

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



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Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.

Application 22-05-015
(Filed May 16, 2022)

Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2024.

Application 22-05-016
(Filed May 16, 2022)

**OPENING COMMENTS OF THE UTILITY CONSUMERS' ACTION NETWORK
ON THE DECISION ADDRESSING SAN DIEGO GAS & ELECTRIC COMPANY'S
TRACK 2 REQUEST FOR RECOVERY OF WILDFIRE MITIGATION PLAN
MEMORANDUM ACCOUNT COSTS**



Mark Fulmer
Principal
MRW & Associates

Jason Zeller
Staff Attorney
Utility Consumers' Action Network
404 Euclid Ave, Suite 377
San Diego, CA 92114
619-696-6966
jazzell2@yahoo.com

Edward Lopez
Executive Director
Utility Consumers' Action Network
404 Euclid Ave, Suite 377
San Diego, CA 92114
619-696-6966
edward@ucan.org

December 4, 2025

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

Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.

Application 22-05-015
(Filed May 16, 2022)

Application of San Diego Gas & Electric Company (U 902 M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2024.

Application 22-05-016
(Filed May 16, 2022)

**OPENING COMMENTS OF THE UTILITY CONSUMERS' ACTION NETWORK
ON THE PROPOSED DECISION ADDRESSING SAN DIEGO GAS & ELECTRIC
COMPANY'S TRACK 2 REQUEST FOR RECOVERY OF WILDFIRE MITIGATION
PLAN MEMORANDUM ACCOUNT COSTS**

I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Utility Consumers' Action Network ("UCAN") submits its Opening Comments on the Proposed Decision ("PD") in Track 2 of the San Diego Gas and Electric Company's ("SDG&E") 2024 General Rate Case ("GRC") addressing SDG&E's request for recovery of Wildfire Mitigation Plan memorandum account ("WMPMA") costs.

II. UCAN SUPPORTS THE PD

A. The PD Correctly Finds Certain SDG&E's Requested Level of Expenditures are Unreasonable with Disallowances Made.

UCAN supports the PD's recommendation that SDG&E's Track 2 Wildfire Mitigation Plan request for recovery of some WFPMA costs are unreasonable and reduced in award.¹ UCAN observes that the PD's finding that \$192.561 million in O&M costs and \$242.391 million in capital expenditures should be disallowed,² is consistent and reflective of UCAN's presentation and arguments that SDG&E's request should be subject to increased review and

¹ PD, at p. 2.

² PD, at p. 2.

scrutiny with final approval yielding only those revenue requests that meet the burden of showing to be reasonable and just. As the PD finds such costs to be reasonable and critical investments in wildfire mitigation,³ UCAN supports.

As the PD noted, UCAN made:

three primary recommendations. First, the Commission should extrapolate from the amount that auditor Ernst & Young found from its sampling to be ineligible for recovery from ratepayers to all of SDG&E's WMP spending under consideration in this proceeding, which would result in an additional adjustment of \$1,733,313 million. Second, the Commission should exercise heightened scrutiny in the form of audits over much of SDG&E's recorded expenditures for wildfire safety. Third, UCAN recommends adopting TURN's securitization proposal.⁴

UCAN concurs with the PD's finding that certain requests are unreasonable and should be disallowed. As the applicant, SDG&E, bears the burden of showing the reasonableness of its proposed spending and investments – to the degree that its spending provides greater benefit to its customers than the costs ratepayers will bear.⁵ The Commission not only uses the established prudent manager standard to evaluate whether SDG&E's requested costs are just and reasonable but, here, a unique and critical standard for reviewing WMPMA cost recovery is whether the cost is incremental.⁶

UCAN supports the award amount because, as UCAN contended, in many areas SDG&E's request for recovery merely restates its affirmation that it has clearly established that the costs it is seeking recovery for in Track 2 are incremental but offers no real evidence to show whether all of its activity and expenditures – in actuality - has yielded the purported benefits SDG&E claims.⁷ UCAN agrees and concurs with the PD's observation that, while SDG&E's efforts to

mitigate the risk of wildfires and to maximize the cost-effectiveness of those efforts is recognizable, Intervenor's are correct in identifying that SDG&E continues to lag in specifically evaluating wildfire mitigation strategies for cost effectiveness.⁸ UCAN, itself, had pointed out and

³ PD, at p. 2.

⁴ PD, at p. 29.

⁵ UCAN Reply Brief, at pp. 1-2. (The Commission has held that utilities have the burden of proof of demonstrating the reasonableness of their revenue request. D.00-02-046, pp. 34-35.)

⁶ PD, at pp. 34-35.

⁷ UCAN Reply Brief, at p. 2.

⁸ PD, at p. 23.

concluded a similar finding that “regarding the reasonableness of the incremental spending, what is critically lacking from SDG&E’s application is a compelling case that all its inflated expenditures on fire safety since during the years 2019-2022 were necessary, or whether less costly means could have achieved a comparable level of protection.”⁹

B. The PD Adopts UCAN’s Analysis of Covered Conductor Investments.

Moreover, UCAN also reviewed and opined regarding SDG&E’s investments in covered conductors. Despite years of substantial investments, as UCAN noted in its testimony, SDG&E’s cost for installing covered conductors is over double that of SCE and 23% above what PG&E paid to have comparable work performed.¹⁰ SDG&E has offered no explanation for why it is so much more costly for it to cover conductors (on a per mile basis) than it is for PG&E or SCE. UCAN observed while SDG&E’s aggressive program of installing covered conductors and undergrounding lines may have lessened the chance of a utility-caused conflagration in its service territory, it cannot be proven by SDG&E, despite the purported accuracy of its claims of avoided ignitions.¹¹ Accordingly, UCAN recommended that the Commission should evaluate the prudence of SDG&E’s covered conductors installation costs, as SDG&E’s overall fire suppression expenditures are so far above its California utility counterparts, and that its installation costs for covered conductors far exceed industry norms. Ultimately, the Commission must determine if SDG&E’s customers should be expected to pay the entire cost of SDG&E’s expenditures for covered conductors, or if the cost should be adjusted.¹²

The PD adopts this contribution and recommendation:

UCAN highlights SDG&E’s high unit cost for Covered Conductor compared to SCE and PG&E and recommends an audit of SDG&E’s Covered Conductor initiative. UCAN states that SDG&E’s Covered Conductor costs per mile are \$1.6 million compared to \$1.3 million for PG&E and \$0.7 million for SCE.

UCAN’s comparison of Covered Conductor costs with the cost of the same work performed by PG&E and SCE is informative. The Commission finds SDG&E’s lack of explanation for its cost for Covered Conductor work to be troubling. SDG&E provides RSEs for installing Covered Conductor compared to Strategic Undergrounding, but it does not support

⁹ See, UCAN-01, at p. 11.

¹⁰ See, UCAN-01, at p. 11.

¹¹ UCAN Reply Brief, at p. 3.

¹² UCAN Reply Brief, at p. 4.

its request for recovery for installing Covered Conductor at its high unit cost. SDG&E provides RSEs for Covered Conductor compared to Strategic Undergrounding, but the Commission finds SDG&E's Covered Conductor cost to be unreasonable based on it being significantly higher than that of PG&E and SCE. As such, the Commission finds it reasonable to reduce SDG&E's cost recovery by the approximate percentage difference between SDG&E's Covered Conductor cost per mile and the same cost for PG&E, approximately 19 percent. The Commission finds it reasonable to apply this reduction to SDG&E's capital expenditure only. Accordingly, the Commission approves initial cost recovery for SDG&E's Covered Conductor direct costs for the 2019–2022 period of \$110.903 million for capital expenditures and \$3.762 million in O&M expenses subject to direct cost reductions in Section 13.¹³

C. UCAN Concurs with the PD's Reduction of Requested Cost Recovery Based on the Ernst & Young Audit.

UCAN, in this proceeding, did acknowledge the effort and results pertaining to the Ernst & Young's review of SDG&E's capital expenditures in its request to recover all of its capital, operations and maintenance expenses for the years 2019-2022.¹⁴ As UCAN observed, SDG&E did remove certain amounts from its request that Ernst & Young found ineligible for recovery in its review; UCAN does not question Ernst & Young's basic conclusions regarding this determination of eligibility. UCAN, however, did raise concerns that, in its opinion, the Ernst & Young audit did not consider the reasonableness of SDG&E's expenditures or whether the capital investments were made in adherence with the prudent manager standard, nor did it evaluate whether the investments were indeed necessary to achieve the requirements of state legislation.¹⁵ Thus, UCAN supports the PD where, in various and multiple areas, it recommends that the recovery award be subject to cost reductions based on the Ernst & Young audit.

D. UCAN Continues to Support Securitization as an Approach to Address Affordability.

As the PD recognized, UCAN generally agrees with the position taken with TURN that any securitization proposal that arises out of SDG&E's Track 2 application should be consistent with other Commission-approved securitization proposals that have been approved under the

¹³ PD, at pp. 49-50.

¹⁴ See, UCAN Reply Brief, at pp. 4-5.

¹⁵ UCAN Reply Brief, at p. 4.

aegis of AB 1054 and should reflect longer-term 25-30 year repayment periods.¹⁶ In its Opening Brief, SDG&E's states that it is not opposed to a longer securitization proposal than the accelerated 10-year proposal that appears in its application.¹⁷ Moreover, it cites UCAN's support for its securitization proposal as an additional justification for what it is proposing.¹⁸ UCAN endorsed TURN's call for the Commission provide guidance addressing a securitization proposal consistent with prior decisions.¹⁹ While the PD declines to rule on a securitization order without information that would accompany a financing application, UCAN continues to endorse TURN's concern over the adverse impacts that recovery of wildfire mitigation costs will have on rate affordability.

III. CONCLUSION

UCAN respectfully submits these Opening Comments on the Proposed Decision addressing Track 2 of SDG&E's GRC application.

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Respectfully Submitted,

By: _____/s/_____
Edward Lopez
Utility Consumers' Action Network
404 Euclid Ave, Suite 377
San Diego, CA 92114
619-696-6966
edward@ucan.org

¹⁶ See, UCAN Opening Brief, at p. 10.

¹⁷ SDG&E Opening Brief, at p. 98.

¹⁸ *Id.*, at p. 93. (UCAN qualified its review and, ultimately adopted and supported TURN's analysis in which TURN argued that any securitization proposal that arises out of SDG&E's Track 2 application should be consistent with other Commission-approved securitization proposals that have been approved under the aegis of AB 1054 and should reflect longer-term 25-to-30-year repayment periods.)

¹⁹ See, PD, at p. 136.