



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor **FILED**

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

11/26/24

08:00 AM

A2405010

November 25, 2024

Agenda ID #23116
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-05-010:

This is the proposed decision of Administrative Law Judge Rafael L. Lirag. It will appear on the Commission's 12/19/24 agenda. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Pursuant to Rule 14.6(b), comments on the proposed decision must be filed within 5 business days of its mailing and reply comments must be filed within 3 business days from the last day of filing comments.

Comments must be filed pursuant to Rule 1.13 electronically. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to ALJ Lirag at rl8@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:smt

Attachment

Decision PROPOSED DECISION OF ALJ LIRAG (Mailed 11/25/2024)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS &
ELECTRIC COMPANY (U902E) for
Approval of its 2025 Electric
Procurement Revenue Requirement
Forecasts, 2025 Electric Sales Forecast,
and GHG-Related Forecasts.

Application 24-05-010

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2025 ELECTRIC PROCUREMENT REVENUE REQUIREMENT
FORECASTS, 2025 ELECTRIC SALES FORECAST, AND
GREENHOUSE GAS RELATED FORECASTS**

DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY’S
 2025 ELECTRIC PROCUREMENT REVENUE REQUIREMENT
 FORECASTS, 2025 ELECTRIC SALES FORECAST, AND GREENHOUSE
 GAS RELATED FORECASTS 2

1. Background 3

2. SDG&E’s Energy Resource Recovery Account (ERRA) 6

3. Request 10

 3.1. October 2024 Update 12

4. Issues Before the Commission 14

5. Arguments raised by Intervenors 15

 5.1. Joint CCAs 15

6. Discussion of Issues 16

 6.1. ERRA Costs and 2024 Balance 16

 6.2. PABA Costs and 2024 Balance 18

 6.2.1. RA Sales Forecast Method 20

 6.3. CTC Costs 21

 6.4. LG Costs and LGBA Balance 22

 6.5. SONGS Unit 1 Offsite Spent Fuel Storage Costs 23

 6.6. MCAM Costs 24

 6.7. SDCP DAC-GT/CS-GT Costs 24

 6.8. TMNBC Costs 26

 6.9. BioMAT 26

 6.10. GHG Allowance Returns 26

 6.11. Electric Sales Forecast 27

 6.12. PCIA Rates 28

 6.12.1. 2019 Banked RECs 29

 6.13. Other Issues 30

 6.13.1. GTSR Rate Components 30

 6.13.2. Common Cost Allocation 31

 6.13.3. 2024 Final MPBs 34

7. Reduction of Comment Period and Party Comments 35

8. Assignment of Proceeding 36

Findings of Fact 36

Conclusions of Law 40

O R D E R 42

**DECISION APPROVING SAN DIEGO GAS & ELECTRIC COMPANY'S
2025 ELECTRIC PROCUREMENT REVENUE REQUIREMENT
FORECASTS, 2025 ELECTRIC SALES FORECAST, AND
GREENHOUSE GAS RELATED FORECASTS**

Summary

This decision approves San Diego Gas & Electric Company's (SDG&E) 2025 Electric Procurement Revenue Requirement Forecasts, 2025 Electric Sales Forecast, and Greenhouse Gas (GHG) Related Forecasts for inclusion in its retail rates effective January 1, 2025.

The decision adopts SDG&E's updated 2025 revenue requirement forecast of \$71.7 million¹ which is \$682.7 million less than its currently effective revenue requirement of \$754.4 million.

SDG&E's 2025 Energy Resource Recovery Account (ERRA) forecast includes the revenue requirements for ERRA, the Portfolio Allocation Balancing Account, Competition Transition Charge, Local Generation, San Onofre Nuclear Generating Station Unit 1 Offsite Spent Fuel Storage Cost, Modified Cost Allocation Methodology (MCAM) revenue requirement, San Diego Community Power's Disadvantaged Communities revenue requirements, Tree Mortality Non-Bypassable Charge, BioMat Nonbypassable Charge, and GHG allowance revenues and return allocations.²

The ERRA process allows SDG&E to recover its procurement costs, including expenses for fuel and purchased power, utility retained generation,

¹ This total excludes franchise fees and uncollectibles. In addition, this total is subject to minor calculation revisions resulting from an Order directing SDG&E to utilize Southern California Edison's method of allocating Procurement Operations and Management costs and applying corrections to the Market Price Benchmarks released by the Commission's Energy Division.

² Some of the ERRA components have 2025 revenue requirements forecasts of \$0. Table 1 at Section 3.1 of the decision provides the 2025 revenue requirements for the different ERRA components.

California Independent System Operator related costs, and the costs of the residual net short procurement requirements necessary to serve bundled customers.

In total, the adopted revenue requirement is projected to result in a decrease to the current system average bundled rate by approximately 1.7 cents per kilowatt hour (kWh), or 5.2 percent. Based on these numbers, and reflective of the ERRRA-related portion of costs only, it is projected that a typical bundled non-California Alternate Rates for Energy (CARE) residential customer using 400 kWh per month can expect to see a monthly bill decrease of approximately \$13.00, or an 8.3 percent reduction. On the other hand, a typical bundled CARE residential customer using 400 kWh per month can expect to see a monthly bill decrease of approximately \$8.00 or an 8.0 percent reduction. For unbundled customers, a typical non-CARE customer can expect to see a monthly bill decrease of around \$23.00 (23.6 percent reduction) while a typical unbundled CARE customer can expect to see a monthly bill reduction of around \$16.00 (27.5 percent reduction). While procurement costs are not the only component of customers' overall bills, these rate and bill decreases will still provide customer bill reductions in 2025.

The decision also adopts SDG&E's Electric Sales Forecast for 2025, GHG Allowance Return Rates, Power Charge Indifference Adjustment (PCIA) rates, rate components for the Green Tariff Shared Renewables Program, and MCAM rates.

1. Background

On May 15, 2024, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 24-05-010 for approval of its 2025 Electric Procurement Revenue

Requirement Forecasts, 2025 Electric Sales Forecast, and Greenhouse Gas (GHG) Related Forecasts.

Also on May 15, 2024, SDG&E filed a motion seeking confidential treatment of specified portions of Attachment G to the application. The motion was granted by the Administrative Law Judge (ALJ) ruling on October 21, 2024.

On June 17, 2024, protests to the application were filed by the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and jointly by Clean Energy Alliance and San Diego Community Power (together, Joint CCAs). Also on June 17, 2024, Direct Access Customer Coalition (DACC) filed a Response to the application.

SDG&E filed a Reply to the Protests and Responses on June 27, 2024.

A prehearing conference (PHC) was held on July 12, 2024, to gather information about the scope, schedule, and other procedural matters.

As directed during the PHC, SDG&E, DACC, and the Joint CCAs filed briefs on July 26, 2024, regarding the scope of issues in the proceeding.

On August 14, 2024, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope and procedural schedule for the proceeding.

On September 19, 2024, SDG&E, Cal Advocates, the Joint CCAs, and DACC filed a Joint Report identifying disputed issues and the need for hearings.

On September 26, 2024, A joint motion was filed by SDG&E, Cal Advocates, the Joint CCAs, and DACC to enter testimony into the evidentiary record. Also on September 26, 2024, separate motions were filed by SDG&E and the Joint CCAs to seal evidentiary record. The joint motion to enter testimony and the two motions to seal evidentiary record were granted by the ALJ ruling dated October 22, 2024.

An evidentiary hearing was held on September 27, 2024.

On September 30, 2024, the assigned ALJ issued a ruling admitting a revised version of an exhibit admitted into the record during the evidentiary hearing.

Opening Briefs were filed by SDG&E and the Joint CCAs on October 4, 2024. Reply Briefs were filed by SDG&E and the Joint CCAs on October 11, 2024.

On October 8, 2024, the assigned ALJ issued a ruling requesting comments on procedural mechanisms relating to Market Price Benchmark issues. Comments were filed by SDG&E, the Joint CCAs, and DACC on October 14, 2024.

On October 21, 2024, SDG&E filed an update to the application. SDG&E also filed a motion for leave to file specified information in Attachment G of the update as confidential. The motion for leave to file confidential materials was granted in the ALJ ruling issued on November 4, 2024. No Opening or Reply Comments to the October Update were filed.

On October 29, 2024, a Motion for Party Status was filed by the Alliance for Retail Energy Markets (AREM). The motion was granted by the ALJ ruling on October 30, 2024.

On November 13, 2024, SDG&E filed a Motion to Enter Testimony into the record and a Motion to Seal Evidentiary Record. The two motions were granted in the ALJ ruling on November 15, 2024.

The proceeding is deemed submitted on November 13, 2024 upon the filing of SDG&E's motion to enter updated testimony into the record.

2. SDG&E's Energy Resource Recovery Account (ERRA)

SDG&E's ERRA was first authorized in Decision (D.) 02-10-062 pursuant to Public Utilities (Pub. Util.) Code Section 454.5. The ERRA regulatory process consists of: (a) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year; and (b) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account. There is also an update process for new information which is discussed in Section 3.1 of the decision.

The ERRA process allows SDG&E to recover its procurement costs, including expenses for fuel and purchased power, utility retained generation, California Independent System Operator (CAISO) related costs, and the costs of the residual net short procurement requirements necessary to serve bundled customers.

This proceeding concerns SDG&E's current annual ERRA forecast proceeding which allows the utility to adopt a forecast of the utility's electric procurement cost revenue requirement and electric sales for 2025. This proceeding also includes SDG&E's sales forecast for 2025 as required by D.22-03-003.³

SDG&E's 2025 ERRA forecast includes the following components:

- (1) ERRA revenue requirement and projected 2024 ERRA year-end balance;

³ D.22-03-003 directed SDG&E to file subsequent annual electric sales forecasts in its ERRA forecast applications.

- (2) Portfolio Allocation Balancing Account (PABA) revenue requirement and projected PABA year-end balance;
- (3) Competition Transition Charge (CTC) revenue requirement tracked in the Transition Cost Balancing Account (TCBA);
- (4) Local Generation (LG) revenue requirement tracked in the LG Balancing Account (LGBA) and projected 2024 year-end balance recorded in the LGBA;
- (5) San Onofre Nuclear Generating Station (SONGS) Unit 1 Offsite Spent Fuel Storage Cost revenue requirement tracked in SDG&E's Nuclear Decommissioning Adjustment Mechanism (NDAM) account;
- (6) Modified Cost Allocation Mechanism (MCAM) revenue requirement;
- (7) San Diego Community Power (SDCP) Disadvantaged Communities - Green Tariff (DAC-GT) and Community Solar - Green Tariff (CS-GT) revenue requirements;
- (8) Tree Mortality Non Bypassable Charge (TMNBC) revenue requirement;
- (9) Bioenergy Market Adjusting Tariff (BioMAT) Nonbypassable Charge Balancing Account (BNBCBA)
- (10) GHG allowance revenue return allocations.⁴

PABA

SDG&E's PABA was authorized by D.18-10-019 to record costs and revenues associated with all generation resources that are eligible for cost recovery through Power Charge Indifference Adjustment (PCIA) rates.

D.19-10-001 authorized any over/under collection in PABA subaccounts in a given year to be rolled into the next year's ERRA Forecast filing.

⁴ Application at 2 to 3.

CTC

The CTC is from The Electric Utility Industry Restructuring Act found in Assembly Bill (AB) 1890⁵ which made generation of electricity a competitive market in California. CTC is a ratemaking device to recover investments in electric generation facilities that would otherwise be stranded as excess capacity by the transition to a competitive market. The TCBA is designed to accrue all ongoing CTC revenues and recover all ongoing eligible CTC generation-related costs.

LG

SDG&E's LG was authorized in D.13-03-029 which allows it to recover new generation costs for local reliability that are deemed to be subject to the Cost Allocation Mechanism (CAM) policy adopted in D.06-07-029 and D.11-05-005. The LG is a per-kilowatt-hour non-bypassable charge to all benefiting customers including all bundled customers, Direct Access customers, and Community Choice Aggregation (CCA) customers. The LGBA is designed to record costs and revenues of LG where the California Public Utilities Commission (Commission) has determined that the generation resource is subject to CAM.

SONGS Unit 1 Offsite Spent Fuel Storage Costs

SDG&E is a minority owner of the SONGS Unit 1 with Southern California Edison being the majority holder. SONGS has been shut down and all three units are no longer in service. However, SDG&E has been allowed to recover Unit 1 Offsite Spent Fuel Storage costs. As directed by D.15-12-032, SDG&E is to recover these costs in its ERRA Forecast proceedings instead of its general rate case.

MCAM

⁵ AB 1890 became effective September 23, 1996.

The MCAM balancing account records the net costs related with SDG&E's procurement of energy resources incurred on behalf of certain load-serving entities (LSE) in the following circumstances: (a) opt-out procurement-related costs for LSE customers that have opted out of self-procurement; (b) backstop procurement-related costs for LSE customers that fail to provide the required capacity required by D.19-11-016 and D.21-06-035; and (c) opt-out LSEs that have left the market and no longer serve customers. Resolution E-5241 issued on January 12, 2023, approved SDG&E's cost recovery to implement MCAM.⁶

SDCP DAC-GT and CS-GT

Resolution E-5246 directed SDG&E to include SDCP's 2024 budget estimate for DAC-GT and CS-GT into its 2024 ERRRA forecast filing.⁷ The DAC-GT and CS-GT are solar programs offering discounts to qualified customers that are unable to install solar on their roof.

TMNBC

Recovery of the TMNBC was authorized in D.18-12-003. This is for recovery of net costs of tree mortality-related biomass energy procurement which is intended to address the state's tree mortality crisis.

BNBCBA

The BNBCBA is a two-way balancing account that records the net costs of SDG&E's Bioenergy Market Adjusting Tariff (BioMat) procurement costs for the BioMat program. Pursuant to D.20-08-043, a non-bypassable charge is imposed on all customers in each investor-owned utility's service territory and the revenues from this charge and the net costs of the BioMat contracts are recorded

⁶ See Resolution E-5241, Ordering Paragraph (OP) 1.

⁷ See Resolution E-5246 issued on March 16, 2023.

in the BNBCBA. There are currently no costs recorded in the BNBCBA and BioMat costs were not included in the October Update.

GHG Allowance Revenues and Return Allocations

GHG allowance revenues and return allocations were authorized in D.14-10-033. Investor-owned utilities (IOU) are required by the Commission to distribute GHG allowance revenues eligible for return to customers.⁸ This includes the California Climate Credit (CCC) for small business and residential customers and the Emissions-Intensive and Trade-Exposed (EITE) customer return for customers who qualify as EITE.

3. Request

SDG&E's 2025 ERRA forecast is a total revenue requirement of \$469.4 million.⁹ This amount is \$285.0 million less than its currently effective ERRA-revenue requirement of \$754.4 million. As will be discussed in Section 3.2, the above amount is subject to adjustment from the October Update which SDG&E filed on October 21, 2024.

As stated in Section 2, the 2025 ERRA forecast includes the revenue requirement forecasts for ERRA, PABA, CTC, LG, SONGS Unit 1 Offsite Spent Fuel Storage Costs, MCAM, the SDCP DAC-GT and CS-GT, BNBCBA and GHG allowance revenues, set-asides, and returns.¹⁰

The ERRA forecast also includes the 2024 undercollection year-end balances in the ERRA, PABA, and LGBA, and a Power Charge Indifference Adjustment (PCIA) undercollection balancing account trigger, and rate

⁸ See D.12-12-033, OP 1; D.20-10-002, OP 1; and D.21-08-026, OP 6.

⁹ Application at 2.

¹⁰ The ERRA forecast does not include the TMNBC revenue requirement and franchise fees and uncollectibles due to confidentiality concerns regarding these amounts.

components for the Green Tariff Shared Renewables (GTSR) Program. In addition, SDG&E also seeks approval of its 2024 electric sales forecast as directed by D.22-03-003.

PCIA

PCIA is a rate component intended to preserve bundled customer indifference to customers that migrate from bundled load by ensuring that departing load customers pay their share of cost responsibility associated with above-market-costs of the utilities' total procurement portfolio. The PCIA undercollection balancing account (CAPBA) tracks PCIA balances that accrued under the PCIA rate cap that the Commission established in D.18-10-019 and removed in D.21-05-030. SDG&E is requesting to transfer any remaining balances in the CAPBA subaccounts to the corresponding PABA vintage subaccounts and to close the CAPBA preliminary statement.

GTSR

The Commission required SDG&E to establish the GTSR program in D.15-01-051. The program is intended to promote renewable energy by expanding access to renewable energy resources for ratepayers who are currently unable to access the benefits of onsite generation such as residential customers who cannot install solar panels. The program has two features administered by the utilities: (a) an EcoChoice Green Tariff (GT) component which allows customers to purchase energy with a greater share of renewables procured by SDG&E; and (b) an Enhanced Community Renewables (ECR) component which allows customers to purchase renewable energy from community-based projects.

The GT program is currently suspended and so only the 2025 ECR rates are included in SDGE's ERRA forecast.

Sales Forecast

D.22-03-003 directed SDG&E to file subsequent sales forecasts in its ERRA forecast proceedings.¹¹ The 2025 sales forecast is based on the demand forecast that SDG&E developed for the California Energy Commission (CEC) which was adopted by the CEC on January 25, 2023 (CEC 2022 forecast).¹² SDG&E is proposing to maintain the 2025 overall system sales forecast at the current 2024 authorized levels because the 2023 CEC forecast showed significant variance from the 2022 CEC forecast and 2023 Integrated Energy Policy Report.

3.1. October 2024 Update

The ERRA process allows SDG&E to update its application later during the year and so SDG&E filed its October Update to the application. The October Update has traditionally served to update testimony regarding the CTC Market Price Benchmark (MPB) and PCIA benchmarks. This information is provided to SDG&E by the Commission's Energy Division, which compiles and provides updated input assumptions so that the MPB can be calculated.

SDG&E also updated other information since approximately five months have passed since the filing of the May Application, and according to SDG&E, various input assumptions have changed. Some of these changes include updates to projected 2024 ERRA and PABA account balances. Another change is to include in PABA revenues from all signed Voluntary Allocation Market Offer (VAMO) sales contracts for remaining bundled Renewable Energy Credits (REC).

¹¹ D.22-03-003, OP 3 at 25. This is the decision to Application (A.) 21-08-010, which is SDG&E's 2022 Electric Sales Forecast Application.

¹² Application at 18.

SDG&E also made changes based on Commission decisions that require certain updates be included in the October Update.

SDG&E's updated total forecast is a \$71.7 million revenue requirement compared to \$469.4 million in its initial application. Table 1 below shows the updated revenue requirements for the various ERRA forecast components as well as the original amounts set forth in the initial application, and the currently effective revenue requirements.

Table 1. 2025 ERRA Forecast Revenue Requirements¹³
(values are in \$000,000s)

Account	Currently Effective Revenue Req.	2025 Revenue Req. Application	2025 Revenue Req. October Update
ERRA	\$481.2	\$432.3	\$461.4
2024 ERRA Balance	(\$91.2)	\$34.1	\$130.5
PABA	\$122.6	\$251.0	(\$26.3)
2024 PABA Balance	\$103.2	(\$107.1)	(\$352.8)
CTC	\$4.9	\$2.1	\$2.3
LG	\$205.1	\$214.4	\$192.1
2024 LGBA Balance	\$159.3	(\$51.6)	(\$86.2)
SONGS Unit 1 Spent Fuel	\$1.3	\$1.3	\$0
MCAM	\$0.4	\$0.3	\$0.1
SDCP DAC-GT/CS-GT	\$0.7	\$0.7	\$0
BioMAT	\$0	\$0	\$0
GHG Revenues for Return ¹⁴	(\$233.1)	(\$308.0)	(\$249.4)
Total	\$754.4	\$469.4	\$71.7

¹³ The 2025 ERRA Forecast Revenue Requirements exclude franchise fees and uncollectibles (except for GHG Revenues for Return) and the TMNBC revenue requirement due to confidentiality.

¹⁴ The GHG Revenues for Return figures include franchise fees and uncollectibles.

4. Issues Before the Commission

As set forth in the assigned Commissioner's Scoping Memo, the issues in this proceeding are as follows:

1. Whether the Commission should approve SDG&E's total 2025 forecast revenue requirement and the amount of the 2025 Tree Mortality Non-Bypassable Charge forecast revenue requirement, to become effective in rates on January 1, 2025.
2. Whether the Commission should approve SDG&E's revenue requirement forecasts for the following:
 - a. 2025 ERRA forecast revenue requirement and projected 2024 ERRA year-end balance;
 - b. 2025 PABA forecast revenue requirement and the projected 2024 PABA year-end balance;
 - c. 2025 CTC forecast revenue requirement;
 - d. 2025 LG forecast revenue requirement and projected 2024 LGBA year-end balance;
 - e. 2025 SONGS Unit 1 Offsite Spent Fuel Storage Cost forecast revenue requirement;
 - f. 2025 MCAM revenue requirement;
 - g. 2025 TMNBC forecast revenue requirement; and
 - h. 2025 BioMAT Non-Bypassable Charge Balancing Account revenue requirement.
3. Whether the Commission should approve SDG&E to recover SDCP's DAC-GT and CS-GT revenue requirements.
4. Whether the Commission should approve SDG&E's 2025 forecasts of GHG revenues, revenue set-asides and returns and administrative expenses, which include:
 - a. Forecast GHG allowance revenues;
 - b. Forecast set asides for clean energy/energy efficiency programs;

- c. Forecast revenue returns to emissions intensive trade-exposed retail customers;
 - d. GHG administration, customer education and outreach plan costs; and
 - e. Forecast revenue returns to residential and small business customers via the California Climate Credit.
5. Whether the Commission should approve SDG&E's proposed 2025 vintage PCIA in rates.
 6. Whether the Commission should approve SDG&E's proposed 2025 rate components for the GTSR Program.
 7. Whether the Commission should approve SDG&E's proposed 2025 MCAM rates.
 8. Whether the Commission should approve SDG&E's 2025 Electric Sales Forecast.
 9. Whether the Commission should approve SDG&E's proposal to change its current cost recovery methodology for SDG&E's CTC-eligible resources.
 10. Whether the Commission should change SDG&E's allocation of Common Cost/Energy Supply Administration costs as proposed by SDG&E, or instead to align with the allocation used by Southern California Edison.

5. Arguments raised by Intervenors

5.1. Joint CCAs

The Joint CCAs state that SDG&E should be directed to adopt the Joint CCA's proposed cost allocation methodology for procurement operations and maintenance (O&M). The Joint CCAs argue that their proposed methodology better aligns with costs and resources and ensures fairness for all customers whereas SDG&E's proposed methodology will require unbundled customers to cover a large percentage of costs from which they do not benefit.

The Joint CCAs also state that SDG&E should be directed to value banked renewable energy credits (REC) used in 2025 at the 2025 renewables portfolio standard (RPS) adder market price benchmark (MPB). These RECs were previously valued at the 2019 RPS MPB and SDG&E should apply a credit to vintage 2019 rather than to credit the RECs to all affected vintages.

The Joint CCAs also propose that SDG&E be required to utilize the same methodology to forecast Resource Adequacy (RA) sales that it adopted in its 2024 ERRA forecast proceeding (A.23-05-013) because it better addresses concerns about uncertainty.

The Joint CCAs also recommend that SDG&E include SDCP's requested program budgets in the October Update regardless of whether the budgets are still pending Commission approval at that time.

The Joint CCAs did not file any comments to SDG&E's October Update.

6. Discussion of Issues

6.1. ERRA Costs and 2024 Balance

SDG&E's updated forecast for its 2025 ERRA revenue requirement is \$461.4 million. By comparison, its current 2024 ERRA revenue requirement is \$481.2 million. The ERRA provides full recovery of SDG&E's procurement costs, as well as GHG costs, associated with serving its bundled customers. These include expenses associated with California Independent System Operator (CAISO) such as energy and ancillary services load charges, CAISO revenues from utility generation and supply contracts, contract costs, generation fuel costs, and hedging costs.¹⁵

¹⁵ Exhibit SDG&E-03 at LF-2.

The 2025 ERRA forecast is based on SDG&E's sales forecast and the projected amount of energy that SDG&E's bundled load customers will require in 2025. SDG&E explains its updated forecast methodology in Exhibit SDG&E-14C. SDG&E then calculates the amount of energy it can generate and then determines the various energy contracts it must enter into to meet its energy requirements.

SDG&E's initial forecast for ERRA was \$432.3 million. This forecast was prepared earlier during the year and was adjusted to \$461.4 million in the October Update. According to SDG&E, the 2025 ERRA revenue requirement increased by approximately \$29 million due to higher compliance costs resulting from the significantly higher 2025 Forecast RA and RPS MPBs compared to the 2024 Forecast MPBs used in SDG&E's May Application.

SDG&E also projects to incur an undercollection of \$130.5 million to the 2024 year-end balance of the ERRA balancing account. This is significantly higher than the initial forecast of \$34.1 million in SDG&E's initial application. Similar to the 2025 ERRA forecast, the significant increase in the projected 2024 ERRA year-end balance is a result of the true-up of the REC and RA market values to the increased 2024 Final MPBs released in October 2024.

The Joint CCAs raised objections regarding the allocation of procurement related operations and maintenance (O&M), the use of banked RECs, and RA forecast sales methodology. These topics impact the overall ERRA revenue requirement but are discussed in later sections of this decision.

Except for the three topics mentioned above, parties do not oppose SDG&E's 2025 ERRA forecast component as well as the forecast 2024 ERRA year-end balance. We find that the evidence presented supports the forecast and that

SDG&E's 2025 forecast is reasonable and should be authorized given the much higher MPB values released in October 2024.¹⁶

6.2. PABA Costs and 2024 Balance

SDG&E's updated forecast for PABA is (\$26.3) million and represents a significant reduction¹⁷ from its initial request of \$251 million. SDG&E's currently authorized revenue requirement for PABA is \$122.6 million. In its October Update, SDG&E explains that the forecast for PABA decreased significantly as a result of higher sales revenues forecasted at the new, higher MPBs.

The PABA records costs and revenues associated with all of SDG&E's generation resources that are eligible for cost recovery through PCIA rates. The PCIA charge is intended to ensure that any above market costs of electric resources procured by SDG&E on behalf of its customers that later switch to another provider are not transferred to its remaining electric supply customers.

Costs recorded in each vintage subaccount typically include fuel, GHG costs, third party power purchase contract costs and the revenue requirement for generation assets owned by SDG&E including its generation power plants, and eligible costs recoverable through PCIA rates.

SDG&E also forecasts a 2024 year-end overcollection of (\$352.8) million in the PABA. This amount also experienced a drastic change compared to the initial forecast of a (\$107.1) overcollection in SDG&E's application. According to SDG&E, this is a result of the increased credits in PABA for retained RECs and RA based on the true-up to the increased 2024 Final MPBs, the increased RPS

¹⁶ The RA MPB value for the 2025 forecast of \$42.54 is nearly three times higher than the forecast MPB value of \$15.23.

¹⁷ The updated forecast for PABA decreased by around \$277 million compared to the initial forecast in the May application.

voluntary allocation sales revenues based on the true-up to the increased 2024 Final MPBs, and investment tax credits that SDG&E is eligible to claim for its energy storage and microgrid projects that came online in 2023 being amortized over one year (all in 2025 rates) rather than two years.

SDG&E initially proposed to amortize said investment tax credits over a two-year period but will instead apply all the tax credits in 2025. SDG&E's states that this change was made to alleviate potential rate shock from increased revenue requirements in 2025, due to the timing of a Commission decision regarding its Test Year 2024 General Rate Case application.¹⁸ A proposed decision in that case was issued in October 2024, and has not been finalized as of the issuance of a Proposed Decision in the instant ERRRA proceeding. We find the proposed amortization of investment tax credits over a one-year period reasonable.

Exhibit SDG&E-14C provides the updated breakdown of the PABA revenue requirement forecast for 2024.¹⁹ The process of forecasting PCIA costs is provided in Exhibit SDG&E-16 and the updated breakdown of costs in the PABA 2024 year-end balance is shown in Attachment C of Exhibit SDG&E-16C.

In the October Update, SDG&E agreed with the Joint CCAs recommendation of using a 17 percent Planning Reserve Margin (PRM) to estimate excess RA for 2025. This is discussed with greater detail in Section 6.6 of this decision.

SDG&E also revised its method of forecasting RA sales volume which the Joint CCAs object to. The Joint CCAs also have a different recommendation

¹⁸ A.22-05-016.

¹⁹ Exhibit SDG&E-14C Table 8 at LF-14.

regarding the value of 2019 banked RECs used in 2025. The RA sales volume is discussed in the subsection below while the issue concerning 2019 banked RECs is discussed later in the decision.

Except for issues concerning the forecasting method for RA sales and the value of 2019 banked RECs to be used in 2025, parties generally do not oppose SDG&E's PABA forecast, PCIA forecasting costs, and the forecast for the 2024 PABA year-end balance.

Overall, we find that the evidence SDG&E presented supports the PABA forecast and PABA year-end balance.

6.2.1. RA Sales Forecast Method

SDG&E proposes to change its methodology for forecasting RA sales. SDG&E proposes that to the extent it has RA Reserves, it plans to add this amount to its RA capacity required to meet compliance obligations and included in Retained RA.²⁰ SDG&E defines RA Reserves as capacity that is not required to meet its annual or monthly RA compliance requirements but is not offered for sale. SDG&E states it will consider recent RA sales, solicitations, potential outages, and other relevant data in updating forecasted amounts of Retained RA, sold RA, and unsold RA in the October Update.

On the other hand, the Joint CCAs argue that there is uncertainty surrounding the impacts of slice of day and that forecasts may change due to changes in the RA market. Therefore, the Joint CCAs recommend that SDG&E be directed to utilize the same forecast methodology in A.23-05-013 (2024 ERRA forecast proceeding) where forecasted RA sales are based on the average of RA sales from the previous year. The Joint CCAs add that this approach introduces

²⁰ Exhibit SDG&E-09 at JE-4.

less uncertainty in the near term and can be revisited once the actual impacts of slice of day are known.

The Joint CCAs did not file any comments to SDG&E's October Update and to the extent SDG&E incorporated recent RA sales, solicitations, potential outages, and other relevant data in updating its forecasted amounts of RA, we find that SDG&E's updated results were not opposed.

More importantly, recent and upcoming changes to SDG&E's RA compliance requirements such as adoption of the slice of day framework present reasonable grounds to not rely on recent RA sales as the basis for SDG&E's 2025 RA sales forecast. We find that the changes to the RA compliance requirements and application of the new slice of day framework may have a significant impact on RA sales which suggests that reliance on historical sales may not be the best approach in this instance.

Based on the above, we find it reasonable to apply the RA sales forecast methodology utilized by SDG&E in the October Update for its 2025 ERRA forecast. This methodology for forecasting RA sales shall apply to SDG&E's 2025 ERRA forecast.

6.3. CTC Costs

SDG&E's updated forecast for CTC costs is \$2.3 million compared to its initial forecast of \$2.1 million. By comparison, SDG&E's currently effective CTC revenue requirement is \$4.9 million.

As discussed in Exhibit SDG&E-02, CTC costs are based on dispatchable capacity or firm capacity contracts which include both energy and capacity payments.²¹ Energy payments for contracts are derived using SDG&E's

²¹ Exhibit SDG&E-02 at JE-12.

“short-run avoided cost” formula. According to SDG&E, ERRA expenses for CT contracts are based on delivered energy multiplied by the market price benchmark (MPB). Any costs greater than the MPB are recorded in the TCBA. Parties do not object to SDG&E’s forecast for CTC costs.

For 2025, SDG&E proposes to use actual CAISO revenues as the market value of its two remaining CTC contracts for calculating the amount of contract costs to be recovered in ERRA. SDG&E reasons that this method may prevent any under/overcollections in ERRA that are resulting from the current CTC cost recovery mechanism.

We find SDG&E’s proposed methodology for forecasting CTC costs reasonable and find that the updated forecast of \$2.3 million reasonable and should be adopted.

6.4. LG Costs and LGBA Balance

SDG&E’s updated request for LG costs is \$192.1 million, which is lower than its initial request of \$214.4 million. By comparison, its currently effective LG revenue requirement is \$205.1 million.

As stated earlier in the decision, LG costs are for the recovery of net costs associated with new generation resources that provide local RA for SDG&E’s system and which are deemed to be subject to the CAM policy adopted in D.06-07-029 and D.11-05-005. SDG&E has generating power plants and energy storage centers but also enters into contracts for generation resources. Attachment A of Exhibit SDG&E 12C provides the updated breakdown of LG expenses and contract costs.

Parties do not challenge or object to the requested LG costs and we find that the LG forecast is adequately supported by the evidence submitted which presents a monthly breakdown of the different costs.

SDG&E also presents an overcollection of \$86.2 million in the 2024 LGBA year-end balance.

The LGBA records the LG costs and revenues received from SDG&E's LG rate and uses a sub-account for each generation resource. Resolution E-5217 requires SDG&E to update year-end balances for each of its regulatory accounts.

The LGBA compares the LG costs with revenues received on a monthly basis and SDG&E's projected year-end balance utilizes the most recent recorded costs and updated forecast for the remaining months in 2024 that do not yet have recorded costs.

As described in Exhibit 14C, this amount is comprised of a \$135.05 million overcollection recorded in the 2024 LGBA and \$48.84 million in 2024 investment tax credits applied to the LGBA balance. SDG&E has eight storage units eligible for investment tax credits for renewable energy infrastructure. The investment tax credits will be captured in rates in 2026.

There were also no objections to the projected 2024 LGBA year-end overcollection and we find that the amounts are properly documented by the testimony submitted by SDG&E. Thus, we find SDG&E's request for \$192.1 million in LG costs and (\$86.2) million 2024 LGBA balance reasonable and should be approved.

6.5. SONGS Unit 1 Offsite Spent Fuel Storage Costs

SDG&E's updated forecast for SONGS Unit 1 Offsite Spent Fuel Storage Costs in the October Update is \$0 compared to its initial request of \$1.3 million.

As explained in Exhibit SDG&E-02, spent fuel assemblies from SONGS Unit 1 have been stored since 1972 at the General Electric-Hitachi (GE-Hitachi)

spent fuel storage facility.²² Monthly payments are made by Southern California Edison (SCE), which then bills SDG&E for its 20 percent ownership of SONGS Unit 1. Costs are based on the storage contract with GE-Hitachi.

Beginning in 2025, SDG&E will suspend recovery of SONGS Unit 1 charges through ERRA and start paying for Unit 1 spent fuel costs from its Non-Qualified Nuclear Decommissioning Trust (NQNDT) as authorized by D.24-08-001 issued on August 1, 2024.²³ The NQNDT contains spent fuel litigation proceeds received by SDG&E.

6.6. MCAM Costs

D.22-05-015 authorized the recovery of MCAM rates to ensure that net costs of electric resource procurement obligations mandated in D.19-11-016 and D.21-06-035 are recovered in a fair and economical manner. Resolution E-5241 approved SDG&E's implementation plan for cost recovery but required certain modifications which are addressed in advice letters 4151-E and 4151-E-A.

SDG&E's revised MCAM rates are specified in Table 12 of Exhibit SDG&E-12 and we find the updated forecast amount for 2025 of \$0.1 million reasonable. In its October Update, SDG&E reflects its agreement to utilize a 17 percent PRM to estimate excess RA for 2025, as recommended by the Joint CCAs. SDG&E clarifies, however, that PRM is subject to change every year and that it would be inappropriate to assume a 17 percent PRM each year. It therefore limits the agreement to use of a 17 percent PRM for this filing only.

6.7. SDCP DAC-GT/CS-GT Costs

SDG&E initially proposed to keep funding for DAC-GT and CS-GT at the 2024 budgetary level but in its rebuttal testimony agreed with the Joint CCAs

²² Exhibit SDG&E-02 at JE-18.

²³ D.24-08-001 OP 3 at 36.

proposal to include SDCP's requested program budgets in the October Update regardless of whether the budgets are still pending Commission approval at that time.²⁴

As stated previously, the DAC-GT and CS-GT are solar programs offering discounts to qualified customers that are unable to install solar on their roof. In Advice letter 21-E, SDCP's proposed budgets for DAC-GT and CS-GT is \$0.

D.24-05-065, issued on June 7, 2024, allows Program Administrators to discontinue the CSGT program and transfer all remaining unprocured capacity to the Modified DAC-GT program. The Decision also allowed SDG&E to terminate its DAC-GT program; accordingly, SDG&E does not include any forecast for its own DAC-GT and CSGT. However, D.24-05-065 required SDG&E to continue its cooperation (including continuing to provide the CCA's forecasted budgets within its ERRRA filing) with any CCA, including SDCP, that seeks to offer DAC-GT in its territory.²⁵

Therefore, SDCP's CS-GT program is discontinued while DAC-GT has a proposed budget of \$0.363 million for 2025. However, SDCP requests no remittances for DAC-GT because it has unspent funds in 2022 and 2023 that exceed the proposed budget for 2025.

In its October Update, SDG&E adopted a revenue requirement of \$0 following SDCP's proposed amounts in Advice Letter 21-E.²⁶ We find SDG&E's updated revenue requirements of \$0 for both DAC-GT and CS-GT reasonable given that SDCP plans to use unspent funds for DAC-GT in 2025 and because the CS-GT program has been discontinued.

²⁴ Exhibit SDG&E-08 at EW-1 to EW-2.

²⁵ See D.24-06-065 at 140.

²⁶ See Advice Letter 21-E at 4 filed on July 8, 2024.

6.8. TMNBC Costs

The TMNBC Balancing Account records tree mortality related procurement costs. SDG&E's updated TMNBC costs are presented in Exhibit SDG&E-14C. These costs have been granted confidential treatment following past Commission practice. We find the forecast costs reasonable and supported by the evidence. Parties did not raise any issues with SDG&E's TMNBC forecast. We find that SDG&E's TMNBC forecast as set forth in the testimony of SDG&E's witness reasonable and should be adopted.

Pursuant to D.18-12-003, these costs are to be recovered through the public purpose programs. This means that the revenue requirement associated with TMNBC costs is not included in the rate impacts of the ERRA process.

6.9. BioMAT

SDG&E is not requesting any funding for BioMAT in 2025.

6.10. GHG Allowance Returns

SDG&E's updated forecast for GHG Allowance Returns is (\$249.4) million. Its initial forecast in its May application was (\$308.0) million. By comparison, its current revenue requirement is (\$233.1) million.

IOUs are required by the Commission to distribute GHG allowance revenues eligible for return to customers. The returns are to be made to emission intensive and trade-exposed (EITE) entities who will receive an annual fixed on-bill credit based on Commission calculations. The EITE distribution will follow the manner prescribed in D.20-10-002 (modified by D.21-08-026). The remaining allowance distributions will be made equally to all qualifying Small Business and Residential customers via a twice annual California Climate Credit (CCC) of

\$81.38.²⁷ By comparison the CCC for the 2024 ERRA forecast proceeding was \$78.22.²⁸

Parties do not contest SDG&E's calculations and we find that the updated GHG Allowance Returns proposed by SDG&E is supported by the evidence presented such as Table 6 of Exhibit SDG&E-12C which shows the breakdown of allowable returns.

Based on the foregoing, we find that the proposed GHG Allowance Returns for 2025 reasonable and should be authorized.

6.11. Electric Sales Forecast

D.22-03-003 directed SDG&E to include its 2023 Electric Sales Forecast in this application. The table below shows SDG&E's 2025 forecast and by comparison the current annual electric net sales in 2024.

Table 2. Annual Electric Net Sales (gigawatt hours)

Sector	Proposed 2025	Current Authorized 2024	Difference
Residential	6,059	6,059	+0
Small Commercial	2,428	2,322	+106
Medium & Large Com./Ind.	9,368	9,491	(123)
Agricultural	355	342	+13
Lighting	80	76	+4
Total	18,291	18,291	+0

According to SDG&E, the 2025 Electric Sales Forecast is the same as the 2024 currently authorized overall system sales forecast approved in D.23-12-021

²⁷ See Exhibit SDG&E-12C Table 7 at EW-15.

²⁸ Ibid.

and implemented on January 1, 2024. However, individual class sales have been updated for the 2025 forecast to reflect recent historical class sales trends.

The 2024 forecast was based on the California Energy Commission's (CEC) 2022 California Demand forecast which was adopted by the CEC on January 25, 2023.²⁹

SDG&E is proposing to maintain the 2025 overall system sales forecast at the current 2024 authorized levels because the 2023 CEC Forecast showed significant variance from the 2022 CEC Forecast.³⁰

SDG&E held a sales forecast workshop on March 22, 2024, and provided materials to the parties. The workshop discussed the CEC's forecasting process, SDG&E's proposed 2025 forecast, and how the CEC's forecast is used to establish the rate schedule level forecast.

We find SDG&E's 2025 Electric Sales Forecast reasonable and adequately supported by the evidence it presented in this proceeding. Parties do not oppose SDG&E's forecast and the forecast maintains the overall system sales forecast authorized in the 2024 ERRRA forecast proceeding. The decision to utilize the 2024 forecast takes into account the significant variance from the 2023 CEC Forecast.

Based on the above, we find SDG&E's 2025 Electric Sales Forecast reasonable and should be adopted.

6.12. PCIA Rates

PCIA rates are based on applicable costs from SDG&E's total portfolio of resources. Pursuant to D.22-01-023, the Commission's Energy Division issues updated PCIA benchmarks in the beginning of October which SDG&E utilizes in

²⁹ Exhibit SDG&E-06 at JS-2.

³⁰ Id at 3.

order to calculate its updated proposed vintage PCIA rates. The methodology for calculating PCIA rates as well as the 2025 forecast benchmarks are shown and explained in Exhibit SDG&E-16C.

Parties generally do not oppose SDG&E's proposed vintage PCIA in rates except with regards to an issue concerning vintage 2019 banked RECs which is discussed in the subsection below. Except for this issue, we find that the evidence submitted supports SDG&E's PCIA forecasts for 2025.

6.12.1. 2019 Banked RECs

SDG&E agrees with the Joint CCAs' recommendation to increase the amount of retained RECs to match its 2025 RPS requirement. SDG&E states that it may not need to use banked RECs to comply with its forecasted RPS requirement for 2025, but to the extent necessary, SDG&E states that it will use its REC bank beginning with RECs generated in 2019.

The two parties also agree that the small amount of forecasted 2025 RECs³¹ that were unsold and previously valued at zero be retained, but will have their value trued-up to the 2025 REC benchmark. The resulting value is credited to the PABA.

For the 2019 banked RECs that may be used in 2025, SDG&E will calculate the incremental value of the 2019 RECs (difference between value using the 2025 RPS MPB less the value using the 2019 Adder MPB). SDG&E then proposes to include the incremental value as an expense to ERRRA and credit to PABA vintages according to the same allocation used in 2019, when the RECs were generated.³²

³¹ The exact amount is 1,584 MWh.

³² SDG&E Opening Brief at 12 and SDG&E Reply Brief at 4.

The Joint CCAs argue that the incremental credit should be expensed to ERRRA at the 2025 REC MPB and credited solely to the PABA 2019 vintage.

Upon review, we find that pursuant to D.19-10-001, SDG&E is directed to record true-ups to RPS inputted revenue to the PABA vintage subaccounts on a pro rata basis.³³ Thus, we find SDG&E's proposal better aligns with D.19-10-001 and find it more reasonable to authorize said method in this proceeding.

6.13. Other Issues

6.13.1. GTSR Rate Components

The Commission required SDG&E to establish the Green Tariff Shared Renewables (GTSR) program in D.15-01-051 intended to promote renewable energy by expanding access to renewable energy resources for ratepayers who are currently unable to access the benefits of onsite generation such as residential customers who cannot install solar panels. SDG&E's GTSR program has two features administered by the utilities: (a) an EcoChoice Green Tariff (GT) component which allows customers to purchase energy with a greater share of renewables procured by SDG&E; and (b) an Enhanced Community Renewables (ECR) component which allows customers to purchase renewable energy from community-based projects.

The GT program was suspended in A.22-05-022³⁴ and members were disenrolled from the program. Regarding the ECR, D.24-05-065 discontinued the ECR program for new projects.³⁵ Because SDG&E does not have any current ECR projects, D.24-05-065 effectively terminates the ECR program for SDG&E and the

³³ D.19-10-001 at 28 to 29.

³⁴ A.22-05-022 ALJ Ruling on August 25, 2022 Suspending GT Program.

³⁵ D.24-05-065 OP 5(b) at 171.

program was closed by SDG&E.³⁶ Thus, with the GT program suspended and the ECR program effectively terminated, SDG&E does not require any funding for these programs.

6.13.2. Common Cost Allocation

Scoping issue 10 relates to the administration of O&M costs of SDG&E's Procurement Department and how these costs should be allocated between bundled and unbundled customers. Procurement O&M costs are currently recovered in SDG&E's GRC.

To recover PCIA costs from customers, each generation resource and departing customer is assigned a vintage year. A distinct portfolio of generation resources is identified for each vintage based on when a commitment to procure each resource was made. On the other hand, customers are assigned a vintage year according to the date they depart bundled service. Customers that remain in bundled service are included in the latest vintage. Each vintage is assigned a separate indifference amount and customers are responsible for the cumulative PCIA rates for their vintage.

In D.18-10-019, the Commission directed utilities to record above-market costs of PCIA-eligible resources to the PABA. In D.20-05-006, the Commission ordered the creation of a non-vintaged subaccount for PABA for the purpose of allocating certain costs to all PCIA-eligible customers without limiting recovery to the timeline of the resource vintage.

Currently, SDG&E assigns Procurement O&M costs to the PABA vintage that corresponds to each of its five UOG resources. In this application, SDG&E is proposing to place its Procurement O&M costs into its non-vintaged PABA

³⁶ Exhibit SDG&E-12 at EW-24.

subaccount which will then be allocated to all PCIA-eligible customers. This means that bundled and unbundled customers will pay a proportional share of Procurement O&M costs based on their retail sales.

SDG&E reasons that because administrative costs do not have a unique vintage, the proposed new method will allow SDG&E to allocate its Procurement O&M costs based on forecasted electric customer usage which in turn will more accurately reflect the current forecasted proportion of bundled and unbundled customers.

The Joint CCAs recommend that SDG&E be directed to change how it allocates Procurement O&M costs but proposes a different method. The Joint CCAs also clarify that SDG&E's method should also not be made to align with the approach taken by SCE because SCE's method largely follows SDG&E's current and flawed approach.

According to the Joint CCAs, SDG&E's proposed approach allocates around 79 percent of Procurement O&M costs to departed load customers because those customers are forecasted to comprise 79 percent of the load in SDG&E's service territory. However, the Joint CCAs argue that the Procurement Group performs tasks that do not benefit unbundled customers but will have to be responsible for 79 percent of those costs.

Instead, the Joint CCAs recommend that Procurement O&M costs should be based on the main tasks that the Procurement Department performs and whether that work benefits bundled or unbundled customers because approximately 80 percent of Procurement O&M costs are tied to labor costs.

The Joint CCAs' approach is to first spread Procurement O&M costs to ERRA, PABA, and CAM and then across PCIA vintages based on gross revenue requirement. They state that this method better corresponds with the activities

that drive these costs and avoids cost shifts from bundled to unbundled customers for work performed by the Procurement Group that only benefits bundled customers.

According to SDG&E, the Procurement Group conducts activities that benefit all customers but SDG&E admits that there are some activities that only benefit bundled customers. However, without a deeper examination of the Procurement Group's activities and how many hours and personnel are devoted to particular tasks, it is difficult to evaluate if there are many tasks that benefit a specific set of customers only and to what degree. In addition, the Joint CCAs' proposal is not supported by an overall negative value to the PABA revenue requirement, which is the case in this ERRA.

Thus, we find that the Joint CCAs' proposal is not ripe for implementation at this time and will benefit from better examination in a separate proceeding involving the three major IOUs and where all impacts can be better understood. This will ensure that the issue can be more thoroughly examined and any resulting directives can be made applicable to the three major IOUs uniformly.

Regarding SDG&E's new proposal, we find that the Joint CCAs raise legitimate concerns such as the potential allocation of costs to unbundled customers for work performed that benefits only bundled customers. The record is insufficient to show the extent of this issue and whether there would be a material cost shift because there is insufficient information concerning the major tasks performed by the Procurement Group and the amount of labor and non-labor resources devoted to such tasks. Thus, we find that there is sufficient risk and uncertainty to not authorize SDG&E's proposed new method at this time.

SCE's method of treating procurement common costs as fixed costs which are split between its Legacy UOG and the 2004 and 2009 PABA vintages is

similar to SDG&E's current method of allocating Procurement O&M costs to the PABA vintage that corresponds to each of its five UOG. Thus, requiring SDG&E to utilize SCE's method creates the least change from SDG&E's current method. Given the uncertainties and concerns discussed above, we find it more appropriate to direct SDG&E to utilize SCE's method of allocating Procurement O&M costs.

In addition, Exhibit CCA-04 also shows that PG&E intends to revise its method of allocating Procurement O&M costs and follow SCE's method. This means that directing SDG&E to apply SCE's method will result in uniformity among the three major IOUs and we find this to be the better alternative for this year's ERRRA. And as stated above, the new methods proposed by SDG&E and the Joint CCAs will benefit from a more thorough examination.

6.13.3. 2024 Final MPBs

The MPB calculates the market value of the three revenue streams in the IOU portfolio: the Energy Index; RPS Adder; and RA Adder. The RA Adder is the MPB that reflects the estimated value of each unit of capacity in an IOU's PCIA-eligible portfolio that can be used to satisfy Resource Adequacy obligations, in dollars per kilowatt-month based on a weighted average of all RA transactions of the load-serving entities subject to the PCIA.

The RA Adder has three subcomponents, reflecting each type of RA product required for compliance with the RA program: system, local, and flexible:

- (a) RA that provides both system and flexible capacity shall be counted as flexible capacity:
- (b) RA that provides both system and local capacity shall be counted as local RA capacity: and

- (c) If the RA provides all three types of RA capacity, it shall be counted as local capacity.

As referenced in the October Update, the Commission's Energy Division issued the MPB calculations for the RA adder on October 4, 2024,³⁷ noting anomalies in the MPBs, including low transaction volumes relative to overall size of the portfolio, the inclusion of swap and affiliate transactions, and the nearly threefold increase in the System RA MPB as driven by the summer versus winter differential.

As in the past, SDG&E is directed to use the 2024 MPBs for inclusion in rates and the calculation of the PCIA. However, due to the issues described above, the Commission may in another proceeding consider revisions to the MPB methodology that may impact the adopted 2025 Final MPBs.

Due to issues identified above regarding Affiliate Transactions and Swap transactions, the Commission's Energy Division should conduct an inquiry and provide a report on transactions that should not be included in the MPBs.

7. Reduction of Comment Period and Party Comments

The proposed decision of ALJ Rafael Lirag in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. In developing the schedule for the proceeding, parties stipulated to reduce the 30-day public review and comment period required by Pub. Util. Code

³⁷ Energy Division issued corrections to the MPB calculations on October 11, 2024, and November 5, 2024.

Section 311 to 5 business days for opening comments and 3 business days for reply comments.³⁸

Comments were filed by _____ on _____. Reply comments were filed by _____ on _____.

8. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner and Rafael Lirag is the assigned ALJ in this proceeding.

Findings of Fact

1. The October Update has traditionally served to update testimony regarding the CTC MPB and PCIA benchmarks.
2. SDG&E's October Update, filed in this proceeding on October 21, 2024, contains its updated ERRA forecasts.
3. SDG&E's ERRA forecast is supported by the evidence presented.
4. The 2024 year-end forecast for the ERRA balancing account is supported by the evidence presented.
5. The 2025 ERRA revenue requirement and 2024 year-end balance increased due to higher compliance costs resulting from the significantly higher 2025 Forecast RA and RPS MPBs compared to the 2024 Forecast MPBs used in SDG&E's May Application and the true-up of the REC and RA market values to the increased 2024 Final MPBs.
6. The revenue requirement forecasts for PABA and the 2024 PABA year-end balance decreased significantly as a result of higher MPBs and a true-up to the increased 2024 Final MPBs.

³⁸ The reduced comment period on the proposed decision is incorporated in the schedule adopted in the Scoping Memo.

7. Parties generally do not oppose SDG&E's PABA forecast, PCIA forecasting costs, and the forecast for the 2024 PABA year-end balance except for issues raised by the Joint CCAs concerning the forecasting method for RA sales.

8. The evidence SDG&E presented supports the PABA forecast and 2024 PABA year-end balance.

9. SDG&E states it will consider recent RA sales, solicitations, potential outages, and other relevant data in updating forecasted amounts of Retained RA, sold RA, and unsold RA in the October Update.

10. The Joint CCAs did not file any comments to SDG&E's October Update.

11. Recent and upcoming changes to SDG&E's RA compliance requirements such as adoption of the slice of day framework present reasonable grounds to not rely on recent RA sales as the basis for SDG&E's 2025 RA sales forecast.

12. SDG&E's proposed methodology for forecasting CTC costs and updated forecast are reasonable.

13. Parties do not object to the requested LG costs and the LG forecast is adequately supported by the evidence submitted which presents a monthly breakdown of the different costs.

14. The LGBA 2024 year-end balance includes eligible investment tax credits for renewable energy infrastructure.

15. There were no objections to the projected 2024 LGBA year-end overcollection and the amounts are properly documented by the testimony submitted.

16. Spent fuel assemblies from SONGS Unit 1 have been stored since 1972 at the GE-Hitachi spent fuel storage facility and monthly payments are made by SCE, which then bills SDG&E for its 20 percent ownership of SONGS Unit 1.

17. Beginning in 2025, SDG&E will suspend recovery of SONGS Unit 1 charges through ERRA and start paying for Unit 1 spent fuel costs from spent fuel litigation proceeds.

18. SDG&E agreed to utilize a 17 percent PRM to estimate excess RA for 2025.

19. The updated forecast for MCAM costs is reasonable and should be authorized.

20. Resolution E-5246 directed SDG&E to include SDCP's 2024 budget estimate for DAC-GT and CS-GT into its 2024 ERRA forecast filing.

21. SDG&E's updated revenue requirement of \$0 for both DAC-GT and CS-GT is reasonable given that SDCP plans to use unspent funds for DAC-GT in 2025 and because the CS-GT program has been discontinued.

22. SDG&E's forecast for TMNBC costs as set forth in Exhibit SDG&E-13C is reasonable and supported by the evidence.

23. SDG&E is not requesting any funding for BioMAT in 2025.

24. IOUs are required by the Commission to distribute GHG allowance revenues eligible for return to customers.

25. The GHG returns are to be made to EITE entities with the remaining allowance distributions to be made to all qualifying Small Business and Residential customers via a twice annual CCC.

26. SDG&E's proposed GHG Allowance Returns are supported by the evidence presented such as Table 6 of Exhibit SDG&E-12C which shows the breakdown of allowable returns.

27. SDG&E's 2025 Electric Sales Forecast maintains the currently authorized overall system sales forecast in 2024 authorized in D.23-12-021 but updated to reflect recent historical class sales trends.

28. The 2025 Electric Sales Forecast was based on the California Energy Commission's (CEC) 2022 California Demand forecast which was adopted by the CEC on January 25, 2023.

29. SDG&E is proposing to maintain the 2025 overall system sales forecast at the current 2024 authorized levels because the 2023 CEC Forecast showed significant variance from the 2022 CEC Forecast.

30. SDG&E agrees to increase the amount of retained RECs to match its 2025 RPS requirement and to the extent necessary, will use its REC bank beginning with RECs generated in 2019.

31. SDG&E will calculate the incremental value of the 2019 RECs and will include the value as an expense to ERRRA and credit to PABA vintages according to the same allocation used in 2019, when the RECs were generated.

32. Pursuant to D.19-10-001, utilities are directed to record true-ups to RPS imputed revenue to the PABA vintage subaccounts on a pro rata basis.

33. Parties do not object to SDG&E's proposed vintage PCIA in rates except for an issue concerning banked RECs in 2019.

34. The evidence submitted supports SDG&E's PCIA forecasts for 2025.

35. The GT program was suspended and members were disenrolled from the program.

36. D.24-05-065 discontinued the ECR program for new projects and because SDG&E does not have any current ECR projects, the program was closed.

37. The Procurement Group conducts activities that benefit all customers but SDG&E admits that there are some activities that only benefit bundled customers.

38. The Joint CCAs' proposal of allocating Procurement O&M costs is not ripe for implementation at this time.

39. The Joint CCAs raise legitimate concerns about SDG&E's proposed method such as the potential allocation of costs to unbundled customers for work performed that benefits only bundled customers and the record is insufficient to show whether there would be a material cost shift.

40. There is sufficient risk and uncertainty to justify not authorizing SDG&E's proposed new method of allocating Procurement O&M costs at this time.

41. SCE's method of treating procurement common costs is similar to SDG&E's current method and adopting this method creates the least change from SDG&E's current method.

42. Exhibit CCA-04 shows that PG&E intends to adopt SCE's method and directing SDG&E to apply the same results in uniformity among the three major IOUs.

43. As referenced in the October Update, Energy Division issued the MPB calculations for the RA adder on October 4, 2024 and noted anomalies in the MPBs, including low transaction volumes relative to overall size of the portfolio, the inclusion of swap and affiliate transactions, and the nearly threefold increase in the System RA MPB.

Conclusions of Law

1. SDG&E's 2025 ERRA forecast, as submitted in the initiating Application and subsequent updates, is reasonable and should be authorized.

2. SDG&E's forecast for the 2024 year-end balance in the ERRA balancing account is reasonable and should be authorized.

3. SDG&E's forecasts for the PABA and PABA 2024 year-end balance is reasonable and should be authorized.

4. SDG&E's rationale for its proposed amortization of investment tax credits over a one-year period instead of two years is reasonable.

5. SDG&E's updated RA forecasts in the October Update are not opposed and it is reasonable to apply the RA sales forecast methodology utilized in the October Update for the 2025 ERRRA forecast.

6. SDG&E's forecast amount for CTC costs are reasonable and should be authorized.

7. The LG forecast for 2024 and LGBA year-end balance 2024 are reasonable and should be authorized.

8. SONGS Unit 1 Offsite Spent Fuel Storage Costs of \$0 is reasonable and should be authorized.

9. The forecast for MCAM costs is reasonable and should be authorized.

10. The forecast of \$0 for SDCP's DAC-GT and CS-GT programs is reasonable and should be authorized.

11. SDG&E's forecast for TMNBC costs as set forth in Exhibit SDG&E-14C is reasonable and should be adopted.

12. SDG&E's proposed GHG Allowance Returns for 2025 are reasonable and should be authorized.

13. SDG&E's 2025 Electric Sales Forecast is reasonable and should be adopted.

14. SDG&E's proposal concerning treatment of 2019 banked RECs better aligns with D.19-10-001 are reasonable and should be authorized for this proceeding.

15. SDG&E's PCIA forecasts for 2025 are reasonable and should be approved.

16. The GT and ECR have been discontinued and SDG&E's forecast of \$0 is reasonable and should be adopted.

17. SDG&E should be directed to utilize SCE's method of allocating Procurement O&M costs.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized a revenue requirement of \$71.7 million for its 2025 Energy Resource Recovery Account (ERRA) Forecast effective January 1, 2025. Specifically, this decision adopts the following (negative balances are in parenthesis):

- a. ERRA revenue requirement of \$461.4 million;
- b. 2024 ERRA year-end balance of \$130.5 million;
- c. Portfolio Allocation Balancing Account (PABA) revenue requirement of (\$26.3) million;
- d. 2024 PABA year-end balance of (\$352.8) million;
- e. Competition Transition Charge revenue requirement of \$2.3 million;
- f. Local Generation (LG) revenue requirement of \$192.1 million;
- g. 2024 LG Balancing Account overcollection of (\$86.2) million;
- h. San Onofre Nuclear Generation Station Unit 1 Spent Fuel revenue requirement of \$0.
- i. Modified Cost Allocation Mechanism revenue requirement of \$0.1 million;
- j. San Diego Community Power Disadvantaged Communities - Green Tariff and Community Solar - Green Tariff revenue requirements of \$0;
- k. Confidential Tree Mortality Non-Bypassable Charge revenue requirement as specified in Exhibit SDG&E-14C;
- l. Bioenergy Market Adjusting Tariff Nonbypassable Charge revenue requirement of \$0; and
- m. Green House Gas Revenues for Return of \$(249.4) million composed of Small Business and Residential California Climate Credit costs of \$(246.532) million and Emissions-Intensive and Trade-Exposed costs of \$(2.91) million.

2. Within 30 days of today's date, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter with tariffs to implement the rates authorized by this decision. The tariffs shall become effective on or after the filing of the advice letter subject to review by the Commission's Energy Division.

3. San Diego Gas & Electric Company's 2025 Greenhouse Gas Allowance Return Rates as provided in Exhibit SDG&E-12C are adopted.

4. San Diego Gas & Electric Company's Power Charge Indifference Adjustment rates as provided in Exhibit SDG&E-16C are adopted.

5. San Diego Gas & Electric Company's Electric Sales Forecast as described in Exhibit SDG&E-06 is adopted.

6. San Diego Gas & Electric Company (SDG&E) shall utilize Southern California Edison's method, which was discussed in the September 27, 2024 evidentiary hearing and opening briefs, of allocating Procurement Operations and Management costs. In the Tier 1 Advice Letter specified in Ordering Paragraph 2, SDG&E shall revise any of the authorized revenue requirements that are impacted by this directive.

7. In the Tier 1 Advice Letter specified in Ordering Paragraph (OP) 2, San Diego Gas and Electric Company shall revise any of the revenue requirement forecasts authorized in OP 1 that are affected by the corrections to the Market Price Benchmark calculations issued by the Commission's Energy Division on October 11, 2024, and November 5, 2024.

8. Application 24-05-010 is closed.

This order is effective today.

Dated _____, at San Francisco, California.