



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

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Application of Southern California Gas
Company (U 904 G) for Authorization to
Recover Costs Recorded in Its Catastrophic
Event Memorandum Account and Its COVID-
19 Pandemic Protections Memorandum
Account.

A.23-11-003
(Filed November 3, 2023)

OPENING BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

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SUMMARY OF RECOMMENDATIONS

With respect to SoCalGas's request regarding the sixteen Catastrophic Events Memorandum Account (CEMA) events, that the Commission:

- Find reasonable and recoverable approximately \$40.811 million in incremental O&M expense.
- Find reasonable and recoverable approximately \$7.665 million in capital revenue requirement.
- Authorize the recovery of approximately \$3.088 million in interest.
- Authorize the recovery of CEMA-related depreciation, return and taxes (*e.g.*, capital revenue requirement) that have already been expensed and will be expensed through 2027.
- Authorize that any remaining capital related costs be incorporated into SoCalGas's TY 2028 General Rate Case.
- Authorize recovery of the CEMA portion of the revenue requirement of approximately \$51.6 million beginning after approval of the Application.
- Authorize SoCalGas to true-up the revenue requirement upon Commission's approval of the Application for the following items: 1) regulatory account interest, 2) O&M and capital trailing charges, 3) insurance proceeds and other third-party recovery (if any), and 4) ongoing capital revenue requirement associated with the capital expenditures that were recorded to CEMA capital projects subsequent to September 2023 through the date that rates are adjusted.
- Authorize SoCalGas to continue filing Tier 2 Advice Letters to incorporate these ongoing capital revenue requirements and associated regulatory interest into rates until the corresponding costs are incorporated in base rates in connection with SoCalGas's next General Rate Case (GRC) or 2028 GRC. Once the authorized revenue requirement is fully amortized, SoCalGas will transfer any residual balance to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and eliminate the associated CEMA subaccounts.

With respect to SoCalGas's request regarding the COVID-19 Pandemic Protection Memorandum Account (CPPMA), that the Commission:

- Find reasonable and recoverable approximately \$3.371 million in incremental O&M expenses.
- Find reasonable and recoverable approximately \$2.068 million in waived charges.
- Authorize the recovery of approximately \$0.3 million in interest.
- Authorize SoCalGas to true-up the revenue requirement upon Commission approval of the application through the date rates are implemented for regulatory account interest. SoCalGas will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas.

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

Application of Southern California Gas Company (U 904 G) for Authorization to Recover Costs Recorded in Its Catastrophic Event Memorandum Account and Its COVID-19 Pandemic Protections Memorandum Account.

A.23-11-003
(Filed November 3, 2023)

OPENING BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

Pursuant to Rule 13.12 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure and the Administrative Law Judge’s (ALJ) Ruling Modifying the Proceeding Schedule,¹ Southern California Gas Company (SoCalGas) hereby submits its Opening Brief in the above captioned proceeding.

I. INTRODUCTION

On November 3, 2023, SoCalGas filed the above-captioned application (Application) requesting the Commission to authorize SoCalGas to recover costs recorded in its Catastrophic Event Memorandum Account (CEMA) and in its COVID-19 Pandemic Protections Memorandum Account (CPPMA).

The CEMA events addressed within the Application and this brief are:

- 2017 Winter Storms
- Thomas Fire
- Creek and Rye Fires
- Skirball Fire
- Woolsey Fire
- Hill Fire
- Sandalwood Fire

¹ See Administrative Law Judge’s Ruling Modifying the Proceeding Schedule, dated July 18, 2024, in proceeding, A.23-11-003.

- Saddleridge Fire
- Eagle Fire
- Reche Fire
- Wolf Fire
- Tick Fire
- Getty Fire
- Easy Fire
- 2019 Winter Storms
- COVID-19 Pandemic²

SoCalGas’s total recoverable CEMA costs included in its Application are: \$40.811 million of O&M expenses, \$7.665 million of capital related expenses, and \$3.088 million in interest (as of September 30, 2023). The CEMA costs incurred for the sixteen CEMA events are recoverable pursuant to Public Utilities Code Section 454.9 and Res. E-3238, incremental and reasonable.

SoCalGas’s total recoverable CPPMA costs included in its Application are: \$3.371 million of O&M expenses, \$2.068 million of waived charges, and \$0.3 million in interest (as of September 30, 2023). The CPPMA costs addressed within the Application and this brief relate to SoCalGas’s expenses incurred under its CPPMA associated with emergency customer protections to support Californians during the COVID-19 pandemic. The costs incurred for these purposes are recoverable pursuant to Res. M-4842 and D.21-06-036, incremental and reasonable.

By its Application, SoCalGas requests, with respect to the 16 CEMA events, that the Commission:

- Find reasonable and recoverable approximately \$40.811 million in incremental O&M expense.
- Find reasonable and recoverable approximately \$7.665 million in capital revenue requirement.
- Authorize the recovery of approximately \$3.088 million in interest.

² In this Application and Opening Brief, the COVID-19 CEMA event is addressed separately from the non-COVID-19 CEMA events. When the term “non-COVID-19 CEMA” is used, it refers to the fifteen fire and storm CEMA events.

- Authorize the recovery of CEMA-related depreciation, return and taxes (*e.g.*, capital revenue requirement) that have already been expensed and will be expensed through 2027.
- Authorize that any remaining capital related costs be incorporated into SoCalGas's TY 2028 General Rate Case.
- Authorize recovery of the CEMA portion of the revenue requirement of approximately \$51.6 million beginning after approval of the Application.
- Authorize SoCalGas to true-up the revenue requirement upon Commission's approval of the Application for the following items: 1) regulatory account interest, 2) O&M and capital trailing charges, 3) insurance proceeds and other third-party recovery (if any), and 4) ongoing capital revenue requirement associated with the capital expenditures that were recorded to CEMA capital projects subsequent to September 2023 through the date that rates are adjusted.
- Authorize SoCalGas to continue filing Tier 2 Advice Letters to incorporate these ongoing capital revenue requirements and associated regulatory interest into rates until the corresponding costs are incorporated in base rates in connection with SoCalGas's next General Rate Case (GRC) or 2028 GRC. Once the authorized revenue requirement is fully amortized, SoCalGas will transfer any residual balance to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and eliminate the associated CEMA subaccounts.

Further, by its Application, SoCalGas requests, with respect to the CPPMA costs, that the Commission:

- Find reasonable and recoverable approximately \$3.371 million in incremental O&M expenses.
- Find reasonable and recoverable approximately \$2.068 million in waived charges.
- Authorize the recovery of approximately \$0.3 million in interest.
- Authorize SoCalGas to true-up the revenue requirement upon Commission approval of the application through the date rates are implemented for regulatory account interest. SoCalGas will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates

on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas.

II. ISSUES IN SCOPE

The Assigned Commissioner’s Scoping Memo and Ruling³ and the Administrative Law Judge’s Ruling Modifying the Proceeding Schedule⁴ identified the scoping issues for this proceeding.

1. Whether SoCalGas’s total CEMA and CPPMA expenses and capital costs are incremental, reasonable, and recoverable.
 - a. Has SoCalGas demonstrated that all expenses and capital costs recorded in its CEMA and CPPMA accounts are incremental?
 - b. Has SoCalGas demonstrated that all expenses and capital costs recorded in its CEMA and CPPMA accounts are reasonable?
 - c. Has SoCalGas demonstrated that all expenses and capital costs recorded in its CEMA and CPPMA accounts are recoverable?
2. Whether the Commission should authorize the recovery of depreciation, return, and taxes that SoCalGas expensed and will expense in its CEMA and CPPMA through 2027.
3. Whether the Commission should authorize SoCalGas to incorporate any remaining capital-related costs in its CEMA or CPPMA into its test year 2028 General Rate Case.
4. Whether the Commission should authorize SoCalGas’s cost allocation methodology for the CEMA and CPPMA.
5. Whether there are any impacts on environmental and social justice communities, and whether they impact the achievement of any of the nine goals of the Commission’s Environmental and Social Justice Action Plan.

³ Assigned Commissioner’s Scoping Memo and Ruling, dated February 13, 2024, in proceeding A.23-11-003, p. 5.

⁴ Administrative Law Judge’s Ruling Modifying the Proceeding Schedule, dated July 18, 2024, in proceeding, A.23-11-003, p. 4.

The Ruling Modifying the Proceeding Schedule directed the parties to “state their positions on all five items in the scope of this proceeding in their Opening Briefs and address specified questions about item 1 in scope.”⁵

SoCalGas’s position on the items is as follows:

1. Yes, see Section IV of SoCalGas’s Opening Brief regarding CEMA and Section V regarding CPPMA.
 - (a) Yes, see Section IV(B) of SoCalGas’s Opening Brief regarding non-COVID-19 CEMA, Section IV(C) regarding COVID-19 CEMA, and Section V regarding CPPMA.
 - (b) Yes, see Section IV(B) of SoCalGas’s Opening Brief regarding non-COVID-19 CEMA, Section IV(C) regarding COVID-19 CEMA, and Section V regarding CPPMA.
 - (c) Yes, see Section IV(B) of SoCalGas’s Opening Brief regarding non-COVID-19 CEMA, Section IV(C) regarding COVID-19 CEMA, and Section V regarding CPPMA.
2. Yes, see Section VIII of SoCalGas’s Opening Brief.
3. Yes, see Section VIII of SoCalGas’s Opening Brief.
4. Yes, see Section VI of SoCalGas’s Opening Brief.
5. Yes, see Section VII of SoCalGas’s Opening Brief.

III. LEGAL STANDARDS.

A. Burden and Standard of Proof

The standard of proof in a ratesetting matter is preponderance of the evidence.⁶ As the Applicant, SoCalGas bears the burden of proof to establish the reasonableness of its cost-recovery requests in this proceeding. Preponderance of the evidence usually is defined “in terms of probability of truth, *e.g.*, ‘such evidence, when weighed with that opposed to it, has more convincing force and the greater probability of truth.’”⁷ In short, SoCalGas must present more evidence that supports its cost-recovery request than would support an alternative outcome.

⁵ *Id.*

⁶ D.16-12-063, p. 9, citing D.12-12-030, p. 44.

⁷ D.12-12-030, p. 42, *aff’d* D.15-07-044, pp. 28-30.

“[W]here [intervenor] parties propose a result different from that asserted by the utility, they have the burden of going forward to produce evidence, distinct from the ultimate burden of proof.”⁸ This “burden of going forward to *produce evidence* relates to raising a reasonable doubt as to the utility’s position and *presenting evidence* explaining the counterpoint position.”⁹ Mere assertions, in other words, are not enough to warrant a different result than the one proposed by an Applicant that has made a *prima facie* showing of reasonableness; an intervenor must put forward evidence to support an alternative outcome. Based upon the evidence presented, SoCalGas has met its burden of proof to recover its CEMA and CPPMA costs set forth in the Application.

B. Prudent Manager Standard

California Public Utilities Code section 454.9 authorizes utilities to create CEMAs in response to declared disasters and the costs recorded therein “shall be recoverable in rates following a request by the affected utility, a commission finding of their reasonableness, and approval by the commission.”¹⁰ Similarly, Res. M-4842, which created the CPPMA, establishes a reasonableness standard for the CPPMA recorded costs.¹¹

The reasonableness standard applicable to cost recovery is the prudent manager standard.¹² When assessing the standard for “prudent managerial action,” the Commission has established that “Utilities are held to a standard of reasonableness based upon the facts that are known or should be known at the time.”¹³ A “reasonable and prudent” action is one in which the utility “follows the exercise of reasonable judgment” based upon what was or should have been known at the time and is not limited to the “optimum practice, method, or act,” but rather “encompasses a spectrum of possible practices, methods, or acts consistent with the utility system needs, the interest of the ratepayers and the requirements of governmental agencies of competent jurisdiction.”¹⁴ The Commission has determined that the standard is not

⁸ D.08-01-022, p. 4.

⁹ *Id.*, emphasis added.

¹⁰ Pub. Util. Code § 454.9(a)-(b); *see also* Res. E-3238 at OP 3.

¹¹ Resolution M-4842 at 6 (“In order to allow for recovery of expenses **reasonably** incurred while complying with this Resolution” (Emphasis added).)

¹² D.08-01-021 at Conclusion of Law 2.

¹³ D.05-08-037, p. 9 (quoting D.88-03-036).

¹⁴ *Id.* at 10, citation omitted.

“perfection.”¹⁵ Rather, it is “a standard of care that demonstrates all actions were well planned, properly supervised, and all necessary records are retained.”¹⁶

As such, the reasonableness of a managerial action depends on the soundness of the utility’s decision-making process, what the utility knew when the managerial action was taken, and that its managers decided on a course of action that fell within the bounds of reasonableness.¹⁷ It does not depend on “how the decision holds up in light of future developments.”¹⁸

These standards distill into the following principles that are applicable to this proceeding:

- SoCalGas’s activities may be found reasonable when the activities are a result of sound decision-making based on what was known at the time the decisions regarding the activities were made. The Commission should not apply hindsight review.
- There may have been multiple reasonable activities. SoCalGas’s activities may be found reasonable even though there may have been other alternatives that also could have been reasonable. While parties may suggest alternatives, SoCalGas’s activities should be found reasonable so long as they are along the spectrum of reasonable actions.

Based upon the above described standard and as set forth in the evidence and as shown below, all the costs included in SoCalGas’s request are incremental to its current rates, relate only to the events for which the declared emergency proclamations were made, and are reasonable and properly included. Thus, the Commission should approve SoCalGas’s Application.

IV. CEMA

A. CEMA Background

In Resolution E-3238 (July 24, 1991), the Commission authorized utilities, including SoCalGas, to establish CEMA accounts to record costs incurred in state or federal declared

¹⁵ D.14-06-007, p. 36.

¹⁶ *Id.*

¹⁷ D.05-08-037, pp. 10-11.

¹⁸ *Id.* at 11.

catastrophic emergencies that utilities could later request be recovered in rates.¹⁹ More specifically, Resolution E-3238 authorized utilities in a declared catastrophic emergency to record related costs in CEMA accounts for the following activities: “(a) restoring utility service to customers; (b) repairing, replacing or restoring damaged utility facilities; and (c) complying with government agency orders resulting from declared disasters.”²⁰ Resolution E-3238 further provided that the Commission must review such costs prior to recovery by the utility, stating “[t]he Commission will examine closely all costs recorded in a utility’s catastrophic event memorandum account before allowing their recovery in customer rates.”²¹

Resolution E-3238 also directed utilities to file tariffs describing the process to establish CEMA memorandum accounts.²² SoCalGas filed tariffs in compliance with Resolution E-3238 and they have been approved by the Commission.²³

In 1994, these Commission requirements for CEMA memorandum accounts were largely codified in Pub. Util. Code section 454.9(a). Pursuant to Pub. Util. Code Section 454.9, SoCalGas’s tariff states it is authorized to record in CEMA memorandum accounts certain categories of costs, such as restoring utility services to customers; repairing, replacing, or restoring damaged utility facilities; and complying with governmental agency orders in connection with events declared disasters by competent state or federal authorities.²⁴

B. SoCalGas Has Demonstrated that its Non-COVID-19 Costs Recorded in its CEMA Accounts Are Incremental, Reasonable, and Recoverable

SoCalGas incurred a total of \$23.613 million of capital expenditures and \$13.477 million of O&M expenses for the fifteen non-COVID-19 CEMA events.²⁵ Of the total, \$12.454 million and \$8.421 million of capital and O&M, respectively, are considered incremental and recorded to the CEMA for the fifteen non-COVID-19 CEMA events.²⁶

¹⁹ Resolution E-3238 at 2.

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at 5-6.

²³ SoCalGas Preliminary Statement – Part VI – Memorandum Accounts, Catastrophic Event Memorandum Account (CEMA). Available at:

<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=352>; *see also*

Application at 3, n. 3.

²⁴ *Id.*

²⁵ Exh. SCG-3E, p. 13.

²⁶ *Id.*

SoCalGas's Application identified fifteen non-COVID-19 CEMA events for wildfire and storm events. Pursuant to Res. E-3238,²⁷ SoCalGas notified the Commission's Executive Director by letter (CEMA letter) that it had invoked its CEMA to record the incremental costs associated with the fifteen wildfire and storm events, or the non-COVID-19 events. Specifically, SoCalGas sent a total of six CEMA letters relating to the 2017 Winter Storms,²⁸ the 2017 Wildfires,^{29 30} the 2018 Wildfires,³¹ the 2019 Wildfires,³² and the 2019 Winter Storms³³ and in accordance with SoCalGas's CEMA tariff, each letter stated that the event had been declared an emergency by the state government and included a description of the event.³⁴

Further, SoCalGas presented evidence establishing that its specific costs and activities associated with the fifteen non-COVID CEMAs were directly linked to the disasters declared by competent state or federal agencies.³⁵ Specifically, SoCalGas showed its costs and activities directly linked to the 2017 Winter Storms³⁶, the 2017 Wildfires³⁷, the 2018 Wildfires³⁸, the 2019 Wildfires³⁹, and the 2019 Winter Storms.⁴⁰

Thus, SoCalGas has established that all of its expenses and capital costs recorded in its non-COVID-19 CEMA are recoverable.⁴¹ As demonstrated in SoCalGas's testimony and supplemental testimony the non-COVID-19 costs recorded to its CEMA were also reasonably incurred and incremental to the existing revenue requirement adopted within the applicable GRCs.⁴² Costs associated with the non-COVID-19 CEMA events were tracked separately from other operating costs and categorized by activity. SoCalGas's non-COVID-19 CEMA costs are

²⁷ Resolution E-3238 at OP 2.

²⁸ Exh. SCG-1, Exhibit 1-1 (Letter invoking CEMA).

²⁹ Exh. SCG-1, Exhibit 1-2 (Letter invoking CEMA).

³⁰ Exh. SCG-1, Exhibit 1-3 (Supplemental Letter invoking CEMA).

³¹ Exh. SCG-1, Exhibit 1-4 (Letter invoking CEMA).

³² Exh. SCG-1, Exhibit 1-6 (Letter invoking CEMA).

³³ Exh. SCG-1, Exhibit 1-5 (Letter invoking CEMA).

³⁴ Exh. SCG-1, Exhibits 1-1 – 1-6.

³⁵ See D.07-07-041, pp. 12, 19-20.

³⁶ Exh. SCG-1, pp. 5-6; Exh. SCG-3E, pp. 3-4, 13.

³⁷ Exh. SCG-1, pp. 17-18; Exh. SCG-3E, pp. 3, 14.

³⁸ *Id.*

³⁹ Exh. SCG-1, pp. 29-30; Exh. SCG-3E, pp. 3, 14.

⁴⁰ Exh. SCG-1, pp. 32-33; Exh. SCG-3E, pp. 3, 14.

⁴¹ Scoping Issue 1(c) for non-COVID-19 CEMA.

⁴² Exh. SCG-3E, pp. 2-3, 4-6.

the incurred costs to respond to the CEMA events that are reasonably incurred and incremental⁴³ to, or not already covered through, the existing revenue requirements.^{44 45}

In sum, SoCalGas has established that all its expenses and capital costs recorded in its non-COVID-19 CEMA are incremental and reasonable. Further, no party has provided evidence contesting the recoverability, reasonableness or incrementality of SoCalGas's non-COVID-19 CEMA costs and thus, SoCalGas's non-COVID-19 CEMA expenses and capital costs should be approved in its entirety.

C. SoCalGas Has Demonstrated that its COVID-19 Costs Recorded in its CEMA Accounts Are Incremental, Reasonable, and Recoverable

SoCalGas incurred a total of \$1.942 million of capital expenditures and \$59.044 million of O&M expenses for the COVID-19 CEMA event.⁴⁶ Of the total, \$1.759 million and \$40.740 million of capital and O&M, respectively, are considered incremental and recorded to the CEMA.⁴⁷ SoCalGas further reduced the O&M expenses recorded to its CEMA by \$8.349 million, representing O&M expenses that would have normally been incurred, but were avoided because of the COVID-19 pandemic. Ultimately, SoCalGas recorded \$32.390 million of incremental O&M expenses to the COVID-19 CEMA subaccount.⁴⁸

On March 17, 2020 and pursuant to Res. E-3238,⁴⁹ SoCalGas notified the Commission's Executive Director by letter that it had invoked its CEMA for the COVID-19 pandemic, effective March 4, 2020, to record expenses it incurred to comply with state and federal governmental orders relating to the pandemic affecting California within and outside of SoCalGas's service territory.⁵⁰ Upon submitting the letter, SoCalGas was authorized to record incremental costs incurred in its CEMA – 2020 COVID-19 Subaccount.

With regards to costs associated with the COVID-19 catastrophic events, Pub. Util. Code section 454.9(a) provides that utilities are authorized to record costs for the utility to conduct the following activities in a CEMA account: (1) restore service to customers, (2) repair, replace, or

⁴³ The incrementality standard is discussed in detail in Section IV(C), below.

⁴⁴ *Id.*

⁴⁵ Scoping Issue 1(a), (b) for non-COVID-19 CEMA.

⁴⁶ Exh. SCG-03-E, p. 22.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ Resolution E-3238 at OP 2.

⁵⁰ SCG Exh-2, p 5, Ex. 2-1.

restore damaged facilities, and (3) comply with governmental agency orders in connection with events declared disasters. SoCalGas presented evidence establishing that its specific costs and activities associated with the COVID-19 CEMA were directly linked⁵¹ to the COVID-19 pandemic declared by competent state and federal agencies.⁵²

Thus, SoCalGas has established that all of its expenses and capital costs recorded in its COVID-19 CEMA are recoverable.⁵³ Further, no party has provided evidence contesting SoCalGas's invocation of the COVID-19 CEMA event or the linkage between the requested costs and the disaster declarations.

Further, as demonstrated in SoCalGas's testimony, supplemental testimony, rebuttal testimony and surrebuttal testimony, the COVID-19 costs recorded to its CEMA are reasonably incurred and incremental to the existing revenue requirement adopted within the TY 2019 GRC.⁵⁴ Costs associated with the COVID-19 pandemic were tracked separately from other operating costs and categorized by activity. SoCalGas's COVID-19 CEMA costs are the incurred costs to respond to a CEMA event that are reasonably incurred and incremental to, or not already covered through, the existing revenue requirement adopted within the TY 2019.⁵⁵ The Commission has indicated that "[b]y definition, costs are incremental, if, in addition to completing planned work that underlies the authorized costs, the utility had to procure additional resources, be they on labor or materials, to complete new activity. The existence and completion of a new activity by itself does not prove the cost was incremental."⁵⁶ SoCalGas has shown that its COVID-19 costs recorded in its CEMA are incremental costs which are "not embedded in a rate case forecast for repairs" and "they have not been sought for recovery in any previous or pending cost recovery proceeding, they were not forecasted in any previous or pending proceeding, and **they were incurred specifically to address the needs of SoCalGas customers and employees due to the stated emergency.**"⁵⁷

⁵¹ See D.07-07-041, pp. 12, 19-20.

⁵² Exh. SCG-03-E, pp. 4, 24; Exh. 2, pp. 4-28.

⁵³ Scoping Issue 1(c) for COVID-19 CEMA.

⁵⁴ Exh. SCG-03-E, pp. 2-33; SCG-07, pp. 2-3; SCG-10, pp.1-8; SCG-12, pp. 1-7.

⁵⁵ Exh. SCG-12 p. 1.

⁵⁶ D.23-02-017, p. 27.

⁵⁷ Exh. SCG-12, p. 2 (emphasis added); see also Exh. SCG-08, Attachment A (Excel spreadsheet, Subaccount F, Column N (narrative justification regarding incrementality for twenty COVID-19 CEMA line-items exceeding \$500,00)).

Not only were these incremental COVID-19 costs incurred in 2020-2023, well after the Commission issued its final decision for SoCalGas's 2019 GRC cycle in Commission Decision (D).19-09-051, SoCalGas explained in detail in its testimony the rigorous protocols and procedures it employed to track, verify, and double-check all costs for their reasonableness and incrementality, to ensure only incremental costs are recorded to the CEMA.⁵⁸ SoCalGas reviewed COVID-19 incremental costs reflected in this Application to determine whether the costs would have occurred "but-for" the CEMA event and not included in SoCalGas's normal business operating rates.⁵⁹ SoCalGas also offset the CEMA request with cost avoided due to COVID-19 of \$8.349 million, recognizing that as a result of the temporary and unusual operating conditions during the COVID-19 pandemic, certain costs related to the Gas Company Tower (GCT) facility, customer remittance processing, employee travel and training, and collection notices postage were lower.⁶⁰ Testimony of various SoCalGas witnesses provided details on the background of and SoCalGas's response to the COVID-19 CEMA event and further details for the COVID-19 avoidance costs included in the CEMA.⁶¹ SoCalGas has also provided details in testimony, workpapers and data requests demonstrating the reasonableness of the incremental COVID-19 costs it incurred in response to COVID-19 pandemic and recorded in its CEMA.^{62 63} Further, SoCalGas met the "reasonable and prudent" standard in its decision-making regarding COVID-19 costs.⁶⁴ As explained in great detail in SoCalGas's testimony, SoCalGas kept abreast of the ongoing developments in the understanding of the COVID-19 pandemic and evolved its response to maintain the safety of its employees, customers, and the public, while maintaining service.⁶⁵

Rather than providing specific feedback on the details regarding the COVID-19 costs that are recorded to SoCalGas's CEMA, TURN, Clean Energy, and SCGC make the erroneous argument that because SoCalGas underspent its 2019 GRC authorized funding in four customer service areas, its COVID-19 CEMA costs must not be incremental or reasonable.⁶⁶ As discussed

⁵⁸ Exh. SCG-03-E, pp. 2-6; Exh. SCG-12, pp. 1-2.

⁵⁹ Exh. SCG-12, pp. 1-3.

⁶⁰ *Id.* at p.1, and Exh. SCG-03-E, pp. 11-33.

⁶¹ Exh. SCG-02, pp 27-28; Exh. SCG-03-E pp. 11-33; Exh SCG-07, p. 2; Exh. SCG-12, pp. 1-7.

⁶² *Id.*, see also Exh. SCG-12, pp. 3-7.

⁶³ Scoping Issue 1(a) for COVID-19 CEMA.

⁶⁴ Scoping Issue 1(b) for COVID-19 CEMA.

⁶⁵ See e.g., Exh. SCG-02, pp. 1-28.

⁶⁶ Exh. TURN-01, pp.3-11; Exh. TURN-02, p.5; Exh. CLE-03, pp.2-7; Exh. SCGC-03, pp. 1-6.

in detail below, the parties' arguments are not only meritless, but are contrary to Commission precedent and would defeat the purpose of CEMA.

1. The Ratio of Actual-to-Authorized GRC Spend in Customer Service Areas Is Not Relevant in This CEMA Review

In its CEMA application, SoCalGas recorded a credit of \$8.349 million to its CEMA representing cost avoidance correlated to the COVID-19 pandemic in the following activities: facilities cost, customer remittance processing, collection notices postage, and employee travel and training.⁶⁷ SoCalGas provided details in its testimony as to how this amount was calculated and the reasonableness of the avoided O&M costs that were considered.⁶⁸ Rather than commenting on the reasonableness of the methodology or specific avoided costs considered, the parties recommend disallowance of SoCalGas's incremental COVID-19 CEMA cost, based entirely on the fact that SoCalGas underspent its GRC authorized funds in the four Customer Service areas due to COVID-19. For example, TURN argues that "[i]f SoCalGas incurred less costs than authorized due to COVID-19, that amount must be subtracted from the additional costs it incurred for activities related to COVID-19," and proposes that any variances between 2019 actual costs and actual costs incurred during 2020-2022 for the four Customer Service areas it singled out should all be considered avoided costs.⁶⁹ SCGC argues that "SoCalGas should not be allowed to recover the costs that it claims to be incremental COVID-19 expenses because they were more than offset by savings created by the sharp reduction in customer service activities that would have otherwise taken place."⁷⁰ Clean Energy similarly argues that "Witness Cheng identified four cost areas in the 2024 GRC testimony where the SoCalGas witnesses explicitly justified excluding lower historical costs in 2020 and 2021 due to lower activity levels resulting from the COVID-19 pandemic. These categories were Customer Services Operations, Customer Contact Center Operations, Branch Offices, and Credit and Collections. The difference in these cost areas should have been recorded as avoided costs in the CEMA."⁷¹

⁶⁷ Exh. SCG-03-E, p. 11.

⁶⁸ Exh. SCG-02, pp. 27-28; Exh. SCG-03-E, pp. 3-33.

⁶⁹ Exh. TURN-02, p. 5; Exh. TURN-01, pp.3-12. In aggregate, TURN estimates the total avoided costs, which is equal to total GRC underspend in four customer service areas from 2020-2022, should be approximately \$53.46 million. Not only is it misguided to look to GRC underspend to determine CEMA avoided costs, TURN's use of constant dollars, as opposed to nominal dollars, overstated its estimate of total avoided costs by \$18.369 million. *See*, Exh. SCG-10, p. 4.

⁷⁰ Exh. SCGC-03, p. 6.

⁷¹ Exh. CLE-03, p. 6.

None of the parties provide any example from the Commission’s CEMA decisions or cite to other legal authorities stating that the ratio of overall actual-to-authorized GRC spend should be considered in a CEMA or that any amount a utility has underspent in a GRC cycle should be recorded 100 percent as avoided costs in a CEMA. In fact, prior Commission decisions explicitly reject the ratio of actual-to-authorized GRC spending as relevant for a CEMA review.⁷² Yet, the parties’ recommended disallowance of SoCalGas’s COVID-19 CEMA costs stems entirely from their incorrect assumption that any variances between 2019 and 2020-2022 actual costs should automatically be considered as 100 percent of avoided costs in SoCalGas’s CEMA. For example, TURN estimates an aggregate of \$53.46 million underspend in four Customer Service areas as total avoided costs.⁷³ SCGC argues “there are large amounts of authorized but unspent funding, \$96.513 million, associated with the account that TURN identified,” and concludes SoCalGas “should not be allowed to recover costs that it claims to be incremental COVID-19 expenses.”⁷⁴ Likewise, Clean Energy argues “[a]ssuming this 2024 GRC testimony to be true, then most of the reduction in work order volume during 2020-2022 was likely due to the COVID-19 pandemic,” and concludes that “total avoided costs for Customer Service Field Operations and Customer Services Offices Operations would be \$51.481 million in nominal dollars.”⁷⁵ While the parties admit that reduction in GRC spend were not all due to COVID-19 pandemic in certain instance, they still attribute 100 percent of the underspent amount as avoided cost.⁷⁶ For instance, SCGC claims “[e]ven if as little as 26 percent of the reduction in Customer-Services-Operations expense was attributable to the pandemic instead of the completion of the AMI system, the total amount of avoided cost would amount to \$40.740 million.”⁷⁷ However, none of the parties provide any justification, explanation, or legal authority for their recommendation that the entire amount that was underspent from 2020-2022 in the four Customer Service areas should be considered as avoided costs in this CEMA.

⁷² D.22-11-010, pp. 7 and 16; *See also*, D.21-05-006, p. 22 (“The determination of whether the costs requested for CEMA recovery are incremental is independent of the difference between authorized and actual spending in the year of the CEMA-eligible event.”).

⁷³ Exh. TURN -01 p. 3.

⁷⁴ Exh. SCGC-03, pp.3-4.

⁷⁵ Exh. CLE-03- pp.4-5.

⁷⁶ Exh. SCGC-02, p. 3-4; Exh. CLE-03, at 4.

⁷⁷ Exh. SCGC-02, p. 4.

More importantly, the Commission has ruled that a ratio of actual-to-GRC spend is not relevant in a CEMA recovery:

“Cal Advocates incorrectly interprets the definition of incrementality in Resolution E-3238, arguing that Bear Valley Electric’s 2019 Winter Storm CEMA costs are not incremental given that Bear Valley Electric underspent its overall authorized GRC funding collected from ratepayers in 2019.... As acknowledged by both parties, prior Commission decisions, including the recent decisions in D.21-05-006 and D.21-08-024, explicitly reject the ratio of overall actual-to-authorized GRC spending as relevant to the CEMA review.”⁷⁸

As indicated above, the fact that SoCalGas recorded lower than the GRC authorized amounts for years 2020-2022 in the four Customer Service areas should not be considered in SoCalGas’s CEMA recovery review, and the Commission should reject the parties’ reliance on this ratio of actual-to-authorized GRC spend to indicate in any way to argue that SoCalGas’s COVID-19 CEMA costs are not incremental, unreasonable, or not recoverable.

2. Parties’ Definition of Incrementality Would Defeat the Purpose of CEMA

Based on the arguments made by the parties in this proceeding, SoCalGas should not, by any definition, have any incremental COVID-19 expenses because of the “large amount of underspending in the customer service areas more than offset the overspending that SoCalGas claims occurred due to COVID-19.”⁷⁹ TURN argues that “[i]n order to establish that \$32.39 million it is seeking to recover from ratepayers are incremental, SoCalGas must show that the costs are in addition to amounts authorized to be recovered in rates. Hence, if SoCalGas incurred less than authorized due to COVID-19, that amount must be subtracted from the additional costs it incurred for activities related to COVID-19.”⁸⁰ However, this position is completely inconsistent with the intended purpose of Resolution E-3238, of incentivizing the utilities to promptly restore service after a catastrophic event.

The Commission’s explicit intent when establishing the CEMA with Resolution E-3238 was to “remove a potential disincentive to utilities’ prompt response to future declared disasters.”⁸¹ Thus, the Commission in D.22-11-010 rejected Cal Advocate’s argument to include the ratio of overall actual-to-authorized GRC spending as relevant to the CEMA review, and

⁷⁸ D.22-11-010, pp. 7 and 16.

⁷⁹ Exh. SCGC-03, p. 6.

⁸⁰ Exh. TURN-02, p. 5.

⁸¹ Resolution E-3238, at 4, Finding 2.

ruled that “[i]ncluding in the determination of incrementality the differential from GRC ratemaking would give utilities less of an incentive to restore service promptly after declared disasters.”⁸² The Commission further held that “Cal Advocates’ attempt to shift risk back to the utility in disaster circumstances is contrary to the language and purpose of Resolution E-3238.”⁸³

As indicated by the Commission, in D.21-05-006: “Commission-regulated utilities must have confidence that the CEMA ratemaking mechanism will work as designed, so they don’t think twice about incurring extra costs if that is what it takes to keep customers safe. In regulatory terms, CEMA reduces the risk to the utility of incurring costs beyond what was expected. The Commission’s addition of another ratemaking mechanism shifts the balance of risk away from the utility, and toward ratepayers, for the very reason that it is hard to control costs when safety is in the balance.”⁸⁴ Thus, parties’ position is completely inconsistent with the intended purpose of Resolution E-3238 and of incentivizing the utilities to promptly restore service after a catastrophic event and should be rejected.

3. SoCalGas Has the Authority to Reprioritize and Manage Its Costs

SoCalGas submitted rebuttal testimony in response to issues that TURN raised in its testimony, including TURN’s baseless claim that SoCalGas recorded less than GRC-authorized in the four Customer Service areas during 2020-2022 to “pocket” cost savings as “earnings for shareholders.”⁸⁵ SoCalGas explained that it exercised prudent judgment to reprioritize resources and funding across necessary activities during the COVID-19 pandemic.⁸⁶ SoCalGas also provided several examples where it reassigned employees and funds to other critical work, consistent with the Commission policy of allowing the utilities “the flexibility to reprioritize the authorized funds in order to ensure safe and reliable operations.”⁸⁷

TURN, SCGC and Clean Energy incorrectly claim that except for one function (meter set assembly inspections), SoCalGas did not show that the GRC funds it underspent as a result of

⁸² D.22-11-010, p. 18.

⁸³ *Id.* at 19.

⁸⁴ D.21-05-006, p. 8.

⁸⁵ Exh. TURN-01, p. 4.

⁸⁶ Exh. SCG-10, p.4.

⁸⁷ *Id.*

COVID-19 were reprioritized to activities that are specifically related to COVID-19 pandemic.⁸⁸ However, the parties cite to no legal authority or Commission precedent that a utility can only reprioritize its GRC funds to certain activities or functions. To do so would eliminate the flexibility that a utility is given to exercise reasonable judgment to reprioritize funds to continue to provide service to customers in a safe and reliable manner. The Commission has ruled that “once costs are authorized through a GRC, the utility assumes control of how best to manage its costs in accordance with expectation.”⁸⁹ The Commission has also explicitly recognized that “new programs or projects may come up, others may be cancelled, and there may be reprioritization. This process is expected and is necessary for the utility to manage its operations in a safe and reliable manner.”⁹⁰ It is for this reason that the “utilit[ies] are allowed the flexibility to reprioritize the authorized funds in order to ensure safe and reliable operations.”⁹¹

In addition, TURN argues that “[h]ence, if SoCalGas incurred less than authorized due to COVID-19, that amount must be subtracted from the additional costs it incurred for activities related to COVID-19...If these costs are considered in the “reprioritization” analysis even though they have no relevance to the COVID-19 pandemic, then all cost areas within the GRC would have to be considered to determine the effect of SoCalGas’s “reprioritization.””⁹² TURN’s argument is not only inconsistent with prospective ratemaking principles, but it also undermines the purpose of a CEMA. The Commission has ruled that:

“[P]rospective ratemaking does not “look back” in time and adjust future revenue requirements such that actual utility expenditures are always recovered 1-for-1 through rates. *If utility management decides to tradeoff among expense categories in response to changing circumstances or management priorities, they are awarded that flexibility. ... Nor does prospective ratemaking require the utility to reimburse ratepayers if their overall expenditures, or expenditures within particular budget categories, are lower*

⁸⁸ See Clean Energy Response to Ruling Requiring Additional Information, p. 6 “Clean Energy, SCGC, and TURN disputed SoCalGas’ reprioritization claim by showing that, with the exception of the meter inspection functions, certain of the functions identified in SoCalGas’s rebuttal were not related to reprioritization or reassignment of resources as a result of the COVID-19 pandemic. This fact demonstrates that SoCalGas did not reprioritize avoided costs in the Customer Services accounts to the CEMA costs in those accounts.”

⁸⁹ D.22-11-010, p. 16.

⁹⁰ D.11-05-018, p. 27.

⁹¹ Exh. SCG-10 at 2.

⁹² Exh. TURN-02, pp. 5-6.

than projected during the rate case. To do so would be tantamount to establishing a 1-for-1 balancing account for all utility expenditures and activities.”⁹³

TURN’s argument that SoCalGas should somehow set aside or “save” GRC funding for future, related-CEMA events, is not only inconsistent with prospective ratemaking principles, but it also undermines the establishment of CEMA as a means for utilities to recover unforeseen costs caused by catastrophic events, which is why SoCalGas does not include them in its GRC forecasts. The Commission acknowledged that a utility may need to reprioritize its original intended funds to a wholly different purpose in order to respond quickly to events that affect its utility service:

Over time, GRC proceedings at the Commission have become much less simple and straightforward. For example, in our review of the “regulatory compact” earlier in this decision, **we noted that a utility’s response to rapidly unfolding events that affect utility service ... may require a utility to fund its response by quickly re-directing Commission-authorized GRC funding from its originally-intended purpose to a wholly different purpose...The Commission has always acknowledged that utilities may need to reprioritize spending between GRCs. Now, given the evolving reality we described above, that necessity may even be growing.**”⁹⁴

Therefore, the Commission should reject TURN or any party’s argument that if SoCalGas incurred less than authorized due to COVID-19, that amount must be subtracted from the additional costs it incurred for activities related to COVID-19 in a CEMA recovery, or that it can only reprioritize the GRC funds to activities relating to the COVID-19 pandemic.

4. Clean Energy’s Argument that SoCalGas’s Incremental Costs for Bonus Pay is Unreasonable Should Be Rejected

In its sur-rebuttal testimony, Clean Energy erroneously claims that “SoCalGas has not sufficiently demonstrated that certain of the costs associated with responding to the COVID-19 pandemic were reasonable and not excessive. These include the costs recorded to the CEMA for Bonus Pay, Janitorial Costs, Temperature Health Screening/Medical Supplies and PPE & Supplies.”⁹⁵ Clean Energy’s arguments are meritless and should be rejected.

First, as for the bonus pay for frontline workers, while Clean Energy argues that it has “no comment as to whether the level of compensation that SoCalGas provided was appropriate,” it makes a blanket criticism that “SoCalGas has not provided sufficient justification for this

⁹³ D.22-06-032, p.10 (emphasis added).

⁹⁴ D.20-01-002, pp. 35-38 (emphasis added).

⁹⁵ Ex. CLE-03, p. 9.

bonus pay to be incremental to previously authorized Spot Cash and other Special Compensation approved under the GRC.”⁹⁶ Clean Energy also notes that SoCalGas did not elaborate on how its recognition plan compared to other California utilities plans and other industries.⁹⁷ Clean Energy’s argument is without merit and should be rejected. SoCalGas already explained in a data request response to Clean Energy that the recognition to frontline workers for their COVID-19 efforts was incremental to the GRC-authorized recognition.⁹⁸

SoCalGas also provided testimony for its rationale for providing recognition pay to frontline workers and explained that the recognition was designed for represented and management employees who could not work remotely and/or who regularly reported to a SoCalGas facility, job site, or customer site, and due to the COVID-19 pandemic were reporting to alternate work locations and/or adhering to new protocols and modified work standards. Some examples include having to work under new rules around the use of face coverings, masks and other personal protective equipment (PPE) requirements, health screening and temperature monitoring, additional procedures for in-home customer orders, new procedures for gas pipeline work performed in close proximity to other employees and contractors, and others. For supervisors, SoCalGas also recognized the additional duty to communicate and manage employees in the proper use of new protocols, procedures, working conditions, and customer interactions, warranted special recognition.⁹⁹

5. SoCalGas’s Janitorial Costs, Temperature Health Screening/Medical Services and PPE & Supplies Are Not Excessive or Unreasonable

Clean Energy’s argument that a “bench marking study” should be performed for SoCalGas to justify the reasonableness of its incremental COVID-19 costs should be rejected. For instance, Clean Energy argues that while it reviewed SoCalGas witnesses’ testimony regarding “recommended practices advised by the Center for Disease Control (CDC), California Occupational Safety and Health Administration (Cal/OSHA), and the US Department of Health and Human Services as drivers for increased janitorial costs and the need to purchase additional safety equipment for employees,” that SoCalGas should have still performed a “benchmarking study” to prove that SoCalGas’s request to recover \$9.925 million in incremental costs for

⁹⁶ *Id.*

⁹⁷ Exh. CLE-03 pp. 9-10.

⁹⁸ Exh. CLE-03, Attachment A, p. 20.

⁹⁹ Exh. SCG-02, pp. 16-18.

Facilities and Vehicles Enhanced Cleaning is not excessive.¹⁰⁰ Likewise, Clean Energy also argues that SoCalGas should have also provided a benchmark study for its incremental request of \$8.745 for Temperature Health Screening/Medical Services and \$3.761 for PPE & Supplies.¹⁰¹

Clean Energy's argument that a benchmarking study be performed to justify the reasonableness of CEMA costs should be dismissed as it completely inconsistent with the intended purpose of Resolution E-3238 of incentivizing the utilities to promptly comply with government agency orders after a catastrophic event. As discussed in the sections above, the Commission's explicit intent when establishing the CEMA with Resolution E-3238 was to "remove a potential disincentive to utilities' prompt response to future declared disasters."¹⁰² Requiring a benchmarking study before responding to catastrophic events would not only be impracticable but would disincentivize utilities to provide prompt response to future declared disasters. As explained in testimony, SoCalGas took the necessary precautions to make the workplace as safe as possible and align with fast evolving COVID-19 facility guidance provided from Cal/OSHA and the U.S. Department of Health and Human Services, as well as the CDC. Facilities where employees and others are present had to conform to the health and safety protocols required for occupancy. SoCalGas designed and implemented all that was required to prepare worksites to meet these goals.¹⁰³

6. SCGC's Attack on SoCalGas's Use of Contractors During the COVID-19 Pandemic Should be Dismissed

SCGC argues that "SoCalGas has not proven it was reasonable to retain outside services instead of utilizing its own employees who appear to be underutilized during the COVID-19 event to perform the additional securing of facilities, cleaning of vehicles, and maintenance activities described in SoCalGas's incremental cost narrative."¹⁰⁴

SCGC's argument should be rejected because it is a vague allegation unsupported by any specific evidence and contrary to evidence in the record. First, SCGC's evidence is based on speculation and assumes that SoCalGas's employees "appear to be underutilized." SCGC offers no evidence to the support its equivocal claim of underutilization other than the conclusion itself.

¹⁰⁰ *Id.* at 11-12.

¹⁰¹ *Id.* at 12.

¹⁰² Resolution E-3238, at 4, Finding 2.

¹⁰³ Exh SCG-02, pp. 18-20.

¹⁰⁴ Exh. SCGC-03, p. 7.

Second, the evidence in the record shows that SoCalGas did not have employees available for the tasks performed by contractors. SoCalGas reassigned its employees to other critical tasks during the COVID-19 pandemic¹⁰⁵ and lacked “sufficient staff to address the additional activities associated with the pandemic.”¹⁰⁶ Also, SCGC’s argument does not consider, or even acknowledge, that SoCalGas had a significant number of employees who tested positive for COVID-19 during the pandemic and were provided time off.¹⁰⁷ Those employees’ absences would have required reassignment of other SoCalGas employees to complete critical tasks.

V. SOCALGAS HAS DEMONSTRATED THAT ITS EMERGENCY CUSTOMER PROTECTIONS ACTIVITIES RECORDED IN ITS CPPMA ACCOUNTS ARE INCREMENTAL, REASONABLE, AND RECOVERABLE

The purpose of SoCalGas’s CPPMA is to track and record costs associated with implementing billing related protections for residential and small business customers impacted by the COVID-19 pandemic.¹⁰⁸ The costs recorded in the CPPMA are separate from CEMA costs related to COVID-19, which consisted of SoCalGas’s costs to respond to the pandemic. In contrast, the CPPMA recorded incremental costs associated with the mandated emergency customer protection measures and securing access to state and federally funded COVID-19 arrearage relief programs on behalf of the customers.

A. Authorization to Establish the CPPMA

In D.19-07-015, the Commission implemented a Disaster Relief Program (DRP) and established a set of minimum emergency disaster customer protection measures that the utilities are directed to implement in the event of a declared emergency.¹⁰⁹ Pursuant to Ordering Paragraph (OP) 2, when a disaster has either resulted in the loss or disruption of the delivery or receipt of utility service and/or resulted in the degradation of the quality of utility services, the utilities must submit a Tier 1 Advice Letter (AL) with the Commission’s Energy Division within

¹⁰⁵ Exh. SCG-10, p. 4.

¹⁰⁶ Exh. CLE-03, Attachment A, Data Request Response 4.14a.

¹⁰⁷ Exh. SCG-02, p. 4.

¹⁰⁸ Resolution M-4842 at OPs 2 and 4.

¹⁰⁹ D.19-07-015.

15 days of an emergency declaration reporting compliance with the Decision’s mandated emergency disaster customer relief protections.¹¹⁰

On March 4, 2020, Governor Gavin Newsom (Governor) declared a State of Emergency in response to the outbreak of COVID-19.¹¹¹ On March 13, 2020, President Trump signed an Emergency Declaration to facilitate a federal response to the then emerging COVID-19 pandemic.⁷ On March 17, 2020, the Commission’s Executive Director sent a letter to the California energy companies addressing emergency customer protections to support customers affected by the COVID-19 State of Emergency.¹¹²

On March 19, 2020, SoCalGas submitted AL 5604, implementing its emergency DRP for customers impacted by the COVID-19 pandemic pursuant to OP 1 of D.19-07-015 and the Commission Executive Director’s March 17, 2020, letter, and retroactively applied customer protections to March 4, 2020, the start date of the Governor’s emergency proclamation.¹¹³

On April 16, 2020, the Commission issued Res. M-4842, ratifying the directions provided in the Commission’s Executive Director’s March 17, 2020, letter. Specifically, Res. M-4842 ordered electric, gas, communications, and water and sewer corporations in California to implement the applicable customer protections described in D.19-07-015 (or justify why the protections are not applicable to a pandemic emergency); submit a Tier 2 AL describing all reasonable and necessary actions to implement Emergency Customer Protections to support California customers; and authorized the electric, gas, communications, and water and sewer corporations to establish the CPPMA to track and recover incremental costs associated with complying with the resolution.¹¹⁴

On May 22, 2020, pursuant to Res. M-4842, SoCalGas submitted Supplemental AL 5604-B to describe the protections it was offering its customers, explain which customer

¹¹⁰ *Id.* at OP 2.

¹¹¹ Available at: <https://www.gov.ca.gov/wp-content/uploads/2020/03/3.4.20-Coronavirus-SOE-Proclamation.pdf>; see also Exh. SCG-04, p. 2.

¹¹² Available at: https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpucwebsite/content/news_room/newsupdates/2020/exec-director-letter-to-energy-companies-re-covid19-march-17-2020.pdf; see also Exh. SCG-04, p. 2.

¹¹³ Available at: <exec-director-letter-to-energy-companies-re-covid19-march-17-2020.pdf> (ca.gov); see also Exh. SCG-04, p. 2.

¹¹⁴ Resolution M-4842 at OP 4 (stating that gas utilities subject to this Resolution “may request authorization to track and recover incremental costs associated with complying with this resolution.”); see also Exh. SCG-04, pp 3-4.

protections were inapplicable during the COVID-19 pandemic, and confirm the incremental costs to be tracked and recovered associated with COVID-19 customer protections.¹¹⁵ In particular, SoCalGas described the customer protections it was offering to all residential customers regardless of usage¹¹⁶ and non-residential core customers using less than 10,000 therms in the previous 12 months.¹¹⁷ In AL 5604-B, SoCalGas provided a detailed response to address the customer protections listed in Res. M-4842, as well as SoCalGas's outreach regarding those emergency customer protections.¹¹⁸

Pursuant to Res. M-4842 and as set forth in SoCalGas's advice letters, the Commission authorized SoCalGas to track and recover its incremental expenses arising from implementing the emergency customer protections in the CPPMA.¹¹⁹

On June 30, 2021, the Commission adopted D.21-06-036 which directed SoCalGas to extend the moratorium on disconnections through September 30, 2021, to automatically enroll eligible residential and small business customers in payment plans, and to secure access to state and federally funded COVID-19 arrearage relief programs on behalf of their customers.¹²⁰ The Commission also stated that costs associated with activities to implement D.21-06-036 may be tracked and recorded in the CPPMA authorized by Res. M-4842.¹²¹

B. SoCalGas has demonstrated that its CPPMA Costs Are Recoverable, Reasonable and Incremental¹²²

SoCalGas incurred a total of approximately \$5.4 million of O&M expenses and waived charges associated with implementing and providing the emergency customer protection measures adopted in (D.)19-07-015.¹²³ The \$5.7 million balance is comprised of approximately \$3.4 million of O&M expense, approximately \$2.0 million of waived charges, and approximately

¹¹⁵ Exh. SCG-04, pp 5-6. On June 4, 2020, SoCalGas submitted supplemental AL 5604-C which clarified that the protections provided pursuant to Res. M-4842 also applied to small business customers using less than 10,000 therms annually. *Id.* at 6, n. 12.

¹¹⁶ *Id.* at 5-6.

¹¹⁷ *Id.*

¹¹⁸ *Id.* at 6.

¹¹⁹ Resolution M-4842 at OP 4. On February 11, 2021, the Commission extended the relief provided by Res. M-4842 through June 30, 2021, through Res. M-4849. Exh. SCG-04, p. 9.

¹²⁰ D.21-06-036 at Conclusions of Law 7.

¹²¹ D.21-06-036 at OP 7.

¹²² Scoping Issue 1(a), (b), (c) for CPPMA.

¹²³ Exh. SCG-04, pp. 10-21; Exh. SCG-05, p. 3.

\$0.3 million of interest.¹²⁴ SoCalGas has established that both the O&M expense and waived charges were specific costs and activities associated with SoCalGas's efforts to implement the customer protections and ordered programs and activities.¹²⁵ Further, no party has submitted evidence contesting SoCalGas's evidence which established that SoCalGas's costs were appropriate to include in the CPPMA or that those costs were not linked to the Commission's ordered efforts.

As demonstrated in SoCalGas's testimony and supplemental testimony, the costs recorded to its CPPMA are reasonably incurred and incremental to the existing revenue requirement adopted within the TY 2019 GRC.¹²⁶ Costs associated with the emergency customer protections measures allowed by the relevant decisions and resolutions pandemic were tracked separately from other operating costs and categorized by activity.¹²⁷ SoCalGas's CPPMA costs are the incurred costs to respond to the Commission's required customer protection measures that are reasonably incurred and incremental to, or not already covered through, the existing revenue requirement adopted within the TY 2019.¹²⁸ The Commission has indicated that "[b]y definition, costs are incremental, if, in addition to completing planned work that underlies the authorized costs, the utility had to procure additional resources, be they on labor or materials, to complete new activity."¹²⁹ SoCalGas has shown that its costs associated with the emergency customer protections recorded in its CPPMA are incremental costs which were "not currently authorized and recovered in rates but were necessary for implementation of the directives for the declared emergency proclamation for COVID-19."¹³⁰ Further, these incremental costs were incurred in 2020-2023, well after the Commission issued its final decision for SoCalGas's 2019 GRC cycle in Commission decision (D).19-09-051.¹³¹ SoCalGas has also provided testimony describing the reasonableness standard it applied when evaluating

¹²⁴ *Id.*

¹²⁵ Exh. SCG-04, pp. 10-21.

¹²⁶ Exh. SCG-04, pp. 1, 10-21; Exh. SCG-03E, pp. 4-6; Exh. SCG-08, pp. 1-2.

¹²⁷ Exh. SCG-04, pp. 10-21.

¹²⁸ Exh. SCG-04, pp. 1, 10-21; Exh. SCG-03E, pp. 4-6; Exh. SCG-08, pp. 1-2.

¹²⁹ D.23-02-017, at p. 27.

¹³⁰ Exh. SCG-08, p. 1; *see also id.*, Attachment A (Excel spreadsheet, CPPMA, Column N (narrative justification for two CPPMA line-items exceeding \$500,00)); Exh. SCG-04, pp. 1, 10-21.

¹³¹ *Id.*; *see also* SCG-08, p. 2 ("These billing related protections (labor associated with billing system modifications and mailing and postage expenses) could not be forecasted in SoCalGas's General Rate Case (GRC) as the COVID-19 pandemic emergency was not anticipated and the resolution authorizing SoCalGas to establish the CPPMA emerged after SoCalGas's GRC.")

the CPPMA costs and demonstrating the reasonableness of the costs recorded in the CPPMA incurred in response to the emergency customer protections measures allowed by the relevant decisions and resolutions.¹³²

VI. SOCALGAS'S PROPOSED COST ALLOCATION FOR CEMA AND CPPMA IS REASONABLE¹³³

In SoCalGas's Application, it proposed Equal Cents Per Therm (ECPT) as the proposed cost allocation methodology for recovery of the revenue requirement associated with the CEMA and CPPMA.¹³⁴ The ECPT cost allocation method allocates costs across customer classes based on each customer class's respective share of total average year gas demand forecast from (D.) 20-02-045 issued in SoCalGas's most recently decided Triennial Cost Allocation Proceeding.¹³⁵ The allocation is 38.7% to Core customers, of which 25.7% of the total is allocated to the Residential class, and 61.3% to Noncore customers.¹³⁶ In other words, ECPT allows for allocated costs across the customer classes to be socialized more in alignment with the consumption of gas versus methodologies based on embedded and marginal costs of gas service and infrastructure.¹³⁷ Accordingly, ECPT assigns less proportionate cost to core customers, and particularly residential customers, relative to some other cost allocation methodologies, and does less to exacerbate the cost pressures from electrification for this group, which is particularly susceptible to this risk.¹³⁸

Further, D.20-07-032 adopted affordability metrics by which the California Public Utilities Commission could assess the relative affordability of essential utility service across industries and proceedings, including examination of how different geographic areas of California are impacted.¹³⁹ The metrics use the residential essential bill.¹⁴⁰ Affordability for the residential customers is an important CPUC goal and EPCT allocations help support residential affordability by lowering residential bill impacts.¹⁴¹

¹³² Exh. SCG-04, p. 1; Exh. SCG-03E, pp. 4-6.

¹³³ Scoping Issue 4.

¹³⁴ Exh. SCG-06, p. 1.

¹³⁵ Exh. SCG-09, p. 1.

¹³⁶ *Id.*

¹³⁷ *Id.*

¹³⁸ *Id.*, pp. 1-2.

¹³⁹ *Id.*, p. 2.

¹⁴⁰ *Id.*

¹⁴¹ Exh. SCG-11, p. 2.

The residential bill impact for Non-CARE customers is approximately \$0.22/month or 0.3%.¹⁴² SoCalGas uses the ECPT method to allocate costs across customer classes in the allocation of the California Alternate Rates for Energy (CARE) program costs for low-income customers.¹⁴³ CARE program costs are recovered in the Public Purpose Program Surcharge (PPPS). SoCalGas uses the ECPT method for the cost recovery in transportation rates of the balance in the Residential Uncollectible Balancing Account (RUBA).¹⁴⁴ Both programs benefit the residential customers.¹⁴⁵

Two parties—SCGC and Clean Energy—disagree with this cost allocation methodology. Clean Energy proposes ECPT allocation for CPPMA costs and Equal Percentage of Authorized Margin (EPAM) for CEMA.¹⁴⁶ SCGC proposes functional allocations for both CEMA and CPPMA.¹⁴⁷ Under both Clean Energy’s and SCGC’s cost allocation proposals, the residential rate and the average residential bill will be higher.¹⁴⁸ The following table shows the rates and residential bills under SoCalGas’s ECPT allocation, Clean Energy’s ECPT/EPAM allocation with a twelve month amortization, and SCGC’s functional allocation:

¹⁴² Exh. SCG-09, p. 2.

¹⁴³ *Id.*

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ Exh. CLE-01, pp. 5, 11, Clean Energy also proposes that SoCalGas recover its CEMA and CPPMA costs over a two-year period, instead of one-year as proposed by SoCalGas. Exh. CLE-01, p. 12. Clean Energy’s proposal should be rejected. Amortizing over one year has been approved previously for SoCalGas cost recovery filings and would be consistent with Southern California Edison’s recently approved CEMA and WEMA application. Exh. SCG-11, p. 5.

¹⁴⁷ Exh. SCGC-1, pp. 6-12.

¹⁴⁸ Exh. SCG-11, p. 5.

Illustrative Transportation Rates
\$/therm except as noted

Transportation	08/01/2023 Rates	SoCalGas Proposal	Clean Energy Proposal*	SCGC Proposal
<u>SoCalGas Summary</u>				
<u>Core Rates</u>				
Residential	\$1.144	\$1.150	\$1.162	\$1.159
Core Commercial & Industrial (C&I)	\$0.628	\$0.634	\$0.637	\$0.636
Natural Gas Vehicle (NGV) (uncompressed)	\$0.310	\$0.316	\$0.313	\$0.312
<u>NonCore Distribution Level Service Rates</u>				
NonCore C&I Distribution Tier 1	\$0.427	\$0.433	\$0.432	\$0.429
NonCore C&I Distribution Tier 2	\$0.309	\$0.316	\$0.313	\$0.311
NonCore C&I Distribution Tier 3	\$0.234	\$0.241	\$0.237	\$0.236
NonCore C&I Distribution Tier 4	\$0.181	\$0.187	\$0.182	\$0.183
Electric Generation (EG)-Distribution - Tier 1 w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders				
EG-Distribution - Tier 1 w/carb, GHG	\$0.321	\$0.328	\$0.324	\$0.324
EG-Distribution - Tier 2 w/carb, GHG	\$0.229	\$0.235	\$0.231	\$0.231
<u>NonCore Transmission Level Service (TLS) Rates</u>				
TLS-C&I Class Average (CA) Rate (w/California Solar Initiative Thermal Program Memo Account (csitma), carb, GHG)				
TLS-EG CA Rate (w/carb and GHG adders)	\$0.154	\$0.160	\$0.155	\$0.155
TLS-C&I CA Rate (w/carb and GHG adders)	\$0.154	\$0.160	\$0.155	\$0.155
Backbone Transmission Service (BTS)\$/dth/day				
System Average Rate w/BTS \$/therm	\$0.549	\$0.549	\$0.549	\$0.559
Rates Revenue Requirement \$ millions	\$0.474	\$0.481	\$0.481	\$0.481
	\$4,338	\$4,395	\$4,395	\$4,395
<i>Residential Non-CARE class average bill \$/month</i>	<i>\$69.75</i>	<i>\$69.97</i>	<i>\$70.38</i>	<i>\$70.33</i>
SDG&E				
Transportation	08/01/2023 Rates	SoCalGas Proposal	Clean Energy Proposal*	SCGC Proposal
<u>Core Rates</u>				
Residential	\$1.651	\$1.657	\$1.652	\$1.652
Core C&I	\$0.680	\$0.687	\$0.682	\$0.681
NGV (uncompressed) \$/therm	\$0.303	\$0.309	\$0.306	\$0.305
<u>NonCore Distribution Level Service Rates</u>				
NonCore C&I Distribution	\$0.290	\$0.297	\$0.291	\$0.291
EG-Distribution - Tier 1 w/carb, GHG	\$0.314	\$0.321	\$0.317	\$0.317
EG-Distribution - Tier 2 w/carb, GHG	\$0.222	\$0.228	\$0.223	\$0.223
<u>NonCore Transmission Level Service Rates</u>				
TLS-C&I CA Rate (w/ csitma, carb, GHG)				
TLS-EG CA Rate (w/carb and GHG adders)	\$0.144	\$0.151	\$0.145	\$0.145
TLS-C&I CA Rate (w/carb and GHG adders)	\$0.144	\$0.151	\$0.145	\$0.145
System Average Rate	\$0.634	\$0.641	\$0.636	\$0.635
Rates Revenue Requirement \$ millions	\$704	\$711	\$705	\$705
<i>Residential Non-CARE class average bill \$/month</i>	<i>\$58.07</i>	<i>\$58.22</i>	<i>\$58.10</i>	<i>\$58.11</i>

*Clean Energy's proposal with 12-month amortization, based on Clean Energy Data Request 2.

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¹⁴⁹ Exh. SCG-11, pp. 6-7.

Based upon the foregoing, SoCalGas's proposal for ECPT cost allocation of its CEMA and CPPMA is reasonable and should be adopted.

VII. ASPECTS OF SOCALGAS'S APPLICATION RELATED TO ACTIVITIES THAT SUPPORT THE COMMISSION'S POLICY AND PRIORITIES AS OUTLINED IN ITS ENVIRONMENTAL AND SOCIAL JUSTICE PLAN¹⁵⁰

The focus of SoCalGas's Application is costs that it incurred for CEMA and CPPMA pursuant to established Commission policies and is not expressly directed at the "impacts on environmental and social justice communities" and "the achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan." However, aspects of SoCalGas's Application concern activities that support the Commission's policy and priorities as outlined in its Environmental and Social Justice Plan.

The Commission's ESJ Plan "serves as both a commitment to furthering principles of environmental and social justice, as well as an operating framework with which to integrate ESJ considerations throughout the agency's work."¹⁵¹ In addition to several stated goals, the Commission's ESJ Plan includes "critical topics for consideration."¹⁵² SoCalGas's activities underlying its Application are consistent with the Commission's priorities with respect to some of those topics.

First, the Commission has recognized that the COVID-19 pandemic has impacted the state's most vulnerable residents.¹⁵³ SoCalGas's costs in its CPPMA are for activities related to the pandemic, including imposing a disconnection moratorium, automatically enrolling residential and small business customers in COVID-19 Relief Payment Plans, freeze all standards reviews CARE program eligibility, suspend all CARE program removals, and waive late fee requirements.¹⁵⁴

Second, the Commission has recognized that consideration of rate burdens on low-income customers is among its critical topics.¹⁵⁵ This includes assessing "the cumulative impact of rates on households and working to mitigate these impacts on the most burdened households"

¹⁵⁰ Scoping Issue 5.

¹⁵¹ CPUC's Environmental and Social Justice Plan (Version 2.0), p. 2.

¹⁵² *Id.* at p. 3.

¹⁵³ *Id.*, at pp. 19-20.

¹⁵⁴ Exh. SCG-04, pp. 5-7, 12.

¹⁵⁵ CPUC's Environmental and Social Justice Plan (Version 2.0), p. 22.

which will remain “a priority in all actions the CPUC takes.”¹⁵⁶ SoCalGas’s proposed EPCT cost allocation method will help support residential affordability by lowering residential bill impacts.

While SoCalGas’s Application is not directed specifically at the Commission’s ESJ goals, it encompasses efforts by SoCalGas that are consistent with the Commission’s ESJ policies and considerations.

VIII. REVENUE REQUIREMENT¹⁵⁷

SoCalGas submitted evidence describing its revenue requirement associated with expenditures for each CEMA event and the mandated COVID-19 pandemic emergency customer protection measures presented.

SoCalGas requests authority to recover total CEMA revenue requirement of \$51.6 million as of September 30, 2023, representing incremental Operation and Maintenance (O&M) expenses of \$40.811 million, capital revenue requirement of \$7.665 million (*i.e.*, depreciation, taxes, and return), and interest of \$3.088 million.¹⁵⁸ SoCalGas proposes to true-up the revenue requirement upon the California Public Utilities Commission’s (Commission or CPUC) approval of this application for the following items: 1) regulatory account interest, 2) O&M and capital trailing charges, 3) any third-party recovery, and 4) ongoing capital revenue requirement associated with the capital expenditures that were recorded to CEMA capital projects subsequent to September 2023 through the date that rates are adjusted.¹⁵⁹ SoCalGas will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas.¹⁶⁰

The ongoing capital revenue requirements, associated with the reasonably incurred capital expenditures that are approved in this proceeding, will continue to be recorded in

¹⁵⁶ *Id.*, p. 22.

¹⁵⁷ Scoping Issues 2, 3.

¹⁵⁸ Exh. SCG-05, p 1, Interest calculation is as of September 30, 2023. Interest is accrued on the average monthly CEMA balance at a rate equal to one-twelfth the interest rate on three-month non-financial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication. Exh. SCG-05, p 1, n. 1.

¹⁵⁹ Exh. SCG-05, p 2.

¹⁶⁰ *Id.*

CEMA.¹⁶¹ SoCalGas proposes to continue filing Tier 2 Advice Letters to incorporate these ongoing capital revenue requirements and associated regulatory interest into rates until the corresponding costs are incorporated in base rates in connection with SoCalGas’s next General Rate Case (GRC) or 2028 GRC.¹⁶² Once the authorized revenue requirement is fully amortized, SoCalGas will transfer any residual balance to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and eliminate the associated CEMA subaccounts.¹⁶³

SoCalGas requested authority to recover CPPMA revenue requirement of \$5.739 million, representing incremental O&M expenses and waived charges associated with implementing and providing the emergency customer protection measures adopted in (D.)19-07-015, and related interest.¹⁶⁴ The \$5.739 million balance is as of September 30, 2023 and comprised of \$3.371 million of O&M expense, \$2.068 million of waived charges, and \$0.3 million of interest.¹⁶⁵ SoCalGas proposes to true-up the revenue requirement for the CPPMA upon Commission approval through the date rates are implemented for regulatory account interest.¹⁶⁶ SoCalGas proposed to file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas.¹⁶⁷

Summary of Revenue Requirements Request (In Millions)

Regulatory Account	O&M	Capital-Related	Waived Charges	Interest	Total
CEMA Total Revenue Requirement	\$40.811	\$7.665	\$0	\$3.088	\$51.564
CPPMA	\$ 3.371	\$0	\$2.068	\$.297	\$ 5.736
Total Revenue Requirement Request (A.23-11-003)	\$44.182	\$7.665	\$2.068	\$3.385	\$57.300

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*, pp. 2-3.

¹⁶⁴ *Id.*, at p. 3.

¹⁶⁵ *Id.* Interest is accrued on the average monthly CPPMA balance at a rate equal to one-twelfth the interest rate on three-month non-financial Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication. *Id.*, at p. 3, n. 3.

¹⁶⁶ *Id.*, at p. 4.

¹⁶⁷ *Id.*

IX. CONCLUSION

For the reasons explained above, the Commission should approve SoCalGas's cost-recovery requests in this proceeding:

With respect to the 16 CEMA events,

- Find reasonable and recoverable approximately \$40.811 million in incremental O&M expense.
- Find reasonable and recoverable approximately \$7.665 million in capital revenue requirement.
- Authorize the recovery of approximately \$3.088 million in interest.
- Authorize the recovery of depreciation, return and taxes (*e.g.*, capital revenue requirement) that have already been expensed and will be expensed through 2027.
- Authorize that any remaining capital related costs to be incorporated into SoCalGas's TY 2028 General Rate Case.
- Authorize recovery of the CEMA portion of the revenue requirement of approximately \$51.6 million beginning after approval of the Application.
- Authorize SoCalGas to true-up the revenue requirement upon Commission approval of the Application for the following items: 1) regulatory account interest, 2) O&M and capital trailing charges, 3) insurance proceeds and other third-party recovery (if any), and 4) ongoing capital revenue requirement associated with the capital expenditures that were recorded to CEMA capital projects subsequent to September 2023 through the date that rates are adjusted.
- Authorize SoCalGas to continue filing Tier 2 Advice Letters to incorporate these ongoing capital revenue requirements and associated regulatory interest into rates until the corresponding costs are incorporated in base rates in connection with SoCalGas's next General Rate Case (GRC) or 2028 GRC. Once the authorized revenue requirement is fully amortized, SoCalGas will transfer any residual balance to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and eliminate the associated CEMA subaccounts.

