

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



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Application of SOUTHERN
CALIFORNIA GAS COMPANY (U904G)
and SAN DIEGO GAS & ELECTRIC
COMPANY (U902G) for authority to
revise their natural gas rates and implement
storage proposals effective January 1, 2027
in this Cost Allocation Proceeding.

Application 25-09-014

(Filed September 30, 2025)

PROTEST OF THE UTILITY REFORM NETWORK

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PROTEST OF THE UTILITY REFORM NETWORK

On September 30, 2025, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, the Sempra Utilities) filed the instant application, proposing an allocation of the costs of providing natural gas service among customer classes, primarily core customers (residential and small commercial and industrial customers) and noncore customers (medium and large commercial and industrial customers, electric generators, and wholesale customers). The application also includes gas storage-related proposals relating to managing the reliability of the natural gas system operated by SoCalGas on behalf of both SoCalGas and SDG&E, as well as rate design changes. Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submits this protest to the utilities' application.¹

I. Grounds for Protest and Issues in Dispute

TURN protests SoCalGas's and SDG&E's requests for authorization of cost allocation and rate design outcomes because, based on a preliminary review and TURN's extensive experience in previous Biennial Cost Allocation Proceedings (BCAPs), Triennial Cost Allocation Proceedings (TCAPs), and Phase 2 applications for the major energy utilities' respective General Rate Cases (GRCs), TURN believes that the Sempra Utilities have not provided adequate support or justification for their proposals. TURN anticipates that, after further review, it will be clear that the Sempra Utilities used inappropriate allocation calculations or demand forecasts or otherwise failed to make

¹ The notice of the filing of the application first appeared in the Commission's Daily Calendar on October 8, 2025.

their case for the reasonableness of the revenue allocation and rate design proposals they have put forward. Accordingly, TURN anticipates disputing several elements of the Sempra Utilities' revenue allocation and rate design proposals as inadequately supported or fundamentally flawed. TURN identifies a few issues of concern here, the last of which should compel interim action from the Commission in the Scoping Memo.

First, both SoCalGas and SDG&E propose a fully embedded cost allocation, which would allocate significantly more costs to the residential class relative to the Long Run Marginal Cost (LRMC) study produced by each utility.²

Second, SoCalGas once again proposes to increase the residential fixed customer charge, as it did in the last two CAPs. SoCalGas proposes to retain the current \$5 monthly customer charge for non-CARE customers in 2027 but increase that charge to \$12 in 2028 and \$20 in 2029.³ For CARE customers, SoCalGas seeks to retain the current \$4 monthly customer charge in 2027, followed by increases to \$6 in 2028 and \$10 in 2029.⁴ The CARE customer charges in 2028 and 2029 would be 50% of the non-CARE customer charges in those years. SoCalGas proposes to collect this additional subsidy for CARE customers from the residential transportation rate, while continuing to collect the 20% discount on volumetric transportation charges and gas costs through the Public

² Sempra Testimony, Ch. 8, p. FS-MSP-38, Table FS-MSP-30 (SoCalGas Embedded Cost study cost allocation); Ch. 9, p. MSP-30, Table MSP-13 (SoCalGas LRMC study cost allocation); Ch. 8, p. FS-MSP-39, Table FS-MSP-31 (SDG&E Embedded Cost study cost allocation); Ch. 9, p. MSP-49, Table MSP-28 (SDG&E LRMC study cost allocation).

³ Sempra Testimony, Ch. 12, p. MF-2. SoCalGas explains that the fixed customer charge is currently implemented as a per-meter per-day charge and may vary slightly from month to month depending on the number of days. *Id.*, p. MF-8.

⁴ Sempra Testimony, Ch. 12, p. MF-3.

Purpose Program Surcharge.⁵ SoCalGas argues that an increase to the fixed customer charge is necessary (1) to cover a larger share of fixed residential customer costs, and (2) to reduce the current intraclass subsidy for fixed costs paid by higher usage customers for lower usage customers, who pay less than the utility's minimum cost of service.⁶

SoCalGas also claims that increased customer charges will immediately promote bill affordability, as measured by the Commission's Affordability Metrics required in D.22-08-023, SoCalGas's CARE and Energy Burden metrics, and SoCalGas's bill impacts analysis.⁷ SoCalGas points to other benefits, including economic efficiencies from setting the variable price at the marginal cost of service; seasonal bill smoothing; mitigating future gas bill impacts from residential building electrification; and similar rate design changes for electric customers that include recovery of a greater share of revenues from a fixed charge.⁸

In the last CAP, the Commission rejected a proposed settlement agreement opposed by TURN that would have adopted residential fixed charge increases.⁹ TURN will carefully examine SoCalGas's fixed customer charge proposal here to determine whether SoCalGas's showing is sufficiently improved from that in the last CAP and/or the broader policy landscape has sufficiently evolved so as to warrant this fundamental rate design change for residential customers.

⁵ Sempra Testimony, Ch. 12, p. MF-16.

⁶ Sempra Testimony, Ch. 12, pp. MF-9 – MF-18.

⁷ Sempra Testimony, Ch. 12, pp. MF-20 – MF-25.

⁸ Sempra Testimony, Ch. 12, pp. MF-26 – MF-32.

⁹ D.24-07-009, pp. 19-20.

Finally, the Sempra Utilities have once again made a showing where the utilities' embedded cost study allocates return on rate base, income taxes and property taxes among the major company functions based on the net book value of plant (gross plant less depreciation) recorded for each function, but their calculation of net book value inappropriately includes "asset retirement obligations" (AROs), which are already reflected in the depreciation rates for each function as "cost of removal." As TURN argued in the Sempra Utilities' 2024 cost allocation proceeding, AROs are not assets funded by shareholders that generate a rate of return or income or property taxes. Rather, they are funds provided *by ratepayers* through depreciation to cover the cost of removing the related assets at the end of their useful life. The inclusion of AROs in the net plant figures used to allocate return and taxes effectively double counts those costs, which already show up in depreciation expense. Return and taxes should not be allocated based upon the inclusion of costs that are funded by ratepayers rather than shareholders.

The inclusion or exclusion of AROs has been an issue in the last few cost allocation proceedings for the Sempra Utilities. In the last CAP, A.22-09-015, the parties entered into a "black box" settlement of cost allocation issues and highlighted this issue for consideration in the current case by agreeing that the Sempra Utilities would present an alternative showing "without AROs" at its workshops preceding the next CAP proceeding.¹⁰ The intent was that this showing would continue through the proceeding. However, in its application, testimony and workpapers here, the Sempra Utilities have presented only the "with AROs" case.

¹⁰ See D.24-07-009, Attachment A, page 3, section (5): "Applicants will present an allocation scenario that excludes Asset Retirement Obligations ("AROs") for purposes of allocating return and taxes."

The Sempra Utilities' failure to provide the "without ARO" alternative places TURN at a distinct disadvantage. TURN will be forced to calculate a cost allocation without AROs itself, and risk potential disputes with the Utilities over the correct results. Further, since the Sempra Utilities have not presented any arguments in favor of the inclusion of AROs in their testimony, TURN will not be able to discern the Utilities' rationale until the company files rebuttal testimony, at which point TURN will be unable to respond.

Accordingly, TURN requests that the Commission order the Sempra Utilities to present alternative cost allocation calculations that exclude AROs, and further to provide in direct testimony its rationale for the inclusion of AROs. Absent such supplemental testimony, TURN will be denied a meaningful opportunity to respond to the Utilities' position.

TURN will also address additional cost allocation and rate design issues in this proceeding at the appropriate time.

Consistent with its practice in past proceedings, TURN will seek to coordinate with the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and other ratepayer representatives to minimize overlapping showings and thereby maximize the coverage achieved.

As for the range of issues within the scope of this proceeding, TURN generally agrees with the list embedded in the list of "relief requested" in Section V of the application. The list also includes a catch-all of "such other and further relief as the Commission deems necessary or appropriate" that would seem to accommodate any cost

allocation or rate design issues that TURN or other intervenors might identify that do not fit neatly within the Sempra Utilities' list.

II. Effect of the Application on the Protestant

TURN is a non-profit consumer advocacy organization that has a long history of representing the interests of residential and small commercial customers of California's utility companies before this Commission. TURN's articles of incorporation specifically authorize our representation of the interests of residential customers. The instant application will have a direct effect on the interests of SDG&E's and SoCalGas's residential and small commercial ratepayers, whose interests TURN represents. As described above, TURN's initial review of the application and some of the supporting materials leads us to conclude that the utility-proposed revenue allocation and rate design outcomes would be unjust, unreasonable, or are inadequately supported.

III. Proposed Categorization, Need for Hearing and Schedule

SoCalGas and SDG&E propose that this application be categorized as ratesetting and expect that hearings will be necessary.¹¹ TURN agrees both that ratesetting is the appropriate category, and that hearings will be necessary.

The schedule proposed by the utilities includes testimony, hearing and briefing dates that would be substantially earlier in the process than was the case in the 2024 CAP proceeding. The Commission should reject the Sempra-proposed schedule as untenable and instead adopt a schedule with the same timing intervals as adopted in the 2024 CAP as outlined below. This will avoid a situation in which intervenor testimony in this

¹¹ SoCalGas and SDG&E Application, p. 11.

proceeding would be due around the same time as intervenor testimony in the PG&E 2027 General Rate Case.¹²

Event	Sempra Utilities' Proposal for 2027 CAP	2024 CAP Scoping Ruling Dates¹³	Proposed Dates using 2024 CAP Intervals¹⁴
Application Filed	September 30, 2025	September 30, 2022	September 30, 2025
Intervenor Testimony	February 24, 2026	June 12, 2023	June 12, 2026
Rebuttal Testimony	March 31, 2026	July 28, 2023	July 28, 2026
Evidentiary Hearings	May 4-8/11-15, 2026	August 7-18, 2023	August 10-21, 2026
Opening Briefs	June 2, 2026	September 25, 2023	September 29, 2026
Reply Briefs	June 30, 2026	October 16, 2023	October 21, 2026

IV. Conclusion

TURN protests the application and further requests that this Commission direct the Sempra Utilities to present supplemental testimony on an allocation scenario without AROs, consistent with their commitment in the last CAP settlement.

November 6, 2025

Respectfully submitted,
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¹² A.25-05-009, Scoping Memo, p. 19 (setting a due date for Intervenor Testimony of February 13, 2026).

¹³ A.22-09-015, Scoping Memo p. 5.

¹⁴ In order to avoid having evidentiary hearings start on a Friday, TURN increased the interval between rebuttal testimony and evidentiary hearings so that hearings will start on a Monday. All other time intervals are consistent with the 2024 CAP schedule.