

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



~~August 2022~~ [May 2023](#)

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~~SoCalGas 2024 GRC Testimony Revision Log – August 2022~~

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 33,969	41,231 41,303	7,317 7,334
Total Shared Services (Incurred)	5,450	5,946	496
Total O&M	39,36439,419	47,17747,249	7,8137,829

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.

1 services workpapers (See Ex. SCG-29-WP). The costs that are sponsored in this testimony
 2 include costs prior to the allocation to/from SoCalGas, Corporate Center, and affiliates. The
 3 dollar amounts allocated to affiliates are presented in the Shared Services Billing, Shared Assets
 4 Billing, Segmentation, and Capital Reassignments testimony of Angel N. Le and Paul D. Malin
 5 (See Ex. SCG-30/Ex. SDG&E-34).

6 Test Year 2024 Summary of Total Costs excluding Franchise Fees

7 **TABLE SM-1**

ADMINISTRATIVE & GENERAL (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	33,914 33,969	41,231 41,303	7,317 7,334
Total Shared Services (Incurred)	5,450	5,946	496
Total O&M	39,364 39,419	47,177 47,249	7,813 7,829

8
9 **Summary of Franchise Fees**

10 **TABLE SM-2**

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

11
12 **B. Support To and From Other Witnesses**

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

18 **C. Organization of Testimony**

19 In the remainder of my testimony, I summarize the part of my request that is linked to
 20 safety culture. Then I address the Company's A&G request by divisions in Table SM-3 below. I
 21 will provide summary tables for each corresponding division (and subdivisions), which will
 22 include costs for both Utility Shared Services (USS) and Non-Shared Services (NSS). Lastly,
 23 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	US S	Total
III. ACCOUNTING AND FINANCE DIVISION	14,083	-	14,083	<u>15,737</u> 15,754	-	<u>15,737</u> 15,754	<u>1,654</u> 1,671	-	<u>1,654</u> 1,671
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	<u>2,8252</u> ,880	-	<u>2,8252</u> ,880	<u>4,8144</u> ,869	-	<u>4,8144,</u> 869	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	<u>33,914</u> 33,969	5,451	<u>39,365</u> 39,419	<u>41,231</u> 41,303	5,946	<u>47,178</u> 47,249	<u>7,317</u> 7,334	496	<u>7,813</u> 7,829

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

1 deployed effectively in the manner that they were intended. The Finance function oversees that
2 the financial planning process incorporates safety into the resource allocation process and finds
3 methods to finance and plan for important safety improvements. Finally, Legal, Regulatory
4 Affairs, BSEP, and External Affairs work to integrate the demands of important external legal,
5 legislative, environmental, and regulatory stakeholders. They also work toward providing input
6 into the regulatory, environmental, and legislative process to improve the safety of the natural
7 gas systems, and they are the channels to communicate to these stakeholders when issues arise.

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

- 11 • Innovation Support is a department that helps reduce the potential impact that
12 major incidents have on normal operations and reduces potential business
13 interruptions. Innovation Support will work collaboratively with the Risk
14 Management, Emergency Services, and the Safety & Wellness departments to
15 coordinate with individual business units on identifying historical major incidents
16 (e.g., enterprise-wide IT outage, high pressure line struck in Visalia) to develop
17 proactive response plans of support and incident mitigations measures.
- 18 • Financial and Strategic Analysis conducts financial modeling and analysis to
19 support business cases and financial plans for incremental projects, such as
20 investments in the energy delivery infrastructure to improve safety and reliability.
21 The group maintains the financial evaluation model that is utilized Company-
22 wide, thereby applying consistent economic, regulatory, and financial
23 assumptions to be used for the evaluation of SoCalGas' capital projects.
- 24 • The Claims Management Department is responsible for investigating and
25 managing the claims process. In doing so, the Claims Management Department
26 also conducts loss control and prevention activities intended to help prevent and
27 reduce accidents, which mitigate utility operational expenses, reduce customer
28 costs, and promote public safety.
- 29 • The Regulatory and Legal areas of SoCalGas advise management and operational
30 groups within SoCalGas on new rules, regulations, tariffs, rate issues, initiatives,
31 and investigations at the regulatory agencies that have regulatory authority over
32 SoCalGas. Many of these requirements have safety-related aspects to them.
33 Understanding and complying with regulations and requirements also builds and
34 sustains a culture of safety.
- 35 • Finally, External Affairs builds and maintains relationships with key stakeholders,
36 communities, and customer organizations to provide clear and transparent
37 communication as well as to inform customers, stakeholders, and the public on
38 safety-related issues.

1 **III. ACCOUNTING AND FINANCE DIVISION**

2 **A. Introduction**

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

- 5 • Controller & Chief Financial Officer (CFO);
- 6 • Accounting Operations;
- 7 • Financial Systems & Innovation, Accounting Research & Business Controls and
8 Affiliate Billing and Costing (ABC);
- 9 • Innovation Support;
- 10 • Finance; and
- 11 • Financial and Operational Planning.

12 Due to an increased level of support needed to address accounting and regulatory
13 compliance, the A&F division has experienced increasing costs associated with the services it
14 provides. In addition, A&F expects increased cost pressures in the future to implement and
15 manage more rigorous accounting procedures and standards, implement the necessary tools to
16 file regulatory financial accountability reports, enhance records management for regulatory
17 standards, and other accounting and regulatory initiatives issued by the Securities Exchange
18 Commission (SEC), CPUC and the other prominent accounting or regulatory governing bodies.
19 TY 2024 forecasts estimate costs to be ~~\$15.754~~ \$15.737 million compared to the 2021 adjusted-
20 recorded costs of \$14.083 million. This overall increase of ~~\$1.671~~ \$1.654 million or 12% is
21 primarily due to adding back the full-year impact of full-time equivalents (FTEs) vacant during
22 this period and incremental headcount.

23

1
2

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	616 632	-	616 632	237 254	-	237 254
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 5,754	-	15,737 5,754	1,654 1,671	-	1,654 1,671

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4
5
6

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	616 632	-	616 632	237 254	-	237 254

7
8

1 **3. Cost Drivers**

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

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

8 **C. Accounting Operations**

9 **TABLE SM-6**
 10 **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

11 **1. Description of Costs and Underlying Activities**

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

16 A&PA is comprised of Plant Accounting and Fixed Asset Management. Plant
 17 Accounting is responsible for the gas utility plant portion of rate base accounting, capitalization
 18 of cost accounting for gas utility assets, new business accounting, fixed asset management, and
 19 billable project accounting. This work requires issuing, monitoring, and accounting for work
 20 orders. This includes application of Allowance for Funds Used During Construction and
 21 overhead rates, accounting classifications, FERC account assignments, transferring construction
 22 work in progress into rate base, analyzing and developing asset classes, accounting for gas plant
 23 retirements, accounting and forecasting for asset retirement obligations, evaluating and
 24 accounting for cost of removal incurred, and developing and monitoring internal control
 25 procedures with the objective of safeguarding Company assets. A&PA is responsible for
 26 numerous accounting and regulatory issues including:
 27

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

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

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

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

26 Sundry Services is responsible for the billing of products and services provided to
27 external customers, vendors, contractors, and other third-party groups. The products and
28 services provided exclude commodity, transportation, and delivery costs of natural gas. Sundry
29 Services is also responsible for supporting SoCalGas with CPUC compliance, policies, and
30 procedures related to non-tariffed products and services (NTP&S). This department conducts the
31 annual training of business managers for sundry activities on how to comply with Company

1 policies and GAAP. Sundry Services also creates monthly reports for business managers to aid
2 in the management of activities and provides analysis of miscellaneous revenues. For
3 information on SoCalGas's Miscellaneous Revenues, please see the direct testimony of Jackie
4 Roberts (Ex. SCG-37). Sundry Services coordinates and prepares the NTP&S annual report to
5 present to the CPUC and participates in the internal and external audits of NTP&S. Additionally,
6 Sundry Services coordinates and supervises the SOX activities related to Sundry Services
7 including SOX detailed testing.

8 **2. Forecast Method**

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

17 **3. Cost Drivers**

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

29

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

1 policy administration;

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

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

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

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

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

1 holistic understanding of the factors that impact a capital project’s financial performance, the
2 group provides strategic guidance and performs financial due diligence on proposals and
3 regulatory filings.

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

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

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

1 prescribed by SOX regulations;

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

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

6 **2. Forecast Method**

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

15 **3. Cost Drivers**

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

27

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

1 establishes a calendar of deliverables and validations for consistency and accuracy of the
2 consolidated financial content as well as dissemination of finance related updates.

3 **2. Forecast Method**

4 As shown in Table SM-10 above, SoCalGas recorded \$5.526 million for these activities
5 in the BY 2021. A BY forecast method is used for Financial & Operational Planning, with
6 \$0.293 million in labor added to reflect the full-year impact of 2.5 FTEs that were vacant during
7 the year. These expenses will be included in the TY 2024 revenue requirement as forecasted.
8 This method is most appropriate because trends, multi-year averages or other methods would not
9 reflect the growth in labor force that occurred in 2021 in direct response to the activities
10 described above and the cost drivers described below.

11 **3. Cost Drivers**

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

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

26 **IV. LEGAL DIVISION**

27 **A. Introduction**

28 SoCalGas' Legal division manages SoCalGas's legal matters, issues and risks and
29 advises senior management and the Board of Directors on matters impacting the Company.
30 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.

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

17 **3. Commercial Law**

18 The Commercial law section provides legal advice and assists with documentation in
19 connection with commercial transactions, including contracts for physical and financial
20 commodity transactions, storage and hub transactions, interstate pipeline capacity, utility system
21 interconnections, general services and operations procurement, maintenance and new
22 construction, licensing, marketing and communications, intellectual property and technology
23 contracts, municipal franchises, permitting, right-of-way acquisition, land use and other real
24 estate matters, new business structuring, research and development investment, credit support
25 instruments, energy efficiency program contracts, rebates and incentives, federal and state
26 government contracts, customer services agreements, and tariff-based contracts. In addition, the
27 commercial attorneys research, write and edit commercial documents and internal policies, and
28 provide commercially focused and other legal advice, including advice with respect to
29 compliance with anti-trust, privacy, securities, and other laws. To support the increase in
30 commercial law workload, including due to increased amount and complexity of work related to
31 new technology, capital spend program, franchises and general legal compliance, SoCalGas is

1 requesting one legal research attorney (1.0 FTE) to support with a variety of legal tasks that
2 arise, including drafting contracts and other legal documents, conducting legal research and
3 investigations, and other tasks.

4 **4. Litigation Law**

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

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

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

28 **5. Environmental Law**

29 The Environmental law section represents and advises the Company in the areas of
30 environmental compliance, litigation, enforcement, sustainability, policy and permitting. The
31 Environmental attorneys represent the Company in matters before governmental agencies

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

16 **6. Administrative Staff**

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

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

29 The Legal & Claims Strategy and Technology section was formed in 2021 to support the
30 Legal division including the Claims Management department with continuous process
31 improvements through technological advancement and data analytics. The new group evaluates

1 current and new technologies to enhance processes and drive efficiencies, develops and
2 implements new technology systems and platforms, and develops, interprets, communicates, and
3 manages data analytics that support the improvement of processes and procedures.

4 **8. Outside Counsel**

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

11 **9. Forecast Method**

12 As shown in Table SM-12 above, SoCalGas recorded \$8.380 million for these activities
13 in BY 2021. A BY forecast method was used for the Legal department and these expenses will
14 be included in the TY 2024 revenue requirement as forecasted. This method is most appropriate
15 because trends, multi-year averages or other methods would not reflect the growth in labor force
16 that occurred in 2021 in direct response to the cost drivers described below. In addition, there
17 were various resources requested during the 2019 GRC but due to the timing of the decision (late
18 September 2019) and the impact of COVID-19, the roles were not filled until later than
19 estimated. This combined with vacancies in 2019 results in a lower five-year adjusted average
20 (2017-2021) that is not reflective of the current organization's structure and needs.

21 **10. Cost Driver**

22 As described above, the Legal division provides many services and has experienced an
23 increase in the workload due to changes and developments in the business and regulatory areas.
24 The volume and complexity of regulatory, commercial, environmental and litigation work have
25 been impacted either by emerging regulatory requirements or business upward pressures
26 requiring additional legal staffing. As such, I am requesting \$0.352 million in labor and \$0.012
27 million in non-labor for 1.8 incremental Senior Paralegal FTEs, 1.0 incremental Research
28 Attorney FTE, and 1.0 Administrative FTE to support new legal regulatory requirements, meet
29 the increasing workload demands, and enhance responsiveness to the CPUC and other regulatory
30 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

1 represents a reasonable estimate of annual costs when considering year to year variability,
2 including the cyclical nature of certain costs, which provides essential compliance governance,
3 oversight, and other support for SoCalGas.

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

16 **3. Cost Drivers**

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

25 I am requesting \$0.190 million in labor and \$0.006 million in non-labor for 1.0
26 incremental Senior Claims Advisor and 1.0 incremental Claims Specialist FTEs to support the
27 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 2,880	-	2,825 2,880	4,814 4,869	-	4,814 4,869	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:

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

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

1 Strategy Pathways and Analytics for Tactical Decommissioning of Portions of Natural Gas
2 Infrastructure, as well as in the CPUC’s Rulemaking (R.) 20-01-007.³ These regulatory efforts
3 will likely have significant implications on the energy transition and SoCalGas’ obligation to
4 provide customers safe, reliable, equitable and affordable service.

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

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

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

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).

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

3 SoCalGas forecasts a required funding level of ~~\$4.869~~ \$4.814 million for TY 2024. This
4 request represents an increase of \$1.989 million compared to BY 2021 incurred costs. Staffing is
5 increased by 9.7 FTEs, from 17.5 in BY 2021 to 27.2 FTEs in TY 2024. The staffing increases
6 reflected in the forecast are necessary to respond to a significant increase in energy and
7 environmental legislative, policy and regulatory activities and implications to the customers and
8 therefore the Company as its business evolves to address them.

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

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

24 **2. Forecast Method**

25 As shown in Table SM-14 above, SoCalGas recorded ~~\$2.880~~ \$2.825 million for this
26 department in BY 2021. A BY forecast method was used for BSEP, with \$0.265 million in labor
27 above the base year to reflect the full-year impact of 1.7 FTEs that were vacant for part of the
28 year. These expenses will be included in the TY 2024 revenue requirement as forecasted. This
29 method is most appropriate because BSEP is a recently formed department and a BY method with
30 an adjustment for personnel changes reflects the best representation of the ongoing needs for this
31 function.

1 **3. Cost Drivers**

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

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

20 **4. Energy Policy - State Environmental Agency Regulatory and Air**
21 **Agency Support**

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

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

1 2022 CARB Scoping Plan.⁴ EP staff engaged in all of these efforts to ensure accurate data and
2 discussion include the most cost effective and efficient ways to decarbonize the transportation
3 sector. In 2022, CARB continues to ramp up efforts on its Scoping Plan, which will have broad
4 and overarching policy direction for the California energy system. CARB will also ramp up work
5 on the State Implementation Plan⁵ as a roadmap for federal attainment of ozone and NOx
6 emissions. These efforts provide a platform for CARB to develop rules that will significantly
7 improve air quality in our region and reduce GHG emissions, goals shared by SoCalGas.

8 In addition, CEC staff worked on several funding programs and the Integrated Energy
9 Policy Report (IEPR) in 2021.⁶ Funding programs included investment plans that provide grants
10 to fueling infrastructure for transportation, resilient and reliable microgrid solutions that include
11 gaseous fuels, as well as work on injecting hydrogen into the existing natural gas pipeline. . The
12 2021 IEPR focused on electricity system resiliency, which has a clear reliance on the natural gas
13 system, as well as opportunities for clean fuels like renewable natural gas and hydrogen. EP
14 staff coordinated data requests for use in the demand forecast, testimony during workshops on
15 hydrogen and other clean fuels, provided oral and written comments, and engaged directly with
16 CEC staff, management, and commissioners.

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

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.

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

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

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

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

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

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

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>.

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

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

14 **a. Planning and Legislative Analysis**

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

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

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

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

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

16 **b. Business Strategy**

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

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

27 In BY 2021, three employees were devoted to providing analytical and execution support
28 for initiatives including decarbonization scenario analysis and long-term demand forecasting;
29 financial modeling and restructuring, including rate restructuring; system planning and
30 framework design that aligns with State climate objectives; the role of clean fuels and clean fuels

1 infrastructure; and, regulatory and legislative policy and engagement in decarbonization-related
2 legislation, proceedings and initiatives.

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

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

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

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>.

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

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

11 c. Energy System Integration and Planning

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

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

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

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 <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 Plan¹⁵ 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

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

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

5 In BY 2021, the BSEP group incurred ~~\$0.409~~ \$0.355 million in non-labor expenses.
6 Approximately \$0.182 million was for external services to: (1) provide expert analysis on the
7 impacts of policy and regulatory initiatives; and (2) assess the potential long-term role of natural
8 gas and the natural gas system in meeting California's GHG and air quality goals.

9 In TY 2024, non-labor costs are forecast at ~~\$1.133~~ \$1.079 million. This increase is
10 primarily attributable to consulting services related to the Gas System Planning OIR
11 (Rulemaking
12 20-01-007) proceedings.

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

16 **VI. REGULATORY AFFAIRS DIVISION**

17 **A. Introduction**

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

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.

1 Regulatory Affairs TY 2024 forecast incurred costs are \$5.324 million, compared to the
 2 2021 base year of \$4.824 million.

3 **TABLE SM-15**
 4 **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

1 department. This methodology has been consistently applied for this department in prior
 2 SoCalGas GRCs.

3 **3. Cost Drivers**

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

7 **C. Regulatory Tariffs and Information**

8 **TABLE SM-17**
 9 **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

10 For TY 2024, Regulatory Tariffs and Information requests \$1.016 million, an increase of
 11 \$0.182 million from 2021 adjusted-recorded costs. The Regulatory Tariffs and Information
 12 department is a non-shared service.

13 **1. Description of Costs and Underlying Activities**

14 The Regulatory Tariffs and Information request funds department activities include:

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

20
 21 In this capacity, Regulatory Tariffs and Information is primarily responsible for
 22 SoCalGas’ compliance with GO 96-B. Additionally, the Tariffs department provides case
 23 management for certain CPUC investigations and CPUC complaint proceedings, as well as
 24 providing tariff support to Regulatory Case Management in major proceedings before the CPUC
 25 and tracking certain regulatory compliance requirements. Additionally, the Regulatory Special

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

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

13 **2. Forecast Method**

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

17 **3. Cost Drivers**

18 The cost driver behind the Regulatory Tariffs and Information forecast is primarily
19 headcount and escalation. I am requesting \$0.129 million in labor and \$0.003 million in non-
20 labor for 1.0 incremental Project Manager FTE to support increased compliance activities.
21 Additionally, I am requesting \$0.050 million in non-labor for bill inserts. Although such costs
22 were not spent in the BY, they were historically spent in 2017-2020 and are expected to continue
23 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

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

13 **2. Forecast Method**

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

20 **3. Cost Drivers**

21 The cost driver behind the Case Management and Strategy Manager forecast is primarily
22 headcount and escalation related to FTEs. I am requesting \$0.129 million in labor and \$0.003
23 million in non-labor for 1 incremental Case Manager FTE. As described in detail above, in
24 recent years, there have been increasing CPUC, intervenor and state protocols and requirements
25 as well as regulatory proceedings underway that require more coordination and coverage.
26

1 **E. Gas Rates and Analysis**

2 **TABLE SM-19**
3 **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

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

7 **1. Description of Costs and Underlying Activities**

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

14 The Gas Rates and Analysis department is a shared service staffed with a manager (who
15 also oversees Gas Demand Forecasting and Economic Analysis) and two analysts. In this
16 proceeding, SoCalGas requests increasing staffing to include an additional advisor. Since the
17 2019 test year, the CPUC has initiated multiple proceedings that directly affect and increase the
18 workload of the Gas Rates and Analysis team. In addition to these new demands on the
19 department, the department will continue submitting cost allocation proceeding testimony and
20 workpapers, supporting ratemaking proceedings as expert witnesses, and maintaining the
21 accurate collection of utility authorized revenue requirements through ever more complicated
22 rate structures.

23 **2. Forecast Method**

24 The forecast method for the Gas Rates and Analysis department is based on a five-year
25 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;

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

14 **2. Forecast Method**

15 A five-year adjusted average (2017-2021) was used for forecasting the Gas Forecasting
16 and Analysis costs as it best reflects the current organization and cost structure. The five-year
17 average (2017-2021) was adjusted for \$0.123 million in labor to add back the full-year impact of
18 1.0 FTE vacant during this period. These expenses will be included in the TY 2024 revenue
19 requirement as forecasted. The five-year average best represents a reasonable estimate of annual
20 costs when considering year to year variability, including the cyclical nature of certain costs.
21 This methodology has been consistently applied for this department in prior SoCalGas GRCs.

22 **3. Cost Drivers**

23 The cost driver behind this forecast is primarily escalation associated with FTEs
24 performing the activities outlined above. There is no incremental request being made for this
25 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.

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.

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

10 **D. Community Relations**

11 SoCalGas' service territory consists of 223 cities in 12 counties spanning from central
12 California to the Mexico border. Community Relations is a non-shared service responsible for
13 working with nonprofit CBOs, and local communities. Specifically, the Community Relations
14 staff aligns with non-profit organizations to inform their constituencies regarding the Company's
15 customer programs and services. The department develops relationships with these groups to
16 facilitate the promotion of SoCalGas' customer program and services. The Community
17 Relations department engages these organizations in Company programs, providing charitable
18 support, and linking them with energy efficiency products and programs to save energy and
19 money. The Community Relations charitable giving programs are specifically designed to
20 support hard-to-reach, underserved, historically disadvantaged, low-income populations in
21 demographically diverse communities. The Community Relations department directs grants to
22 local organizations. All grant-making activities require coordinating, accounting, and tracking in
23 a centralized grant tracking system to ensure compliance with state and federal laws and tax
24 requirements. The Community Relations team also organizes meetings between SoCalGas and
25 its Community Advisory Council, which addresses various community issues. An example of
26 the community work managed by this department is programmatic workforce training to create
27 economic prosperity for the individuals and communities served. These programs provide
28 essential training and soft skills to enable adults, young adults, and veterans the opportunity to
29 obtain meaningful and gainful employment. Most recently, SoCalGas supported The Los
30 Angeles Urban League's Construction Career Academy, which has trained dozens of people and
31 enabled SoCalGas to successfully hire nine qualified candidates – thus far. SoCalGas has also

1 invested in the Jewish Vocational Services (JVS) Veterans First program, which provides
2 support and training to Veterans to prepare them for positions with SoCalGas as Field
3 Technicians. Over the past two program years (2020 and 2021), this program has trained 60
4 people, of which SoCalGas was able to hire at least three veterans so far.

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

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

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

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

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

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

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

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

30

1 **1. Forecast Method**

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

8 **2. Cost Drivers**

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

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

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

23 **VIII. FRANCHISE FEES**

24 **A. Introduction**

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

27

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

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)
00756A Z V	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

1 associated with running our business to adjust behavior during the different stages of the work
2 we perform (e.g., planning stage, work performance stage, etc.). The availability of more
3 detailed information regarding our safety-, reliability- and maintenance-related efforts will affect
4 how we prioritize the work we perform, how we establish and adjust departmental costs, and
5 consider proposals to our regulators. SoCalGas is managing its risks through a structured,
6 increasingly data-driven approach that identifies threats and hazards, assesses, and prioritizes
7 risks, implements mitigation efforts, and engages in assessments and reviews to understand risk
8 mitigation effectiveness. More detailed information will assist in these efforts and is also
9 consistent with Commission expectations and guidance, including in the S-MAP proceedings,
10 RAMP proceeding, and annual RSAR. The specific details regarding the Financial Risk
11 Management – Risk Based Decision Making project costs can be found in Mr. Exon’s capital
12 workpapers (Ex. SCG-21-CWP, 00756A~~Z~~V).

13 **2. SAP Transformation**

14 The forecast for SAP Transformation for 2022, 2023 and 2024 is \$5.168 million, \$42.882
15 million, and \$22.562 million, respectively. The purpose of this project is to meet evolving
16 industry needs; the SAP platform has undergone a re-architecture, which aligns with the
17 Company's digital transformation strategy. For more details regarding the digital technology
18 strategy can be found in the Information Technology testimony of Ben W. Gordon (Ex. SCG-21,
19 Chapter 1). Digital technology, real-time data, intuitive user experience, and continual
20 innovation are some of the key capabilities of this platform. This two-phased project will
21 establish technical readiness, upgrade, and modernize the SAP system. SAP Transformation will
22 enable end-user efficiency, improved system performance, shorter closing cycles, resilient
23 infrastructure, and access to the latest SAP solutions. The specific details regarding the SAP
24 Transformation project costs can be found in Mr. Exon’s capital workpapers (Ex. SCG-21-CWP,
25 00756L).

26 **3. GRC & Regulatory Complex Search**

27 The forecast for GRC & Regulatory Complex Search for 2022 is \$1.211 million. The
28 purpose of this project is to implement a complex and semantic search tool to support the GRC
29 and Regulatory processes. The search tool will enable enterprise users to search on a large
30 repository of regulatory documents via "semantics" or "meaning." Semantic searching allows a
31 user to search on words that are similar, but not necessarily exact, so that a user can find

1 documents when the user does not know exactly what to search for. This solution supports
2 compliance to regulatory processes and data request response times. The specific details
3 regarding the GRC & Regulatory Complex Search project costs can be found in Mr. Exon's
4 capital workpapers (Ex. SCG-21-CWP, 00756M).

5 **4. SAP S4/HANA - Business Optimization**

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

17 **X. CONCLUSION**

18 SoCalGas requests that the CPUC adopt the O&M TY 2024 forecasts and IT capital
19 projects presented in this testimony. SoCalGas' TY 2024 A&G forecasts were carefully
20 developed and scrutinized to reflect a prudent level of funding needed for critical functions and
21 activities during this GRC term. The amount requested for TY 2024 of ~~\$47.250~~ \$47.177 million,
22 which is ~~\$7.829~~ \$7.813 million more than base year 2021, is necessary to meet the needs of
23 utility operations, maintain quality customer service, and see that the Company meets
24 compliance and safety requirements. In addition, my request includes \$52.684 million for
25 franchise fees.

26 This concludes my prepared direct testimony.

1 **XI. WITNESS QUALIFICATIONS**

2 My name is Sara P. Mijares. My business address is 555 W. 5th Street, Los Angeles, CA
3 90013. I am employed at SoCalGas as the Vice President of Accounting & Finance and
4 Assistant Controller. In this role, I am responsible for overseeing SoCalGas's compliance
5 process with relevant accounting, financial, and regulatory rules and regulations in accordance
6 with GAAP, including those mandated by SOX, SEC, FERC, and CPUC.

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

11 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 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.

SoCalGas 2024 GRC Testimony Revision Log – August 2022

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-29	Sara Mijares	SPM-iv	Test Year 2024 Summary of O&M Costs	Revised TY 2024 Summary of Total O&M Costs Excluding Franchise Fees table
SCG-29	Sara Mijares	SPM-iv	Summary of Franchise Fees	Revised Summary of Franchise Fees table
SCG-29	Sara Mijares	SPM-2	Table SM-1	Revised A&G O&M table
SCG-29	Sara Mijares	SPM-2	Table SM-2	Revised Summary of Franchise Fees table
SCG-29	Sara Mijares	SPM-3	Table SM-3	Revised TY 2024 Summary of Total O&M Costs Excluding Franchise Fees table
SCG-29	Sara Mijares	SPM-6	Table SM-4	Revised Accounting and Finance Division Summary of Total Costs table
SCG-29	Sara Mijares	SPM-6	Table SM-5	Revised VP A&F Summary of Total Costs table
SCG-29	Sara Mijares	SPM-8	Table SM-6	Revised Accounting Operations Summary of Total Costs table
SCG-29	Sara Mijares	SPM-18	Table SM-10	Revised Financial and Operational Planning Summary of Total Costs table
SCG-29	Sara Mijares	SPM-20	Table SM-11	Revised Legal Division Summary of Total Costs table
SCG-29	Sara Mijares	SPM-21	Table SM-12	Revised Legal Summary of Total Costs table
SCG-29	Sara Mijares	SPM-28	Table SM-14	Revised Business Strategy & Energy Policy Summary of Total Costs table
SCG-29	Sara Mijares	SPM-53	Table SM-22	Revised External Affairs Division Summary of Total Costs table
SCG-29	Sara Mijares	SPM-58	Table SM-23	Revised Summary of Franchise Fees table
SCG-29	Sara Mijares	SPM-iv	N/A	Revised values for TY 2024 Summary of Requests forecasted from \$47.806M to \$47.249M; 2021 adjusted recorded from \$39.950M to \$39.419M; and increase from \$7.856M to \$7.829M
SCG-29	Sara Mijares	SPM-5	19-20	Revised values for Accounting & Finance Division forecasted TY 2024 from \$15.828M to \$15.754M, 2021 adjusted recorded from \$14.131M to \$14.083M, and increase from \$1.697M to \$1.671M
SCG-29	Sara Mijares	SPM-7	2-3	Revised values for Controller & CFO forecasted TY 2024 from \$0.657M to \$0.632M and increase from \$0.279M to \$0.254M

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-29	Sara Mijares	SPM-8	13-14	Revised values for Accounting Operations forecasted TY 2024 from \$4.839M to \$4.837M and increase from \$0.343M to \$0.342M
SCG-29	Sara Mijares	SPM-18	6	Revised values for Financial & Operational Planning forecasted TY 2024 from \$5.984M to \$5.937M
SCG-29	Sara Mijares	SPM-19	4	Revised values for Financial & Operational Planning BY 2021 from \$5.574M to \$5.526M
SCG-29	Sara Mijares	SPM-21	6	Revised values for Legal department forecasted TY 2024 from \$8.930M to \$8.744M
SCG-29	Sara Mijares	SPM-25	12	Revised values for Legal department BY 2021 from \$8.566M to \$8.380M
SCG-29	Sara Mijares	SPM-28	22	Replaced "California Air Resource Board's (CARB)" with "California Energy Commission (CEC)."
SCG-29	Sara Mijares	SPM-30	3-4	Revised values for Business Strategy & Energy Policy TY 2024 from \$5.115M to \$4.869M and increase from \$1.990M to \$1.989M
SCG-29	Sara Mijares	SPM-30	25	Revised values for Business Strategy & Energy Policy BY 2021 from \$3.215M to \$2.880M
SCG-29	Sara Mijares	SPM-39	5-9	Revised values for Business Strategy & Energy Policy non-labor BY 2021 from \$0.609M to \$0.409M and TY 2024 from \$1.333M to \$1.133M. Revised explanation for external services.
SCG-29	Sara Mijares	SPM-53	4	Revised values for External Affairs forecasted TY 2024 from \$2.504M to \$2.454M
SCG-29	Sara Mijares	SPM-57	2	Revised values for External Affairs forecasted BY 2021 from \$2.193M to \$2.143M
SCG-29	Sara Mijares	SPM-61	21, 22 and 24	Revised values for Conclusion forecasted TY 2024 from \$47.806M to \$47.250M; from \$7.856M to \$7.829M; and from \$53.034M to \$52.684M