bachelor of Arts degree in
9 International Relations from the University of Southern California in 2003. I have previously
10 testified before the Commission.