



Dan Skopec
Vice President, Regulatory Affairs
8330 Century Park Court
San Diego, CA 92123

DSkopec@semprautilities.com

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Sent Via Email

Dear President Batjer and Commissioners:

This letter is to request that the California Public Utilities Commission (CPUC or Commission) open two proceedings with respect to the tracking, accounting, and ratemaking treatment for costs associated with education, lobbying, and advocacy activities.

First, SoCalGas respectfully requests that the CPUC open a statewide Order Instituting Rulemaking (OIR) to:

- (1) Establish clarity for SoCalGas and the other investor-owned utilities (IOUs) on the ratemaking treatment for lobbying and other advocacy activity;
- (2) Establish clear definitions of lobbying for accounting purposes; and
- (3) Create the structure for cost allocation studies of lobbying to be used in future General Rate Cases (GRCs).

Second, SoCalGas requests that the Commission open a formal investigation of SoCalGas through an Order Instituting Investigation (OII), to be performed concurrent with the statewide OIR. While such a request is unprecedented, an inquiry is vital for achieving clarity on compliance with Commission rules regarding how costs are allocated to ratepayers, in particular before such activities inform rates in SoCalGas's next GRC cycle.

Specifically, there is a lack of clarity in how the CPUC approves costs for education, lobbying and advocacy, particularly for local level activity when multiple utilities work simultaneously to meet the State's climate goals and educate customers about emerging clean energy technology and fuel options.

For decades, SoCalGas has relied on the Federal Energy Regulatory Commission's (FERC) definition of lobbying for accounting above or "below the line." The CPUC itself has applied this definition for decades in IOUs' GRCs. Most recently, SoCalGas relied upon this definition in SoCalGas's Test Year (TY) 2019 GRC, concluded in September 2019, and the CPUC did not disallow such advocacy activities.

It is evident, however, that gray areas exist in ratemaking treatment for lobbying activity. GRC decisions have varied depending on the IOU or facts litigated during a formal 3- to 4-year proceeding. SoCalGas believes it is beneficial for all IOUs to gain clarity on ratemaking treatment going forward.¹

Additionally, to enhance transparency and efficiency, SoCalGas will have an independent, third-party review performed of its accounting of the costs in question. As with every GRC cycle in which accounting is reviewed and adjusted if necessary and as appropriate to charge to below-the-line FERC accounts, such costs would be removed from SoCalGas's next GRC TY 2024 forecast, so as to not be recovered in rates.² SoCalGas will share the results of this review with the Public Advocates Office (Cal Advocates), the Energy Division, and the Commission.

Because GRCs are further out in the future and can vary in Commission guidance, we ask the Commission to turn its attention to this important issue at the earliest possible opportunity. Rapidly evolving decarbonization policies and local advocacy in support of them throughout the state present unique challenges for SoCalGas and other entities working in this sector. SoCalGas's request for an inquiry would help achieve both clarity on compliance with Commission rules as well as ensuring proper cost allocation to ratepayers prior to the next GRC cycle.

¹ For example, on June 25, 2020, in Rulemaking 19-01-011, the Administrative Law Judge brought within scope of that proceeding the issue of whether funding of Californians for Balanced Energy Solutions (C4BES) is eligible for cost recovery from ratepayers. The scope of inquiry in R.19-01-011 is limited to ratepayer funding of C4BES. Given the importance for all IOUs to gain clarity on ratemaking treatment and the limited scope of inquiry in R.19-01-011, SoCalGas believes that a statewide OIR is still needed to address the issue more broadly to avoid additional piecemeal litigation.

² SoCalGas's TY 2019 GRC sets a total revenue requirement for the test year in 2019, and "attrition" years thereafter. Attrition years approved in the final Decision (D.) 19-09-051 were 2020 and 2021. Furthermore, D.20-01-002 adopting 4-year GRC cycles for IOUs moved SoCalGas's current cycle to 5 years (2019-2023) and extends our next GRC filing date to May 2022 for the TY 2024 cycle. In SoCalGas's GRCs, the historical years up to the "base year" are considered, typically a 5-year historical period. Thus, in its TY 2019 GRC, the base year was 2016 and SoCalGas's forecasts incorporated data from 2012-2016. As such, incurred costs from 2017 onward will be assessed to inform future GRC rates for the TY 2024 cycle when those GRC forecasts are prepared leading up to SoCalGas's May 2022 Application and a final decision at the end of 2023 (according to the revised Rate Case Plan schedule) is issued to set SoCalGas's revenue requirement.

We respectfully submit that timely clarity from the Commission in a formal proceeding with an evidentiary record best serves the public interest. For stakeholders to know that SoCalGas and other IOUs work in the best interest of the State and their customers, an open forum governed by rules of practice and procedure, while not without cost, delivers the greatest possible transparency.

SoCalGas looks forward to working with the Commission on this important matter.

Sincerely,



Dan Skopec
Vice President – Regulatory Affairs

cc: Alice Stebbins
Arocles Aguilar
Edward Randolph