



PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-04-005:

This is the proposed decision of Administrative Law Judge Brandon Gerstle. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 18, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ BRIAN STEVENS for

Michelle Cooke

Chief Administrative Law Judge

MLC:jnf

Attachment

Decision **PROPOSED DECISION OF ALJ GERSTLE** (Mailed 11/12/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA
GAS COMPANY (U904 G) for Authorization
to (1) issue debt securities in an aggregate
principal amount of up to \$3,300,000,000;
(2) include certain features in debt securities
or enter into certain derivative transactions;
(3) hedge issuances of debt securities; and
(4) take all other necessary, related actions.

Application 25-04-005

**DECISION AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY TO
ISSUE UP TO \$3,300,000,000 IN NEW DEBT SECURITIES, AND TO TAKE
RELATED ACTIONS**

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**DECISION AUTHORIZING SOUTHERN CALIFORNIA GAS COMPANY TO
ISSUE UP TO \$3,300,000,000 IN NEW DEBT SECURITIES, AND TO TAKE
RELATED ACTIONS**

Summary

This decision grants Southern California Gas Company (SoCalGas) authority to issue up to \$3,300,000,000 in new debt securities. This decision also authorizes SoCalGas to take various actions to improve the terms and conditions of SoCalGas's debt portfolio and lower the cost of financing, and to take additional actions.

The proceeding is closed.

1. Application (A.) 25-04-005 Background**1.1. Factual Background**

On April 14, 2025, Southern California Gas Company (SoCalGas) filed A.25-04-005 requesting authority to:

1. To issue first mortgage bonds (FMBs), debentures, foreign debt, or other evidences of its indebtedness; to enter into long-term loans; and engage in accounts receivable financings (collectively, debt securities) in an aggregate principal amount not to exceed \$3,300,000,000, in addition to previously authorized amounts, of debt capital. SoCalGas's management or board of directors will determine the principal amount and the terms and conditions of each issue of debt securities according to market conditions at the time of sale;
2. To include certain features in SoCalGas debt securities or to enter into certain derivative transactions related to underlying debt, as necessary, to improve the terms and conditions of SoCalGas's debt portfolio and lower SoCalGas's cost of debt financing for the benefit of ratepayers;
3. To hedge, when appropriate, existing, or planned issuances of debt securities; and

4. To take all the other necessary and related actions described in the application.

1.2. Procedural Background

No protests or responses to the application were filed. On May 15, 2025, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a motion for party status. The motion was granted on May 19, 2025.

A prehearing conference was held on June 24, 2025.

On August 26, 2025, the assigned Commissioner issued a Scoping Memo and Ruling, categorizing the proceeding as ratesetting and determining that evidentiary hearings were not necessary.

SoCalGas is a public utility operating within California and subject to the jurisdiction of the California Public Utilities Commission (Commission).

1.3. Submission Date

This matter was submitted on October 17, 2025, upon the deadline for parties to file replies to SoCalGas's October 10, 2025, response to an Administrative Law Judge (ALJ) ruling requesting information.

2. Issues Before the Commission

2.1. Overview

SoCalGas requests authorization to issue up to \$3,300,000,000 of debt securities. SoCalGas intends to combine this issuance with the issuance of previously authorized securities. SoCalGas intends to use the proceeds to fund capital investments, reimburse its treasury for monies expended or planned to be expended for various projects, and to address unforeseen capital needs or financial market disruptions.

2.2. Requested Authorizations and Findings

SoCalGas requests that the Commission issue an order pursuant to Public Utilities Code (Pub. Util. Code) Sections¹ 816-830 and 851 authorizing SoCalGas to:

1. Issue FMBs, debentures, and foreign debt; to enter into long-term loans; or to issue other evidences of its indebtedness; and engage in accounts-receivable financings (collectively, Debt Securities), in an aggregate principal amount not to exceed \$3,300,000,000 of debt capital. The principal amount and the terms and conditions of each issue of Debt Securities will be determined by SoCalGas management and/or board of directors according to market conditions at the time of sale;
2. Include certain features in SoCalGas Debt Securities or to enter into certain derivative transactions related to underlying debt, as necessary, to improve the terms and conditions of SoCalGas's debt portfolio and lower SoCalGas's cost of debt financing for the benefit of ratepayers;
3. To hedge, when appropriate, planned issuances of debt securities within reasonable limits established in the Commission's Financing Rule; and
4. Granting such authorizations as the Commission deems appropriate.

2.3. Use of Proceeds

SoCalGas intends to apply the net proceeds from the proposed debt financings for: (1) SoCalGas capital investments; (2) reimbursing SoCalGas's treasury for monies expended or planned to be expended for the execution and enhancement of scheduled or proposed projects in transmission, distribution, storage, information technology, and other miscellaneous projects; and (3)

¹ All subsequent references to "Section" refer to the Public Utilities Code unless otherwise specified.

potential contingencies such as unforeseen capital needs or financial market disruptions.

2.4. Types of Debt Securities Proposed

SoCalGas intends to issue different types of debt securities. Each series of debt securities will mature between one year and 100 years after issuance. Except for long-term loans and accounts receivable financing, each series of debt securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the trustee for such issue. The indenture or supplemental indenture would set forth the terms and conditions of each issue of debt securities.

SoCalGas requests authority to issue the following types of debt securities:

2.4.1. Secured Debt

Secured debt may be secured by a lien on property or through other credit-enhancement arrangements described below in Section 2.5 of this decision.

FMBs will be issued in accordance with SoCalGas's trust indenture dated October 1, 1940, as amended, and supplemented and which heretofore has been filed with the Commission. The supplemental indenture delivered in connection with each new series of FMBs will be in a form consistent with supplemental indentures previously filed with the Commission.

Secured debt may be sold to either domestic or foreign investors. It may be sold to underwriters who in turn will offer the secured debt to investors, or it may be sold directly to investors either with or without the assistance of a private placement agent. Secured debt may be registered with the United States (U.S.) Securities and Exchange Commission (SEC), depending on the method of offering and sale, and may be listed on a stock exchange.

In certain instances, SoCalGas may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for a secured debt issue. The cost of the credit facilities will be included in determining the debt security's overall cost.

2.4.2. Unsecured Debt (debentures)

Debentures may be sold to either domestic or foreign investors. They may be sold to underwriters who in turn will offer the debentures to investors, or they may be sold directly to investors either with or without the assistance of a placement agent. Debentures may be registered with the SEC and may be listed on a stock exchange. Unsecured debt may be senior or subordinated.

2.4.3. Foreign Debt

Debt Securities issued by SoCalGas in foreign capital markets may be denominated in or proceeds from their sale received in U.S. dollars or in other currencies. International bond issuance is commonly separated into two categories, U.S.-pay and foreign-pay. The U.S.-pay international bond market consists primarily of Eurodollar bonds, which are issued and traded outside of the U.S. and denominated in U.S. dollars. The foreign-pay, or simply foreign, bond market describes issues sold in a country outside of the U.S. in the local currency.

Certain circumstances may make international borrowing attractive to a U.S. utility. Competition among global investment banks may create low-cost offshore funding opportunities. Foreign bond markets may have a better appetite for a particular debt security than domestic markets. Finally, a domestic utility may find international markets more accessible during a time when domestic bond markets are not.

To reduce or eliminate the risk of currency fluctuations on foreign-pay debt, SoCalGas may engage in currency swaps or other arrangements.

2.4.4. Direct Long-Term loans

SoCalGas may enter into long-term loans, debt securities with a maturity of greater than one year, pursuant to a line of credit with banks, insurance companies, or other financial institutions. SoCalGas may enter into loans when it finds that interest rates or other circumstances make it attractive to do so or when, for various potential reasons, SoCalGas may have limited access to other forms of financing.

2.4.5. Accounts-Receiveable Financing

SoCalGas may issue debt securities secured by a pledge, sale, or assignment of its accounts receivable. SoCalGas anticipates that any such transactions would be structured to be a true sale for bankruptcy purposes, a sale for financial reporting, and debt for tax purposes although other structures may be developed using accounts receivable as security or collateral. Because an accounts receivable financing would be an encumbrance on utility properties to the extent that accounts receivable are considered to be utility property, SoCalGas requests authorization under Section 851 to mortgage and encumber utility property.

2.4.6. Tax-Exempt Debt

SoCalGas anticipates that from time-to-time the cost of debt securities may be reduced by placing such securities with one or more political subdivisions (Authority) and unconditionally guaranteeing or otherwise securing such Authority's obligations in respect of its issuances of tax-exempt debt in connection with the financing of SoCalGas's facilities. SoCalGas anticipates having the ability to use the tax-exempt option whenever:

- (1) SoCalGas's facilities qualify for tax-exempt financing under federal law, either as eligible pollution control facilities or facilities that may be financed by tax-exempt revenue bonds under the "two-county" rule, and;
- (2) SoCalGas receives sufficient "volume cap," or tax-exempt borrowing authority, from the California Debt Limit Allocation Committee.

Such tax-exempt financings may be structured substantially as follows:

1. An Authority would issue and sell one or more series of its bonds, notes, debentures, or other securities (Authority Bonds) to a group of underwriters who would ultimately market such Authority Bonds to investors. Concurrently with the sale and delivery of such Authority Bonds and in consideration for the proceeds of the Authority Bonds, SoCalGas would enter into a loan agreement or other security agreement with the Authority, or would enter into an installment- sale agreement with the Authority pursuant to which the eligible facilities would be conveyed to the Authority in consideration for the proceeds of the Authority Bonds, and the eligible facilities would be reconveyed to SoCalGas in consideration for its Debt Securities. The operation and control of such facilities would always remain with SoCalGas or the project operator.
2. Concurrent with the sale and delivery of such Authority Bonds, SoCalGas would issue and deliver to the Authority, in consideration of the Authority's obligations set forth in (2) above, SoCalGas debt securities plus accrued interest (the terms and conditions of such indebtedness would be substantially consistent with the terms and conditions of such Authority Bonds) or would unconditionally guarantee or otherwise secure such Authority's obligations in respect of the Authority Bonds. All rights and title of such Authority in company debt securities would be assigned to a trustee under an indenture pursuant to which the Authority Bonds would have been issued as security for the purchasers of the Authority Bonds.

2.4.7. Variable-Rate Debt

SoCalGas anticipates that the cost of SoCalGas debt may be reduced by issuing variable-rate debt securities. A variable-rate debt security includes, but is not limited to, debt securities bearing interest based on the prime rate of banks, Secured Overnight Funding Rate, or some other referenced interest rate generally accepted by the market. A variable-rate debt security may also be a debt security for which investors possess a series of periodic, mandatory put options which require SoCalGas to repurchase all or a portion of the debt securities, and which may be coupled with a remarketing obligation by SoCalGas of the repurchased debt security. Certain variable-rate debt securities require credit support, such as bank lines. These bank lines may be in the form of a short-term or long-term bank line agreement.

2.4.8. “Fall-Away” Mortgage Bonds

SoCalGas may issue debt that is initially secured and subsequently convertible into unsecured debt, known as “fall-away bonds.” These senior notes are initially secured under their indenture by collateral FMBs issued in equal principal amount under the existing 1940 first mortgage indenture and delivered to the fall-away indenture trustee. After the redemption or maturity of all outstanding FMBs (other than the collateral FMBs held by the fall-away indenture trustee) the fall-away bonds would become unsecured general obligations of SoCalGas. The fall-away bonds’ indenture would contain a negative pledge clause, which provides that the newly unsecured obligations would be secured equally with any secured bonds that may be issued in the future. SoCalGas may also wish to issue debt that is initially unsecured and subsequently convertible into secured debt.

2.5. Debt Security Enhancements

SoCalGas requests authority to include certain features in its debt securities or enter into certain derivative transactions related to underlying debt. Such measures would be taken when appropriate to improve the terms and conditions of SoCalGas's debt securities and to lower the overall cost of debt financing for the benefit of ratepayers.

SoCalGas is requesting debt security enhancement authority consistent with the authority granted in D.22-12-010. The types of debt security enhancements and contracts used for managing interest rate risk associated with outstanding debt are generally described as follows.

2.5.1. Put Options

This feature grants to a Debt Security owner the right to require SoCalGas to repurchase all or a portion of that holder's securities, commonly referred to as "putting" the security back to the company. Debt holders are willing to accept a lower interest rate in exchange for the protection against rising interest rates offered by the put option.

2.5.2. Call Options

SoCalGas anticipates it may retain the right to retire, fully or partially, a Debt Security before the scheduled maturity date. This is commonly referred to as "calling" the Security. This feature permits SoCalGas, should market rates fall, to replace the bond issue with a lower-cost issue, thus potentially producing a positive net benefit to ratepayers in the long-term

2.5.3. Sinking Funds

SoCalGas may reduce the cost of debt securities by using a sinking fund. A sinking fund typically operates in one of two ways: (1) SoCalGas may set aside a sum of money periodically so that, at the maturity date of the bond issue, there is a pool of cash available to redeem the issue, or (2) SoCalGas may periodically

redeem a specified portion of the bond issue. SoCalGas would have the right to meet its sinking fund obligations in the latter fashion by either calling a certain number of bonds or purchasing the bonds in the open market.

2.5.4. Interest-Rate Swaps

An interest-rate swap is a contractual agreement between two parties to exchange a series of payments for a stated period. In a typical interest-rate swap, one party pays the other fixed-rate interest while, in turn, the other pays floating-rate interest, both payment obligations being based on a notional principal amount (*i.e.*, no principal is exchanged). Swaps are generally used to convert fixed-rate borrowing to floating with the intention to reduce interest expense if rates are expected to decrease, or limit potential future rising interest rate by swapping to fixed-rate interest.

2.5.5. Swaptions

Swaption contracts give the right to enter into a swap agreement (or to exit a swap) under specified terms and conditions. The swaption's strike price, maturity, size, and structure can be tailored to suit a party's particular needs. Corporate treasurers use swaptions to hedge an existing or anticipated exposure while retaining the ability to benefit from an advantageous change in interest rates, which is a benefit, if used, that would ultimately be realized by SoCalGas ratepayers as a lower cost of debt.

2.5.6. Credit Enhancements

SoCalGas may obtain credit enhancements for debt securities, such as letters of credit, stand-by bond purchase agreements, surety bonds or insurance policies, or other credit support arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms. The cost of credit enhancements would be included in the cost of the debt securities.

2.6. Hedging the Issuance of Debt Securities

SoCalGas seeks to hedge the issuance of debt securities in some circumstances. For instance, compliance with legal, regulatory, and administrative matters may preclude SoCalGas from acting on a low-cost funding opportunity during a time of market volatility. Conversely, SoCalGas may have an immediate need for funds, but be reluctant to fix its cost at prevailing interest rates. Issuance-hedging strategies grant the ability to enter financial markets at times when interest rates or other circumstances appear more favorable.

SoCalGas is requesting issuance hedge authority consistent with the authority granted in D.22-12-010. The types of features generally used to hedge the risk of future fixed-rate debt issuances are generally described as follows.

2.6.1. Treasury Lock Agreement

This approach is used to fix the Treasury component of SoCalGas's borrowing cost in advance of an offering. SoCalGas and the counterparty define a threshold Treasury yield that determines the Treasury lock's value at expiration. The Treasury lock's expiration date is set to correspond with the planned debt security's offering date. In using a T-lock, if interest rates rise, SoCalGas will receive a cash payment that offsets the higher interest cost of the newly issued debt. If interest rates decline, SoCalGas will make a cash payment to the counterparty that will be offset by the new debt's lower interest cost. A Treasury lock reproduces the results of a forward sale of Treasury bonds while sparing the issuer a forward sale's administrative complications.

2.6.2. Treasury Put Options

The purchase of Treasury put options is an alternative to the treasury lock. In this type of transaction, SoCalGas would purchase put options entitling it to

sell Treasury securities of a maturity comparable to that of the contemplated security issuance at a specified yield (strike yield) at any time before the option's expiration date. If interest rates rise above the put's strike yield, SoCalGas may exercise the put and the resulting profit offsets the increased cost of borrowing. If interest rates decline, SoCalGas will let the option expire worthless and issue securities at prevailing lower rates.

2.6.3. Interest Rate Swaps

A forward-starting interest rate swap allows SoCalGas to either (1) delay a securities issuance and capture current yields, or (2) issue securities immediately and price them later to benefit from a fall in interest rates. As the fixed-rate payer in an interest rate swap, SoCalGas hedges its future borrowing cost. If interest rates rise, unwinding the swap at a profit offsets higher borrowing cost. If rates decline, lower borrowing costs offset the loss caused by unwinding the swap. As the floating-rate payer in an interest-rate swap, SoCalGas hedges its current borrowing costs. If interest rates decline, SoCalGas will unwind the swap at a profit, thus compensating for the lost opportunity to finance at lower rates. If rates rise, the interest expense savings realized by issuing immediately will be offset by the loss caused by unwinding the swap.

2.6.4. Long Hedge

A long hedge allows SoCalGas to issue debt securities in the present and capture its current credit spread but leave the all-in cost of the securities issue open. SoCalGas establishes a long hedge by issuing securities and investing the proceeds in Treasury securities of a comparable maturity. If interest rates subsequently decline, the gain in the value of the Treasury portfolio will compensate SoCalGas for the lost opportunity to finance at lower rates. Conversely, if rates rise, the interest expense savings realized by issuing

immediately will be offset by the decline in value of the Treasury portfolio. Thus, the Treasury component of SoCalGas's effective borrowing cost will be determined by the Treasury rates prevailing when it chooses to unwind the hedge. The credit spread is determined at the time of issuance.

3. Discussion

SoCalGas's application for authority to issue \$3.3 billion of debt securities is subject to certain statutory and regulatory requirements.

3.1. Security Transaction Requirements

3.1.1. Pub. Util. Code § 816

Pub. Util. Code § 816 provides the Commission broad discretion to (1) determine if a utility should be authorized to issue debt securities; and (2) attach conditions to the issuance of securities in order to protect and promote the public interest. As a condition of exercising the authority granted in this decision, SoCalGas shall maintain its Commission-authorized capital structure. For the reasons set forth in this section of the decision and below, we find it is reasonable to authorize SoCalGas to issue \$3.3 billion of debt pursuant to Pub. Util. Code § 816.

3.1.2. Pub. Util. Code § 817

Pub. Util. Code §817 provides that a public utility may issue long-term debt only for the enumerated purposes specified in Section 817. SoCalGas requests authority to issue \$3.3 billion of debt for the following purposes: (1) capital investments; (2) reimbursing treasury for monies expended or planned to be expended for the execution and enhancement of scheduled or proposed projects in transmission, distribution, storage, IT, and other miscellaneous projects; and (3) potential contingencies such as unforeseen capital needs or

financial market disruptions.² Fourth, SoCalGas asks for authority to retire or refund securities, pursuant to Pub. Util. Code § 817(g).³

SoCalGas states the first two purposes are permissible under Section 817(a)-(c) and (h).⁴ SoCalGas's third stated purpose, to address potential contingencies, is a request for additional debt authorization in the event that financing needs exceed the current forecast.⁵ SoCalGas does not request any additional purposes under Section 817 for potential contingencies. Nonetheless, the contingency request is granted because it is reasonable to plan for justified levels of uncertainty.⁶ However, the authorized contingency funding is limited to the enumerated purposes requested by SoCalGas under Pub. Util. Code § 817(a)-(c) and (g)-(h).

Moreover, we have reviewed SoCalGas's forecast of capital expenditures, sources, and use of funds for the years 2026 through 2028. We find the forecast to be reasonable and appropriate. The forecast supports the need for authorization to issue new debt.

We conclude that SoCalGas's request herein to issue new debt under Pub. Util. Code § 817(a)-(c) and (g)-(h) is reasonable and should be granted for up to \$3.3 billion in debt.

² A.25-04-005 at 4.

³ Southern California Gas Company (SoCalGas) Response to ALJ Ruling Regarding 1. Motion to Seal Confidential Information and 2. Purposes of Requested Debt Authorization at 4-5 (October 10, 2025).

⁴ SoCalGas Response to ALJ Ruling Requesting Information at 1-2 (September 2, 2025).

⁵ See SoCalGas Response to ALJ Ruling Requesting Information at 1-2.

⁶ See SoCalGas Response to ALJ Ruling Requesting Information at 2-4.

3.1.3. Pub. Util. Code § 818

Pub. Util. Code § 818 provides that a public utility may not issue long-term debt unless it has first secured a Commission order authorizing the debt, stating the amount thereof, and the purposes to which the proceeds thereof are to be applied. Pub. Util. Code § 818 further requires the Commission to find that the money, property and/or labor to be procured with the proceeds from the long-term debt are reasonably required for the purposes specified in the order, and that such purposes are not reasonably chargeable to expenses or income.

In compliance with Pub. Util. Code § 818, SoCalGas filed A.25-04-005 seeking \$3.3 billion in new financing authority for the purposes stated in Section 3.1.2 of this decision. SoCalGas's application meets the requirements of Pub. Util. Code § 818.

3.1.4. Pub. Util. Code § 830

Pub. Util. Code § 830 provides that a public utility shall not assume any obligation or liability as guarantor, endorser, surety, otherwise with respect to the debts of another person, firm, or corporation, without prior permission from the Commission. In A.25-04-005, SoCalGas requests authority to guarantee the securities with one or more political subdivisions or otherwise secure such obligations in respect to the issuances of tax-exempt debt. This decision grants SoCalGas's request, subject to the following conditions:

- SoCalGas shall only incur obligations that are (i) directly related to the debt securities authorized by this decision, and (ii) for the purposes authorized by this decision.
- The governmental entity's obligations that are guaranteed by SoCalGas shall have an equal or lower cost than SoCalGas incurring the obligation itself.

- SoCalGas shareholders shall not profit, either directly or indirectly, for the obligations that are guaranteed by SoCalGas.

The Commission and its staff shall also have full and timely access to the books, records, and other information that pertain to the obligations that are guaranteed by SoCalGas.

3.2. Types of Debt

SoCalGas seeks authority to issue the types of debt identified in Section 2.4 of this decision. The Commission believes that public utilities should have reasonable latitude regarding the types of debt they may issue to obtain the lowest cost of capital for ratepayers. A utility's request to issue a specific type of security should be denied only if the requested type is unduly risky or for other good cause. This is not the case here. Therefore, the Commission will grant SoCalGas's request to issue the types of debt described in Section 2.4 of this decision.

3.3. Debt Enhancements, Swaps, and Hedges

SoCalGas requests authority to use the debt enhancements, swaps, and hedges identified in Sections 2.5 and 2.6 of this decision with respect to the debt securities authorized by this decision. In D.12-06-015, the Commission authorized utilities to use debt enhancements, swaps, and hedges for debt securities, subject to after-the-fact review by the Commission. The only requirement that a utility must satisfy in a financing application such as A.25-04-005 is to provide "a brief description and rationale for the potential use of a debt enhancement or the risk management properties associated with the potential use of a derivative instrument to hedge risk exposure." SoCalGas provided the required information in A.25-04-005.

SoCalGas represents that the requested debt enhancements, swaps, and hedges will be used to improve the terms and conditions of its debt securities to lower the overall cost of debt financing for the benefit of ratepayers. The information provided by SoCalGas meets the Commission's requirement, and we will authorize SoCalGas to use the types of debt enhancements, swaps, and hedges – enumerated in Sections 2.5 and 2.6 of this decision – subject to the restrictions set forth in D.12-06-015 for swaps and hedges:

1. SoCalGas shall list in its GO 24-C reports to the Commission any interest income and expense from swaps and hedges during the period covered by the report.
2. Swaps and hedges shall not exceed 20% of SoCalGas's total long-term debt outstanding.
3. All costs associated with hedging transactions may be reviewed in regulatory proceedings addressing SoCalGas's cost of capital.
4. Hedging transactions that carry potential counterparty risk must have counterparties with investment grade credit ratings.
5. If a swap or hedge is terminated before the original maturity, all termination-related costs may be reviewed in SoCalGas's next regulatory proceeding addressing its cost of capital.
6. SoCalGas shall provide the following to the Commission's Energy Division Staff within 30 days of receiving a written request: (i) all terms, conditions, and details of swap and hedge transactions; (ii) rationale(s) for the swap and hedge transactions; (iii) estimated costs for the "alternative" or unhedged transactions; and (iv) copy of the swap and hedge agreements and associated documentation.

The authority granted by this decision to use debt enhancements, swaps, and hedges is limited to the debt securities authorized by this decision.

3.4. Commission Financing Rule and General Order (GO) 24-C

The Commission Financing Rule, adopted in D.12-06-015, sets requirements for public utility issuance of long-term debt. Long-term debt issuance must be conducted in manner that promotes the lowest long-term cost of capital while adhering to market standards of transparency and competition. It must be made with due regard for current and anticipated market conditions and the financial condition and requirements of the regulated utility. Public utilities with \$25 million or more in annual California operating revenue must use best efforts to utilize and promote Women-, Minority-, Disabled Veteran Owned Business Enterprises in key roles related to the debt security offerings and report upon those efforts. Utilities may use debt enhancements, swaps, and hedges for debt securities, subject to restrictions articulated in the rule. SoCalGas shall comply with all requirements of the Commission Financing Rule when issuing the debt authorized by this decision.

As a condition of exercising the authority granted in this decision, SoCalGas shall file a semiannual report with the Commission. The report shall comply with the form and informational requirements established by GO 24-C. The reporting requirement shall extend to each debt security, debt enhancement, swap, or hedge issued under the authority granted by this decision.

3.5. Ratemaking and Public Utilities Code § 451

Today's decision provides SoCalGas with authority to issue \$3.3 billion of debt securities for authorized purposes of capital investments, reimbursing SoCalGas's treasury, and retire or refund securities as discussed in Section 3.1.2 of this decision.

This decision does not authorize or approve any specific capital expenditures, construction projects, or the recovery of any costs in rates. The

all-in cost of the securities⁷ will be reviewed in SoCalGas's cost of capital proceedings or other appropriate proceedings. The capital expenditures financed with the proceeds from the debt and equity securities will be reviewed in general rate case proceedings, capital project-specific proceedings, or other appropriate proceedings. Based on these reviews, the Commission will determine whether the cost of the debt and equity securities, and related capital expenditures may be recovered in rates pursuant to Pub. Util. Code § 451.

3.6. Public Utilities Code § 1904, Estimated Costs and Fees

Pub. Util. Code §§ 1904(b) and 1904.1 require utilities to pay a fee for authority to issue debt and equity securities (§ 1904 Fee). The § 1904 Fee does not apply when the authorized debt or equity is used to retire or refund maturing securities for which the fee was paid previously. The fee is calculated as follows: \$2 for every \$1,000 authorized, up to \$1,000,000; \$1 for every \$1,000 over \$1,000,000 and up to \$10,000,000; and \$0.50 for every \$1,000 over \$10,000,000.

CPUC Fee Calculation	
Step 1: Amount of Debt on which the Fee is Owed	
Long-Term debt authorized by the order	\$3,300,000,000
LESS Earmarked to Retirements	\$1,209,338,770
New debt subject to fees	\$2,090,661,230
Step 2: Computation of Fee	
Fee on First \$1 Million: \$2 x (\$1,000,000/1,000)	\$ 2,000
PLUS Fee on \$1 Million to \$10 Million: \$1 x (\$9,000,000/1,000)	\$ 9,000
PLUS Fee on Over \$10 Million: \$0.50 x (\$2,080,661,230/1,000)	\$1,040,331
Total Fees	\$1,051,331

⁷ The all-in cost of the debt securities includes the debt enhancements, swaps and hedges authorized by this decision.

SoCalGas expects to use \$2.090 billion of the requested debt securities authority for capital investments and reimbursing SoCalGas's treasury. The remaining \$1.209 billion of authorization requested for debt securities is expected to be used for the retirement or refunding of securities previously issued and upon which SoCalGas previously paid a fee, and therefore will not be subject to a fee. Therefore, under Pub. Util. Code §§ 1904(b) and 1904.1, SoCalGas shall pay a fee of \$1,051,331 on the authorization granted, consistent with the calculation above. If SoCalGas intends to use any of the remaining authority it currently expects to use for the retirement or refunding of securities for other purposes approved in Section 3.1.2 of this decision, SoCalGas must notify the Commission and pay the corresponding fee before making such use.

The authority granted by this decision shall not become effective until the fee is paid in full.

4. Motions to File Confidential Information Under Seal

On April 14, 2025, SoCalGas filed a motion pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure requesting that Schedules I, II, III-A, III-B, and X be received under seal as confidential information.⁸ In D.22-12-010, our decision in SoCalGas's most recent application to issue debt securities, we granted confidential treatment to the same documents, finding that if released the information could harm investors and increase borrowing costs. We find that to be true of in this proceeding as well, and the motion is granted.

⁸ See also SoCalGas Response to ALJ Ruling Regarding 1. Motion to Seal Confidential Information and 2. Purposes of Requested Debt Authorization at 1-3.

On September 2, 2025, SoCalGas filed a similar motion requesting portions of its response to an ALJ ruling requesting information be received under seal as confidential information.⁹ SoCalGas states the forward-looking financial projections need to remain confidential, as their disclosure could create regulatory risk from the Securities Exchange Commission, litigation risk from investors, and impede SoCalGas's bidding strategy with counterparties. As such, consistent with Government Code Sections 7922, 7927.705, and 7929, the public interest is served by not disclosing the information covered by the motion. Therefore, the motion is granted.

The granting of these requests, like other Commission decisions, does not establish a precedent for approval of similar requests for confidentiality in the future. Furthermore, parties in other proceedings are not to use this approval as justification for obtaining confidential treatment of their data, as confidentiality must be determined on a case-by-case basis and not categorically.

5. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. In this proceeding, there were no public comments submitted on the Docket Card.

⁹ See also SoCalGas Response to ALJ Ruling Regarding 1. Motion to Seal Confidential Information and 2. Purposes of Requested Debt Authorization at 1-3.

6. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

7. Comments on Proposed Decision

The proposed decision of ALJ Brandon Gerstle in this matter was mailed to the parties in accordance with Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

8. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Brandon Gerstle is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. There are no contested factual issues in this proceeding.
2. SoCalGas has a reasonable need for authority to issue \$3,300,000,000 in new debt securities. That need is in addition to the need to issue previously authorized, but not yet issued, debt securities.
3. The needed debt will be issued to acquire property, construct, complete or extend facilities, to refund maturing debt, fund payments, redemptions, retirement, refinancing, or exchange of existing debt and debt premiums. Debt will also be utilized to reimburse the treasury of SoCalGas for expenditures for which reimbursement is otherwise authorized by law.
4. The types of securities proposed by the application will provide SoCalGas the flexibility to issue debt securities at the lowest cost to ratepayers. No good cause exists to prohibit the issuance of the proposed debt securities.

5. The debt enhancements proposed by SoCalGas improve prices, rates, terms, and conditions of the proposed debt security issuance in a manner that benefits its ratepayers.

6. SoCalGas will utilize \$1,209,338,770 of the authority sought to refund or retire debt for which a fee was previously paid under Pub. Util. Code § 1904(b). \$2,090,661,230 of the authority will be utilized for other purposes.

7. SoCalGas filed a motion for leave to file under seal Schedules I, II, III-A, III-B, and X as confidential, pursuant to Rule 11.4.

8. SoCalGas filed a motion for leave to file under seal certain info from their September 2, 2025, response to an ALJ Ruling requesting information as confidential, pursuant to Rule 11.4.

9. SoCalGas must pay a fee of \$1,051,331, pursuant to Pub. Util. Code §§ 1904(b) and 1904.1.

Conclusions of Law

1. SoCalGas should be authorized to issue up to \$3,300,000,000 in new debt securities for the purposes identified in the application and in this decision pursuant to Pub. Util. Code § 817. That authority is for purposes allowed by Section 817(a)-(c) and (g)-(h).

2. The \$3,300,000,000 of debt authorized by this decision are for purposes allowed by Pub. Util. Code § 817, and as required by Pub. Util. Code § 818, such purposes are not reasonably chargeable, in whole or in part, to operating expenses or income.

3. Pursuant to Pub. Util. Code § 816, SoCalGas should be authorized to issue the types of securities identified in Section 2.4 of this decision.

4. Pursuant to Pub. Util. Code § 830, SoCalGas should be authorized to guarantee the obligations of regulated affiliates and government entities, subject to the conditions specified in Section 3.1.4 of this decision.

5. Pursuant to Pub. Util. Code § 851, SoCalGas should be authorized to encumber utility assets using the securities identified in Section 2.4 of this decision.

6. Consistent with Pub. Util. Code § 851, if a default occurs and title to any SoCalGas property, franchise, permit, or right that is necessary or useful in the performance of SoCalGas's duties to the public is transferred pursuant to terms of the encumbrance, the property, franchise, permit, or right transferred should be used to provide utility service to the public until the Commission authorizes otherwise.

7. SoCalGas has satisfied the requirements of D.12-06-015 for authority to use the debt enhancements, swaps, and hedges identified in Sections 2.5 and 2.6 of this decision with respect to the requested debt securities. SoCalGas should be authorized pursuant to Pub. Util. Code §§ 816-818 to use these debt enhancements, swaps, and hedges with respect to the debt securities authorized by this decision, subject to the restrictions established in D.12-06-015.

8. The Financing Rule and GO 24-C apply to SoCalGas and the debt, debt enhancements, swaps, and hedges authorized by this decision.

9. Pursuant to § 816, SoCalGas should be authorized to issue debt securities subject to the condition that SoCalGas maintains its Commission-authorized capital structure.

10. The authority granted by this decision to issue debt is separate from the authority to (i) recover the cost of the securities in rates; (ii) purchase or construct

specific utility plant with the proceeds from the securities; and (iii) recover the cost of utility plant in rates.

11. The Commission may determine in future proceedings whether the costs of the securities issued pursuant to this decision are just and reasonable, and recoverable in rates; and whether the capital expenditures funded with the proceeds from the securities are reasonable and recoverable in rates.

12. SoCalGas is required by Pub. Util. Code §§ 1904(b) and 1904.1 to pay a fee of \$1,051,331 to the Commission prior to the issuance of the authorized debt securities.

13. SoCalGas's motions for leave to file and maintain Schedules I, II, III-A, III-B, and X as well as certain information in a September 2, 2025, response to an ALJ ruling under seal for a period of three years should be granted.

14. There are no factual issues in this proceeding that require an evidentiary hearing. The determination in the Scoping Memo that hearings are not needed should be affirmed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized to do the following pursuant to California Public Utilities Code Section 851:

- a) To issue first mortgage bonds, debentures, and foreign debt; to enter into long-term loans; or to issue other evidence of its indebtedness; and engage in accounts-receivable financings (collectively, debt securities), in an aggregate principal amount not to exceed \$3,300,000,000 of debt capital. The principal amount and the terms and conditions of each issue of debt securities will be determined by Southern California Gas

- Company's management and/or board of directors according to market conditions at the time of sale;
- b) To include certain features in Southern California Gas Company (SoCalGas) debt securities or to enter into certain derivative transactions related to underlying debt, as necessary, to improve the terms and conditions of SoCalGas's debt portfolio and lower SoCalGas's cost of debt financing for the benefit of ratepayers;
 - c) To hedge, when appropriate, planned issuances of debt securities within reasonable limits established in the Commission's Financing Rule;
 - d) To use the proceeds from the debt securities to (i) acquire property; (ii) construct, complete or extend its facilities; (iii) refund maturing debt; (iv) fund payments or redemption requirements of debt (including any premiums required in connection therewith); (v) retire (through defeasance or otherwise), refinance, or exchange existing short-and long term debt (including any premiums required in connection therewith); and (vi) reimburse its Treasury for monies actually expended from income or from any other money in its Treasury not secured by or obtained from the issue of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidence of indebtedness for expansion and betterment of its facilities, with the amounts so reimbursed becoming part of Southern California Gas Company's general treasury funds;
 - e) To issue, sell, and deliver the debt securities authorized by this Order at any time or times, not to exceed the aggregate principal amounts authorized by this Order; and

f) To use the following financial instruments to reduce financial risks associated with the debt securities authorized by this Order: Interest rate caps, floors, collars, swaps, and forward starting contracts; and Treasury locks and caps. Such financial instruments shall not be considered as separate debt for the purpose of determining the aggregate principal amount of debt securities issued pursuant to this Order.

2. If a default occurs and title to any of Southern California Gas Company's (SoCalGas's) assets, property, franchise, permit, or right that is necessary or useful in the performance of SoCalGas's duties to the public is transferred pursuant to the terms of a secured debt indenture, pledge, or other encumbrance, the assets, property, franchise, permit, or right transferred shall continue to be used to provide utility service to the public until the Commission authorizes otherwise.

3. Southern California Gas Company and the debt and equity securities, debt enhancements, swaps, and hedges authorized by this Decision are subject to (a) the Financing Rule adopted by Decision (D.) 12-06-015, as corrected in D.12-07-003; (b) General Order 24-C; and (c) the capital structure and associated capital ratios adopted by the Commission.

4. This decision does not authorize or approve any capital projects, construction expenditures, rate base, capital structure, or cost of money.

5. Southern California Gas Company shall remit \$1,051,331 to the Commission pursuant to California Public Utilities Code Sections 1904(b) and 1904.1. The authority granted by this decision shall not be effective until such payment is received by the Commission's Fiscal Office, 505 Van Ness Avenue, San Francisco.

6. Within 30 days from the effective date of this Decision, Southern California Gas Company shall remit a check for \$1,051,331 pursuant to California Public Utilities Code (Pub. Util. Code) § 1904 to the Commission's Fiscal Office, Room 3000, 505 Van Ness Avenue, San Francisco, CA 94102.

"Decision XX-XXX-XXX" of this Decision must appear on the face of the check. The authority granted by this Decision shall become effective when the fee required by Pub. Util. Code § 1904 has been paid.

7. Southern California Gas Company (SoCalGas) may utilize \$1,209,338,770 of the authority granted in Ordering Paragraph 1 to retire or refund previously issued debt for which a fee was previously paid pursuant to California Public Utilities Code Section 1904(b) and 1904.1. SoCalGas shall immediately notify the Commission if it redirects any of the \$1,209,338,770 for other purposes and remit a fee calculated pursuant to Section 1904(b) based upon the amount redirected.

8. Southern California Gas Company's (SoCalGas's) motions for leave to file and maintain confidential materials under seal, Schedules I, II, III-A, III-B, and IX to the application as well as for certain information in a September 2, 2025, response to an Administrative Law Judge (ALJ) ruling, is granted. The information will remain under seal for a period of three years after the date of this order, and shall not be made accessible or disclosed to anyone other than the Commission staff or on the further order or ruling of the Commission, assigned Commissioner, the assigned ALJ, the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If SoCalGas believes that it is necessary for this information to remain under seal for longer than three years, SoCalGas may file a new motion stating the justification of further withholding of the information from public inspection.

These motions shall be filed at least 30 days before the expiration of today's limited protective order.

9. Application 25-04-005 is closed.

This order is effective today.

Dated _____, at San Francisco, California