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Commissioner : D. Houck
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Witness : S. Castello



**PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2024
General Rate Case**

**POLITICAL ACTIVITIES BOOKED TO RATEPAYER
ACCOUNTS**

PUBLIC

REDACTIONS MADE UNDER PROTEST

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POLITICAL ACTIVITIES BOOKED TO RATEPAYER ACCOUNTS

I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

This exhibit presents the analyses and recommendations of the Public Advocates Office (Cal Advocates) based primarily on evidence obtained from Southern California Gas Company (SCG or SoCalGas) during Cal Advocates' accounting review of SoCalGas lobbying and other political activities (Political Activities) improperly charged to ratepayers (Accounting Review).¹

This exhibit addresses SCG's improper pattern of booking costs of Political Activities to ratepayer accounts between 2017 and 2019, its routine dissembling in response to Cal Advocates' data requests typified by consistently underrepresenting the extent and costs of its Political Activities, and its failure to demonstrate in this General Rate Case (GRC) that all costs for its Political Activities² have been removed from the Test Year (TY).

Cal Advocates recommends the following adjustments, which represent a roughly 1.8% disallowance from the utility's total request:

¹ The evidence provided herein is incomplete and limited to the period 2017 to 2019 due, in part, to SoCalGas' refusal to provide Cal Advocates access the utility's SAP accounting system for nearly three years, notwithstanding a data request for that access (WP 186 - CalAds DR-TB-SCG-2020-03, 5-1-20.pdf), a Commission-issued subpoena ordering that access (WP 174 - Subpoena to SoCalGas for Accounting Database Access - Service Copy), and a Cal Advocates' motion to compel access to at least the ratepayer portions of those accounts. See *Public Advocates Office Motion To Compel Southern California Gas Company To Provide Remote Access To SAP Database To Audit Ratepayer Accounts*, August 21, 2021 at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/1---10-21-21-caladvocates-motion-to-compel-access-to-socalgas-ratepayer-accts.pdf>.

² The term "Political Activities" is defined by the Federal Energy Regulatory Commission's Uniform System of Accounts (USOA) to include "expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials." See 18 CFR Section 367.4264 – Account 426.4, Expenditures for certain civic, political and related activities. All such costs must be booked to Account 426.4.

- 1 1. An 80% disallowance for the estimated total TY costs of \$4.107
- 2 associated with the Regional Public Affairs organization
- 3 described at SCG-04-R, Aguirre;
- 4 2. An 80% disallowance for the estimated total TY costs of
- 5 \$47.223 million associated with the Clean Energy Innovations
- 6 organization described at SCG-12-R, Infanzon;
- 7 3. An 80% disallowance for the estimated total TY costs of
- 8 \$27.227 million associated with the Customer Services –
- 9 Information organization described at SCG-16, Prusnek;
- 10 4. A 35% disallowance for the estimated total TY costs of \$47.249
- 11 million associated with Administrative and General costs
- 12 described at SCG-29-R, Mijares.

13 These adjustments, which total approximately \$80 million, are in addition to the
14 other adjustments and disallowances Cal Advocates has recommended for these four
15 organizations. They are appropriate because the same or similar organizations have
16 historically supported extensive Political Activities on behalf of SoCalGas' business
17 interests, and the testimony supporting these organizations demonstrates that they are
18 poised to engage in such activities going forward.

19 Because SoCalGas has not shown that the costs of its Political Activities have
20 been removed from this GRC request, it is only fair to assume these costs are
21 imbedded in historical costs and improperly reflected in the utility's GRC request as
22 routine costs of doing utility business. Consequently, Cal Advocates proposes that
23 these adjustments be applied first, before applying Cal Advocates' other adjustments.

24 **II. LEGAL AND FACTUAL BACKGROUND**

25 Three universal truths of utility regulatory law are: (1) the utility bears the burden
26 of proof to support its rate requests;³ (2) the utility's regulators may only authorize rate

³ See, e.g., Cal. Pub. Utils. Code Sec. 451; *id.* Sec. 454 ("a public utility shall change any rate... except upon a showing before the commission and a finding by the commission that the new rate is justified."; D.00-02-046, mimeo, p. 36, 2000 Cal. PUC LEXIS 239 citing *Re Pacific Bell* (1987) 27 CPUC 2d 1, 21 (D.87-12-067); and D.06-05-016, mimeo, p. 7 ("As the Applicant, SCE must meet the burden of proving that it is entitled to the relief it is seeking in this proceeding. SCE has the burden of affirmatively establishing the reasonableness of all aspects of its application. Intervenors do not have the burden of proving the unreasonableness of SCE's showing.")).

1 recovery for just and reasonable costs necessary for safe and reliable service;⁴ and
2 (3) costs of a regulated utility's Political Activities must be booked to Account 426.4 and
3 excluded from rate requests.⁵

4 Here, SoCalGas seeks a revenue requirement of over \$125 million for several
5 organizations within the utility that nominally inform customers, the public, and state and
6 local government officials regarding SCG's activities.⁶ In fact, evidence provided by
7 SoCalGas shows (1) that employees from these and many other business units
8 routinely and repeatedly engaged in extensive and costly political campaigns between
9 2017 and 2019, the entire period covered by Cal Advocates' Accounting Review;
10 (2) that SoCalGas made no effort to accurately track employee time spent on those
11 activities; (3) that consultant costs associated with these activities were routinely
12 booked to ratepayer accounts; and (4) that the utility consistently dissembled and
13 underreported employee time and consultant costs when asked to identify these costs
14 for Cal Advocates. Evidence supporting each of these claims is set forth below.

⁴ See Cal. Pub. Utils. Code Sec. 451. See also D. 12-11-051, SCE GRC, 2012 Cal. PUC LEXIS 555 at *12-13 ("We confirm that the Commission's mandate is specific and requires a balancing of interests to authorize rate recovery only for those just and reasonable costs necessary for safe and reliable service. This requires a hard look at each proposed expense, including whether it is necessary during the coming rate cycle and is appropriately calculated. ... Ratepayers are entitled to the Commission's sharp eye and consideration of other options before committing their hard-earned cash.").

⁵ See FN 2 above. See also, e.g., D.82-12-055, 1982 Cal. PUC LEXIS 1209 at *118-119 ("We have reviewed the facts developed on this record which Edison feels describe the benefits to ratepayers of the dues paid to EEI. We conclude that Edison did not present evidence sufficient to cause us to reverse our stated policy on this issue. We will, therefore, adopt the staff exclusion of EEI dues from the revenue requirement." And "Our policy has been to disallow ratepayer contributions to organizations which provide no specific benefits to ratepayers. The burden is on Edison to show that the contributions for which it seeks ratepayer support provide such benefits."); D.12-11-051, 2012 Lexis 555, *765 (finding that membership subscriptions to organizations that advance tax reduction policies are inherently political, and funding should not be permitted under rate recovery); D.93-12-043, 1993 Lexis 728, *103 (finding that "ratepayers should not have to bear the costs of public relations efforts in this area, which according to [SCG], are designed primarily to increase load by promoting natural gas use to business and government leaders.").

⁶ Those organizations include, without limitation, Regional Public Affairs, Clean Energy Innovations, Customer Services – Information, Business Strategy & Energy Policy, Regulatory Affairs, and External Affairs.

1 Based on this evidence, and the fact that the utility has failed to meet its burden
2 of showing that it has removed all costs associated with its Political Activities from the
3 TY request, Cal Advocates seeks the adjustments identified in Section 1 above and
4 Section III below.

5 **A. Preliminary data responses identify four significant**
6 **political campaigns involving at least 40 employees**
7 **from various business units between 2017 and 2019 and**
8 **also show that SoCalGas paid an organization to**
9 **provide speakers Commission business meetings**

10 Before Cal Advocates' Accounting Review was cut short by the utility's refusal to
11 cooperate,⁷ Cal Advocates had identified at least four political campaigns pursued by
12 SoCalGas involving at least 40 SoCalGas employees from various business units.⁸
13 Those campaigns were focused on influencing decisions made by the Los Angeles
14 Metropolitan Transit Authority (MTA), the Ports of Los Angeles and Long Beach
15 (together the San Pedro Bay Ports or Ports), the Los Angeles World Airports
16 (comprising the LAX and Van Nuys Airports), and this Commission and state and local
17 politicians, to ensure the continued use of natural gas.

⁷ SoCalGas eventually refused to answer Cal Advocates' data requests related to its Political Activities, such as refusing to provide access to its accounting system, based on its claim that Cal Advocates' sought information protected by its First Amendment rights and that a the Commission's Executive Director had stayed any SoCalGas obligation to provide access to even its ratepayer accounts. See, e.g., various SoCalGas pleadings available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/1---socialgas-substitute-motion-to-quash-pdf-5-22-2020.pdf>, <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/2---scgs-response-to-contempt-motion.pdf>, <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/1---socialgas-writ-of-review-et-seq.pdf>, and <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/2---socialgas-opposition-to-compel-access-to-ratepayer-accounts.pdf>.

⁸ See WP 300 - PAO-SCG-112-TBO_Attach_CONF, which is a list containing the names and title of roughly 40 SoCalGas employees who supported in some manner SoCalGas' Political Activities. Documents demonstrating that support include, without limitation, the following Attachments: 2, 9, 67, 77, 79, 80, 83, 85, and 87. While SoCalGas claims that several of these employees' salaries are booked below the line, most of them are not. Further, this listing is preliminary, and does not purport to identify even a meaningful fraction of SoCalGas employees who support the utility's Political Activities.

1 SoCalGas confirmed that the costs for every one of those four campaigns had
2 initially been booked to ratepayer accounts.⁹ Indeed, Cal Advocates is not aware of
3 *any* Political Activities discovered during its Accounting Review that were booked to
4 shareholder accounts at the time of the campaign's inception.

5 The evidence also shows that the utility routinely deployed employees throughout
6 the company to participate in those campaigns, but understated the number of
7 employees involved and the time spent by the employees' who did participate
8 participation when responding to Cal Advocates' data requests. As Section B (below)
9 explains, the evidence shows that the utility cannot accurately quantify the employee
10 costs that should be booked to shareholders because it made no effort to accurately
11 track employee time spent on these campaigns.

12 Finally, the Accounting Review also revealed that SoCalGas contracted to pay a
13 vendor to provide speakers at Commission business meetings, and that those speakers
14 made presentations during at least two Commission business meetings in 2021 without
15 identifying their affiliation with SoCalGas or the vendor that ensured they attended.

16 There is no reason to assume that these are the only campaigns that SoCalGas
17 engaged in; these are simply the ones that Cal Advocates was able to identify. Given
18 that SoCalGas has not identified all of its Political Activities, has not shown that all costs

⁹ The Balanced Energy Work Order Authorization showed the SoCalGas booked C4BES and other related "balanced energy" costs to ratepayers because the WOA requires that all costs be booked to ratepayer account 920. See WP 183 - Balanced Energy WOA 28322.000, Internal Order 300796601, 9-12-19-CONF. SoCalGas then admitted in Attachments 29, 155, and 156 that it had booked the costs of the other three campaigns to ratepayers, but claimed it intended to remove the costs before the next GRC. See Response to Q. 5(b) in each of the three Attachments: WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF; WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp-CONF; and WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 - LA MTA Lobbying-CONF.

These campaigns were in addition to the Commission's two Orders to Show Cause in the energy efficiency docket (R.13-11-005) regarding advocacy that SoCalGas had inappropriately charged to ratepayers. These two Orders to Show Cause resulted in decisions that found SoCalGas to have violated Commission orders. Decision 22-04-034 found SoCalGas violated Public Utilities Code Section 451 and ordered "remedies for appreciable harm to the regulatory process caused by Southern California Gas Company's conduct..." at 2. Decision D.22-03-010 ordered refunds and fines in its finding of SoCalGas "in contempt, in violation of Rule 1.1 of the Rules of Practice and Procedure, and ordering remedies for failure to comply with Decision 18-05-041" at 2.

1 associated with those activities have been booked to FERC Account 426.4, has not
2 maintained records sufficient to accurately quantify the cost of employee labor spent on
3 the campaigns identified by Cal Advocates, and has failed to demonstrate that all costs
4 associated with those campaigns have benefitted ratepayers, Cal Advocates proposes
5 that 80% of the total TY estimate for Regional Public Affairs, Clean Energy Innovations,
6 and Customer Services-Information, and 35% of the administrative and general
7 expenses requested in SCG-29, Mijares, be removed from this GRC.

8 **1. MTA Campaign**

9 The evidence shows that between January and July of 2017, SoCalGas
10 expended significant efforts – involving paid consultants, a social media campaign, and
11 recurring lobbying meetings between MTA officials and multiple SoCalGas employees –
12 to overcome the MTA’s preference for electric buses. The efforts devoted to this
13 campaign are evidenced by the scope of work assigned to the utility’s consultant,
14 Marathon Communications Incorporated (Marathon), and the number of
15 communications and lobbying meetings that occurred between January and July, 2017.
16 As a result, the utility prevailed in convincing the MTA Board to vote in favor of
17 procuring gas-fired buses – instead of electric ones – in July of 2017.

18 The evidence also shows that SoCalGas charged the costs of this campaign to
19 FERC Accounts 920 and 921 (both ratepayer accounts) and routinely misrepresented
20 and minimized the scope and cost of this campaign in response to Cal Advocates’ data
21 requests. For example, in a January 2020 data response, SoCalGas claimed that it
22 spent a total of [REDACTED] dollars in consultant costs, staff labor, and expenses to lobby the
23 MTA Board to purchase natural gas buses over electric ones.¹⁰ This estimate was
24 based on SoCalGas’ representation that three salaried employees attended seven
25 meetings of about one hour each between June 13 and July 18 (for a total labor cost of

¹⁰ WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 – LA MTA Lobbying-CONF at Q.3 (f) (Q: State the total costs that SoCalGas has incurred associated with lobbying the Los Angeles County Metropolitan Transportation Authority regarding the Metro bus fleet. A: “SoCalGas has calculated an estimate of total costs of [REDACTED].”).

1 [REDACTED] including preparation and commute time).¹¹ When asked whether it used
2 consultants for the MTA campaign, SoCalGas explained that it used the services of one
3 paid and one unpaid consultant, and that while it had a general contract with Marathon
4 “to assist with various consulting work” it was “unaware of any of the work being
5 associated with lobbying the MTA.”¹²

6 As an initial matter, SoCalGas’ quantification of employee time is not credible.
7 Documents produced by the utility conclusively demonstrate that SoCalGas was
8 significantly understating the costs incurred for the MTA campaign. Those documents
9 show that SoCalGas began planning the MTA campaign early in 2017, and that it hired
10 Marathon in early January of that year to spearhead an extensive and much more costly
11 lobbying campaign than the one described in its data response.¹³

12 The MTA campaign involved many more than the three employees identified by
13 SoCalGas,¹⁴ used the services of three consultants,¹⁵ and included a weekly “MTA

¹¹ WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 – LA MTA Lobbying-CONF at Q. 4.

¹² WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 – LA MTA Lobbying-CONF at Q.3 (e).

¹³ WP 81 - SCG DR Resp. SC-SCG-2019-06, 0001933, Marathon Proposal to SCG, 1-11-17-CONF and WP 21 - SCG DR Resp. AW-SCG-2020-01, Marathon Contract pre C4BES, 1-15-17-CONF. See also WP 88 - SCG DR Resp. SC-SCG-2019-06, 0004297, Media Plan, 03-26-17-CONF; and WP 82 - SCG DR Resp. SC-SCG-2019-06, 0001937, Empl. 2 Email re PLB, 02-07-17-CONF (“Been meeting with both ports and commissioners on issue. Have grassroots group of EJ types with staff funded as a coalition to mobilize people and argue for this.”).

¹⁴ See, e.g., WP 89 - SCG DR Resp. SC-SCG-2019-06, 0004355, Empl. 2 Email re MTA Strategy Call, 07-12-17-CONF, WP 86 - SCG DR Resp. SC-SCG-2019-06, 0003887, Empl. 2 Email re speaking instructions, 07-22-17-CONF, including at least six other SoCalGas employees not previously identified by SoCalGas as being involved in the MTA campaign including [REDACTED] and [REDACTED]

[REDACTED] See, e.g., WP 87 - SCG DR Resp. SC-SCG-2019-06, 0004261, Empl. 2 Email re letter to MTA, 06-02-17-CONF (noting need for “final approval” before sending the letter). At a minimum, some of these employees would have been obligated to read emails, review proposals, and authorize the Political Activities, yet SoCalGas did not include any of these employees’ time in its quantification of employee costs related to this lobbying effort.

¹⁵ See FN 13 regarding Marathon participation. See also WP 17 - SCG DR Resp. AW-SCG-2020-01, Firm 3 SOW, 4-20-17-CONF and WP 14 - SCG DR Resp. AW-SCG-2020-01, Firm 3 Invoice, 7-1-17-CONF (monthly retainer paid to a “full-service public affairs, strategic communication and government advocacy firm” to “assist Southern California Gas Co. with its work on natural gas in the Greater Los Angeles area”); WP 157 - SCG DR Resp. SC-SCG-

(continued on next page)

1 Call” with an agenda developed by SoCalGas staff to discuss the status of the MTA
2 campaign.¹⁶ The campaign also included a significant social media component.¹⁷ The
3 evidence also shows that the three SoCalGas employees the utility identified in its data
4 response spent a significant amount of time on the campaign – including organizing and
5 hosting the weekly MTA call – and participated in many more meetings with MTA
6 officials than the seven disclosed in the January 2020 data response.¹⁸

7 The utility’s emails show that SoCalGas management considered the MTA
8 campaign a success, and that the utility intended to expand these lobbying efforts to
9 other decision-making bodies. For example, in a May 26, 2017 email entitled “MTA
10 Vote follow up,” a SoCalGas Public Policy Manager, referred to in this testimony as
11 “Employee 2”¹⁹ explained that the effort to win the June/July 2017 MTA votes
12 “represent[s] the beginning of a much broader campaign going forward. Let’s win this
13 one directly AND think about what we can do in this battle to lay the groundwork for

2019-11, Imprenta Invoices, 2017-CONF. This May 31, 2017 invoice from Imprenta Communications Group, Inc. (Imprenta) sought payment for work related to “Social media promotion.” SoCalGas has denied that it paid this invoice. See, e.g., Ex 97 - SCG DR Resp. SC-SCG-2019-06, 0005188, ICG LA Metro Invoices, 12-13-17-CONF. Note that Imprenta’s affiliation with SoCalGas, and its work regarding MTA and the Ports, is public. See <https://www.politico.com/states/california/story/2020/09/24/how-socalgas-leveraged-mayors-and-minority-groups-to-score-a-fossil-fuel-win-1304131>

¹⁶ See, e.g., WP 89 - SCG DR Resp. SC-SCG-2019-06, 0004355, Empl. 2 Email re MTA Strategy Call, 07-12-17-CONF; WP 104 - SCG DR Resp. SC-SCG-2019-06, 0007752, Empl. 2 Email re MTA Board Vote, 06-22-17-CONF; WP 101 - SCG DR Resp. SC-SCG-2019-06, 0007701, Empl. 2 Email re MTA Meeting, 07-27-17-CONF; and WP 102 - SCG DR Resp. SC-SCG-2019-06, 0007722, Empl. 2 1st Email re Ltr to MTA Board, 07-21-17-CONF.

¹⁷ See, e.g., WP 96 - SCG DR Resp. SC-SCG-2019-06, 0004666, Empl. 2 Email Re MTA Strategy Call, 06-14-17-CONF, pp. 2-3 describing success of social media campaign; WP 91 - SCG DR Resp. SC-SCG-2019-06, 0004446, Imprenta Email re MTA campaign, 06-07-17-CONF and <https://www.politico.com/states/california/story/2020/09/24/how-socalgas-leveraged-mayors-and-minority-groups-to-score-a-fossil-fuel-win-1304131>

¹⁸ See, e.g., FN 14 above and WP 133 - SCG DR Resp. SC-SCG-2019-06, 0012458, Empl. 2 Email re MTA Strategy Call, 05-26-17-CONF; WP 104 - SCG DR Resp. SC-SCG-2019-06, 0007752, Empl. 2 Email re MTA Board Vote, 06-22-17-CONF;

¹⁹ To protect the identity of specific SoCalGas personnel with extensive roles in the utility’s advocacy, these employees will be referred to throughout this testimony as either Employee 1 or Employee 2. Employee 1’s title was “Regional Vice President, External Affairs & Environmental Strategy,” and Employee 2’s title was “Public Policy Manager.”

1 future efforts.”²⁰ In a June 14, 2017 email, Employee 2 asked Imprenta
2 Communications Group (Imprenta), a public relations firm, to provide emails, posts, and
3 other documentation of the MTA lobbying effort “so that I can pitch continued efforts for
4 an ongoing campaign after the MTA thing is done, etc. [Employee 1] totally gets the
5 momentum and he'll help get the \$ to pay for it ... if we continue pushing and show the
6 success.”²¹

7 In sum, while SoCalGas minimized the consultant costs and employee time
8 spent on the MTA campaign in its January 2020 data response to Cal Advocates, the
9 evidence shows that the campaign was more costly and involved far more consultant
10 money and employee time than the utility represented to Cal Advocates. Thus, while
11 the utility now claims that it has removed all the costs of these Political Activities from
12 the test year – it has provided no evidence in support of this claim.

13 Given the utility’s previous and significant understatements of those costs, and
14 without understanding the full scope of the utility’s Political Activities and where the
15 costs were ultimately booked,²² Cal Advocates has no assurance that SoCalGas
16 properly quantified the full costs of this campaign and allocated them to shareholders,
17 as required by law and Commission precedent.

18 **2. Ports Campaign**

19 Like the MTA campaign, utility invoices and emails show that SoCalGas booked
20 the costs of its campaign to convince the San Pedro Bay Ports to modify their Clean Air

²⁰ WP 133 - SCG DR Resp. SC-SCG-2019-06, 0012458, Empl. 2 Email re MTA Strategy Call, 05-26-17-CONF (*emphasis in original*).

²¹ WP 133 - SCG DR Resp. Sc-SCG-2019-06, 0004666, Empl. 2 Email re MTA Strategy Call, 06-14-17-CONF.

²² The January 6, 2023 Appellate Court Decision precludes Cal Advocates from reviewing the utility’s below-the-line accounts, which is where all of SoCalGas’ Political Activities’ costs should have been allocated. See Court Of Appeal Of The State Of California, Second Appellate District, Division One, B310811, p. 28 (“The PAO is authorized to ensure only that advocacy costs are *not* booked to *ratepayer* accounts. This it may do by examining ratepayer, not shareholder, accounts.”)

1 Action Plan to include natural gas vehicles to ratepayer accounts.²³ The evidence also
2 shows that SoCalGas misled Cal Advocates regarding its Ports campaign when
3 responding to Cal Advocates' data request.²⁴ For example, SoCalGas identified only
4 one instance of lobbying, that it claims occurred on September 21, 2017, and that only
5 one consulting firm and three SoCalGas employees worked on the campaign.²⁵
6 SoCalGas also misrepresented the amount of its consultant's monthly retainer,²⁶ and
7 identified minimal costs associated with its lobbying efforts.²⁷

8 The reality is that emails show SoCalGas began working with consultants at least
9 seven months earlier – at least as early as February²⁸ – to fund a “coalition” to
10 advocate against the Port's Clean Air Action Plan. That campaign ultimately included
11 numerous SoCalGas employees,²⁹ at least four consulting firms working for

²³ See WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp.-CONF, Q.5 (admitting costs were booked to ratepayer-funded accounts, including FERC Accounts 300, 920, and 921).

²⁴ See WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp.-CONF.

²⁵ WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp-CONF, Response to Q.3.

²⁶ Compare WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp.-CONF, answer to Q.4(c) with the invoiced amount at WP 14 - SCG DR Resp. AW-SCG-2020-01, Firm 3 Invoice, 7-1-17-CONF.

²⁷ See WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp-CONF.

²⁸ WP 82 - SCG DR Resp. SC-SCG-2019-06, 0001937, Empl. 2 Email re PLB, 02-07-17-CONF [REDACTED] and [REDACTED] both worked for Marathon; discussions began in February 2017).

²⁹ SoCalGas only identified [REDACTED], [REDACTED] and [REDACTED] as engaging in lobbying activities for the Ports campaign. See WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp.-CONF, response to Q.3. However, many more SoCalGas employees were actively involved in lobbying on behalf of the utility. See, e.g., WP 118 - SCG DR Resp. SC-SCG-2019-06, 0011310, SCG Emails Coordinating Long Beach Press Conference, 10-17-CONF, pp. 0011310-0011315 (showing that numerous SoCalGas employees were actively involved in the campaign, including Public Affairs Managers (PAMs) [REDACTED]). This and other emails reflect that many other SoCalGas employees were actively involved in the campaign, including lobbying activities, including [REDACTED]

(continued on next page)

1 SoCalGas,³⁰ outreach to many elected officials,³¹ and media strategies³² that included
2 placement of op-ed's with local news outlets.³³

3 While the Ports campaign was an extensive effort joined by several other parties,
4 SoCalGas appears to have been the key actor in this campaign. The evidence shows

[REDACTED], and [REDACTED]. See, e.g. WP 116 - SCG DR Resp. SC-SCG-2019-06, 0011284, Email Re CAAP Op-Ed, 10-27-17-CONF (regarding [REDACTED] and [REDACTED] active participation getting elected officials to sign on to an Op-Ed); and WP 112 - SCG DR Resp. SC-SCG-2019-06, 0011004, Empl. 2 Email re CAAP Elected Official Sprdsht, 10-10-17-CONF (spreadsheet available at WP 113 - SCG DR Resp. SC-SCG-2019-06, 0011005, CAAP CBO Elected Officials Spreadsheet, 10-10-17-CONF).

³⁰ Internal emails and invoices reflect that Marathon, [REDACTED] were paid consultants working on the Port campaign for SoCalGas, and that Imprinta worked at SoCalGas' direction, but may not have been paid. See, e.g., WP 83 - SCG DR Resp. SC-SCG-2019-06, 0002117, ACT Now Action Items, 10-20-17-CONF ([REDACTED] and [REDACTED] work for Imprinta); WP 93 - SCG DR Resp. SC-SCG-2019-06, 0004466, ACT Press Conference Talking Points, 10-16-17-CONF (Imprinta drafting talking points); WP 94 - SCG DR Resp. SC-SCG-2019-06, 0004509, Empl. 2 Email re Op-Ed Draft, 10-25-17-CONF [REDACTED] and Imprinta); WP 109 - SCG DR Resp. SC-SCG-2019-06, 0010891, Empl. 2 Email re Vote on CAAP, 10-26-17-CONF; WP 108 - SCG DR Resp. SC-SCG-2019-06, 0010826, Empl. 2 Email re Media Advisory, 10-12-17-CONF; WP 95 - SCG DR Resp. SC-SCG-2019-06, 0004517, Empl. 2 Email re CNGVC Press Conference, 10-2-2017-CONF (Marathon and Imprinta); WP 94 - SCG DR Resp. SC-SCG-2019-06, 0004509, Empl. 2 Email re Op-Ed Draft, 10-25-17-CONF (Imprinta); WP 116 - SCG DR Resp. SC-SCG-2019-06, 0011284, Email Re CAAP Op-Ed, 10-27-17-CONF (Marathon and Imprinta); and WP 111 - SCG DR Resp. SC-SCG-2019-06, 0010912, Email re Invitation to Press Conference, 10-17-17-CONF [REDACTED]. See also invoices and contracts for [REDACTED] at WP 17 - SCG DR Resp. AW-SCG-2020-01, Firm 3 SOW, 4-20-17-CONF; WP 14 - SCG DR Resp. AW-SCG-2020-01, Firm 3 Invoice, 7-1-17-CONF; WP 15 - SCG DR Resp. AW-SCG-2020-01, Firm 3 Invoice, 8-1-17-CONF; WP 16 - SCG DR Resp. AW-SCG-2020-01, Firm 3 Invoice, 9-1-17-CONF; and Marathon Invoice, 11-15-17-CONF (reflecting a monthly retainer for services).

³¹ See, e.g. WP 113 - SCG DR Resp. SC-SCG-2019-06, 0011005, CAAP CBO Elected Officials Spreadsheet, 10-10-17-CONF; WP 120 - SCG DR Resp. SC-SCG-2019-06, 0011460, Empl. 2 Email re Op-Ed Signatures, 10-26-17-CONF; WP 119 - SCG DR Resp. SC-SCG-2019-06, 0011387, Empl. 2 Email re Op-Ed Development, 10-05-17-CONF; WP 118 - SCG DR Resp. SC-SCG-2019-06, 0011310, SCG Emails re Long Beach Press Conference, 10-17-CONF; WP 117 - SCG DR Resp. SC-SCG-2019-06, 0011305, CNGVC Press Conf Media Advisory, 10-18-17-CONF.

³² See, e.g., WP 111 - SCG DR Resp. SC-SCG-2019-06, 0010912, Email re Invitation to Press Conference, 10-17-17-CONF; See, e.g., WP 82 - SCG DR Resp. SC-SCG-2019-06, 0001937, Empl. 2 Email re PLB, 02-07-17-CONF; and WP 114 - SCG DR Resp. SC-SCG-2019-06, 0011272, Empl. 2 Email re Segment on KNBC, 10-27-17-CONF.

³³ See SoCalGas op-ed at <https://www.dailynews.com/2017/02/14/its-time-for-ports-to-push-transition-to-cleaner-heavy-duty-trucks-guest-commentary/>.

1 SoCalGas orchestrated the creation of “Advanced Clean Trucks (ACT) Now” an
2 organization allegedly sponsored by the “California Natural Gas Vehicle Coalition”
3 (CNGVC).³⁴ With CNGVC’s support, ACT Now urged the Ports to adopt natural gas
4 vehicles in their Clean Air Action Plan.³⁵ While CNGVC’s website as of December 18,
5 2017³⁶ listed SoCalGas as one of two “Charter Members,” and one of four “Executive
6 Committee” members, including one employee as a Board member, these disclosures
7 fail to reflect the full extent of SoCalGas’ control of CNGVC.

8 On October 18, 2017, CNGVC held a press conference in South Gate, California
9 publicizing its support for natural gas over electric trucks in the Ports’ Clean Air Action
10 Plan. SoCalGas data responses show that SoCalGas and its consultants – Imprinta
11 and [REDACTED] –engineered the press conference, arranging all logistics,
12 supporters, speakers, talking points, and media surrounding the event.³⁷

13 “We Can” which appears to have been another SoCalGas front group advocating
14 for the adoption of gas-fueled trucks during the Ports campaign, was also involved in

³⁴ See WP 82 - SCG DR Resp. SC-SCG-2019-06, 0001937, Empl. 2 Email re PLB, 02-07-17-CONF (“Have grassroots group of EJ types with staff funded as a coalition to mobilize people and argue for this.”); WP 83 - SCG DR Resp. SC-SCG-2019-06, 0002117, ACT Now Action Items, 10-20-17-CONF; and WP 84 - SCG DR Resp. SC-SCG-2019-06, 0002124, ACT Now Marketing-CONF.

³⁵ WP 84 - SCG DR Resp. SC-SCG-2019-06, 0002124, ACT Now Marketing-CONF.
 (“Advanced Clean Trucks (ACT) Now Plan aims to accelerate the San Pedro Ports’ Clean Air Action Plan (CAAP).”). See also FN 34 above.

³⁶ See, e.g., <https://cngvc.org/about-us/who-we-are/> accessed 18 Dec 2017. The website has been modified since that time, but prior versions can be accessed through an Internet Archive referred to as the “Wayback Machine.”

³⁷ WP 118 - SCG DR Resp. SC-SCG-2019-06, 0011310, SCG Emails Coordinating Long Beach Press Conference, 10-17-CONF, pp. 0011315-0011317. (Imprinta emailed Employee 2 saying “do you have a minute this morning to connect on this?... I’m supposed to hear today whether or not Maywood wants to participate, but I’m already thinking about a Plan B regarding location.” Employee 2 indicated that neither they nor [REDACTED] [from Marathon] had heard from [REDACTED]. Imprinta replied “As a Plan B, Hollydale Park is South Gate has been floated,” Employee 2 then replies “works for me.”). See also, WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q.6. (As the utility explained, [REDACTED] and [REDACTED] role was to “bring awareness to local elected officials on compressed natural gas heavy duty technologies to garner the support of local elected officials.” SoCalGas “assisted in securing speakers for the event. It also appears that the SoCalGas’ media team was made aware of the event at the time, and provided input into various draft media documents.”).

1 the press conference. As discussed in Section II.C below, SoCalGas records reflect
2 that its consultant costs for “We Can” were booked to ratepayer accounts. Given its
3 limited access to the utility’s SAP system, Cal Advocates has no evidence that the costs
4 were ultimately moved to FERC Account 426.4.

5 A campaign with this many components requires significant time, staff, and
6 money to orchestrate – yet SoCalGas disclosed none of these elements in its data
7 responses to Cal Advocates. Instead, it estimated a total cost of \$540 “associated with
8 lobbying the Port of Long Beach regarding a transition to zero emissions equipment.”³⁸
9 Given the utility’s systemic failure to accurately track and quantify its lobbying costs, any
10 showing that all lobbying costs have been removed from the test year must be robust
11 and leave nothing to chance. Yet SoCalGas has made no showing at all, apart from
12 bald claims that all such costs have been removed. Cal Advocates’ attempts to verify
13 the removal of these prohibited costs have been unsuccessful.³⁹ In some cases, such
14 as the “We Can” example discussed in Section II.C below, the costs appear to have
15 been consciously left in ratepayer-funded accounts.

16 3. C4BES Campaign

17 a. SoCalGas paid Marathon to create C4BES to 18 advance the utility’s political agenda using 19 ratepayer funded accounts

20 At the end of 2017, in response to the Commission’s proposal to adopt a
21 temporary moratorium on new gas connections,⁴⁰ SoCalGas began to develop a new
22 organization – ultimately known as “Californians for Balanced Energy Solutions” or
23 “C4BES” – to advocate for pro-gas policies before government entities throughout the
24 State. As the SoCalGas employee tasked with this effort explained, SoCalGas asked
25 Marathon Communications (Marathon) to “mount[] a campaign to support the continued

³⁸ See WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp.-CONF, response to Q.3(f).

³⁹ See, e.g., discussion in Sections II C and D below.

⁴⁰ See, e.g., WP 70 - SCG DR Resp. SC-SCG-2019-06, p. 0000596, Campaign Rollout, 2-20-18-CONF.

1 use of natural gas and to oppose measures that would prohibit or inhibit the use of gas
2 as an energy resource, or customers' choice of energy."⁴¹

3 Marathon quickly responded with a seven-step plan to create a front group –
4 referred to colloquially as an "astroturf" organization⁴² – for SoCalGas. Marathon's plan
5 explained that the goal was to [REDACTED]

6 [REDACTED]
7 [REDACTED]⁴³ As a central element of the plan, Marathon would

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]⁴⁴ The "coalition" would then engage in activities including [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]⁴⁵ It would also coordinate [REDACTED]

15 [REDACTED]
16 [REDACTED]⁴⁶ at [REDACTED]

17 [REDACTED]⁴⁷ The plan

⁴¹ WP 99 - SCG DR Resp. SC-SCG-2019-06, p. 0007089, Empl. 1 EMail, 12-5-17-CONF.

⁴² "Astroturfing" is the practice of masking the sponsors of a message or organization to make it appear as though it originates from and is supported by grassroots participants. For a comedic explanation of what astroturfing is and why it is problematic, see John Oliver, Last Week Tonight, at <https://www.youtube.com/watch?v=Fmh4RdlwswE>

⁴³ WP 100 - SCG DR Resp. SC-SCG-2019-06, 0007100-7103, Marathon Proposal, 12-5-17-CONF, p. 0007100.

⁴⁴ WP 100 - SCG DR Resp. SC-SCG-2019-06, pp. 0007100-7102, Marathon Proposal, 12-5-17-CONF.

⁴⁵ WP 100 - SCG DR Resp. SC-SCG-2019-06, pp. 0007102-7103, Marathon Proposal, 12-5-17-CONF.

⁴⁶ "RNG" refers to renewable natural gas.

⁴⁷ WP 100 - SCG DR Resp. SC-SCG-2019-06, pp. 0007102-7103, Marathon Proposal, 12-5-17-CONF.

1 also included a focus on advancing SoCalGas' priorities [REDACTED]

2 [REDACTED]

3 [REDACTED] and [REDACTED]

4 [REDACTED] ⁴⁸

5 On May 14, 2019, SoCalGas' attempt to use C4BES as a front group was
6 exposed when C4BES sought to participate in the Commission's Building
7 Decarbonization Rulemaking.⁴⁹ Sierra Club moved in that proceeding to deny party
8 status to C4BES on the basis that SoCalGas formed C4BES on its own initiative,
9 developed C4BES' organizing principles, actively recruited its members, and
10 compensated at least one board member for their affiliation with C4BES.⁵⁰ Sierra Club
11 argued that it is "fundamentally inappropriate for the interests and bottom line of a
12 regulated entity to be given duplicative representation in a Commission proceeding by
13 an astroturf group it created and substantially controls."⁵¹

14 Given the potential ratepayer impacts of Sierra Club's allegations, and the
15 compelling evidence provided in its motion, Cal Advocates, pursuant to its authority
16 under California Public Utilities Code § 309.5(e), requested information from SoCalGas
17 to determine if ratepayer funding had been used to create and support C4BES and, if
18 so, the extent of that funding.⁵²

19 This was Cal Advocates' first inquiry into the utility's use of ratepayer monies to
20 fund its political advocacy, and the utility initially insisted that shareholders were funding

⁴⁸ WP 100 - SCG DR Resp. SC-SCG-2019-06, p. 0007101, Marathon Proposal, 12-5-17-CONF.

⁴⁹ Commission Rulemaking (R.) 19-01-011

⁵⁰ *Sierra Club's Motion To Deny Party Status To Californians For Balanced Energy Solutions Or, In The Alternative, To Grant Motion To Compel Discovery*, filed May 14, 2019, R.19-01-011 (*Sierra Club C4BES Motion*), available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/1---sierra-club-motion-to-deny-party-status-to-c4bes---5-14-19--1.pdf>.

⁵¹ *Sierra Club C4BES Motion*, p. 3.

⁵² WP 182 - PAO DR SCG051719, 5-23-19.

1 C4BES' activities.⁵³ However, Cal Advocates' request for evidence supporting this
2 claim – enforced by a motion to compel⁵⁴ – eventually revealed that SoCalGas had
3 booked costs to create and support C4BES to a ratepayer account, and that the utility
4 authorized \$29.1 million for these efforts between 2019 and 2023.⁵⁵

5 Ultimately, in a February 2020 data response issued months after Cal Advocates'
6 discovery, SoCalGas claimed that it had mistakenly booked the “Balanced Energy”
7 campaign costs to a rate payer account.⁵⁶

8 SoCalGas claims that it intended to book all “Balanced Energy” costs to
9 shareholders does not add up. Among other things, the “Balanced Energy Work Order
10 Authorization” – which initially directed that all costs be booked to a ratepayer account -
11 was not created until March 21, 2019, with an effective date of January 1, 2019.
12 However, the evidence shows that SoCalGas funded Marathon's creation of C4BES for
13 all of 2018. SoCalGas has provided no explanation for where the 2018 Marathon
14 payments have been booked. Nor does the utility confirm that all of the 2017 Marathon
15 payments for the other campaigns were not booked to ratepayer accounts. As

⁵³ See WP 35 - SCG DR Resp. SCG051719, 8-13-19, 3rd Resp., Questions 1 and 2 (Q 1: “Did SoCalGas use any ratepayer funding to support the founding and launch of Californians for Balanced Energy Solutions (C4BES)?” A: “Ratepayer funds have not been used to support the founding or launch of Californians for Balanced Energy Solutions (C4BES).” Q 2: “Does SoCalGas continue to use any ratepayer funding to support C4BES?” A: “Ratepayer funds are not used to support C4BES.”).

⁵⁴ Cal Advocates' first Motion to Compel in the “not-in-a-proceeding” Accounting Review was served August 14, 2019 to compel the utility to disclose the costs associated with the Balanced Energy Work Order Authorization that it had provided in redacted form. That Motion to Compel is available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/ltr-to-picker-re-motion-to-compel-futher-responses-to-dr-scscgdocx.pdf>. SoCalGas' redacted version of the Balanced Energy Work Order Authorization blocking out review of the costs authorized for the Balanced Energy activities is included at pdf p. 42 of the Motion to Compel.

⁵⁵ See WP 183 - Balanced Energy WOA 28322.000, Internal Order 300796601, 9-12-19-CONF, for costs starting January 1, 2019

⁵⁶ See WP 159 - Ex 159 - SCG DR Resp. SK-SCG-2020-01 Q4, 2-7-20, Change in BEIO-CONF (In response to Cal Advocates' request for “documentary evidence” supporting the utility's representations that C4BES was shareholder funded, the utility eventually admitted that while it was intended to be shareholder funded, “an incorrect settlement rule was set up for this IO to FERC 920.0 A&G Salaries.”).

1 described in Section II.C, Cal Advocates’ preliminary review of Marathon’s invoices in
2 the SAP system reflects that Marathon payments for 2017 and 2018 were booked to
3 ratepayer accounts.

4 In addition, Cal Advocates issued its first data request asking how C4BES was
5 funded on May 23, 2019. If SoCalGas had reviewed its accounts before responding to
6 Cal Advocates, it would have been immediately evident to the utility that the costs were,
7 in fact, being booked to ratepayer account 920. However, SoCalGas responded on
8 June 14, 2019 that “[r]atepayer funds have not been used to support the founding or
9 launch” of C4BES.

10 On August 2, 2019, in response to another data request, the utility finally
11 provided a copy of the Balanced Energy Work Order Authorization to Cal Advocates.
12 That document showed on its face that all costs were to be booked to FERC Account
13 920, a ratepayer account.⁵⁷ It appears the utility eventually changed its accounting to
14 book the costs to FERC Account 426.4 in October 2019.⁵⁸ However, the utility did not
15 acknowledge this accounting “error,” or its correction of that error, until February 7, 2020
16 – roughly eight months after Cal Advocates’ first data request regarding the funding for
17 C4BES – and only in response to a Cal Advocates data request for “all documentary
18 evidence that charges to IO 30076601 are shareholder funded.”⁵⁹

19 Given these discrepancies, and the fact that Cal Advocates only began reviewing
20 the utility’s SAP system on March 13, 2023, Cal Advocates will likely continue to
21 investigate the origins of the Balanced Energy Work Order Authorization and the costs

⁵⁷ See WP 183 - Balanced Energy WOA 28322.000, Internal Order 300796601, 9-12-19-CONF, for costs starting January 1, 2019 (improperly booking Balanced Energy costs to FERC Account 920, an account for administrative and general salary expenses, instead of Account 426.4 which is the FERC account devoted to political advocacy costs.)

⁵⁸ See WP 159 - Ex 159 - SCG DR Resp. SK-SCG-2020-01 Q4, 2-7-20, Change in BEIO-CONF (see screen shot at bottom of data response showing a change from FERC Account 920 to FERC Account 426.4 October 2019).

⁵⁹ WP 159 - Ex 159 - SCG DR Resp. SK-SCG-2020-01 Q4, 2-7-20, Change in BEIO-CONF (In response to Cal Advocates’ request for “documentary evidence” supporting the utility’s representations that C4BES was shareholder funded, the utility eventually admitted that while it was intended to be shareholder funded, “an incorrect settlement rule was set up for this IO to FERC 920.0 A&G Salaries.”).

1 settled to that Order. Consequently, Cal Advocates reserves the right to provide
2 additional evidence on this matter, as appropriate.

3 **b. SoCalGas sought to hide its creation and**
4 **control of C4BES and to characterize C4BES'**
5 **activities as "education"**

6 A March 1, 2018, Marathon invoice reflects that formal efforts to create C4BES
7 and its associated pro-natural gas campaign began in earnest on January 26, 2018⁶⁰ –
8 at least a year before the Balanced Energy Work Order Authorization was approved.⁶¹
9 As described below, the evidence shows that the utility's goal was to create a
10 SoCalGas-controlled advocacy group to influence public opinion and the decisions of
11 public officials to discourage initiatives reducing reliance on natural gas, while
12 obfuscating SoCalGas' role in that group. The evidence also shows that
13 notwithstanding its clear advocacy/lobbying objectives for C4BES, the utility sought to
14 characterize C4BES as an "educational" organization that benefited ratepayers.⁶²

15 A February 20, 2018 Marathon work proposal describes the plans of SoCalGas
16 and its agents to create a separate organization that would advocate SoCalGas'
17 interests at all levels of government while appearing independent. [REDACTED]

18 [REDACTED]

19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]

24 [REDACTED]⁶³

⁶⁰ WP 69 - SCG DR Resp. SC-SCG-2019-06, 0000593-94, Marathon Invoice, 3-1-18-CONF.

⁶¹ See WP 183 - Balanced Energy WOA 28322.000, Internal Order 300796601, 9-12-19-CONF (Dated March 21, 2019).

⁶² See e.g., WP 176 - SCG DR Resp. SC-SCG-2019-06, 0014448, Empl. 2 Email re LA Times-CONF (Employee 2 stating "[I am] [w]anting to make sure that this is very clearly an education effort. All documents must be 'ok if they hit the LA Times' ready.").

⁶³ WP 70 - SCG DR Resp. SC-SCG-2019-06, 0000595-99, Campaign Rollout, 2-20-18-CONF, p. 0000595.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]⁶⁴ [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED] at all levels of government.⁶⁵

10 C4BES was incorporated and officially launched to the public nearly a year later,
11 in January 2019. Without any reference to SoCalGas and its advocacy objectives, the
12 C4BES Articles of Incorporation stated that “[t]his corporation is organized and operated
13 exclusively for social welfare purposes within the meaning of IRC Section 501(c)(4)” and
14 that that C4BES was “a nonprofit public benefit corporation ... not organized for the
15 private gain of any person.”⁶⁶

16 SoCalGas continued funding C4BES activities after C4BES was incorporated by
17 amending Marathon’s contract to support a six month “ramp-up” period of increased
18 activity to support C4BES throughout its launch.⁶⁷ Such ramp-up activities included the
19 production of C4BES print amplifying SoCalGas’ pro-gas positions. For example, a
20 draft C4BES advertisement intended for the Ventura County cities of Fillmore and
21 Oxnard include the utility’s scripted talking points regarding electrification, describing
22 how “Powerful organizations are working to take away our right to choose affordable
23 natural and renewable gas. For them, it’s electricity or nothing!”⁶⁸

⁶⁴ WP 70 - SCG DR Resp. SC-SCG-2019-06, p. 0000596, Campaign Rollout, 2-20-18-CONF.

⁶⁵ WP 70 - SCG DR Resp. SC-SCG-2019-06, p. 0000596, Campaign Rollout, 2-20-18-CONF.

⁶⁶ Investigation Exhibit 2 - C4BES Articles of Incorporation Filed 1-9-19 (*emphases added*).

⁶⁷ WP 38 - SCG DR Resp. SCG051719, 8-13-19, Marathon Contract Amend 3 Eff. 1-1-19-CONF.

⁶⁸ WP 68 - SCG DR Resp. SC-SCG-2019-06, 0000457 – C4BES Quarter Advertisement.

1 **c. SoCalGas Executives approved the creation**
2 **and funding of C4BES and many SoCalGas**
3 **employees were deployed to recruit members**
4 **to the organization**

5 SoCalGas' support for the utility's creation and control of C4BES is demonstrated
6 throughout the evidence obtained by Cal Advocates. Among other things, that evidence
7 shows that:

- 8 • SoCalGas executives authorized funding for "Balanced Energy"
9 expenditures of \$27.9 million between 2019 and 2023.⁶⁹
- 10 • Roughly twenty SoCalGas employees, including at least two
11 Regional Vice Presidents, were tasked with recruiting members
12 to C4BES, including for the C4BES Executive Committee and
13 Board.⁷⁰

14 SoCalGas sought to downplay any appearance that it was managing the actions
15 and messaging of C4BES. For example, in February 2019, in response to a Bloomberg
16 media inquiry, a SoCalGas Vice President advised Marathon and the C4BES Executive
17 Director that SoCalGas should not respond to the inquiry because they need to give the
18 appearance that C4BES is an "independent" organization "with lots of constituent
19 groups":

20 ...[I]t would be way, way better for you guys as media guys
21 representing the Coalition, meaning either [the C4BES Executive
22 Director] or someone from Marathon, not [Employee 2], to handle
23 this call. A spokesperson from C4BES should respond to [a] media
24 inquiry. Says that this is an independent organization with lots of
25 constituent groups, and that yes the gas company is a board

⁶⁹ See WP 183 - Balanced Energy WOA 28322.000, Internal Order 300796601, 9-12-19-CONF (Dated March 21, 2019).

⁷⁰ WP 67 - - SCG DR Resp. SC-SCG-2019-06, 0000334-335, Brd Recruitment Status-CONF (showing names of potential Board members to be recruited and SoCalGas Public Affairs Managers and other SoCalGas employees tasked with recruiting them, including Vice Presidents [REDACTED] and [REDACTED]); see also WP 153 - DR Resp. SC-SCG-2019-06, 0018771-72, C4BES Progress Update, 9-11-18-C; WP 85 - SCG DR Resp. SC-SCG-2019-06, 0003056, Email re Mbr Pitch Ltr, 1-18-19-CONF ("we'll push this [draft letter] out through the Public Affairs Managers through their networks, we'll have Marathon push it out through the lists they have... and we'll work with Imprenta to push this out elsewhere."); and WP 77 - SCG DR Resp. SC-SCG-2019-06, 0001845-46, Empl. 2 Email re Onboarding Rahn, 1-18-19-CONF, p. 0001845 ("We will solicit membership 3 ways: a. Through the Board; b. Through SoCalGas Public Affairs Managers c. Through 3rd Party (Marathon Communications) and social media.").

1 member, as is its union and building trades, and large business
2 organizations and low income and senior and faith based groups.⁷¹

3 **d. SoCalGas has not demonstrated that all costs**
4 **associated with C4BES have been removed**
5 **from the Test Year**

6 As evidenced above, the C4BES campaign was far-reaching, designed to be
7 hidden, and characterized as “educational,” with all associated costs booked to
8 ratepayer accounts until many months after Cal Advocates initiated its Accounting
9 Review. To this day, the utility has failed to quantify the full costs of the campaign,
10 including the total employee cost, which is significant given the number of employees
11 involved and the hours spent on the creation of the organization.⁷² Instead, the utility
12 points to the Balanced Energy Work Order Authorization and insists that all costs were
13 booked to FERC Account 426.4 as of October 2019 consistent with the accounting
14 instructions in that document.⁷³ Such a showing is insufficient because, among other
15 things, the utility has not demonstrated how much employee time was spent on those
16 efforts, that its quantification of that time is accurate, and that those costs have also
17 been removed from its revenue request. In addition, because of the utility’s refusal to
18 allow Cal Advocates to review Account 426.4, the utility is attempting to force the
19 Commission to take the utility at its word when it claims that all consultant costs were
20 charged to the Balanced Energy Work Order and booked to Account 426.4.⁷⁴

21 **4. Los Angeles World Airports Campaign**

22 In response to a February 14, 2020 data request, SoCalGas admitted – among
23 other things - that it lobbied the Los Angeles World Airports (LAWA) in 2017 to influence

⁷¹ WP 75 - SCG DR Resp. SC-SCG-2019-06, 0001057-62, Emails re Bloomberg Inquiry, 2-21-19, p. 0001057-CONF.

⁷² See, e.g., WP 67 - - SCG DR Resp. SC-SCG-2019-06, 0000334-335, Brd Recruitment Status-CONF (Names of SoCalGas Public Affairs Managers and other SoCalGas employees tasked with recruiting members to C4BES).

⁷³ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF, Resp. 22 (b) and (c).

⁷⁴ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF, Qs 22(b) and (c).

1 the updates to LAWA's Alternative Fuel Vehicle Requirement Program.⁷⁵ SoCalGas
2 amended its response to this data request five times, with the final response provided
3 more than a year later, on March 31, 2021.⁷⁶

4 SoCalGas initially represented that it lobbied one LAWA staff member on
5 October 4, 2017, that Marathon did not conduct any lobbying activities, and that there
6 were only two individuals involved in the lobbying.⁷⁷ SoCalGas estimated total lobbying
7 costs to be [REDACTED] for one hour of employee time – 30 minutes to prepare and 30
8 minutes to speak to LAWA staff.⁷⁸ SoCalGas claimed there were no invoices,
9 materials, or contracts or other business agreements related to the LAWA lobbying,⁷⁹
10 and acknowledged that the costs were booked to FERC Account 920 – a ratepayer-
11 funded account.⁸⁰

12 Cal Advocates eventually obtained evidence that the LAWA campaign was far
13 more extensive than the utility admitted in its first data response. On June 15, 2020, the
14 utility amended its response to identify nine instances of Political Activities, to name five
15 employees involved in those efforts, and to clarify that Marathon was involved in some
16 of those efforts.⁸¹ The utility modified its estimate of the costs of these activities to take

⁷⁵ WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q. 1.

⁷⁶ See WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF.

⁷⁷ WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q.2.

⁷⁸ WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q.2(f) and Q.4(a).

⁷⁹ WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q.3.

⁸⁰ WP 28 - SCG DR Resp. AW-SCG-2020-01, 3-3-20, LA Airport Lobbying Resp. 1-CONF, Resp. to Q.5(b).

⁸¹ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF, Resp. to Q.2(d) (employees included [REDACTED], Regional VP for External Affairs and Environmental Strategy, a Government Affairs Manager, a Business Policy Manager, a Clean Transportation Manager, and a Project Manager Technology Development).

1 just over eight hours of employee time for a total cost of \$ [REDACTED], not including one hour
2 of Marathon's work and the work of an employee whose time spent on the matter was
3 "unknown" because he no longer worked for the company.⁸² SoCalGas confirmed that
4 Marathon was paid a \$ [REDACTED] monthly retainer for its services.⁸³

5 Again, given the scope of SoCalGas' activities on this matter, it is not credible
6 that even the updated costs provided by the utility on June 15, 2020, months after the
7 February 14, 2020 data request seeking this information, accurately reflect the
8 employee time spent on these efforts. The data response reflects that SoCalGas has
9 quantified the bare minimum of the cost of each activity – just the time spent to engage
10 in a lobbying phone call or to draft a letter – overlooking the time spent in internal
11 meetings to discuss strategy and the time spent reviewing and collaborating on the final
12 product. SoCalGas' failure to accurately track employee time spent on these efforts
13 necessarily results in ratepayers, rather than shareholders, absorbing these costs.

14 **5.** [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED] ⁸⁴ [REDACTED]
24 [REDACTED]

⁸² WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF, June 15, 2020 Resp. to Qs. 2 and 4.

⁸³ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF, Resp. to Q.2.

⁸⁴ WP 62 - SCG DR Resp. SC-SCG-2019-05, 11-15-19, K #566005625, eff 9-5-19-CONF, p. 10.

1 [REDACTED] ⁸⁵ [REDACTED]
2 [REDACTED]
3 [REDACTED] ⁸⁶
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED] ⁸⁷ [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED] ⁸⁸
14 [REDACTED]
15 [REDACTED]

⁸⁵ WP 62 - SCG DR Resp. SC-SCG-2019-05, 11-15-19, K #566005625, eff 9-5-19-CONF, p. 11.

⁸⁶ See WP 320, PDF p. 496, Question 8 (“Provide all contracts (and contract amendments) covered by the WOA which created the BALANCED ENERGY IO.”).

⁸⁷ [REDACTED]

⁸⁸ [REDACTED]

1 **B. The Accounting Review shows that SCG cannot**
2 **accurately quantify the employee time spent on Political**
3 **Activities**

4 Despite many Cal Advocates data requests asking SoCalGas to identify all
5 employees working on its political campaigns, and to quantify the total cost of that
6 labor,⁸⁹ SoCalGas has never accurately identified the total number of employees
7 working on the four political campaigns described in Section A, above, or the amount of
8 time those employees spent on those campaigns. Instead, as Section A documents,
9 the utility responded to those data requests by routinely and significantly under-
10 reporting both the number of employees working on those campaigns, and their time
11 spent on those campaigns.

12 The evidence shows that the utility has made no meaningful effort over the years
13 to accurately track employee lobbying activities, notwithstanding the policies in place
14 that require it to do so. Instead, it books nearly all employee costs to ratepayer
15 accounts as a matter of course,⁹⁰ and only later removes some of the costs to

⁸⁹ See, e.g., WP 35 - SCG DR Resp. SCG051719, 8-13-19, 3rd Resp; WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying Resp. 5-CONF; WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp-CONF; and WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 - LA MTA Lobbying-CONF.

⁹⁰ See, e.g., WP 300 – WP to PAO-SCG-112-TBO-CONF listing numerous employees who supported Political Activities but whose salaries were booked to ratepayer accounts. See *also* FN 91 below.

shareholder accounts when it is preparing for its GRC,⁹¹ or upon discovery by Commission staff.⁹²

As Cal Advocates' Accounting Review reveals, the utility has no way to accurately identify an employee's time spent on Political Activities because the utility does not have effective management controls to ensure staff report their time working on these activities on their timesheets. As the utility explained in response to Cal Advocates' data requests:

Regional Public Affairs employees do not track their time by project or proceedings. Employee time is recorded through electronic bi-weekly timesheets, an example of which is provided in the screenshot below. Regional Public Affairs employees are salaried employees, and their labor costs and expenses are recorded to ratepayer funded cost centers.⁹³

The employee timesheet provided by SoCalGas showed that the Regional Public Affairs (RPA) employee simply reported 8 hours of work each day, without any description of

⁹¹ See WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying-CONF, Response to Q.2 ("...not all costs recorded to the cost centers are requested for recovery from ratepayers. During the development of the GRC forecasts, it is sometimes necessary to remove incurred costs to further ensure that ratepayers are not funding activities that should be borne by shareholders."); see also *id.* Responses to Qs. 4, 5, 16, 17 and 19 (making similar claims); WP 155 - SCG DR Resp. SC-SCG-2019-10, 1-13-20 - Long Beach Lobbying, Supp-CONF, Response to Q.6 ("The employees who attended the September 21, 2017 meeting are all salaried employees and their labor costs and expenses are recorded to ratepayer funded cost centers. As noted in the TY2019 General Rate Case (GRC) workpapers, not all costs recorded to the cost centers are requested for recovery from ratepayers. During the development of the GRC forecasts, it is sometimes necessary to remove incurred costs to further ensure that ratepayers are not funding activities that should be borne by shareholders."); and WP 156 - SCG DR Resp. SC-SCG-2019-11, 1-13-20 - LA MTA Lobbying-CONF (same language as WP 155).

⁹² As a result of Cal Advocates' repeated inquiries, SoCalGas claimed to remove all Employee 1 and 2 labor from May 1, 2018 to the present. See WP 35 - SCG DR Resp. SCG051719, 8-13-19, 3rd Resp, Response to Q.3 ("SoCalGas determined that, in order to prevent further distraction from the important issues in R. 19-01-011, *Order Instituting Rulemaking Regarding Building Decarbonization*, that all of [Employee 1 and 2's] time from May 1, 2018 through the present would be shareholder funded (i.e., this time is booked to a distinct invoice/order (I/O) that is not ratepayer funded).").

⁹³ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying-CONF, Response to Q.24.

1 the work.⁹⁴ Thus, there is no way for SoCalGas to accurately identify the time spent by
2 RPA staff on Political Activities – even though the evidence shows that numerous RPA
3 employees participated in the four campaigns identified here.⁹⁵ The result is that
4 ratepayers have been absorbing these costs in rates for years.

5 And while Sempra Energy, SoCalGas' parent company (Sempra), has had a
6 clearly articulated Political Activity Policy in place since 2012⁹⁶ and a dedicated
7 electronic system – its Lobbying Activity Tracking System (LATS) – to track employee
8 time spent lobbying,⁹⁷ the evidence shows that SoCalGas employees who were heavily
9 involved in the Political Activities described above did not report their time or activities to
10 that system. For example, while it is evident that two specific employees expended
11 significant efforts over several years on Political Activities related to pro-gas advocacy,
12 including the four campaigns identified in Section A above, their LATS reports show that
13 they reported only 28.5 hours in lobbying activities between February 1, 2016 and April
14 2, 2018.⁹⁸ As the LATS policy was over-inclusive,⁹⁹ requiring reporting of a broad
15 range of activities, this evidence suggests that SoCalGas management has not required
16 employees to follow the Sempra policy requirements and accurately report their time
17 using the internal tracking system (LATS). This is evidenced by the fact that even a
18 cursory review of its reporting system (LATS) would have provided notice to SoCalGas
19 management that its staff were not in compliance, given that employees known to be

⁹⁴ WP 29 - SCG DR Resp. AW-SCG-2020-01, 3-31-21, LA Airport Lobbying-CONF, Response to Q.24.

⁹⁵ WP 300 – WP to PAO-SCG-112-TBO-CONF listing numerous employees who supported Political Activities but whose salaries were booked to ratepayer accounts.

⁹⁶ WP 170 - Sempra Political Activity Policy, 04-01-14 (requiring one to enter “all lobbying activity and expenses on a monthly basis into the LATS.”).

⁹⁷ WP 161 - WP 161 - SCG DR Resp. TB-SCG-2020-02, 5-8-20, LATs & Training.

⁹⁸ WP 10 - LATS Entries for Two Persons 2015-2019.

⁹⁹ WP 170 - Sempra Political Activity Policy, 04-01-14 (Sempra's LATS policy requires the reporting of any lobbying activity. Lobbying, as defined in the policy, is “any action intended to influence legislative or administrative action, including activities to influence government officials, political parties or ballot measures.”).

1 engaged in advocacy – such as Employees 1 and 2 – reported virtually nothing at all in
2 LATS. Consequently, the only credible conclusion is that utility management had no
3 interest in complying with the Sempra policy, which applied equally to SoCalGas.

4 What this means for this GRC is that there is no way to accurately quantify how
5 much time SoCalGas employees have spent on lobbying activities in the past so that
6 Cal Advocates can ensure the employee labor requests in the current GRC do not
7 contain estimates inflated to pay for future Political Activities. And while SoCalGas –
8 faced with unequivocal evidence of the two employee’s underreporting – eventually
9 booked both employees’ time to shareholders – it has not offered a similar solution for
10 all other employees pressed into service on behalf of SoCalGas’ numerous lobbying
11 campaigns.

12 The evidence adduced in Cal Advocates’ Accounting Review shows that
13 SoCalGas used RPA staff, including at least twelve Public Affairs Managers (PAMs) –
14 whose salaries and benefits are funded by ratepayers – to support the four campaigns
15 identified in Section A, including the recruitment of C4BES members.¹⁰⁰ Emails
16 produced by SoCalGas reflect that it also relied on many other employees to support
17 those four campaigns, including, among others: Senior Account Managers and
18 Executives, State Agency Relations Managers, Vice Presidents, Product Development
19 Managers, Technology Development staff, Media Relations staff, Communications
20 advisors, Customer Service representatives, Sales Managers, and Clean
21 Transportations Managers.¹⁰¹ Indeed, Cal Advocates identified roughly 40 SoCalGas
22 employees supporting at least one of the four campaigns after a simple review of a
23 handful of emails related to those campaigns.¹⁰²

¹⁰⁰ WP 67 - SCG DR Resp. SC-SCG-2019-06, 0000334-335, Brd Recruitment Status-CONF (tasking Public Affairs Managers and others with recruiting C4BES board members).

¹⁰¹ WP 300 – WP to PAO-SCG-112-TBO-CONF listing numerous employees who supported Political Activities but whose salaries were booked to ratepayer accounts.

¹⁰² See WP 300 - PAO-SCG-112-TBO_Attach_CONF, which is a list containing the names and title of roughly 40 SoCalGas employees who supported in some manner SoCalGas’ Political Activities. Documents demonstrating that support include, without limitation, the following Attachments: 2, 9, 67, 77, 79, 80, 83, 85, and 87. While SoCalGas claims that several of these

(continued on next page)

1 It is evident from the tenor of the emails, and the numerous employees engaged
2 in these four campaigns, that SoCalGas had a pattern and practice of recruiting staff
3 throughout the company to support its Political Activities – yet made no effort to track
4 those labor costs and book them to shareholders. For example, SoCalGas complains
5 that some of the identified employees are support staff – implying that they could not be
6 involved in Political Activities. However, the utility willfully ignores the fact that if their
7 labor was used to support Political Activities, then it should not be booked to ratepayers.

8 A PricewaterhouseCoopers (PwC) report also identified SoCalGas' failure to
9 track and allocate the labor costs of its Political Activities to shareholders in its May
10 2021 review of the utility's accounting for lobbying costs.¹⁰³ Among other things, PwC
11 found that SoCalGas employees were responsible for self-identifying when their labor
12 should be booked to a shareholder account, but that SoCalGas' process was *ad hoc* so
13 that there was no way to ensure that employee time spent lobbying was not being
14 charged to ratepayers.¹⁰⁴ PwC also noted that there was a "high" risk associated for
15 SoCalGas employee salaries to be misclassified as above-the-line or below-the-line.¹⁰⁵

16 **C. Preliminary findings from two weeks of SAP review**
17 **suggest that SCG continues to book Political Activity**
18 **costs to ratepayer accounts**

19 Nearly three years after the Commission's issuance of a subpoena requiring
20 SoCalGas to make its SAP accounting system available to Cal Advocates,¹⁰⁶ and an
21 Administrative Law Judge's (ALJ) Ruling issued February 14, 2023, SoCalGas finally

employees' salaries are booked below the line, most of them are not. Further, this listing is preliminary, and does not purport to identify even a meaningful fraction of SoCalGas employees who support the utility's Political Activities.

¹⁰³ WP 189 - PwC Political Costs Assessment Report, 5-24-2021. Although the PwC Review corroborates some of Cal Advocates findings, it should not be considered to be a comprehensive review, as it was scoped and directed by SoCalGas in a narrow fashion that avoids looking at the broader issues of how lobbying costs were booked and various political activities were funded.

¹⁰⁴ WP 189 - PwC Political Costs Assessment Report, 5-24-2021, p. 6.

¹⁰⁵ WP 189 - PwC Political Costs Assessment Report, 5-24-2021, p. 12.

¹⁰⁶ WP 174 - Subpoena to SoCalGas for Accounting Database Access - Service Copy.

1 made its SAP system available for Cal Advocates review. Notably, however, the utility
2 initially stalled in providing full access,¹⁰⁷ insisted on monitoring Cal Advocates' access,
3 and ultimately terminated the access after two weeks, notwithstanding Cal Advocates'
4 objections. Further, the access that was provided blocked Cal Advocates' ability to see
5 law firm costs based on attorney client and work product claims, as well as costs
6 booked to FERC Account 426.4 based on First Amendment claims.¹⁰⁸

7 As the Commission has observed, without access to *all* of the utility's accounts,
8 Cal Advocates has no way of confirming that all of SoCalGas' Political Activities have
9 been booked to Account 426.4.¹⁰⁹ Regardless of these limitations, Cal Advocates used
10 the last two weeks to identify vendors known to have supported the utility's Political
11 Activities within the SAP system, and to determine whether invoices paid by SoCalGas
12 to those vendors have been booked to ratepayers or shareholders.

13 Given that SoCalGas blocked Cal Advocates' access to all information related to
14 costs booked to Account 426.4, it is reasonable to assume that vendor costs Cal
15 Advocates can view in the SAP system have been booked to ratepayers. To this end,
16 Cal Advocates' review of the SAP system a number of vendors known to engage in
17 Political Activities on SoCalGas' behalf whose charges appear to be booked to
18 ratepayer accounts. For example, the SAP records appear to reflect that SoCalGas has
19 paid roughly \$2.7 million to six vendors between 2017 and 2022 and booked those
20 costs to ratepayer accounts.¹¹⁰

¹⁰⁷ The utility provided limited review to Cal Advocates beginning March 13, 2023. While an SAP expert was available to provide training, the utility was unable to show Cal Advocates how to search based on vendor identification numbers and other parameters, and refused to answer questions confirming that such functionality was available in SAP. The utility also initially limited Cal Advocates' ability to review information based on FERC account number, claiming that it did not maintain its accounts in a way that would show what FERC account number costs were billed to. See Work Papers 314 and 315 (Cal Advocates' staff declarations regarding SAP access provided by SoCalGas).

¹⁰⁸ See discussion in Section D below and FN 118. This issue is the subject of litigation currently pending before the California Supreme Court, as described below.

¹⁰⁹ *Id.*

¹¹⁰ Further details regarding these charges are available at WP 318 – Six Vendor Payments Found March 13-24, 2023.

1 Admittedly, some of these charges could have benefited ratepayers, but that is
2 the utility's burden to prove. Further, the evidence suggests that the vast majority of
3 activities provided by these vendors should have been directly charged to Account
4 426.4, and SoCalGas has provided no evidence that this has occurred.

5 For example, evidence obtained by Cal Advocates suggests that [REDACTED]
6 was responsible for creating the "We Can" front group that participated in the Ports
7 Campaign described in Section II.A.2 above. There is no evidence that this vendor
8 provided any form of ratepayer benefit, and SoCalGas has provided no evidence that
9 the over [REDACTED] in payments made to this vendor ultimately settled to FERC Account
10 426.4.¹¹¹

11 Similarly, SoCalGas has previously been unable to identify any ratepayer
12 benefits generated by Marathon's work for the utility in response to data requests,¹¹²
13 yet SAP shows over [REDACTED] in payments to Marathon that appear to be booked to
14 ratepayer accounts. The utility has also failed to provide evidence that all Marathon
15 payments have been booked to FERC Account 426.4.

16 The same can be said for each of the six vendors identified in Cal Advocates'
17 preliminary review of the SAP system.

18 Similarly, while SoCalGas committed to remove the salaries of Employees 1 and
19 2 from rates,¹¹³ Cal Advocates found evidence in the SAP system suggesting that at
20 least portions of those employees' salaries were still booked to ratepayers.¹¹⁴

21 The learning curve for using SAP is high and Cal Advocates was only beginning
22 to scratch the surface regarding SoCalGas' use of ratepayer monies to fund its Political

¹¹¹ See *id.*

¹¹² See WP 320 – SCG DR Response re Marathon RP benefits.

¹¹³ See WP 35 - SCG DR Resp. SCG051719, 8-13-19, 3rd Resp, Response to Q.3 ("SoCalGas determined that, in order to prevent further distraction from the important issues in R. 19-01-011, *Order Instituting Rulemaking Regarding Building Decarbonization*, that all of [Employee 1 and 2's] time from May 1, 2018 through the present would be shareholder funded (i.e., this time is booked to a distinct invoice/order (I/O) that is not ratepayer funded).").

¹¹⁴ Cal Advocates is unable to document this finding due to SoCalGas' termination of SAP access on or about March 24, 2023.

1 Advocacy when the utility terminated that access on or about March 24. However, even
2 without a robust analysis of the utility's SAP system, it is evident from the other
3 evidence adduced herein that the utility has been booking Political Advocacy costs to
4 ratepayers for a significant amount of time, and that the costs of this practice must be
5 addressed in this GRC.

6 **D. Significant adjustments are necessary to ensure**
7 **ratepayers do not fund SoCalGas' Political Activities**

8 As demonstrated above, the evidence from Cal Advocates' Accounting Review
9 establishes that SoCalGas has engaged in a pattern and practice of booking the costs
10 of significant political campaigns to ratepayer accounts between 2017 and 2019 and
11 dissembled in its data responses in order to minimize the costs booked to ratepayers.
12 The evidence also shows that it was only after Cal Advocates pursued the Accounting
13 Review that the utility took steps to begin meaningfully tracking employee time spent on
14 Political Activities.¹¹⁵ However, even that program is suspect given the utility's
15 suggestion that support staff could not be involved in Political Activities.

16 Significantly, in May 2020 the utility short cut the Accounting Review by refusing
17 to provide Cal Advocates access to its accounting database so that Cal Advocates
18 could identify for itself other Political Activities that may have been booked to
19 ratepayers, and to confirm that costs associated with the four campaigns identified in
20 Section III.A above had been moved to Account 426.4.

21 After the Commission determined that the utility was obliged to make its "100%
22 shareholder-funded" accounts available to all Commission staff,¹¹⁶ the utility appealed
23 that determination to the California Court of Appeals. While the Appellate Court found

¹¹⁵ See, e.g. WP 172 - SoCalGas Political Activities Accounting Procedure 10-5-20.pdf

¹¹⁶ See Resolution ALJ-391, available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/legacy3/1---resolution-alj-391---issued-12-21-2020.pdf>.

1 that Commission staff did not need access to the utility's shareholder accounts to
2 ensure ratepayers do not pay for Political Activities,¹¹⁷ the Commission disagreed.

3 On February 15, 2023, the Commission filed a Petition for Rehearing (PFR) with
4 the CA Supreme Court and explained:

5
6 SoCalGas asserts that it has removed all advocacy costs from the
7 rate increases requested in its GRC, but provides no substantive
8 evidence to demonstrate this. As to the staff time allocation, the
9 issue is: How can Cal Advocates demonstrate in the GRC that staff
10 time should be adjusted on the ratepayer side if they cannot
11 quantify how much total advocacy work was done and by which
12 SoCalGas staff? Similar to the "dinner tab" analogy discussed
13 herein, [fn 24] Cal Advocates has no way of knowing whether the
14 allocation ratepayers are being asked to pay is correct because
15 they lack sufficient information about how the allocation was made
16 by SoCalGas in the first place. The notion that SoCalGas should
17 simply be trusted to perform a proper allocation, without any
18 requirement to substantiate the allocation, renders the
19 Commission's oversight jurisdiction meaningless.¹¹⁸
20

21 Given Cal Advocates' inability to fully review the utility's accounts, and the utility's
22 demonstrated failure to comply with its own policies requiring the tracking of the costs of
23 its Political Activities, the solution to the instant problem is not readily evident.

24 As a matter of principle, SoCalGas' failure to remove these costs from prior
25 GRCs means that ratepayers have been funding Political Activities with which they may

¹¹⁷ See Court Of Appeal Of The State Of California, Second Appellate District, Division One, B310811, p. 28 ("The PAO is authorized to ensure only that advocacy costs are *not* booked to *ratepayer* accounts. This it may do by examining ratepayer, not shareholder, accounts.")

¹¹⁸ *Southern California Gas Company v California Public Utilities Commission*, California Supreme Court Case No. S278642, p. 27. The Commission filed a Petition for Review (PFR) on February 15, 2023. As the Commission further explained in its PFR at p. 27, footnote 24:

For example, suppose six people go to dinner together. Later, an attendee receives a request for their share of the dinner bill. How can that person know if the amount allocated as their share is correct? How much was the total bill? How was the allocation done? Was it an equal division? Was each person charged for the specific items they ordered? Who determined the tip? How was the tip allocated to each person? The point is that just seeing your own allocated share of the dinner does not permit you to determine the appropriateness of the allocation.

1 not agree for several years – a violation of their First Amendment rights against
2 compelled speech.¹¹⁹

3 In addition, the ratepayer funds associated with SoCalGas employee lobbying
4 are not insignificant. For the 2019 test year, SoCalGas requested \$4,420,000 for
5 Regional Public Affairs, with \$3,522,000 in labor and \$897,000 in non-labor costs.¹²⁰
6 However, in 2017, 2018, and 2019, just four of the management employees implicated
7 in the Political Activities described herein received a total of \$4,426,676.77 in salary,
8 bonus, or expense compensation, nearly the same as an entire year of the Regional
9 Public Affairs budget during that time.¹²¹ Thus, it is evident that the costs of SoCalGas’
10 Political Activities extend far beyond the budget request for Regional Public Affairs, and
11 must take into account the significant costs of the other employees engaged in the
12 utility’s Political Activities, including not only the previously overlooked support staff, but
13 the highly paid managers who approved the activities, and provided guidance and
14 oversight.

15 **III. CAL ADVOCATES’ ADJUSTMENTS**

16 As described above, the evidence adduced in Cal Advocates’ Accounting Review
17 shows that SoCalGas enlisted employees across numerous SoCalGas divisions to
18 support its Political Activities¹²² that the costs of that time were significant, and that the
19 utility did not accurately track the employee time spent on those Political Activities.¹²³

¹¹⁹ The U.S. Supreme Court has reiterated that “[c]ompelling a person to subsidize the speech of other private speakers raises ... First Amendment concerns” similar to those present when the government directly compels individuals to engage in speech that they find objectionable. *Janus v. AFSCME*, 138 S. Ct. 2448, 2464 (2018). Thus, “[b]ecause the compelled subsidization of private speech seriously impinges on First Amendment rights, it cannot be casually allowed.” *Id.*

¹²⁰ A.17-10-008, Exhibit SCG-04-WP, p. 145.

¹²¹ These compilations are based on labor costs for those employees derived from SoCalGas Annual GO 77-M filings. See WP 317 – Total Labor Costs of 4 SCG Empees 2017-19.

¹²² See FN 102 above.

¹²³ See discussion in Section II.B above.

1 The result is that SoCalGas could not have accurately quantified and removed those
2 costs from its current GRC request even if it had wanted to.

3 The evidence also shows that SoCalGas routinely booked the costs of
4 consultants supporting its Political Activities to ratepayer accounts, and SoCalGas has
5 provided no evidence to demonstrate that all those consultant costs have been moved
6 to FERC Account 426.4. Indeed, Cal Advocates' preliminary review of the utility's SAP
7 accounting system appears to show that consultant costs identified by Cal Advocates
8 remain booked to ratepayer accounts.¹²⁴

9 We also know from our years of working on the Accounting Review that
10 SoCalGas uses the following terms (also used in employee titles) as euphemisms for
11 activities that fall squarely within the definition of "Political Activities" that may not be
12 charged to ratepayer accounts:

- 13 • Customer information
- 14 • Customer education
- 15 • Public relations
- 16 • Community relations
- 17 • Community affairs
- 18 • Policy and strategy
- 19 • Customer solutions
- 20 • Public information
- 21 • Product development
- 22 • Technology development
- 23 • Energy and environmental affairs
- 24 • Digital Marketing and communications
- 25 • Customer awareness
- 26 • Customer communications
- 27 • Social media
- 28 • External affairs

¹²⁴ See discussion in Section II.C above.

- Public affairs strategy
- Clean transportation
- Customer outreach

For example, SoCalGas employees responsible for creating the C4BES front group worked on teams identified as “Strategy and Planning” and “External Affairs and Environmental Strategy.”¹²⁵ They had titles such as “Public Policy Manager” and “Regulatory VP, External Affairs and Environmental Strategy.”¹²⁶ And their salaries were booked to ratepayer accounts.^{127, 128}

Consistent with this terminology, the evidence shows that more than forty employees participated in the four political campaigns identified in this testimony, and that they worked in a wide variety of divisions across the utility. Those employees included Public Affairs Managers, Marketing Advisors, Field Supervisors, Community Relations employees, Public Affairs Policy and Strategy Managers, Social Media Community Advisors, Public Policy and Planning Managers, Account Executives, Energy and Environmental Affairs Managers, Regional Public Affairs Managers, Senior Account Executives, and Clean Transportation Business Development Managers.

¹²⁵ Ex 300 - PAO-SCG-112-TBO - WP-45 SCG Emp Titles-CONF

¹²⁶ Ex 300 - PAO-SCG-112-TBO - WP-45 SCG Emp Titles-CONF

¹²⁷ While SoCalGas committed to remove their salaries from ratepayer accounts (WP 35 - SCG DR Resp. SCG051719, 8-13-19, 3rd Resp, Response to Q.3 (“SoCalGas determined that, in order to prevent further distraction from the important issues in R. 19-01-011, *Order Instituting Rulemaking Regarding Building Decarbonization*, that all of [Employee 1 and 2’s] time from May 1, 2018 through the present would be shareholder funded (i.e., this time is booked to a distinct invoice/order (I/O) that is not ratepayer funded.”), Cal Advocates has no way of confirming that this has occurred. Among other things, SoCalGas terminated SAP access before Cal Advocates could document evidence that some of these salaries appear to remain in ratepayer accounts.

¹²⁸ See also Employee 2’s description of the activities Marathon was hired to perform at WP Ex 32 - SCG DR Resp. PubAdv-SCG-167-SCS, A.17-10-008, Marathon Requisition Summary, 1-26-18 CONF (“Marathon Communications has a unique combination of media, communications and political expertise in the energy field which will be critical in educating customers on complex policy issues over an extended period of time. Marathon will provide strategic advice for an education campaign targeting policy makers. Marathon will also develop messaging tactics to deliver the messaging to represent SoCalGas customer interests as it relates to broad policy issues.”).

1 Significant here is the fact that almost all these employees' salaries and benefits
2 were paid for by ratepayers, and SoCalGas has provided no evidence that it has
3 adjusted its TY request to address these employees' time spent on Political Activities
4 that promote SoCalGas' interests.

5 The fact is that Cal Advocates will never be able to identify all the organizations
6 within SoCalGas that have and will continue to book Political Activities costs to
7 ratepayers. To address this imbalance of information, Cal Advocates has identified
8 organizations within SoCalGas that the evidence shows have engaged in Political
9 Activities on behalf of SoCalGas under the guise of the euphemisms the utility uses in
10 lieu of "Political Activities." Cal Advocates' then traced these organizations to at least
11 four organizations seeking funding in this GRC. On this basis, Cal Advocates
12 recommends the following adjustments, which represent a roughly 1.8% disallowance
13 from the utility's total request:

- 14 1. An 80% disallowance for the estimated total TY costs of \$4.107
15 associated with the Regional Public Affairs organization described
16 at SCG-04-R, Aguirre;
- 17 2. An 80% disallowance for the estimated total TY costs of \$47.223
18 million associated with the Clean Energy Innovations organization
19 described at SCG-12-R, Infanzon;
- 20 3. An 80% disallowance for the estimated total TY costs of \$27.227
21 million associated with the Customer Services – Information
22 organization described at SCG-16, Prusnek;
- 23 4. A 35% disallowance for the estimated total TY costs of \$47.249
24 million associated with Administrative and General costs described
25 at SCG-29-R, Mijares.

26 These adjustments, which total approximately \$80 million, are in addition to the
27 other adjustments and disallowances Cal Advocates has recommended for these four
28 organizations. They are appropriate because the same or similar organizations have
29 historically supported extensive Political Activities on behalf of SoCalGas' business
30 interests, and the testimony supporting these organizations demonstrates that they are
31 poised to engage in such activities going forward.

32 Because SoCalGas has not shown that the costs of its Political Activities have
33 been removed from this GRC request, it is only fair to assume these costs are
34 imbedded in historical costs and improperly reflected in the utility's GRC request as

1 routine costs of doing utility business. Consequently, Cal Advocates proposes that
2 these adjustments be applied first, before applying Cal Advocates' other adjustments.

3 In sum, the utility has the burden of proof. If SoCalGas cannot or will not
4 proactively and definitively demonstrate that all labor and non-labor costs associated
5 with its Political Activities have been removed from its TY request, then Cal Advocates'
6 proposed adjustments are more than justified.

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Stephen Castello. My business address is 505 Van Ness Avenue,
3 San Francisco, California. I am employed by the Public Advocates Office at the
4 California Public Utilities Commission as a Senior Public Utilities Regulatory Analyst in
5 the Electricity Pricing and Customer Programs Branch.

6 I hold a Master of Science in Economics from California State University, East
7 Bay (2018). I also received a Bachelor of Arts in Political Science from the University of
8 California, Berkeley (2014). I joined the Commission on May 1, 2019 in the Public
9 Advocates Office, Electricity Pricing and Customer Programs Branch.

10 I have previously provided testimony in the Application of Pacific Gas and
11 Electric Company for Approval of its Demand Response Programs, Pilots and Budgets
12 for Program Years 2023-2027 (A.22-05-002), the Rulemaking to Ensure Reliable
13 Electric Service in California in the Event of an Extreme Weather Event in 2021 (R.20-
14 11-003), the Integrated Distributed Energy Resources Rulemaking (R.14-10-003) and
15 the Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs,
16 Evaluation, and Related Issues (R.13-11-005).

17 This completes my prepared testimony.