

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



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Order Instituting Rulemaking to  
Consider Distributed Energy  
Resource Program Cost-Effectiveness  
Issues, Data Access and Use, and  
Equipment Performance Standards.

Rulemaking 22-11-013  
(Filed November 17, 2022)

**OPENING COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)  
ON ADMINISTRATIVE LAW JUDGE RULING REQUESTING PARTY  
COMMENTS ON THE PROPOSED CHANGES TO THE AVOIDED COST  
CALCULATOR PROCESS AND BUDGET**

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Date: May 12, 2025

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**I. INTRODUCTION**

Pursuant to the Administrative Law Judge’s Ruling Requesting Party Comments on the Proposed Changes to the Avoided Cost Calculator (ACC) Process and Budget (ALJ Ruling) dated April 29, 2025, Southern California Gas Company (SoCalGas) submits the following Opening Comments (ALJ Ruling).<sup>1</sup>

**II. DISCUSSION**

**A. Do you support the ED staff’s proposed changes to the biennial ACC update process? Why or why not?**

With respect to the proposed schedule in the ALJ Ruling, SoCalGas appreciates the Commission’s efforts to better align the avoided cost calculator (ACC) and the Integrated Resource Plan (IRP) proceedings. Utilizing a single IRP plan for the ACC Update Staff Proposal and the final ACC Update should improve ACC accuracy, reduce staff and stakeholder analysis, and review time since there will no longer be a modified model to update and review.

Whenever possible, SoCalGas supports using the IRP’s final Preferred System Plan

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<sup>1</sup> ALJ Ruling at 3.

(PSP), but notes that the next PSP will not be available in early 2026 as shown in the ALJ Ruling's *Proposed ACC Update Schedule*. The April 18, 2024 IRP Scoping Memo indicates that the next PSP is expected to be available either late 2026 or early 2027, thus the 2026 ACC will need to use an alternate plan.<sup>2</sup> For years when the PSP and ACC are misaligned, (such as in 2026), SoCalGas suggests using the IRP's approved annual Transmission Planning Process (TPP) Base Case Plan for transmission to the California Independent System Operator (CAISO).

Moving the timeline to start *after* issuance of the final PSP / approved TPP Base Case is in part accomplished by the elimination of evidentiary hearings and removal of oral briefings, and results in a more compressed ACC schedule. SoCalGas generally supports the proposed Biennial Update changes but has some concerns about the compressed schedule and its effect on stakeholder review opportunities.

It is important to preserve ACC transparency and robust stakeholder review; however, reducing the ACC schedule from sixteen months to the proposed eight months could impact the robustness of stakeholder engagement. Further, the eight-month timeline is not guaranteed. Potential slippage of the initial event, the final PSP / approved TPP Base Case, would result in further compression of the schedule, reducing time for stakeholder feedback, or a shifting of the schedule to conclude later, further impacting the schedule of downstream activities, such as the Energy Efficiency Potential and Goals study and the new Net Billing Tariff.

The ACC, IRP, TPP and most energy proceedings and programs have interdependencies with other proceedings and programs, each of which needs to be cognizant of those up and downstream. SoCalGas recommends removing uncertainties from the ACC schedule, by solidifying the ACC's main upstream contributor: the PSP / approved TPP Base Case. The TPP

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<sup>2</sup> Assigned Commissioner's Amended Scoping Memo and Ruling Extending Statutory Deadline, at 7. Available at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M529/K525/529525977.PDF>.

Base Case already has a timing requirement due to the needs of the CAISO. SoCalGas suggests that the ACC staff work with the IRP staff to set a PSP deadline of no later than February for years in which the PSP and ACC are aligned to add clarity and certainty to the ACC schedule.

In addition to setting a firm date on the front-end of the schedule, the Commission should also set appropriate deadlines on the back-end as well so that downstream activities beyond this proceeding, such as the Energy Efficiency Potential and Goals study and the new Net Billing Tariff, are not negatively impacted. As an example of mismatched timing that could potentially be addressed, the draft 2025 Potential and Goals study used draft 2024 ACC values from August in the modeling due to timing constraints, which did not capture the changes made in the Gas ACC model released in the October update. Solidifying a start and end date would help lock in the eight-month span of the ACC schedule.

Once the start and end date of the timeline are established, SoCalGas requests that the interior dates in the timelines be revisited and refined into firm dates with adequate time for ACC modeling, stakeholder review and incorporation of feedback. More specifically, the proposed schedule provides inadequate time for stakeholder review and feedback with Opening and Reply Comments concurrently due late April 2026. More time is needed between Opening and Reply Comments.

The ALJ Ruling states that CPUC will release “the 2026 ACC Update Staff Proposal in February 2026 instead of during the summer of 2025.”<sup>3</sup> However, in the proposed ACC update schedule, it shows the staff proposal will be released in April 2026, not February. Accordingly, once the PSP date is solidified to February, the ACC schedule can be updated to move up the Staff Proposal to no later than March providing an opportunity to space out the timing for

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<sup>3</sup> ALJ Ruling at 2.

Opening and Reply Comments. For example, Opening Comments could be in late March / early April and Reply Comments in Late April.

With only approximately eight months in the schedule, it is important to solidify all dates in the timeline so that those dates will allow for timely delivery of an accurate ACC to downstream users and also provide adequate time for robust stakeholder engagement and incorporation of feedback.

**B. Do you have other recommendations to support streamlining the biennial ACC update process?**

SoCalGas does not have any recommendations at this time but reserves the right to submit future comments on this subject.

**C. ED staff propose increasing funding for the ACC to \$1,200,000.00 to address historic spending, inflation, and future improvements to the ACC? Do you support this funding increase? Why or why not?**

The ALJ Ruling proposes an increase in funding for the ACC. The increase in funding is three times the current budget of \$350,000 and more than twice the current spend of over \$550,000 to a new total of \$1.2 million annually.<sup>4</sup> The ALJ Ruling does not specify exactly what the need is for the budget to increase so substantially over the current spend, other than inflation. The justification to increase the budget should be analyzed holistically to understand what is a reasonable amount moving forward. The budget should not be increased this year to make up for future inflation; rather, Staff should annually analyze the budget and propose potential increases to meet current needs and account for inflation. While the ALJ Ruling makes reference to other activities like the IRP budget, we respectfully note those budgets are independent of and irrelevant to the ACC model funding and should not be considered in ACC budget determinations. The ACC budget should be based on the ACC model's needs.

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<sup>4</sup> ALJ Ruling at 3.

The ALJ Ruling is silent on how the incremental budget increase will be spent and towards what specific deliverables. If the budget is increased, there should be clear confirmation that changes previously ordered to the ACC will be undertaken, such as the Gas ACC model updates, including updating the “very rough estimate”<sup>5</sup> interim Gas GHG adder and unsourced Gas Model NO<sub>x</sub> abatement values, as documented in D. 24-08-007 and Resolution E-5328.<sup>6</sup> Budget increases should help resolve Commission Staff’s resource constraints to eliminate interim values, establish final values, and provide a more robust, accurate, ACC model.

Should the Commission approve the budget increase as proposed, SoCalGas requests that the Commission revisit the cost recovery mechanism for ACC costs that remain a pass-through cost to the investor-owned utilities. The Commission has previously indicated that for the ACC update, the Energy Division solicits and holds the contract with the third party performing the ACC update, directs the third party’s work, and reviews the costs incurred, which the utilities record in their respective memorandum accounts for future cost recovery.<sup>7</sup>

The Commission previously raised concerns in D.23-11-087 regarding the authorization of utility balancing accounts to record the costs of the ACC updates, as ratepayers may unfairly bear the costs of funding the accounts if the actual expenses for the ACC updates are less than the budget amount authorized.<sup>8</sup> Recent history indicates, as discussed in the ALJ Ruling, that actual expenses continue to exceed the budget amounts authorized.<sup>9</sup> Given the sizable increase in the proposed budget, the utilities will be responsible for funding and reimbursing an

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<sup>5</sup> 2024 ACC Staff Proposal at 18.

<sup>6</sup> D.24-08-007 at 36-37, Resolution E-5328 at 5.

<sup>7</sup> Administrative Law Judge’s Ruling Requesting Party Comments on Additional Reimbursable Funds for the 2024 Avoided Cost Calculator Update Process (R.22-11-013), dated July 10, 2023, at 1-2. *See also* D.16-06-007 at 27 (OP 8).

<sup>8</sup> D.23-11-087 at 9-10.

<sup>9</sup> ALJ Ruling at 3. *See also* D.23-11-087 at 8, which previously highlighted the consistently high amount of work required for the ACC update process.

increasing amount of costs incurred by the Commission, which may impact utility cash flow and may create additional cost burden for ratepayers who need to pay interest expenses until utilities are able to recover these costs in their general rate case (GRC) application filings.

SoCalGas requests that the Commission revise the utilities' memorandum accounts to allow for annual amortization of the balances in these memorandum accounts through a Tier 2 Advice Letter process, such as the utilities' annual regulatory account balance update / true-up advice letter filings.<sup>10</sup> This approach would continue to provide the Commission an opportunity to review the costs recorded prior to their recovery in rates, and would help alleviate the issues borne by both utilities and ratepayers in carrying these costs until their GRC application filings for cost recovery.

### III. CONCLUSION

Based on the foregoing, SoCalGas respectfully requests the Commission consider and make determinations with the information presented in these Opening Comments.

Respectfully Submitted  
on behalf of Southern California Gas Company,

By: /s/ Edward L. Hsu  
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<sup>10</sup> The Commission has approved annual amortization for memorandum accounts, such as SoCalGas's Intervenor Award Memorandum Account (IAMA), available at: <https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=360>.