

Company: Southern California Gas Company (U 904 G) / San Diego Gas & Electric  
Company (U 902 M)  
Proceeding: 2024 General Rate Case  
Application: A.22-05-015/-016 (cons.)  
Exhibit: SCG-223 / SDG&E-227

**REBUTTAL TESTIMONY**  
**OF DERICK R. COOPER**  
**(CORPORATE CENTER – GENERAL ADMINISTRATION)**

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



**May 2023**

**TABLE OF CONTENTS**  
**CHAPTER 1**

I.	SUMMARY OF DIFFERENCES .....	1
II.	INTRODUCTION .....	1
	A. Cal Advocates .....	2
	B. TURN.....	3
	C. CEJA.....	3
III.	REBUTTAL TO PARTIES’ O&M PROPOSALS.....	4
	A. Response to Cal Advocates.....	4
	1. Cal Advocates’ Overall Support for Corporate Center-General Administration Forecasts. ....	5
	2. Cal Advocates’ Disagreement Regarding Audits .....	5
	B. TURN.....	6
	C. CEJA.....	6
	1. Correction of Outside Legal Forecast.....	7
	2. CEJA’s Recommended Additional Reductions to the Outside Legal Forecasts. ....	8
IV.	CONCLUSION.....	10

**APPENDICES**

APPENDIX A – GLOSSARY OF TERMS  
APPENDIX B – DATA REQUEST RESPONSES

**REBUTTAL TESTIMONY OF  
DERICK R. COOPER  
(CORPORATE CENTER - GENERAL ADMINISTRATION)**

**I. SUMMARY OF DIFFERENCES**

<b>TOTAL O&amp;M - Constant 2021 (\$000)</b>			
	<b>Base Year 2021</b>	<b>Test Year 2024</b>	<b>Change</b>
SOCALGAS/SDG&E	<b>136,632</b>	<b>130,532</b>	
CAL ADVOCATES	<b>136,184<sup>1</sup></b>	<b>130,532<sup>2</sup></b>	<b>0</b>
TURN	<b>136,632</b>	<b>121,727</b>	<b>(8,805)</b>
CEJA	<b>136,030</b>	<b>130,286</b>	<b>(246)</b>

**II. INTRODUCTION**

This rebuttal testimony regarding Southern California Gas Company’s (SoCalGas) and San Diego Gas & Electric Company’s (SDG&E) (collectively, the Companies) request for Corporate Center – General Administration costs addresses the following testimony from other parties:

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<sup>1</sup> All Base Year (BY) 2021 figures reflect SoCalGas’s and SDG&E’s corrections to forecasts due to the discovery of errors in outside legal costs that should have been excluded from the historical BY 2021. Cal Advocates’ Exhibit CA-12 agreed with SoCalGas’s and SDG&E’s forecasts for all areas. Cal Advocates’ Exhibit CA-19 recommends removing \$448,000 (\$334,000 for SDG&E and \$114,000 for SoCalGas) for certain audits that were marked confidential, which is reflected in the “Base Year 2021” column. (See Ex. CA-19 (Testimony of Sophie Chia and Joyce Lee on behalf of Cal Advocates), March 27, 2023, at 1-2.) CEJA recommends the removal of \$794,000 for a specific legal matter in the historical years (\$602,000 is from BY 2021). (See Ex. CEJA-01 (Prepared Testimony of Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker on behalf of CEJA), March 27, 2023, at 98-100.)

<sup>2</sup> All Test Year (TY) figures reflect SoCalGas’s and SDG&E’s updated forecasts because of the correction of outside legal costs that should have been excluded from historical years 2017-2021. Cal Advocates Exhibit CA-12 agreed with SoCalGas’s and SDG&E’s forecasts for all areas. Cal Advocates Exhibit CA-19 recommends the removal from TY 2024 forecasts the costs of certain audits that were conducted under the attorney/client privilege confidential in 2021. (See Ex. CA-19 (Sophie Chia and Joyce Lee) at 10-12.) As stated in this rebuttal testimony, the removal of BY 2021 costs does not impact the TY 2024 forecasts for audit costs. TURN recommends the removal of all Corporate Center ICP from Test Year 2024 in the amount of \$8,805,000 (\$4,066,000 for SDG&E and \$4,739,000 for SoCalGas). (See Ex. TURN-10 (Prepared Testimony of Garrick Jones on behalf of TURN), March 27, 2023, at 2.) CEJA’s recommendation to remove \$794,000 for a specific legal matter in the historical years would result in a reduction of \$246,000 in forecasted outside legal costs for TY 2024. (See Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100.)

- 1 • The Public Advocates Office of the California Public Utilities  
2 Commission (Cal Advocates) as submitted by Leonid Chumack (Exhibit  
3 CA-12) and Sophie Chia and Joyce Lee (Exhibit CA-19), both dated  
4 March 27, 2023.
- 5 • The Utility Reform Network (TURN) as submitted by Garrick Jones  
6 (Exhibit TURN-10), dated March 27, 2023.
- 7 • The California Environmental Justice Alliance (CEJA) as submitted by  
8 Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker (Exhibit  
9 CEJA-01), dated March 27, 2023.

10 As a preliminary matter, the absence of a response to any particular issue in this rebuttal  
11 testimony does not imply or constitute agreement by the Companies with the proposal or  
12 contention made by these or other parties. The forecasts contained in the Companies direct  
13 testimony are based on sound estimates of its revenue requirements at the time of testimony  
14 preparation.

15 **A. Cal Advocates**

16 The following is a summary of Cal Advocates' position on the overall support for the  
17 Corporate Center – General Administration forecasts and the removal of costs associated with  
18 certain internal audit reports for the years 2017-2021 that are protected by attorney-client  
19 privilege:

- 20 • Cal Advocates (Exhibit CA-12) agreed with SoCalGas's and SDG&E's  
21 forecast for all areas.<sup>3</sup>
- 22 • Cal Advocates (Exhibit CA-19) recommended for SDG&E the removal of  
23 \$233,000 in 2017, \$101,000 in 2018, \$218,000 in 2019, \$546,000 in 2020,  
24 and \$334,000 in 2021; and, for SoCalGas, the removal of \$381,000 in  
25 2017, \$593,000 in 2018, \$344,000 in 2019, \$117,000 in 2020, and  
26 \$114,000 in 2021, on grounds that they were not granted access to fifteen  
27 audit reports for SDG&E and twenty-one for SoCalGas that are protected  
28 by attorney-client privilege.<sup>4</sup>

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<sup>3</sup> Ex. CA-12 (Testimony of Leonid Chumack on behalf of Cal Advocates), March 27, 2023.

<sup>4</sup> Ex. CA-19 (Sophie Chia and Joyce Lee) at 1-2, 8-11.

1           **B.     TURN**

2           The following is a summary of TURN’s position that it is inappropriate to include the  
3 cost of incentivizing financial goals in rates.<sup>5</sup>

- 4           •       TURN recommends reducing the Corporate Center ICP forecast by \$4.066  
5           million for allocations to SDG&E and \$4.739 million for allocations to  
6           SoCalGas.
- 7           •       TURN states that the Corporate Center ICP goals consist entirely of  
8           financial goals and their recommended adjustments result in forecasts of  
9           \$0 million for both Companies.

10          **C.     CEJA**

11          The following is a summary of CEJA’s position on the Companies’ forecast for all areas.<sup>6</sup>

- 12          •       CEJA notes that SoCalGas and SDG&E have committed to correct their  
13          TY 2024 forecasted outside legal costs in rebuttal testimony and capture  
14          the resulting revenue requirement during the update testimony phase.
- 15          •       CEJA notes that SoCalGas’s and SDG&E’s corrections showed a decrease  
16          to the TY 2024 outside legal forecast of \$4.308 million for both utilities  
17          (\$2.871 for SoCalGas and \$1.437 for SDG&E).
- 18          •       CEJA requests an additional reduction to the outside legal expense  
19          forecast, based on certain historical costs it believes should not be  
20          ratepayer costs. CEJA additionally believes SoCalGas should be required  
21          to refund ratepayers for actual costs incurred.

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<sup>5</sup> Ex. TURN-10 (Garrick Jones) at 2.

<sup>6</sup> Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100.

1 **III. REBUTTAL TO PARTIES' O&M PROPOSALS**

2 **Table DRC-1**  
3 **Comparison of Total O&M Costs**

<b>TOTAL O&amp;M - Constant 2021 (\$000)</b>			
	<b>Base Year 2021</b>	<b>Test Year 2024</b>	<b>Change</b>
SOCALGAS/SDG&E	<b>136,632</b>	<b>130,532</b>	
CAL ADVOCATES	<b>136,184<sup>7</sup></b>	<b>130,532<sup>8</sup></b>	<b>0</b>
TURN	<b>136,632</b>	<b>121,727</b>	<b>(8,805)</b>
CEJA	<b>136,030</b>	<b>130,286</b>	<b>(246)</b>

4  
5 **A. Response to Cal Advocates**

6 Cal Advocates' general position is that it agrees with SoCalGas's and SDG&E's forecast  
7 in all areas, while recommending the removal of costs associated with specific audit reports for  
8 the years 2017-2021 that were marked confidential and privileged.

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<sup>7</sup> All Base Year (BY) 2021 figures reflect SoCalGas's and SDG&E's corrections to forecasts due to the discovery of errors in outside legal costs that should have been excluded from the historical BY 2021. Cal Advocates' Exhibit CA-12 agreed with SoCalGas's and SDG&E's forecasts for all areas. Cal Advocates' Exhibit CA-19 recommends removing \$448,000 (\$334,000 for SDG&E and \$114,000 for SoCalGas) for certain audits that were marked confidential, which is reflected in the "Base Year 2021" column. (See Ex. CA-19 (Sophie Chia and Joyce Lee) at 1-2.) CEJA recommends the removal of \$794,000 for a specific legal matter in the historical years (\$602,000 is from BY 2021). (See Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100.)

<sup>8</sup> All Test Year (TY) figures reflect SoCalGas's and SDG&E's updated forecasts because of the correction of outside legal costs that should have been excluded from historical years 2017-2021. Cal Advocates Exhibit CA-12 agreed with SoCalGas's and SDG&E's forecasts for all areas. Cal Advocates Exhibit CA-19 recommends the removal from TY 2024 forecasts the costs of certain audits that were conducted under the attorney/client privilege confidential in 2021. (See Ex. CA-19 (Sophie Chia and Joyce Lee) at 10-12.) As stated in this rebuttal testimony, the removal of BY 2021 costs does not impact the TY 2024 forecasts for audit costs. TURN recommends the removal of all Corporate Center ICP from Test Year 2024 in the amount of \$8,805,000 (\$4,066,000 for SDG&E and \$4,739,000 for SoCalGas). (See Ex. TURN-10 (Garrick Jones) at 2.) CEJA's recommendation to remove \$794,000 for a specific legal matter in the historical years would result in a reduction of \$246,000 in forecasted outside legal costs for TY 2024. (See Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100).

1                   **1. Cal Advocates’ Overall Support for Corporate Center-General**  
2                   **Administration Forecasts.**

3                   Cal Advocates agreed with SoCalGas’s and SDG&E’s forecast for all areas. Cal  
4                   Advocates recommends that the Commission adopt SoCalGas’s and SDG&E’s forecast as  
5                   reasonable after reducing for the updated Outside Legal forecasts, as shown in the table above.

6                   **2. Cal Advocates’ Disagreement Regarding Audits**

7                   Cal Advocates conducted its examination of the Companies’ financial records in  
8                   accordance with the authority and mandates set forth in the Public Utilities Code sections 314,  
9                   314.5, and 309.5. For SDG&E, Cal Advocates recommends the removal of \$233,000 in 2017,  
10                  \$101,000 in 2018, \$218,000 in 2019, \$546,000 in 2020, and \$334,000 in 2021. For SoCalGas,  
11                  Cal Advocates recommends the removal of \$381,000 in 2017, \$593,000 in 2018, \$344,000 in  
12                  2019, \$117,000 in 2020, and \$114,000 in 2021.<sup>9</sup>

13                  Cal Advocates makes no claim that the expenses incurred were incorrect or imprudent  
14                  but argues that because Cal Advocates was not granted access to fifteen audit reports for  
15                  SDG&E and twenty-one for SoCalGas, those corresponding expenses should be removed.<sup>10</sup>  
16                  These audit reports, however, are marked confidential and privileged, since they are protected  
17                  from disclosure by the attorney-client privilege and/or attorney work product doctrine. SDG&E  
18                  and SoCalGas explained these facts to Cal Advocates’ auditors and continue to maintain that the  
19                  audit reports are protected from disclosure but are nevertheless reasonable and legitimate  
20                  business expenses and should be considered in this GRC as part of the history of these accounts.

21                  The Commission rejected a similar Cal Advocates position and arguments in D.19-09-  
22                  051 explicitly finding the costs for 20 privileged audits to be “legitimate expenses for necessary  
23                  audits and should not be excluded”<sup>11</sup>:

24                  We have reviewed the different groups that comprise the Finance division and  
25                  examined the forecast amounts for each group, the allocation methodology used  
26                  to allocate costs, and the resulting amount to be allocated to Applicants. We find  
27                  that the testimony submitted reasonably supports the request and adequately sets  
28                  forth the functions and necessity of the Finance division as well as the seven  
29                  subgroups that comprise it. We evaluated each of the allocation methods that were

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<sup>9</sup> Ex. CA-19 (Sophie Chia and Joyce Lee) at 1-2.

<sup>10</sup> *Id.* at 8-11.

<sup>11</sup> Decision (D.) 19-09-051 at 503 and 718.

1 utilized and find them to be appropriate. The methods used follow the hierarchy  
2 of allocation methods discussed at the beginning of this section. Many of the  
3 services and functions are centralized and benefit all business units for which the  
4 multi-factor allocation method was properly utilized.

5 Parties for the most part did not challenge the total costs that were forecast for the  
6 Corporate Center as well as the allocation method used, and the resulting amount  
7 to be allocated to Applicants except for ORA's objection to the amounts allotted  
8 for the Internal Audit and Risk Management group. However, we reviewed  
9 ORA's recommendation and find that the basis for its proposal is the exclusion of  
10 the cost for 20 audits conducted to which ORA was not granted access. However,  
11 Applicants explained that access to the documents pertaining to these audits was  
12 withheld from ORA because the documents were considered to be confidential in  
13 nature because of the attorney-client privilege. *We find Applicants' explanation to*  
14 *be reasonable and agree that these audits were legitimate expenses for necessary*  
15 *audits and should be included in costs for the Internal Audit and Risk*  
16 *Management group.* We therefore accept Applicants proposed Corporate Center  
17 and allocated costs.<sup>12</sup>

18 The CPUC has long recognized the validity of the attorney/client privilege and there  
19 should be no automatic penalty to a regulated entity simply for exercising its legal rights.  
20 Otherwise, this could result in SDG&E and SoCalGas waiving their attorney-client privilege for  
21 these documents.

22 In addition, it should be noted that these historical costs at issue are not used for GRC  
23 forecasting purposes. Instead, the allocation of these forecasted costs within the Audit Services  
24 department is based on the annual Audit Plan.<sup>13</sup>

25 Accordingly, Cal Advocates' recommendation should be rejected.

## 26 **B. TURN**

27 TURN's recommendation to remove 100% of the Corporate Center ICP allocated to  
28 SDG&E and SoCalGas should be rejected, as addressed in the rebuttal testimony of Debbie  
29 Robinson (Exhibit SCG-225/SDG&E-229).<sup>14</sup>

## 30 **C. CEJA**

31 CEJA's rebuttal testimony notes that SoCalGas and SDG&E have committed to correct  
32 their TY 2024 forecasted outside legal costs in rebuttal testimony and capture the resulting

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<sup>12</sup> D.19-09-051 at 503 (emphasis added).

<sup>13</sup> Ex. SCG-23-R/SDG&E-27-R (Revised Direct Testimony of Derick R. Cooper) at DRC-25 – 26.

<sup>14</sup> See Ex. SCG-225/SDG&E-229 (Rebuttal Testimony of Debbie S. Robinson) at DSR-18 - 19.



1 revenue requirement during the update testimony phase.<sup>15</sup> Appendix B shows the correction  
2 made to the Corporate Center – General Administration TY 2024 forecast for outside legal costs,  
3 which has been previously identified and provided to all parties through the Companies’  
4 discovery portal.<sup>16</sup> As the Companies have previously described, the reduction to revenue  
5 requirement will occur at the update phase of this proceeding. In addition to the correction,  
6 CEJA also recommends that SoCalGas reduce their outside legal expenses further for certain  
7 costs that CEJA believes should not be assigned to ratepayers and further requests that SoCalGas  
8 be required to “refund” ratepayers for actual costs incurred.<sup>17</sup> As described below, CEJA’s  
9 arguments are without merit and should be rejected.

### 10 **1. Correction of Outside Legal Forecast**

11 In response to a CEJA data request, the Companies stated that “one or more errors in the  
12 underlying data [on outside counsel costs] were identified while responding to discovery.” In a  
13 subsequent data request and in a reply to a motion to compel,<sup>18</sup> the Companies stated that “errors  
14 had been discovered in the underlying data that will impact the TY 2024 forecast for outside  
15 legal, as shown in Exhibit SCG-23-R/SDG&E-27-R and supporting workpapers.” SoCalGas and  
16 SDG&E committed to “correct this forecast, which is anticipated as a downward adjustment, at  
17 their next opportunity for revisions to testimony and workpapers.”<sup>19</sup> Because five years of  
18 historical aggregated data was utilized in the forecasting of outside legal costs, SoCalGas and  
19 SDG&E reviewed costs for individual matters under attorney/client privilege for SoCalGas,  
20 SDG&E, and Sempra (to the extent such data was allocated to the Companies) for each of the  
21 years 2017-2021 and 2022.<sup>20</sup> Upon completion of this, SoCalGas and SDG&E recreated their

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<sup>15</sup> Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100.

<sup>16</sup> See Appendix B, Excerpt from CEJA-SEU-009 Response (Introductory Statement) at DRC-B-2 – DRC-B-3.

<sup>17</sup> Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 100.

<sup>18</sup> A.22-05-015/016 (cons.), Response in Opposition of SoCalGas and SDG&E to Motion to Compel (February 23, 2023) (“Response”), *available at* <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M502/K757/502757399.PDF>.

<sup>19</sup> *Id.* at 2.

<sup>20</sup> See Appendix B at DRC-B-2.

1 forecast. This resulted in a decrease of \$4.308 million in TY 2024 forecast for both Companies  
2 (\$1.437 million for SDG&E and \$2.871 million for SoCalGas).<sup>21</sup>

3 In developing forecasts for outside legal costs, the Companies do not forecast particular  
4 legal matters. Rather, the Companies review historical information, make adjustments as  
5 necessary, and use that adjusted-recorded historical data to forecast dollars (not legal matters) for  
6 this GRC. I do not forecast particular matters in my cost forecasting process.

7 The Companies will reflect the impact of this corrected forecast on their revenue  
8 requirement request in the Update Phase of this GRC proceeding, the next currently anticipated  
9 opportunity for which the Companies' Results of Operations ("RO") model will be rerun.

## 10 **2. CEJA's Recommended Additional Reductions to the Outside Legal** 11 **Forecasts.**

12 CEJA's testimony requests an additional reduction to the outside legal expense forecast,  
13 based on certain historical costs it believes should not be ratepayer costs. Specifically, CEJA  
14 recommends that SoCalGas reduce their historical outside legal expenses by \$790,394 related to  
15 a SoCalGas complaint against the CEC.<sup>22</sup> This reduction results in a decrease of \$246,000 in  
16 forecasted outside legal costs for TY 2024, as shown in the table above. CEJA also requests an  
17 additional reduction based on its claim that "another outside counsel expenses [sic] for assistance  
18 on a non-public matter appears related to a topic that is not a recoverable expense."<sup>23</sup> CEJA  
19 additionally believes SoCalGas should be required "to refund ratepayers for actual costs  
20 incurred."<sup>24</sup>

21 As shown below, CEJA's arguments reflect incorrect facts<sup>25</sup> and a lack of familiarity with  
22 the GRC process, and they are inconsistent with the Commission's recognition that outside legal

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<sup>21</sup> See Appendix B at DRC-B-3.

<sup>22</sup> Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 98-100.

<sup>23</sup> *Id.* at 100. This matter is privileged and confidential and ongoing, such that related costs are protected under the attorney/client privilege (as will be addressed in briefing).

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

1 costs are legitimate and ordinary business expenses.<sup>26</sup> CEJA’s arguments are without merit and  
2 should be rejected.

3 *First*, the presentation in my prepared direct testimony is consistent with the Companies’  
4 evidence presented for outside legal in past GRCs, upon which the Commission reached a  
5 funding determination on outside legal costs.<sup>27</sup> My prepared direct testimony provides a high-  
6 level explanation of why it is necessary for SoCalGas and SDG&E to use outside counsel,  
7 specifically, “regarding matters that require a level of resources or an area of expertise not  
8 available within [the Corporate Center Law Department (CCLD)] or the operating company law  
9 departments.”<sup>28</sup> My prepared direct testimony also explains that the need for legal services  
10 varies from year to year, and that TY 2024 forecasts for outside legal services use an adjusted  
11 trend of the prior five years<sup>29</sup> “because unknown future legal matters cannot be predicted.”<sup>30</sup>  
12 The methodology in my testimony is consistent with the forecasting methodologies used and  
13 approved in past Commission rate cases<sup>31</sup> and results in a reasonable forecasted level of costs.  
14 No party in this proceeding has taken issue with the forecast methodology or the resulting  
15 forecasted cost level for outside legal.

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<sup>26</sup> *See, e.g.*, D.13-05-010 at 817 (finding that the Commission was “not persuaded by” a Division of Ratepayer Advocates argument to eliminate outside legal costs because “Applicants were unable to provide DRA with the type of legal services that have been provided, and that will be provided in the future.”). SoCalGas and SDG&E are unaware of an example where the Commission has authorized a future outside legal GRC forecast based on a matter-by-matter review of a company’s historic legal matters, as CEJA appears to propose.

<sup>27</sup> *See* D.13-05-010 at 817; *see also* D.19-09-051 at 504-05 (citing the direct testimony of Mia DeMontigny (*see, e.g.*, MLD-35), which followed a substantially similar format and methodology as my prepared direct testimony and was subsequently approved).

<sup>28</sup> Ex. SCG-23-R/SDG&E-27-R (Cooper) at DRC-54. For additional examples, *see also* D.18-12-021 at 96 (“We agree with Cal-Am that it is reasonable for Cal-Am to hire outside counsel to meet regulatory demands, especially during periods when proceedings overlap. As with regulatory consultants, it is prudent for Cal-Am to hire outside counsel rather than hiring additional in-house counsel to meet periodic high demands. It is also prudent for Cal-Am to hire outside counsel that have the experience and expertise its in-house counsel may not have to address complex matters.”).

<sup>29</sup> My direct testimony at DRC-11, lines 8-10, incorrectly identifies the historical period as six years. The correct historical period is five, as stated on DRC-54, lines 12-14.

<sup>30</sup> Ex. SCG-23-R/SDG&E-27-R (Cooper) at DRC-54 and DRC-11.

<sup>31</sup> *See generally, e.g.*, D.13-05-010, D.16-06-054, and D.19-09-051.

1           *Second*, no refund is needed, as CEJA requests, because the costs incurred at issue<sup>32</sup> were  
2 not included in the historical years used to forecast the rates in the TY2019 GRC. Specifically,  
3 rates through 2023 are based on the authorized forecasted costs from past GRC decisions. The  
4 legal matters that CEJA contests were not included in the 2013-2016 historical data that was the  
5 basis of authorized forecasts adopted in the TY 2019 GRC. As stated above, the Commission  
6 has previously approved outside counsel forecasted costs based on a trend methodology applied  
7 to the historical years. Thus, the amount for the matters in question are not in rates as they were  
8 not included in the Companies’ prior forecasts.

9           *Third*, the manual adjustments described herein were made to exclude costs in this  
10 proceeding (TY 2024 GRC) to prevent future recovery of the costs. Although individual legal  
11 matters are not authorized in GRCs to set future rates (as described above), CCLD incurs costs  
12 for individual matters. To build my outside legal forecast in this GRC, I began with financial  
13 data from the Companies’ accounting system of record, SAP, and removed certain  
14 nonrecoverable expenses.<sup>33</sup> I used these adjusted-recorded historical costs to build my forecast  
15 for TY 2024. Subsequently, the errors described above were identified, and as shown in  
16 Appendix B, I manually corrected the errors by removing the data from historical costs.<sup>34</sup> The  
17 “Difference” column in the figure in Appendix B demonstrates that the errors were removed  
18 from my forecast and the incurred costs for these legal matters are not being considered in this  
19 GRC to inform the TY 2024 forecast.

20           For the above reasons, CEJA’s arguments should be rejected.

#### 21 **IV. CONCLUSION**

22           As shown above, Cal Advocates’ proposed adjustments to Corporate Center for the  
23 removal of historical costs related to specific internal audit reports for the years 2017-2021 that  
24 were marked confidential and privileged is inconsistent with prior CPUC-approved decisions.  
25 As in the TY 2019 GRC, the CPUC should approve the internal audit report forecasts costs are a  
26 reasonable and ordinary business expense.

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<sup>32</sup> Although it is unclear whether CEJA’s request for a refund is related to the CEC or other matters, non-recoverable costs were removed from historical costs used to forecast the TY 2024 GRC.

<sup>33</sup> See Ex. SPM-29-R at 1: 14-23 for discussion on non-recoverable expenses.

<sup>34</sup> See Appendix B at DRC-B-2 (SEU’s introductory statement to CEJA-SEU-009, March 20, 2023). Certain costs were also voluntarily removed, as described in the Response (at 3).

1           TURN's proposed adjustments to remove Corporate Center ICP should be denied, as set  
2 forth in the Rebuttal Testimony of Debbie Robinson.<sup>35</sup>

3           My rebuttal testimony corrects the TY 2024 forecast for outside legal costs due to errors  
4 that were discovered and corrected in the underlying data. This resulted in a decrease of \$4.308  
5 million in TY 2024 forecast for both Companies (\$1.437 million for SDG&E and \$2.871 million  
6 for SoCalGas). CEJA's arguments regarding additional adjustments to the outside legal forecast  
7 are incorrect and should be rejected, as discussed above.

8           This concludes my prepared rebuttal testimony.

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<sup>35</sup> Ex. SCG-225/SDG&E-229 (Debbie S. Robinson) at DSR-20.

**APPENDIX A**  
**GLOSSARY OF TERMS**

<b>ACRONYM</b>	<b>DEFINITION</b>
Commission	California Public Utilities Commission
D.	Decision
GRC	General Rate Case
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TY	Test Year

**APPENDIX B**

**EXCERPT FROM CEJA-SEU-009 RESPONSE  
(INTRODUCTORY STATEMENT)**

**Data Request Number:** CEJA-SEU-009

**Proceeding Name:** A2205015\_016 - SoCalGas and SDGE 2024 GRC

**Publish To:** California Environment Justice Association

**Date Received:** 10/28/2022

**Date Responded:** 03/20/2023

**Introductory Statement**

Consistent with the Companies’ statement in the joint *Response in Opposition Of Southern California Gas Company and San Diego Gas & Electric Company to Motion to Compel*, filed on February 22, 2023 (Response), SoCalGas and SDG&E (Applicants) explained that errors had been discovered in the underlying data that will impact the “TY 2024 forecast for outside legal, as shown in Exhibit SCG-23-R/SDG&E-27-R and supporting workpapers.”<sup>1</sup> SoCalGas and SDG&E committed to “correct this forecast, which is anticipated as a downward adjustment, at their next opportunity for revisions to testimony and workpapers.”<sup>2</sup>

In accordance with Applicants’ Response, the following, accessible to all parties to the proceeding via the Applicant’s Discovery Portal, revises the TY 2024 forecast for outside legal costs in Exhibit SCG-23-R/SDG&E-27-R and the supporting workpapers.

The Applicants’ forecast for the TY 2024 outside legal costs in this GRC, consistent with the approach utilized and approved in prior GRCs, begins with paid invoices.<sup>3</sup> The forecast is “based on a trend method that uses recorded expense levels going back five years through the 2021 base year, adjusted for any non-recoverable matters or those considered significant and non-recurring.”<sup>4</sup> Because five years of historical aggregated data was utilized in the forecasting method for outside legal costs, the Applicants reviewed costs for individual matters for SoCalGas, SDG&E, and Sempra (to the extent such data was allocated to the Applicants) for each of the years 2017-2021 and 2022, and additional adjustments were made.

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<sup>1</sup> Response in Opposition of Southern California Gas Company and San Diego Gas & Electric Company to Motion to Compel (February 22, 2023) at 2.

<sup>2</sup> *Id.*

<sup>3</sup> See D.19-09-051 at 504-505 and 508-509.

<sup>4</sup> Exhibit SCG-23-R/SDG&E-27-R, Revised Prepared Direct Testimony of Derick R. Cooper (Corporate Center – General Administration) (August 2022) at DRC-54.



**Data Request Number:** CEJA-SEU-009

**Proceeding Name:** A2205015\_016 - SoCalGas and SDGE 2024 GRC

**Publish To:** California Environment Justice Association

**Date Received:** 10/28/2022

**Date Responded:** 03/20/2023

**Introductory Statement (Continued)**

Starting with the adjusted recorded data in 2017-2021, the Applicants recreated their forecasts for 2022-2024, as provided in the testimony and workpapers associated with Exhibit SCG-23-R/SDG&E-27-R. The table below provides a summary of the resulting TY 2024 forecast and constitutes a decrease compared to the request in Exhibit SCG-23-R/SDG&E-27-R:

	<u>3/20/2023 Update <sup>1</sup></u>		<u>Outside Legal (2021 \$ - 000's)</u>		<u>Difference</u>	
	<u>Base Year</u>	<u>Forecast</u>	<u>Ex. SCG-23-R/SDG&amp;E-27-R <sup>2</sup></u>	<u>Forecast</u>	<u>Base Year</u>	<u>Forecast</u>
	<u>2021</u>	<u>2024</u>	<u>Base Year</u>	<u>2024</u>	<u>2021</u>	<u>2024</u>
	<u>2021</u>	<u>2024</u>	<u>2021</u>	<u>2024</u>	<u>2021</u>	<u>2024</u>
<b>SDG&amp;E</b>	7,598	9,254	9,943	10,691	(2,345)	(1,437)
<b>SoCalGas</b>	11,877	10,277	15,856	13,148	(3,980)	(2,871)
<b>Total Utility</b>	<b>19,475</b>	<b>19,531</b>	<b>25,800</b>	<b>23,839</b>	<b>(6,325)</b>	<b>(4,308)</b>

<sup>1</sup> Submitted in CEJA-SEU-009 Introductory Statement  
<sup>2</sup> Submitted in August 2022

In the separately attached Excel spreadsheet, “CEJA-SEU-009\_ATTCH\_Introductory Statement\_Testimony Table Updates”, the Applicants’ have revised the applicable tables from Exhibit SCG-23-R/SDG&E-27-R to reflect the corrected forecast. As indicated in their Response, the Applicants will also correct Exhibit SCG-23-R/SDG&E-27-R and workpapers, as necessary, in rebuttal testimony and capture the resulting reduction in the revenue requirement during the update testimony phase.