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Decision 21-05-003 May 6, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2019.	Application 17-10-007
And Related Matter.	Application 17-10-008

DECISION REGARDING SAN DIEGO GAS AND ELECTRIC COMPANY'S AND SOUTHERN CALIFORNIA GAS COMPANY'S POST TEST YEAR MECHANISM FOR 2022 AND 2023

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DECISION REGARDING SAN DIEGO GAS AND ELECTRIC COMPANY'S AND SOUTHERN CALIFORNIA GAS COMPANY'S POST TEST YEAR MECHANISM fOR 2022 AND 2023

Summary

Today's decision approves the Joint Petition for Modification of Decision (D.) 19-09-051 (Joint Petition) filed by San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) on April 9, 2020 subject to a few modifications.

In D.20-01-002, the Commission modified the GRC cycles of large energy utilities from three to four years and set forth how each of the affected investor-owned utilities will transition to the four-year cycle. For, SDG&E and SoCalGas, the decision required the addition of two attrition years to the 2019 GRC cycle of 2019 to 2021 thus creating a five-year period from 2019 to 2023 for the current cycle. Thus, the Joint Petition seeks to add attrition years 2022 and 2023 to petitioners' respective 2019 General Rate Case (GRC) cycles.

SDG&E and SoCalGas propose to continue using the adopted post-test year (PTY) mechanism adopted in D.19-09-051. SDG&E originally proposed revenue requirements of $2.333 and $2.441 billion for 2022 and 2023 respectively while SoCalGas proposed revenue requirements of $3.290and $3.4275 billion. The above revenue requirements were calculated based on the updated 4th Quarter IHS Markit Global Insight forecast for 2019 (Global Insight).

The decision authorizes SDG&E and SoCalGas to continue to implement the currently authorized PTY mechanism adopted in D.19-09-051 but instead uses calculations based on the updated 2020 4th Quarter Global Insight forecast to more fully capture the impact of Covid-19 to the economy. As shown with more detail in Appendix B of the decision, this results in revenue requirements of $2.314 and $2.399 billion for SDG&E, and $3.277 and $3.407 billion for SoCalGas

for 2022 and 2023 respectively. These revenue requirements are slightly less than the original requests made in the petition.

The decision also includes an Ordering Paragraph to implement the revenue requirement adjustments directed in D.20-07-038. The decision directs SDG&E and SoCalGas to make necessary revenue requirement adjustments pursuant to D.20-07-038. In addition, the decision requires SDG&E to reduce its calculated revenue requirement for 2022 by $11.7 million and the revenue requirement for 2023 by $30.2 million to account for the benefits derived from its Customer Information System Replacement Program authorized in D.18-08-008. Finally, the decision authorizes SoCalGas to implement the revenue requirement methodology established in D.19-09-051 and to continue separate capital adjustments for projects related to its Pipeline Safety Enhancement Plan in 2022 and 2023 as shown in Appendix C. .

It is estimated that the authorized revenue requirements for 2022 and 2023 will result in monthly bill increases of $2.70 (+1.6%) in 2022 and $2.58 (+1.5%) in 2023 for a typical SDG&E bundled electric residential customer [1] and for its typical residential gas customers, a decrease of $1.09 (-2.5%) in 2022 and an increase of $0.79 (+1.9%) in 2023[2]. For SoCalGas, typical residential gas customers are expected to see a monthly bill decrease of $0.15 (-0.32%) in 2022 and a monthly bill increase of $1.37 (+2.8%) in 2023.[3]

This decision closes the proceeding.

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[1] This is the estimated electric bill impact for the winter bill of a typical SDG&E bundled electric residential customer living in the inland climate zone and using 500 kWh per month.

[2] This is the estimated bill impact on typical SDG&E residential gas customers using 23 therms per month.

[3] This is the estimated bill impact on Typical SoCalGas residential customers using 33 therms per month.

1. Background

On April 9, 2020, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, Petitioners) jointly filed the instant Petition for Modification (PFM) to modify Decision (D.)19-09-051 (the 2019 General Rate Case (GRC) Decision). Petitioners request to add attrition years 2022 and 2023 to their respective 2019 General Rate Case (GRC) cycles consistent with the Commission's decision in Rulemaking (R.) 13-11-006 (Rate Case Plan), D.20-01-002 (RCP Decision),

Responses to the Petition for Modification (PFM) were filed by:

a. Local Unions 132, 483, and 522 of the Utility Workers Union of America (Utility Workers or UWUA) on April 24, 2020.
b. Protect Our Communities Foundation (POC) on May 11, 2020.
c. Southern California Generation Coalition (SCGC) and The Utility Reform Network (TURN) on May 11, 2020.
d. Utility Consumers' Action Network (UCAN) on May 11, 2020.
e. Public Advocates Office at the California Public Utilities Commission (Cal Advocates) on May 12, 2020.

SDG&E and SoCalGas filed a joint reply on May 21, 2020.

On June 18, 2020, the assigned Commissioner amended the Scoping Memo and Ruling (second amended Scoping Memo) issued on January 29, 2018 and previously amended on April 30, 2018. The latest amendment set forth the issues to be considered in the PFM of D.19-09-051, including a review of Petitioners' respective Post Test Year (PTY) Attrition Mechanism Phase (PTAM Phase). The amendment also revised the procedural schedule for the consolidated proceedings. In addition, the second amended Scoping Memo clarified that review of issues raised by certain parties that relate to the Risk Assessment

Mitigation Phase (RAMP) shall be addressed in Investigation (I.) 19-10-010 and I.19-11-011.[4]

On July 20, 2020, comments to the second amended Scoping Memo were filed by the City of Long Beach, Energy Resources Department (Long Beach), UCAN, SDG&E & SoCalGas, POC, TURN, and Cal Advocates.

On July 31, 2020, the assigned Administrative Law Judges (ALJs) issued a ruling directing petitioners to organize a telephonic or virtual meet and confer for all parties to discuss the appropriate escalation mechanism for post-test years (PTY) 2022 and 2023. SDG&E and SoCalGas filed a joint Response to the ruling on September 3, 2020.

On August 18, 2020, a motion for party status was filed by San Diego Community Power (SDCP). The motion was granted on August 25, 2020.

On September 16, 2020, Long Beach filed a motion to admit certain materials into the evidentiary record. The motion was granted on October 21, 2020.

On September 21, 2020, POC filed a motion for oral argument. The motion was denied on October 19, 2020.

Opening Briefs were filed by TURN, SDG&E and SoCalGas, UCAN, Long Beach, Cal Advocates, SCGC, POC, and California State University (CSU) on September 21, 2020.

Reply Briefs were filed on October 5, 2020 by POC, Cal Advocates, SDG&E and SoCalGas, and TURN. SDG&E and SoCalGas were granted permission by the assigned ALJs and filed a joint sur-reply brief on October 20, 2020.

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[4] The Commission issued D.20-09-004 on September 10, 2020 resolving all issues in I.19-10-010 and I.19-10-011 and closing the two proceedings.

2. Rate Case Plan Decision

In D.20-01-002, the Commission extended the GRC cycle for each investor-owned utility (IOU) from three to four years. The decision also set forth how each IOU will transition from its current GRC cycle to the new four-year cycle.

For Petitioners, the Commission designated 2022 and 2023 as additional attrition years to their respective 2019 GRC cycle, making the current cycle a five-year one from 2019 to 2023. The test year for their next individual GRC cycle is set for 2024.

D.20-01-002 also required Petitioners to propose attrition year increases for 2022 and 2023 via this PFM consistent with D.19-09-051. As part of the PFM, Petitioners are required to present escalation factors, anticipated Pipeline Safety Enhancements, other capital projects for 2022 and 2023, and updates to all relevant forecasts from their 2019 GRC applications.[5]

Finally, to address the coordination of information between the GRC and the RAMP proceedings, D.20-01-002 required that this PFM provide RAMP-related information and procedural proposals to (a) support the Commission's evaluation of their 2022 and 2023 attrition year proposals; (b) suggest a procedural disposition for I.19-11-010 and I.19-11-011; and (c) explain to the Commission and interested parties how the utilities intend to submit their RAMP applications in support of their test year 2024 GRCs.[6] All issues concerning RAMP and GRC coordination for I.19-10-010 and I.19-10-011 have since been resolved in D.20-09-004 on September 10, 2020 and I.19-10-010 and I.19-10-011 have been closed. In addition, D.20-09-004 concluded that this PFM

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[5] D.20-01-012 at 52-53.

[6] D.20-01-002 at 53.

could move forward without integrating information derived from the RAMP Report in the RAMP proceedings.[7]

3. Issues Before the Commission

The issues to be addressed concern the reasonableness of the revenue requirement and the proposed method to implement the post-test year attrition mechanism in 2022 and 2023. As outlined in the June 18, 2020 Assigned Commissioner Ruling (ACR), the issues for the Commission's consideration are:

1. Whether the proposed revenue requirements for attrition years or post-test years (PTY) 2022 and 2023 are just and reasonable and should be adopted by the Commission and reflected in rates.
2. Whether the proposed PTY mechanisms, including updates to uncollectible rates, escalation factors, and authorized rate of return, are just and reasonable.
3. Whether reviewing the PFM for the economic and policy impact of COVID-19 on PTY 2022 and 2023 is reasonable.
4. What adjustments to PTY 2022 and PTY 2023 must be made, if reviewing the PFM for the economic and policy impact of COVID-19 is found reasonable?
5. Whether the proposed capital adjustment related to Pipeline Safety Enhancement Plan (PSEP) in the attrition years is reasonable and whether Advice Letter 5617 has an impact on SoCalGas PSEP proposal.
6. Whether adjustments to non-executive Short-Term Incentive Program (STIP) and customer deposits are necessary.
7. Whether benefits from the Customer Information System (CIS) project should be included in the revenue requirements proposed for PTYs 2022 and 2023.

[7] D.20-09-004 at 13.

4. Requested Corrections to D.20-07-038

A review of Table 57 of Exhibit 494[8] shows that the correct amount for SoCalGas's promotional gear is $134,000 and for SDG&E is $64,000. The descriptive text on pages 77 and 78 of Exhibit 494 mistakenly interchanged the amounts.. These amounts should be correctly represented in the revenue requirement calculations.

On July 16, 2020, the Commission issued D.20-07-038 (Rehearing Decision), modifying the 2019 GRC Decision (D.19-09-051). Among other things, the Rehearing Decision ordered that several changes to the revenue requirement adopted in D.19-09-051 be made. Ordering Paragraph (OP) 1a to 1d[9] required a reduction to ratepayer funding for Edison Electric Institute (EEI) dues.[10] OP 1e to 1i denied a portion of Sempra Corporate Center Incentive Compensation Plan (ICP) costs to reflect denial of short-term ICP costs tied to financial metrics.[11] Finally, 1j to 1n denied ratepayer funding of various voluntary dues, donations, and contributions to clubs and chambers of commerce, as well as certain giveaways and other material bearing the utility's logo that had insufficient evidence to show direct benefit to ratepayers.[12]

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[8] Exhibit 494 Table 57 at 78. Exhibit 494 is the direct testimony sponsored by TURN witness Marcus.

[9] D.20-07-038 OP 1a to 1d at 26 to 27.

[10] EEI is an association of shareholder-owned electric utilities in the United States that provides public policy leadership, industry data, strategic business information, conferences and forums, and other products and services to its members.

[11] D.20-07-038 OP 1e to 1i at 28.

[12] D.20-07-038 OP 1j to 1n at 29 to 30.

However, D.20-07-038 did not include a corresponding OP to implement the above and so Petitioners request that this issue be addressed here along with the disposition of the PFM.

We reviewed Petitioners' request and found it meritorious. Necessary adjustments to authorized revenue requirements in GRCs are ordinarily undertaken via the advice letter process, and we find that D.20-07-038 clearly intended the above mentioned adjustments to the authorized revenue requirements by D.19-09-051 for TY 2019 and PTYs 2020 and 2021 be made. Therefore, we find that this decision should include an OP that provides direction to SDG&E and SoCalGas on how the above modifications and related impacts to the revenue requirements for 2019 to 2021 should be implemented.

In addition, Petitioners state that OP 1j and 1k inadvertently interchanged the total amount of giveaways and other material bearing the utility's logo attributable to SoCalGas with the amount attributable to SDG&E. Specifically, OP 1j states that the total amount for SoCalGas is $64,000 while OP 1k states that the total amount for SDG&E is $134,000.

However, a review of Table 57 of Exhibit 494[13] shows that the correct amount for SoCalGas's promotional gear is $134,000 and for SDG&E is $64,000. The descriptive text on pages 77 and 78 of Exhibit 494 mistakenly interchanged the amounts, but the table bears the correct totals for both SoCalGas and SDG&E. We examined the evidence and find that Table 57 more accurately reflects the correct totals of promotional gear and other materials for SoCalGas and SDG&E, as the table also contains a breakdown of costs. Therefore, we conclude that the totals specified in OP 1j and 1k for promotional gear and other materials were

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[13] Exhibit 494 Table 57 at 78. Exhibit 494 is the direct testimony sponsored by TURN witness Marcus.

mistakenly interchanged and that it is proper to correct this mistake in this decision.

The PFM seeks to establish just and reasonable revenue requirement amounts for PTYs 2022 and 2023, and these can only be correctly determined if errors and adjustments to the revenue requirements for 2019 to 2021 are accurately made.

5. Revenue Requirement for Post Test Year 2022 and 2023

The revenue requirements SoCalGas and SDG&E propose for the additional attrition years 2022 and 2023 are based on the forecasts, results of operations ("RO") model, and PTY mechanism authorized in the 2019 GRC Decision, as well as updated escalation factors from IHS Markit Global Insight ("Global Insight"), uncollectible rates, and updated rates of return authorized in the Cost of Capital proceeding.

The parties disagree with SoCalGas and SDG&E's proposal to use the IHS Global Insight cost escalation factors as part of the PTY attrition mechanism to estimate the future revenue requirements.

UCAN and TURN raise concerns on how the Customer Information System (CIS) benefits will be included in the Revenue Requirement proposed for PTYs 2022 and 2023.

5.1. PTY Mechanism Adopted for the TY 2019 GRC –Escalation Factor

In D.19-09-051, the Commission adopted a two-part attrition mechanism for PTY 2020 and 2021, by which O&M and capital expenses are separately escalated as it rationalized that in this GRC, the main factors affecting projected increases in costs anticipated during the PTYs are dissimilar for O&M and capital additions.[14]

For O&M expenses, the decision found it more appropriate to base labor and non-labor O&M costs on the IHS Markit Global Insight (Global Insight) forecast because Global Insight escalation rates are specific to the utility industry and more accurately reflect SDG&E's and SoCalGas's inflationary cost increases. In contrast, the decision added that escalation based on CPI, a broad wholesale pricing index, reflects price increases for goods and services in general and does not sufficiently capture the O&M escalation inputs of SDG&E SoCalGas in this instance.[15]

For capital costs, the decision found that the PTY mechanism for capital additions should reflect projected capital additions rather than just escalation and adopted seven-year recorded and forecasted cost of capital additions (2013-2019) that were escalated using IHS Markit Global Insight ("Global Insight") indices to 2019 dollars and then averaged.[16]

The decision added that this method more reasonably reflects both historical adjustments and current and forward-looking additions in light of the evolving changes brought about by the utilities' focus on increasing investment in utility safety and reliability and investments to mitigate safety risk and providing clean and reliable energy.[17]

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[14] D.19-09-051 at 706 to 707.

[15] *Id* at 708.

[16] *Id* at 708.

[17] *Id* at 708 to 709.

5.2. PTY Mechanism and Escalation Factors for Post Test Years 2022 and 2023

This decision approves SoCalGas's and SDG&E's request to continue the PTY attrition mechanism adopted in D.19-09-051, which allows them to use Global Insight cost escalation factors with a modification. SoCalGas and SDG&E shall use the updated 4th Quarter 2020 Global Insight cost escalation factors.

SoCalGas and SDG&E filed their PFM implementing a third and fourth attrition year 2022 and 2023, pursuant to D.20-01-002 (RCP Decision).[18] Instead of forecasting 2022 and 2023 direct costs, the PFM proposes to continue the PTY attrition mechanism adopted in D.19-09-051, currently used in PTY 2020 and 2021. In the PFM, the O&M margin for PTY 2022-2023 is escalated using a weighted labor/non-labor escalation factor, and PTY capital-related revenue requirement is calculated using a methodology based on a seven-year capital additions average, which includes four recorded years and three forecasted years. [19] The revenue requirement calculations are based on the IHS Markit Global Insight cost escalation forecast, authorized in D.19-09-051. SoCalGas and SDG&E state the calculations are consistent with the RCP Decision and D.19-09-051 as they derive revenue requirement results for 2022 and 2023 by "escalating the test year O&M expenses" and "applying additional escalation factors" to capital forecast through the application of their authorized post-test year mechanism.[20]

In the protests filed against the PFM, parties object to the PTY attrition mechanism's continued use of IHS Markit Global Insight escalation factors.

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[18] *See* D.20-01-002 at 52.

[19] Sempra PFM, Attachment A, at 49.

[20] Sempra PFM, Attachment A at 44.

Cal Advocates recommends revenue increases of 2.5 percent for 2022 and 2.5 percent for 2023 using the Consumer Price Index (CPI).[21] Cal Advocates argues that setting the revenue increases at CPI is equitable and reasonable to both shareholders and ratepayers.[22] UCAN requests the Commission reject the SoCalGas and SDG&E methodology and instead adopt the CPI index for calculating revenue requirements. UCAN states that before the COVID-19-induced economic crisis, CPI-U data for the 12 months ending in March 2020 showed inflation of 2.1 percent for all items less food and energy, and 12 months ending in June 2020 showed inflation of 1.2 percent.[23] Long Beach proposes the Commission reject SoCalGas's proposed post-test year ratemaking mechanism and instead adopt a single escalation factor consistent with the forecast range of the CPI for 2022 and 2023.[24] TURN supports the recommendation of Cal Advocates and UCAN on the use of CPI in calculating revenue requirement increases for 2022 and 2023. CSU's Opening Brief recommends the Commission deny SoCalGas and SDG&E's PFM request without prejudice and require additional testimony showing that the index to be used (or other escalation methods) both (a) shows a good historical correlation to SoCalGas and SDG&E's revenue requirements and (b) is reasonably expected to maintain a good correlation in the 2022 and 2023 time horizon.[25]

SoCalGas and SDG&E state that it is appropriate for the PFM to continue the attrition methodology adopted in D.19-09-051, as it has been thoroughly

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[21] Cal Advocates Comments on the ACR, July 20, 2020, at 5.

[22] Cal Advocates Opening Brief at 6.

[23] UCAN Comments on the ACR, July 20, 2020, at 4

[24] Opening Brief of Long Beach at 1-2.

[25] Opening Brief California State University at 6-7.

examined and litigated as part of the GRC process.[26] Replying to the protests, SoCalGas and SDG&E state that continuing the authorized post-test year mechanism through 2022 and 2023 provides the same benefits of historical adjustments and forward-looking additions for capital investments, as authorized for 2020 and 2021.[27] SoCalGas and SDG&E state that at this stage of the proceeding, the test year (TY 2019) revenue requirements and attrition year adjustments for 2020 and 2021 have already been determined by the TY 2019 Decision and are final.[28] They further state that the PFM proposes only escalation adjustments to determine revenue requirements in the new attrition years 2022 and 2023.[29] We agree with SoCalGas and SDG&E's arguments and find that continuing the PTY attrition mechanism is practical and reasonable.

In D.19-05-015, the Commission established that in these GRCs, including the post-test years 2020 and 2021, labor and non-labor costs should be based on the IHS Markit Global Insight forecast, and the capital investment costs were to be based on an escalated seven-year average of capital additions. The years 2022 and 2023 are an extension of the post-test years, and just as SoCalGas and SDG&E followed the Commission guidance on attrition years 2020 and 2021, we find they are justified in applying the same policy for the remaining attrition years in this GRC cycle. Deviating from the authorized attrition mechanism will cause inconsistent revenue requirement calculation methods within the same GRC cycle.

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[26] *See* SoCalGas and SDG&E PFM at 15 and 16.

[27] Sempra Reply to Protests on PFM at 8.

[28] Sempra Reply to Protests on PFM at 10.

[29] *Id*. at 10.

On the specific matter of escalation factors, there are two issues to consider: (1.) the reasonableness of continuing use of the Global Insight index and (2.) the timing of the update to assess the impact of COVID-19 on the economy.

The parties opposing the PTY attrition mechanism disagree with using the escalation factor authorized in D.19-09-051. The Commission has considered the reasonableness of using the IHS Markit Global Insight Index instead of other indices, such as CPI in this GRC cycle. In D.19-09-051, the Commission found that applying a percentage increase based on the CPI does not reflect how utilities incur costs because it is a broad wholesale pricing index which reflects price increases for goods and services in general and does not sufficiently capture the O&M escalation inputs of SDG&E and SoCalGas. These facts have not changed since adopting the decision, and we have no new findings on escalation factors that would justify replacing the IHS Global Insight Index. As stated earlier, replacing the escalation factor would create an inconsistent PTY attrition mechanism within the same GRC cycle. Furthermore, the parties opposing the current PTY mechanism do not provide a compelling reason for why it is not reasonable to continue using Global Insight escalation factors. Therefore, we find it appropriate to continue using the current escalation factor – IHS Markit Global Insight's cost escalation factor – for the additional attrition years in this GRC cycle.

Regarding the timing of the update and capturing COVID-19 impacts in future forecasts, Cal Advocates states that the Commission should consider the economic impacts of the COVID-19 pandemic on ratepayers. TURN states that if the Commission concludes that the PTY ratemaking mechanism adopted in D.19-09-051 should continue in 2022 and 2023, the Commission should require the utilities to update their revenue requirement requests to reflect Global Insight's 2020 second quarter utility cost index forecast.[30] Comments presented by CSU in the Meet and Confer Report suggest that should the Commission allow Sempra to base its rates on a forecast, a shorter period should be used, such as allowing the revenue requirement in 2022 to be based on the actual change in the chosen index in 2021 only, and the revenue requirement in 2023 should be changed by the change in the chosen index in 2022.[31]

In response to the above-stated positions, SoCalGas and SDG&E propose to update the 2022 and 2023 revenue requirements based on the 2nd Quarter 2020 Global Insight utility cost, published in late July 2020, which incorporates the economic impacts that have occurred due to COVID-19.[32]

We partly agree with all of the above comments. We find it reasonable to use updated escalation factors to capture the economic and COVID-19 impacts. However, relying on the actual change in the index in 2021, as suggested by CSU, is not reasonable. Utilizing the escalation factor based on market trends from only 2021 would favor market conditions in one year, and it will not be based on the seven-year average of capital additions using the Global Insight indices as required in D.19-09-051.[33] While SoCalGas and SDG&E request to use the 2nd Quarter 2020 Global Insight index, we find it reasonable to rely on 4th Quarter 2020 Global Insight cost escalation factors in their revenue requirement calculations. However, as CSU suggests, we do not see it practical to further

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30 TURN Opening Brief at 2.

31 Meet and Confer Report at A-2 to A-3.

32 *See* Meet and Confer Report (September 3, 2020) at A-1 and attached SoCalGas and SDG&E proposal.

33 *See* D.19-09-051 at 709-710.

move the escalation factor data into 2021. To adjust the revenue requirement for the attrition year 2022, SoCalGas and SDG&E are required to each file a Tier 1 Advice Letter with the Commission's Energy Division on or before November 1, 2021, with the update to the Test Year 2019 revenue requirement to be effective on January 1, 2022.[34] We already have 4th Quarter 2020 Global Insight cost escalation factors published as of February 2021, which will be adopted in this decision. Deferring the decision to adopt escalation factors later in 2021 would unnecessarily delay the decision and further the processing timelines. Therefore, by using the 4th Quarter 2020 escalation factors, the authorized PTY mechanism will account for concerns presented by COVID-19, including the possibility of changing economic conditions.

We disagree with PCF's recommendation not to increase SoCalGas and SDG&E's rates in 2022 and 2023 due to the COVID-19 economic crisis. The 4th Quarter 2020 Global Insight cost escalation factors capture economic trends due to COVID-19. We deny PCF's request.

In summary, we find it reasonable to allow SoCalGas and SDG&E to continue the PTY attrition mechanism using the 4th Quarter 2020 Global Insight cost escalation factors for their revenue requirement calculations.

6. O&M Adjustments

6.1. CIS Benefits

SDG&E filed A.17-04-027 in April 2017 and was granted authority in D.18-08-008 (CIS Replacement Decision) to replace its more than twenty-year-old legacy CIS and related subsystems. The decision adopted SDG&E's forecasts but

[34] *See* D.19-09-051 COL 112 at 775.

required the following with respect to benefits expected to be derived from the implementation of the CIS Replacement Program:

> CIS benefits will be taken in the years they are forecast to be realized. In each of SDG&E's upcoming General Rate Case (GRCs) after A.17-10-007, the utility will present an updated forecast of the total benefit amount, broken out by the 45 distinct benefits SDG&E described in its testimony and workpapers. To the extent possible, the utility shall also report recorded amounts to date for each of the 45 distinct benefits. The benefit reporting shall be made in a manner that permits a direct comparison of the total and annual figures included in SDG&E's workpapers and the corresponding "benefit card" with the updated forecasted and recorded figures for each of the 45 distinct benefits.[35]

As stated above, SDG&E is required to return to ratepayers benefits derived from the CIS Replacement Program. The revenue requirement adjustment to reflect the benefits derived was to be assessed in its next GRC. However, the CIS Replacement Decision did not anticipate that SDG&E's GRC cycle would be modified by the RCP Decision and that SDG&E's next TY would be in 2024 instead of 2022.

UCAN recommends that the benefits of the CIS Replacement Program be incorporated into SDG&E's 2022 and 2023 revenue requirements. In reply to responses to the PFM, SDG&E agrees.

We agree with the parties and find that the CIS Replacement Decision's plain language and intent is to reflect benefits from the CIS Replacement Program in the years they are forecast to be realized beginning in 2022. This is notwithstanding language in the decision that states that an updated forecast of benefits to be derived shall be presented in SDG&E's next GRC.

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[35] D.18-08-008 Appendix 2.

At the time the CIS Replacement Decision was issued, SDG&E's next GRC was set for 2022, and the decision could not have anticipated that the RCP Decision would modify SDG&E's GRC cycle such that 2022 and 2023 became additional attrition years in SDG&E's current or TY 2019 GRC. SDG&E's next GRC is scheduled for TY 2024 and parties are in agreement that SDG&E should update its CIS benefits forecast for the years included in that GRC cycle pursuant to the CIS Replacement Decision.

To reflect the benefits forecast for 2022 and 2023, SDG&E proposes to decrease its proposed 2022 revenue requirement by $11.7 million and flow-through this reduction to its 2023 revenue requirement.

Specifically, SDG&E agreed to reduce its revenue requirement for 2022 by $11.7 million and flow-through the reduction to 2023. However, SDG&E reflected another $11.7 reduction in 2023, which double-counts the CIS benefits reduction.[36]

UCAN and TURN disagree with SDG&E's proposal to flow-through the CIS benefits reduction in 2023 and instead recommend that the 2023 revenue requirement be reduced by the forecasted CIS benefits for that year. TURN's recommended reduction is $30.2 million based on an SDG&E forecast of CIS Replacement benefits for that year.[37] UCAN supports TURN's recommended reduction for 2023.

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[36] This information appears in the following documents filed by Petitioners: (a) May 21, 2020, Reply to Responses to the PFM, (b) July 20, 2020, Joint Comments to the amended Scoping Memo; (c) September 21, 2020 Opening Brief; (d) October 5, 2020, Reply Brief; and (e) October 27, 2020, Joint Correction of SoCalGas and SDG&E. No party filed comments to or opposed the amendment.

[37] TURN Comments to amended Scoping Memo.

The reductions recommended by TURN come from the rebuttal testimony of witness Michael Woodruff in A.17-04-027[38]. Table 3, in Michael Woodruff's testimony, shows the CIS Replacement Program benefits forecast for 2022 is $11.7 million and $30.2 million for 2023. SDG&E agrees to implement a reduction of $11.7 million to its proposed revenue requirement for 2022 and we find this to be appropriate.

For 2023, we agree with TURN and UCAN that SDG&E's proposed revenue requirement for 2023 should similarly be reduced by the amount of benefits forecast, which is $30.2 million. We find that a direct reduction of the revenue requirement by benefits derived from the program is what was intended by the CIS Replacement Decision. That decision requires SDG&E to apply CIS benefits derived from the CIS Replacement Program in the year that the benefit is forecast to be realized. Flowing-through benefits from 2022 to 2023 does not efficiently reflect CIS benefits in 2023 as opposed to a direct reduction of the benefits forecast to be realized for that year. We agree the 2023 revenue requirement should be reduced by the $30.2 million forecast for CIS benefits for 2023.

6.2. Incentive Compensation Plan (ICP)

In the GRC Decision, the Commission denied ratepayer funding for incentive compensation plans that provided no benefits to ratepayers. For plans that provided benefits to both shareholders and ratepayers, the decision denied funding for metrics that offer no tangible benefit to ratepayers. Thus, for Petitioners' non-executive short-term incentive compensation plan (STIP),

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[38] Ex. SDG&E 20 in A.17-04-027 Table 3 and Attachment 2 to TURN comments to Scoping Memo.

funding tied to the financial metric was denied because this particular metric largely benefits shareholders and not ratepayers.[39]

The GRC Decision is clear that the above disallowances apply to Applicants' own employees but did not specifically state how the disallowances would be applied and allocated from Sempra Energy's Corporate Center.[40]

In the Rehearing Decision, the Commission specified that Executive ICP costs for Sempra Corporate Center employees are not recoverable from ratepayers.[41] For non-executive ICP, the Rehearing decision concluded that the 10 percent amount representing financial metrics that was disallowed in the GRC Decision should also be denied with respect to similar amounts allocated to SDG&E and SoCalGas from Sempra's Corporate Center.[42]

TURN has no objections regarding the treatment of Corporate Center Executive ICP costs but argues that 100 percent of non-executive ICP costs are weighed on financial metrics. Thus, TURN contends non-executive ICP costs for the Corporate Center should not be recoverable. On the other hand, Cal Advocates states that non-executive ICP costs for 2022 and 2023 should be reduced to a more equitable level and that 50 percent of costs should be funded by shareholders.

Petitioners argue that there is no need to reduce their respective revenue requirements corresponding to non-executive ICP costs.

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[39] D.19-09-051 at 542 to 544.

[40] The Corporate Center performs certain centralized functions for both SDG&E and SoCalGas as well as their parent company Sempra.

[41] D.20-07-038 at 28.

[42] *Ibid*.

We find that all issues raised in this PFM concerning treatment of Petitioners' non-executive ICP costs have been properly resolved in the Rehearing Decision. As stated above, the Rehearing Decision found that the amount representing financial metrics that was disallowed in the GRC Decision should also be denied with respect to similar amounts allocated to SDG&E and SoCalGas from Sempra's Corporate Center. This adjustment should be applied to the TY 2019 revenue requirement which would then impact the PTYs.

Thus, we find, consistent with the Rehearing Decision, that there is no need to apply a specific adjustment to the 2022 and 2023 revenue requirements because of changes to Petitioners' Executive and non-executive Corporate Center ICP costs. Instead, SDG&E and SoCalGas should make the revenue requirement adjustments directed by the Rehearing Decision as well as any resulting changes to their 2022 and 2023 forecasts consistent with the Rehearing Decision.

Regarding Cal Advocates' recommendation of reducing ratepayer costs to 50 percent, we find it inconsistent to apply a different ratemaking treatment for non-executive ICP costs in 2022 and 2023 than what was determined appropriate for TY 2019 and PTYs 2020 and 2021. This has been adequately determined in the GRC and Rehearing Decisions and the same ratemaking treatment should be applied throughout this GRC cycle.

6.3. Customer Deposits

Cal Advocates and TURN recommend that the Commission treat customer deposits as a source of long-term debt for 2022 and 2023. Both parties are aware that the GRC decision applied Standard Practice (SP) U-16 in rejecting the same proposal during the GRC proceeding. SP U-16 excludes from working cash interest-bearing accounts such as customer deposits. The rehearing decision affirmed the above, stating that SP U-16 is the default standard with respect to treatment of customer deposits and that the Commission is aware of the instances when it found it necessary to depart from its standard practice.[43]

TURN states, however, that given the current economic crisis brought about by the Covid-19 pandemic, the Commission has sufficient reason to deviate from SP U-16 in order to help temper the rate increases proposed in the PFM for 2022 and 2023. TURN adds that customer deposits provide the utility with a low-cost source of working capital, and treating it as a source of long-term debt helps lower costs without affecting the utility's ability to provide safe and reliable services. Cal Advocates also adds that the reduction will reflect current financial costs.

D.20-06-003, the Disconnections OIR decision, which became effective on June 11, 2020, now prohibits utilities such as SDG&E from collecting customer deposits from residential customers.[44] As a result, SDG&E's overall balance for customer deposits will keep decreasing and will altogether be eliminated in due time. This reinforces our determination not to disturb the ratemaking treatment for customer deposits made in both the GRC and Rehearing decisions. We also find that there is no urgent and compelling reason to deviate from SP U-16.

7. Pipeline Safety Enhancement Plan (PSEP) Capital Adjustments

This decision authorizes SoCalGas to continue a separate capital adjustment for PSEP in 2022 and 2023 based on the PTY methodology authorized in D.19-09-051 and SoCalGas's proposed adjustments in the PFM.

In D.19-09-051, the Commission authorized SoCalGas a separate revenue requirement for PSEP in the PTY mechanism for years 2020 and 2021, including a

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43 D.20-07-038 at 13.

44 D.20-06-003 at 37 to 44.

forecast of PSEP capital additions beyond TY 2019. In this PFM, SoCalGas proposes to use the estimates for the 2022 projects that it presented in its Test Year 2019 GRC application with adjustments ordered in D.19-09-051.

POC's protest suggests that the SoCalGas's PFM failed to provide any information required by D.20-01-002, D.19-09-051, and D.14-06-007 that would justify increased rates for PSEP projects. POC also raises concerns about the Commission's jurisdictional authority over SoCalGas's existing easements and land rights for ratemaking purposes regarding PSEP.

POC presented arguments about compliance with D.14-06-007 and jurisdictional issues in the application for rehearing of D.19-09-051, which were denied in D.20-07-038. Thus, the PSEP costs adopted in D.19-09-051 are reasonable to implement, and also become the basis of forecasts, and it is reasonable and lawful for the Commission to award all reasonable costs on utility right of way and easement issues.

Regarding POC's comments about the reasonableness of SoCalGas's Advice Letter 5617-G, we note that the Advice Letter 5617 has been approved. The Commission authorized acceleration for three PSEP projects including the Line 2005 hydrotest project within the aggregate revenue requirement already authorized in D.19-09-051 for GRC PSEP projects.

SCGC's and TURN's comments suggest that the Commission should reduce SoCalGas's proposed PSEP capital expenditures for post-test year 2022 if the Commission approves SoCalGas's proposal in Advice Letter 5617 to accelerate the Line 2005 hydrotest project. SoCalGas agrees to adopt SCGC/TURN's recommendation to reduce the forecasted revenue requirements for 2022 and 2023, consistent with a reduction of $840,000 in forecasted 2022 capital expenditures associated with this project. We find removing costs associated with the Line 2005 hydrotest project from PSEP capital expenses is reasonable. The forecasted amount of $840,000 is the original forecast before the 10 percentage points reduction to the risk assessment component ordered in D.19-09-051. Since we are adopting Quarter 4, Global Markit Index escalation factor, we find it reasonable to first reduce the base year (2016) capital expense by the original cost of the Line 2005 hydrotest project, which is $733,455 for 2022. This will allow the utility the escalate the correct PSEP capital expenses minus the cost of the Line 2005 hydrotest project. The above adjustments are already incorporated into the authorized revenue requirements for 2022 and 2023, shown in Appendix B.

On PSEP project costs for 2022 and 2023, POC argues the SoCalGas's failure to present the requisite detailed information about PSEP and other capital projects for 2022 and 2023 as required by D.20-01-002 constitutes an adoptive admission that rate increases for capital projects and PSEP projects for 2022 and 2023 cannot be justified. Just as we relied on a PTY mechanism for PSEP in 2020 and 2021, we find it reasonable to use the same mechanism for 2022 and 2023. We have conducted project level of review for the TY, and therefore, the appropriate revenue requirement for the 2022 and 2023 PTYs shall be based on the already approved PTY mechanism.

We find SoCalGas's method to project PTY 2022 and 2023 PSEP costs reasonable because it uses the methodology approved in the 2019 GRC Decision's PSEP PTY workpapers and extends it to additional years to capture the 2022 and 2023 capital-related revenue requirement. We also find it reasonable for SoCalGas to include the same level of detail and information provided for the 2019-2021 projects forecasted in SoCalGas's 2019 GRC application (A.17-10- 008) to form the basis for the PTY 2022 PSEP capital forecasts. SoCalGas indicates that no new PSEP projects are added to PTY 2023. We agree with SoCalGas that this approach is consistent with the general methodology described in the Rate Case Plan Decision and the results of the comprehensively litigated GRC proceeding reflected in the 2019 GRC Decision.

Therefore, it is reasonable to allow SoCalGas to continue a separate capital adjustment for PSEP in 2022 and 2023 based on the extended methodology authorized in D.19-09-051 and the proposed adjustments in the PFM.

8. Conclusion

After considering the various arguments presented by the parties in the proceeding, we find that continuing with the policy guidance adopted for attrition years 2020 and 2021 into the additional attrition years of 2022 and 2023 in this GRC cycle is reasonable. For the revenue requirement calculations, we continue to rely on the IHS Markit Global Insights Index for cost escalation. However, we use the updated 4th Quarter 2020 results to best capture the economic impacts of COVID-19 for an entire year.

In D.20-07-038 (rehearing decision on D.19-09-051), the Commission denied the recovery of the promotional gear amounts, but the Commission did not set an advice letter mechanism to let SDG&E and SoCalGas implement the change, and the amounts were mistakenly interchanged between the two utilities. This decision correctly notes the costs denied for each utility and sets an advice letter filing requirement to allow SDG&E and SoCalGas to implement the appropriate revenue requirement changes.

Regarding incorporating CIS benefits in the upcoming attrition years, we agree with SDG&E and UCAN and order a reduction of $11.7 million for 2022. We agree with UCAN and TURN's recommendations that CIS benefits should not be a flow-through amount, and the revenue requirement should be reduced by the forecasted benefit amount of $30.2 million for 2023.

This decision does not modify the non-executive ICP costs because D.20-07-038 resolved the issue. We also make no changes to treating customer deposits as long-term debt because there is no urgent and compelling reason to deviate from SP U-16, and we expect the overall balance for customer deposits will keep decreasing and will be eliminated in the coming years.

SoCalGas is allowed to continue its separate capital adjustments for its PSEP projects in 2022 and 2023. For the 2022 revenue requirement, we order SoCalGas to reduce its base year's (2016) capital project expenditure by $733,455 associated with the Line 2005 hydrotest project before escalating and forecasting 2022 PSEP capital expenditures and revenue requirements.

To account for changes to revenue requirement calculation in this GRC cycle and the attrition years, we order SDG&E to file a Tier 2 advice letter within 45 days of the effective date of the decision proposing any necessary adjustments and also to implement the costs tracked in the Rate Reform Memorandum Account relating to Marketing, Education and Outreach activities for the 2019 Default Time of Use ordered in Resolution E-5069.

Finally, we authorize SDG&E and SoCalGas to file their respective Tier 1 advice letters two months before the beginning of each post-test year to adjust the revenue requirement.

9. Comments on Proposed Decision

The proposed decision of the ALJs Rafael Lirag and Manisha Lakhanpal in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 8, 2021 by

TURN, City of Long Beach, Cal Advocates, and the Petitioners, and reply comments were filed on April 13, 2021 by POC, TURN and a joint reply by the Petitioners.

All comments and reply comments have been considered and, where appropriate, revisions have been incorporated into this decision.

With respect to TURN's and the Petitioners' comments[45] and reply comments[46] to modify or adopt an alternative interpretation of the Rehearing Decision, on executive and non-executive incentive compensation allocated from the Sempra Energy Corporate Center, we find that these issues are better addressed in SoCalGas' and SDG&E's next GRC instead of this PFM. As discussed in Section 4 of the decision, modifications relating to the Rehearing Decision focus on errors relating to promotional gear amounts and including a an OP to implement the orders set forth in the Rehearing Decision. Based on our review, the Rehearing Decision, clearly states that the 10 percent non-executive short-term incentive compensation amount representing financial metrics, should be disallowed as to SoCalGas, SDG&E, and similar amounts allocated to SDG&E and SoCalGas from the Sempra Corporate Center.[47] Clarifications, adjustments, modifications, and even reversal of this finding as well as related issues, are more appropriately raised in Petitioners' next GRC where these issues be better revisited, analyzed, and more thoroughly litigated and considered by the Commission.

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[45] TURN's Comments on the PD at pp. 2, 3; Petitioners Joint Comments on the PD at 4.

[46] TURN's Reply Comments on the PD at p. 2 and Petitioners Joint Rely Comments on the PD at 5.

[47] D.20-07-038 at 28.

10. Assignment of Proceeding

President Marybel Batjer is the assigned Commissioner and Rafael Lirag and Manisha Lakhanpal are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. SoCalGas and SDG&E filed their PFM implementing modified 2019 GRC cyclefor a third and fourth attrition year 2022 and 2023, pursuant to D.20-01-002 (RCP Decision).

2. SDG&E and SoCalGas need an advice letter mechanism to implement revenue requirement reductions ordered in D.20-07-038 (Rehearing Decision for D.19-09-051).

3. In D.20-07-038, the total amounts specified in OP 1j and 1k for promotional gear and other materials were mistakenly interchanged and it is proper to correct the error in this decision.

4. Instead of forecasting 2022 and 2023 direct costs, SDG&E and SoCalGas propose to continue the PTY attrition mechanism adopted in D.19-09-051 and currently used in PTY 2020 and 2021.

5. The revenue requirement calculations are based on the IHS Markit Global Insight cost escalation forecast, authorized in D.19-09-051.

6. Cal Advocates, TURN, POC, UCAN, Long Beach and CSU object to the PTY attrition mechanism's continued use of IHS Markit Global Insight escalation factors.

7. Cal Advocates recommends revenue increases of 2.5 percent for 2022 and 2.5 percent for 2023 using the Consumer Price Index (CPI).

8. Cal Advocates and UCAN recommend the Commission review the impacts of COVID-19 on PTY 2022 and 2023.

9. CSU recommends additional testimony on an escalation index to show a good historical correlation to SoCalGas and SDG&E's revenue requirements and an index that would maintain a correlation in the 2022 and 2023 time horizon.

10. In D.19-09-051, the Commission has considered the reasonableness of using escalation indices, such as CPI and the IHS Markit Global Insight Index in this GRC cycle.

11. In D.19-05-051, the Commission established that in these GRCs, including the post-test years 2020 and 2021, labor and non-labor costs should be based on the IHS Markit Global Insight forecast and the capital investment costs were to be based on an escalated seven-year average of capital additions.

12. The test year (TY 2019) revenue requirements and attrition year adjustments for 2020 and 2021 have already been decided and are final at this stage of the proceeding.

13. In D.18-08-008 (CIS Replacement Decision), SDG&E was authorized to replace its legacy CIS and related subsystems and return to ratepayers benefits derived from the CIS Replacement Program in the next GRC cycle.

14. D.18-08-008 could not have anticipated that the RCP Decision would modify SDG&E's GRC cycle such that 2022 and 2023 became additional attrition years in SDG&E's current TY 2019 GRC.

15. SDG&E agrees with UCAN's position on incorporating anticipated CIS Replacement Program benefits in 2022 and 2023 into these attrition years' revenue requirements.

16. To reflect the amount of CIS benefits forecast for 2022 and 2023, SDG&E proposes to decrease its proposed 2022 revenue requirement by $11.7 million and flow-through this reduction to its 2023 revenue requirement.

17. UCAN and TURN disagree with SDG&E's proposal to flow-through the CIS benefits reduction in 2023 and instead recommend that the 2023 revenue requirement be reduced by the forecasted CIS benefits for that year.

18. TURN recommends reducing $30.2 million in 2023 revenue requirement based on an SDG&E forecast of CIS Replacement benefits, and UCAN supports the recommendation.

19. Flowing-through benefits from 2022 to 2023 does not efficiently reflect CIS benefits in 2023 instead of a direct reduction of the benefits forecast to be realized for that year.

20. We find that D.18-08-008 intended a direct reduction of revenue requirement from the benefits derived from the CIS replacement Decision in the year that the benefit is forecast to be realized.

21. We find that all issues raised in this PFM concerning the treatment of Petitioners' non-executive ICP costs have been resolved in the D.20-07-038 (rehearing decision).

22. We find that reducing ratepayer costs to 50 percent for non-executive ICP costs in 2022 and 2023 is an inconsistent ratemaking treatment with what was determined appropriate for TY 2019 and PTYs 2020 and 2021.

23. As of June 11, 2020, SDG&E is prohibited from collecting customer deposits from residential customers. As a result, SDG&E's overall balance for customer deposits will keep decreasing and will be eliminated in due time.

24. We find no urgent and compelling reason to deviate from SP U-16 to treat customer deposits as a source of long-term debt for 2022 and 2023.

25. For PSEP, SoCalGas proposes to use the estimates for the 2022 projects that it presented in its Test Year 2019 GRC application with adjustments ordered in D.19-09-051.

26. SCGC and TURN's recommendation to reduce the project cost of Line 2005 hydrotest project from forecasted PSEP revenue requirements for 2022 and 2023 is reasonable.

27. SoCalGas presents the same level of detail and information provided for the 2019-2021 projects forecasted in its 2019 GRC application (A.17-10- 008), to form the basis for the PTY 2022 PSEP capital forecasts.

28. SoCalGas indicates that no new PSEP projects are added to PTY 2023.

29. We find SoCalGas's approach to project 2022 and 2023 PSEP revenue requirements consistent with the general methodology described in the Rate Case Plan Decision (D.20-01-002).

Conclusions of Law

1. SoCalGas's revenue requirement for TY 2019 should use $134,000 for promotional gear, and SDG&E's revenue requirement should use $64,000 for promotional equipment.

2. SoCalGas and SDG&E should each file a Tier 2 Advice Letter to implement the revenue requirement reduction ordered in D.20-07-038, to be effective as of January 1, 2019.

3. It is reasonable to continue the policy guidance and mechanism adopted for attrition years 2020 and 2021 into the additional attrition years in this GRC cycle.

4. SoCalGas and SDG&E should continue to implement the PTY attrition mechanism for O&M and the capital investment-related revenue requirement adopted in D.19-09-051 for additional PTYs 2022 and 2023.

5. SoCalGas and SDG&E should use the updated 4th Quarter 2020 Global Insight cost escalation factors.

6. SDG&E's revenue requirement should be reduced to account for CIS Replacement Program benefits forecast by $11.7 million for 2022 and $30.2 million for 2023.

7. It is reasonable not to apply a specific adjustment to the 2022 and 2023 revenue requirements because D.19-09-051 and D.20-07-038 (rehearing decision) have provided guidance on Petitioners' Executive and non-executive Corporate Center ICP costs.

8. We should not deviate from SP U-16 guidance and should continue to exclude from working cash interest-bearing accounts such as customer deposits.

9. We should allow SoCalGas to continue a separate capital adjustment for PSEP in 2022 and 2023 based on the PTY methodology authorized in D.19-09-051.

10. SoCalGas should reduce the base year (2016) PSEP capital expenses by $733,455 to account for reductions in cost associated with the Line 2005 hydrotest PSEP.

O R D E R

IT IS ORDERED that:

1. The Joint Petition for Modification of the Test Year 2019 General Rate Case Decision 19-09-051 filed by Southern California Gas Company and San Diego Gas & Electric Company) on April 9, 2020, is approved subject to the following modifications:

   a. The authorized revenue requirements for Post Test Years 2022 and 2023 are as set forth in Appendix B of this decision; and

   b. The escalation factors for the authorized revenue requirements for 2022 and 2023 shall be calculated based on the updated 4th Quarter 2020 IHS Markit Global Insight forecast.

2. Southern California Gas Company and San Diego Gas & Electric Company are authorized to continue implementing the currently authorized post-test year

mechanism adopted in Decision 19-09-051 for attrition years 2022 and 2023. The resulting revenue requirements for 2022 and 2023 are subject to any necessary adjustments resulting from Ordering Paragraphs 3, 4, and 5.

3. Within 30 days from the effective date of this Order, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) shall each file respective Tier 2 advice letters to implement the revenue requirement modifications to Decision (D.) 19-09-051 specified in Ordering Paragraph (OP) 1a to 1u of D.20-07-038. The modifications shall be effective as of January 1, 2019. However, OP 1j and 1k are hereby corrected such that the total amount of promotional gear for SoCalGas is $134,000 and for SDG&E $64,000.

4. The authorized revenue requirements of San Diego Gas and Electric Company for post-test years 2022 and 2023 shall be reduced by $11.7 million and $30.2 million respectively to account for the benefits derived from its Customer Information System Replacement Program.

5. Southern California Gas Company (SoCalGas) is authorized to continue separate capital adjustments for projects related to its Pipeline Safety Enhancement Plan in 2022 and 2023 as shown in Appendix C of this decision. SoCalGas is authorized to implement the revenue requirement methodology authorized in Decision 19-09-051. In addition, the base year (2016) capital expenditures shall be reduced by $733,455 to account for reductions in cost associated with the Line 2005 hydrotest project.

6. Southern California Gas Company (SoCalGas) shall update its post-test year revenue requirements for 2022 and 2023 by filing Tier 1 advice letters with the Commission's Energy Division two months prior to the beginning of each post-test year. To adjust the revenue requirement for 2022, SoCalGas shall file a Tier 1 advice letter on or before November 1, 2021 to update its revenue

requirement for January 1, 2022 through December 31, 2022. Similarly, SoCalGas shall file a Tier 1 advice letter on or before November 1, 2022 to update its revenue requirement for January 1, 2023 through December 31, 2023.

7. To adjust the revenue requirement for 2022, San Diego Gas and Electric Company (SDG&E) shall file a Tier 1 advice letter with the Commission's Energy Division on or before November 1, 2021 to update its revenue requirement for January 1, 2022 through December 31, 2022. Similarly, SDG&E shall file a Tier 1 advice letter on or before November 1, 2022 to update its revenue requirement for January 1, 2023 through December 31, 2023.

8. Within 45 days from the date of this Order, San Diego Gas and Electric (SDG&E) Company shall file a Tier 2 advice letter with the Commission's Energy Division to implement Resolution E-5069 which approved Advice Letter 3352-E. The Resolution removes from the 2019 General Rate Case (GRC) revenue requirement adopted in D.19-09-051 costs tracked in the Rate Reform Memorandum Account relating to Marketing, Education and Outreach activities for the 2019 Default Time of Use. SDG&E shall also propose necessary adjustments to the authorized revenue requirements for all attrition years included in the 2019 GRC cycle.

9. Hearings are not necessary to resolve the April 9, 2020 Joint Petition for Modification filed by Southern California Gas Company and San Diego Gas and Electric Company.

10. Applications 17-10-007 and 17-10-008 are closed.

This order is effective today.

Dated May 6, 2021, at San Francisco, California.

MARYBEL BATJER
President
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
Commissioners