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**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)

Related Matter

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

**THE PROTECT OUR COMMUNITIES FOUNDATION
TRACK 2 PROPOSED DECISION OPENING COMMENTS**

Andrea White, Staff Attorney
The Protect Our Communities Foundation
4452 Park Blvd. #309
San Diego, California 92116
Telephone: (619) 693-4788
andrea@protectourcommunitites.org

December 4, 2025

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Pursuant to Rule 14.3 of The Commission's Rules of Practice and Procedure,¹ The Protect Our Communities Foundation (PCF) timely files these opening comments addressing the proposed Decision Addressing San Diego Gas & Electric Company's Track 2 Request For Recovery Of Wildfire Mitigation Plan Memorandum Account Costs (PD).²

¹ Commission's Rules of Practice and Procedure, Rule 14.3.

² A.22-05-015/-016, Proposed Decision Addressing San Diego Gas & Electric Company's Track 2 Request For Recovery Of Wildfire Mitigation Plan Memorandum Account Costs (November 14, 2025).

I. INTRODUCTION

This GRC represents the first time the Commission has evaluated the reasonableness of SDG&E's 2019-2022 wildfire spending since major statutory changes were enacted in 2018 and 2019.³ The fundamental question the Commission must answer is whether SDG&E's 2019 to 2022 wildfire mitigation program spending is just and reasonable. The PD allows the vast majority of SDG&E's spending, offering a rubber stamp for ineffective, expensive, and unsupported utility costs, despite SDG&E's lack of support, the potential for double cost recovery, and the failure to properly scope the issues or enable parties a full opportunity to counter SDG&E's claims.

Section 8386.4 contains explicit, detailed directives that apply to the utilities' wildfire mitigation program spending and activities, including the Commission's essential obligation to ensure just and reasonable utility costs.⁴ Independently, Section 463(b) requires a mandatory disallowance when the utility has not provided sufficient records for the Commission to perform a thorough reasonableness review of its capital and operation and maintenance (O&M) costs. Here, where SDG&E failed to analyze cost-effectiveness or to explain numerous cost discrepancies in its wildfire mitigation programs, the Commission must disallow the unsupported costs. The Commission must resolve all cost discrepancies because SDG&E is required to provide accurate information to both the Commission and the California Office of Energy Infrastructure Safety (OEIS). The Commission has given SDG&E numerous chances to ensure that the programs it proposes cost-effectively mitigate wildfires. SDG&E continuously fails to document its costs, ensure basic record-keeping, and determine the cost-effectiveness of its programs. Rather than approving unsupported cost requests and merely requiring SDG&E to provide more thorough documentation next time, as the PD currently does, the PD must be revised to hold SDG&E accountable now.

SDG&E failed to provide adequate cost documentation to evaluate the reasonableness of the \$478.78 million in authorized recovery SDG&E requests for Strategic Undergrounding, Covered Conductor, and Distribution Overhead System Hardening (DOSH). GRC proceedings

³ See PD, pp, 13-15 (recounting the key legislative changes).

⁴ All statutory references are to the Public Utilities Code unless otherwise specified.

must constitute a process with “predictable results”⁵ and “procedural fairness”⁶ that stakeholders can rely upon. To ensure this fairness, the Commission in D.20-01-002 explained that “[g]iven the vastly different resources at the disposal of the utilities and their customers, it is up to the Commission to maintain the balance in outcomes between customers and shareholders.”⁷ SDG&E must provide sufficient information so the Commission can meet its statutory obligations to reduce rates as much as possible⁸ and to avoid approving unreasonable rates.⁹

The Commission must also allow parties the opportunity to respond to testimony and to question witnesses presenting the testimony. Because parties had a very limited opportunity to respond to SDG&E’s supplemental exhibits, and because PCF was denied the opportunity to question SDG&E about its supplemental exhibits, provided six months after the close of evidentiary hearings in Track 2, the PD cannot rely on SDG&E’s Supplemental Exhibit as support for any WMP cost. The PD improperly relies on SDG&E’s Supplemental Exhibit to conclude that “the concerns identified in the CPUC/OEIS audit have been addressed.”¹⁰ However, the PD fails to deal with the unambiguous findings of the Audit, which established that SDG&E underspent \$240 million in GRC adopted electric Distribution capital costs for 2019 and 2020¹¹ and the way costs were presented in SDG&E’s 2020 WMP was inadequate.¹² SDG&E admitted during cross-examination that the way it provided cost information in this GRC does not comply with the 2021 Audit’s accounting recommendation.¹³ Additionally, the securitization proposal and all the costs SDG&E requested for 2023-2027 for estimated depreciation, taxes, return on rate base for the capital assets placed into service from 2019 to 2022 must be rejected as out of scope.

⁵ D.20-01-002, Decision Modifying The Commission’s Rate Case Plan For Energy Utilities (January 22, 2020), p. 14.

⁶ D.20-01-002, p. 15.

⁷ D.20-01-002, p. 11.

⁸ Pub. Util. Code, § 747 (“It is the intent of the Legislature that the commission reduce rates for electricity and natural gas to the lowest amount possible.”).

⁹ See e.g. Pub. Util. Code, §§ 451, 453, 454.

¹⁰ PD, p. 141.

¹¹ See Exhibit PCF-43, p. 17, Audit Finding #1.

¹² Exhibit PCF-43, p. 20 (“We found that approved SDG&E WMP capital and operating costs provided at these levels alone were inadequate for purposes of reconciling these costs to those adopted as part of the GRC process”).

¹³ A.22-05-015/016, Reporters’ Transcript (Vol. 24), p. 4176, l. 21-25 (Gentes). (“Does your testimony provide wildfire mitigation costs for capital expenditures at the core work activity account code level? A. I guess I would say no”).

II. THE PD MUST DISALLOW ALL COSTS FOR WHICH SDG&E PROVIDED INSUFFICIENT SUPPORT.

As Cal Advocates' testimony detailed,¹⁴ Section 463(b) requires SDG&E to provide "records sufficient to enable the commission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense."¹⁵ If SDG&E fails to prepare or maintain sufficient records for the Commission to conduct its reasonableness review of SDG&E's WMP costs for 2019 through 2021, "the commission shall disallow that expense for purposes of establishing rates for the corporation."¹⁶ Here, where SDG&E has failed to provide sufficient, and often any, documentation to explain its cost discrepancies, the Commission must deny costs for that year in each cost category where a verified cost discrepancy exists. SDG&E provided conflicting information that makes it impossible for the Commission to verify SDG&E's spending. In reviewing the contradictory information provided to OEIS and the Commission, the Commission cannot simply choose to rely on the costs in SDG&E's testimony, when SDG&E was also required to provide accurate information to OEIS.

Similarly, the PD identifies myriad areas where it instructed SDG&E to improve its support for its program cost assertions in the next GRC review (which will not occur for another four years). But, after recognizing the lack of adequate support for SDG&E's costs, the PD inappropriately authorizes the requested spending anyway, regardless of the admittedly deficient support for such spending. The PD's approval of costs that have not been adequately justified or proven essentially allows SDG&E to continue to shirk its burden to prove its costs as required by Section 463(b) and 451. Instead, the PD must deny each cost for which it admonishes SDG&E to provide more developed supporting information "next time" as insufficient this time. Allowing SDG&E to meet its burden of proof "next time" does not comport with the requirements of Sections 463(b), Section 8386.4, and Section 451 that the Commission ensure that *each* cost the ratepayer must pay be just and reasonable.¹⁷ SDG&E also failed to analyze the cost-effectiveness

¹⁴ CA-01, p. 7.

¹⁵ Pub. Util. Code, § 463(b).

¹⁶ Pub. Util. Code, § 463(b).

¹⁷ Pub. Util. Code, § 451 requires that "every unjust or unreasonable charge demanded or received [by a utility] . . . is unlawful." *See also* Pub. Util. Code, § 8386.4, subd. (a)(1) ("The commission shall consider the cost of implementing each electrical corporation's plan in its general rate case proceeding and shall approve the costs for wildfire risk mitigation programs and activities it determines are just and reasonable.").

of its programs as both the Commission and the Legislature required the utility to do, and thus every SDG&E program lacking cost-effectiveness analysis should be disallowed.

A. The PD Should Deny Each Cost Category with Identified Cost Discrepancies.

SDG&E failed to explain the significant and widespread cost discrepancies between its WMPs and its testimony, which PCF identified in its Opening Brief.¹⁸ PCF questioned SDG&E's witnesses about the discrepancies between the program spending SDG&E claimed to the Commission and the spending amounts it had earlier reported to the California Office of Energy Infrastructure Safety (OEIS) for the very same programs.¹⁹ The unrebutted and unexplained discrepancies between what SDG&E reported to OEIS in its WMPs²⁰ and in its testimony in this proceeding²¹ demonstrate that SDG&E inadequately documented the costs at issue here, and these costs must therefore must be denied under Section 463(b).

SDG&E's possible explanations for its discrepancies raise concerns about the validity of the OEIS reviews of SDG&E's WMPs, and the PD must be revised to summarily reject SDG&E's explanations. For example, none of the cost discrepancies were explained in testimony, as SDG&E claims.²² Other explanations proffered by SDG&E in its Reply Brief²³ assert without explanation that the tables provided to OEIS were accurate at the time they were submitted, postulating that perhaps "there could have been updates since that time."²⁴ SDG&E also argues that there may have been some adjustments to reflect progress in work, and that the direct costs presented in the WMP tables (that were provided to OEIS) were not as accurate as the costs presented in testimony.²⁵

A threshold issue arises from SDG&E's troubling admission that it provided OEIS inaccurate cost data in the myriad reports it submitted as required to OEIS – or that SDG&E failed to update or amend its inaccurate data when it knew of "updates," "adjustments," or more accurate alternate figures. SDG&E's admitted provision of conflicting data between government

¹⁸ PCF Opening Brief (September 26, 2024), p. 23-31.

¹⁹ A.22-05-015/016, Reporters' Transcript (Vol. 25), p. 4276, l. 18 – p. 4280, l. 25 (Woldemariam).

²⁰ SDG&E-T2-01R-A; SDG&E-T2-01R-B; SDG&E-T2-01R-C.

²¹ SDG&E-T2-01R (Woldemariam).

²² *See e.g.* PCF Opening Brief, p. 28 (SDG&E failed to explain the cost discrepancies for its 2019 Covered Conductor spending).

²³ PD, p. 52.

²⁴ PD, p. 142.

²⁵ PD, p. 142.

agencies calls into question the validity of OEIS' review and approval of SDG&E's prior WMPs, if that government action was based on admittedly inaccurate or outdated information provided by the applicant utility. Choosing to accept the data SDG&E provided to the Commission over the conflicting data that SDG&E provided to OEIS runs afoul of the Legislature's directive that the Commission work with OEIS to determine the reasonableness of WMP costs in the GRC process.²⁶ The existence of reams of conflicting data provided by SDG&E cannot be excused by SDG&E's subsequent weak and summary hypothetical but unsubstantiated vague assumptions about the possible adjustments, updates, or relative reporting accuracy upon which the PD relies. The PD erroneously refuses to explain why SDG&E's OEIS filings—irrefutably at odds with SDG&E's witnesses' testimony in this proceeding—should be discounted or ignored.

The only attempt to explain away the conflicting data provided by SDG&E lies with the PD's statement that the Commission grants more evidentiary weight to the costs in testimony than the cost in the WMP.²⁷ But the widespread, large variability between costs in the WMPs and the testimony eliminates any confidence in SDG&E's record-keeping and cost documentation. The fact that SDG&E maintains that the set of numbers it provided to the Commission are "better than" or "more accurate than" the conflicting set of cost accounting numbers SDG&E provided to OEIS triggers the application of Section 463(b), which requires a mandatory disallowance for failing to maintain accurate records. The PD cannot simply fix SDG&E's inaccurate provision of program cost data by choosing between the conflicting sets of data. The existence of conflicting data—provided by SDG&E itself—demonstrates the inadequacy of SDG&E's record keeping and its accounting deficiencies.

The PD states that "whether the cost discrepancies are material or not, the Commission resolves them above in its review of requests for recovery specific to each cost category."²⁸ However, the PD does not address all the cost discrepancies and conflicts, especially in cases where the Commission approves all of the costs SDG&E requests. To highlight only a few examples, in its 2020 WMP, SDG&E reported spending \$862,000 in 2019 O&M costs on the Fire Science and Climate Adaptation (FSCA) unit initiative.²⁹ But Mr. Woldemariam testified

²⁶ See Section 8386.4(b)(2) ("The commission shall consult with the office regarding the programs and activities in the plan in rendering its decision pursuant to paragraph (1) of subdivision (a).").

²⁷ PD, p. 142.

²⁸ PD, p. 142.

²⁹ PCF Opening Brief, p. 25.

that SDG&E spent \$1,461,000 in O&M costs for 2019, whereas the 2022 WMP Update that SDG&E filed with OEIS fails to provide any cost amounts for the initiative in 2019.³⁰ The PD awards SDG&E the full \$1,461,000 in O&M costs requested in Mr. Woldemariam’s testimony, even though SDG&E provided no explanation of this significant cost discrepancy.

Similarly, SDG&E’s 2020 WMP reveals that, in 2019, SDG&E spent \$0 on its “Distribution Overhead Fire Hardening (Covered Conductor)” initiative.³¹ However, Mr. Woldemariam testified that SDG&E spent \$1,487,000 in capital expenditures on its “Covered Conductor” initiative in 2019.³² The PD approves the entire \$1,487,000 capital expenditure (minus the reductions to align with PG&E’s unit costs), despite clear and unexplained discrepancies between the actual historical costs SDG&E reported to OEIS and the amounts Mr. Woldemariam included in his testimony. Because SDG&E failed to provide sufficient documentation to verify its 2019 costs for the FSCA unit and for Covered Conductor, pursuant to Section 463(b), the Commission must deny the \$1,461,000 requested for FSCA and the \$1,487,000 requested for Covered Conductor.

As shown in Table 1³³ and Table 2³⁴ in PCF’s Opening brief, SDG&E provided conflicting cost data for almost two dozen of its WMP programs. There are likely other discrepancies which PCF has not found. Because SDG&E provided insufficient—and largely no—documentation to explain the cost discrepancies, SDG&E’s costs cannot be verified. Thus Section 463(b) requires the PD to reject the proffered unsupported and conflicting cost numbers provided by SDG&E. Further, the PD should be revised to perform its own analysis of the extent of the flawed and defective information SDG&E provided to OEIS and to the Commission.

B. Under Section 463(b), SDG&E’s Costs Must Be Denied Because SDG&E Failed to Analyze the Cost-Effectiveness of Its Programs.

In D.14-12-025, the Commission first required the utilities to analyze the cost-effectiveness of its mitigation programs.³⁵ In D.16-08-018, the Commission required the Utilities

³⁰ PCF Opening Brief, p. 25.

³¹ Exhibit SDG&E-T2-01R (Woldemariam), Appendix A, Appendix A, p. 38.

³² Exhibit SDG&E-T2-01R (Woldemariam), p. JW-36.

³³ PCF Opening Brief, p. 27.

³⁴ PCF Opening Brief, p. 30-31.

³⁵ See PCF Reply Brief (October 10, 2024), p. 16 (citing to D.14-12-025, *Decision Incorporating a Risk-Based Decision-Making Framework into the Rate Case Plan and Modifying Appendix A of Decision 07-07-004* (December 4, 2014), p. 32).

to include a cost effectiveness analysis of wildfire mitigations so that the Commission could comply with its statutory obligations.³⁶ Then, in D.18-12-014, the Commission required the Utilities to clearly and transparently explain its rationale for selecting mitigations, that each utility measure risk reduction provided by a risk mitigation, and that each utility calculate risk spend efficiency.³⁷ Since then, the Commission has repeatedly criticized SDG&E for not analyzing the cost-effectiveness of its programs.³⁸

In D.19-05-036, the Commission described the risk assessments in the utilities' 2019 WMPs as a "black box" which did not meet the Commission's minimum requirements and ordered the Utilities in the future to comply with the Commission's S-MAP and RAMP decisions.³⁹ In D.19-09-051, the Commission found that SDG&E and SoCalGas had failed to provide sufficient risk-related information, including what spending is proposed to mitigate risks and how past spending reduced risk per dollar spent, and noted that the companies' risk analysis led to higher cost forecasts and could not justify rates.⁴⁰ Likewise, in the Resolutions approving SDG&E's WMPs, the Commission found that SDG&E did not analyze cost effectiveness. In Resolution WSD-002, the Commission expressly recognized that it could not ascertain SDG&E's prioritization methods or the cost-effectiveness of the programs in SDG&E's 2020 WMP.⁴¹ In Resolution WSD-005, the Commission concluded that SDG&E failed to comply with

³⁶ See PCF Reply Brief, p. 17 (D.16-08-018, Interim Decision Adopting the Multi-Attribute Approach (or Utility Equivalent Features) and Directing Utilities to Take Steps Toward a More Uniform Risk Management Framework (August 18, 2016), p. 188).

³⁷ See PCF Reply Brief, p. 17 (citing to D.18-12-014, *Phase Two Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement with Modifications* (December 13, 2018), Attachment A, p. A-8-A-14).

³⁸ PCF Opening Brief, p. 11-15.

³⁹ D.19-05-036, p. 29; see also D.19-05-036, p. 33 ("We agree with the parties that assessment of risk is essential to determining where to conduct wildfire mitigation, and that the WMPs filed this year do not always show that electrical corporations are targeting the area of greatest risk. We therefore believe steps are necessary to ensure that risk is given adequate consideration in next year's WMP filings. ").

⁴⁰ D.19-09-051, *Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company* (September 26, 2019), p. 21-22; *id.* at p. 762 (Conclusion of Law 4) ("...we expect that future RAMP integration in future GRC filings will provide better answers to the core questions of what spending is proposed to mitigate risks, and how has past spending reduced risk per dollar spent. Answers to those questions are not readily available to us here.").

⁴¹ Resolution WSD-002, Guidance Resolution on 2020 Wildfire Mitigation Plans Pursuant to Public Utilities Code Section 8386 (June 11, 2020), Appendix A, p. A1-A3, A5-A10 (Commission finding that the utilities continue to fail to provide sufficient details to clearly and transparently reveal the reasons for selecting mitigation activities and their effectiveness).

the Commission's order in D.19-05-039 to analyze cost-effectiveness.⁴² Resolution WSD-019 continued to fault SDG&E for failing to satisfy the requirements of the Commission's risk-related decisions, including failing to meet transparency requirements; failing to provide sufficient details regarding prioritization of risk reduction activities; and failing to demonstrate mitigation effectiveness in its 2021 WMP.⁴³

In Track 2 of this proceeding, SDG&E once again did not comply with the Commission's requirement to analyze the cost-effectiveness of its programs. SDG&E provided no evidence that it compared any of its WMP programs against other programs.⁴⁴ SDG&E also did not provide the RSE values for many WMP initiatives.⁴⁵ Further, SDG&E presented no evidence that the pace at which it conducted its programs was reasonable. Because SDG&E failed to provide sufficient—and often any—documentation of the cost-effectiveness of its programs, the PD should be revised to deny SDG&E's unsupported costs.

C. Instead of Requiring SDG&E to Make a Better Showing in the Next Proceeding, the PD Should Reject SDG&E's Unsupported and Unproven Costs.

For some of SDG&E's programs, the PD approves the costs of the program but then enumerates how SDG&E must improve its showing in the next GRC. Public Section 463(b) **requires a mandatory disallowance** when the utility has not provided sufficient records for a reasonableness review.⁴⁶ By listing the ways SDG&E must improve, the PD admits that SDG&E did not adequately justify its programs or their costs in this GRC review. The PD should be revised to deny the requested costs for failing to provide adequate documentation pursuant to Section 463(b).

⁴² Resolution WSD-005, p. 11-12; *see also id.* at p. 23-25, 29-30, 33, 37-38, 43-44, 46, 49 (the Commission concluding SDG&E's 2020 WMP continues to fail to provide the requisite analysis of risk reduction per dollar spent, and faulting SDG&E for failing to provide spending data for its resource allocation methodology).

⁴³ Resolution WSD-019 (Attachment A), p. 6-15.

⁴⁴ PCF-41-E, p. 24.

⁴⁵ PCF Opening Brief, p. 47 (citing to A.22-05-015/016, Reporters' Transcript (Vol. 25), p. 4290, l. 9-17 (Woldemariam))(SDG&E did not provide the RSE for initiatives that it considers "foundational").

⁴⁶ Pub. Util. Code, § 463.

For DOSH,⁴⁷ Strategic Undergrounding,⁴⁸ Microgrids,⁴⁹ and the generator programs⁵⁰ the PD requires that in the next GRC, SDG&E must provide analysis on the cost-effectiveness of the programs. But SDG&E is already required to provide analysis on cost-effectiveness.⁵¹ For Patrol Inspection of Distribution Equipment, the PD states that in future applications for recovery of these costs, SDG&E shall provide evidence regarding how inspection programs are coordinated to avoid duplication.⁵² However, avoiding duplication is an essential part of establishing reasonableness of costs, and therefore, SDG&E did not sufficiently justify their costs.

For high fire threat district (HFTD) Tier 3 Distribution Pole Inspections, the PD requires that in future requests, SDG&E distinguish the O&M costs for inspections from the capital costs for repair or replacement of poles and other equipment.⁵³ Distinguishing between capital and O&M costs also constitutes a fundamental aspect of a reasonableness review, and therefore SDG&E did not adequately substantiate their costs. The PD also requests that in future WMPs, SDG&E fully disclose the work and costs performed within and outside HFTDs.⁵⁴ Like the PD's other requirements for future showings, SDG&E should have disclosed the costs within and outside the HFTD as part of its showing to recover money in *this* GRC request.

Rather than repeating that SDG&E must do better in the next round, the PD should be revised to deny the costs of the above programs because SDG&E failed to meet its burden of proof that the programs were nonduplicative, failed to track separately the O&M costs from capital costs in specific programs, and failed to detail which work was performed where.

⁴⁷ PD, p. 46 (“However, SDG&E shall continue to monitor, evaluate, and report the cost-effectiveness of replacing wood poles with steel poles in future applications for cost-recovery and GRCs.”)

⁴⁸ PD, p. 57.

⁴⁹ PD, p. 60 (“As a result, in its next GRC, if SDG&E requests cost recovery for any additional microgrid projects, SDG&E shall provide evidence of the energy source and cost-effectiveness of future microgrid projects.”).

⁵⁰ PD, p. 67 (“SDG&E shall provide data comparing the cost of renewable generator sources with the cost of non-renewable generator sources.”).

⁵¹ See PCF Reply Brief, p. 17 (citing to D.18-12-014, *Phase Two Decision Adopting Safety Model Assessment Proceeding (S-MAP) Settlement Agreement with Modifications* (December 13, 2018), Attachment A, p. A-8-A-14).

⁵² PD, p. 85.

⁵³ PD, p. 87.

⁵⁴ PD, p. 64.

III. THE PD SHOULD REJECT SDG&E'S COVERED CONDUCTOR COSTS.

The PD should reject SDG&E's Covered Conductor program costs for lack of cost-effectiveness and because SDG&E has neither explained nor justified why its Covered Conductor costs are so much more expensive than the other utilities' program costs. Covered Conductor was the least cost-effective of SDG&E's programs.⁵⁵ SDG&E spent approximately \$140 million to reduce only 0.15 ignitions between 2019 and 2022.⁵⁶

Despite the cost-ineffectiveness of SDG&E's Covered Conductor program, the PD approves 81% of the Covered Conductor costs SDG&E requested. The PD cites to the fact that it cost SDG&E \$1.6 million/mile, PG&E \$1.3 million/mile, and SCE \$0.7 million/mile to install covered conductor.⁵⁷ The PD correctly identifies that SDG&E fails to explain its high Covered Conductor costs as compared to the other utilities.⁵⁸ But, the PD only reduces the cost of Covered Conductor up to the rate approved for PG&E at \$1.3 million/mile, reducing costs by 19%,⁵⁹ without evaluating whether PG&E's costs for Covered Conductor were also unreasonable. As PCF's testimony details, the Joint IOU Covered Conductor Working Group Report previously estimated SCE's costs at \$688,000 per mile and PG&E's costs at \$826,000 per mile.⁶⁰ The Commission's own website estimates Covered Conductors to cost \$480,000 per mile.⁶¹ The PD should be revised to reject SDG&E's Covered Conductor costs because SDG&E failed to establish cost-effectiveness or explain why its unit costs were excessive.

IV. THE PD SHOULD REJECT SDG&E'S UNDERGROUNDING COSTS BECAUSE THE PD FAILS TO CONSIDER MORE COST-EFFECTIVE ALTERNATIVES IN THE RECORD.

In addition to rejecting SDG&E's requested spending amounts for its Strategic Undergrounding program because SDG&E failed to provide sufficient records demonstrating the accuracy of its spending requests, as detailed in Section II above, the PD should be revised to reject SDG&E's undergrounding program costs because neither the Commission nor SDG&E

⁵⁵ PCF Opening Brief, p. 54.

⁵⁶ PCF Opening Brief, p. 54.

⁵⁷ PD, p. 49.

⁵⁸ PD, p. 49.

⁵⁹ PD, p. 49-50.

⁶⁰ PCF-41-E, p. 8

⁶¹ CPUC, CPUC Undergrounding Programs Description, available at <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/infrastructure/electric-reliability/undergrounding-program-description> [as of December 1, 2025].

considered, much less evaluated, more cost effective alternatives to the undergrounding program.⁶² The PD approves all of the \$241 million SDG&E requested for Strategic Undergrounding.⁶³ Out of the \$1.036 billion in costs this PD approves, undergrounding spending constitutes 23.3% of the total costs approved.⁶⁴ But, SDG&E failed to demonstrate that its undergrounding program is cost-effective. A well-settled calculation for determining the cost-effectiveness of SDG&E's mitigation programs involves determining the cost to reduce one ignition.⁶⁵ As PCF's testimony showed, SDG&E's undergrounding costs \$360,311,940 per ignition reduced, as compared to more affordable wildfire mitigations, such as Patrol Inspections of Distribution Equipment, which costs \$500,000 per ignition avoided.⁶⁶ The PD asserts that even if patrol inspections may be cheaper per ignition, "they would be ineffective at avoiding high consequence fires under the circumstances of high fire danger in a HFTD."⁶⁷ However, the PD provides no citation, evidence, or analysis that undergrounding is more effective at avoiding high consequence fires. Instead, as PCF demonstrated in the record, conducting regular inspections, while supplying customers with solar plus storage (SPS) to avoid the effects of PSPS during high fire threat periods to avoid ignitions, constitutes a more cost-effective solution to addressing wildfire threats.⁶⁸ The Commission acknowledges elsewhere in the PD that a failure to justify the cost-effectiveness of an initiative requires that it deny cost recovery, particularly when less expensive options exist.⁶⁹

PCF testified about the demonstrated alternative that instead of proceeding with the most expensive wildfire mitigation programs, SDG&E could install SPS in the Tier 3 HFTD. The PD states that "even if equipping customers with Behind-the-Meter Solar Plus Storage systems may

⁶² *City of Los Angeles v. Public Utilities Com.* (1975) 15 Cal.3d 680, 694-695 ("unjustified failure to deliberate constitutes error"); *United States Steel Corp. v. Public Utilities Com.* (1981) 29 Cal.3d 603, 608 ("The commission must consider alternatives presented and factors warranting adoption of those alternatives."); *City & County of San Francisco v. Public Utilities Com.* (1971) 6 Cal. 3d 119, 130 (Commission decision annulled "[f]or failure to consider lawful alternatives in calculation of federal income tax expense"); see e.g. D.14-12-025, p. 32.

⁶³ PD, p. 5.

⁶⁴ $(\$241,233,000 + 176,000) / (\$945,248,000 + 90,566,000) = 23.3\%$

⁶⁵ PCF-41-E, p. 3-7.

⁶⁶ PCF-41-E, p. 4-5.

⁶⁷ PD, p. 54.

⁶⁸ PCF-41-E, p. 26.

⁶⁹ See PD, p. 98-99 (The PD cites to the fact that for Fuels Management, SDG&E provides no RSE or estimate of ignitions avoided, and no documentation to support the excessive unit costs, while pole clearing is a more cost-effective alternative, in denying SDG&E's costs).

have increasing merit, there is an insufficient record to demonstrate that it was a viable alternative to all Strategic Undergrounding during the 2019-2022 period.”⁷⁰ The PD rejects the proposal to prioritize SPS out-of-hand without analyzing the alternatives detailed in the record. The Commission must “consider sua sponte every element of public interest every element of public interest affected by facilities which it is called upon to approve.”⁷¹ The Commission cannot act merely in “the passive role of a sounding board” but must evaluate the “effect upon the interests of the public.”⁷²

Here, the PD must be revised to consider the merits of SPS over SDG&E’s chosen hardening methods. As PCF’s testimony explained, it would be cheaper to provide SPS to every customer in the Tier 3 HFTD than the amount SDG&E spent on Strategic Undergrounding, Covered Conductor, DOSH, and drone inspections.⁷³ Installing BTM SPS would provide additional environmental benefits that accrue from lowering greenhouse gas emissions.⁷⁴ BTM SPS can replace fossil fuel powered generators, lowering the risk of ignition.⁷⁵ The Commission “must weigh opposing evidence and arguments in order to determine whether the rights and interest of the general public will be advanced.”⁷⁶ Accordingly, the PD should be revised to consider the more effective and less costly alternatives in the record and to deny SDG&E’s requested undergrounding costs as SDG&E has not demonstrated that it appropriately prioritized undergrounding compared to other programs.

V. THE PD SHOULD REJECT DISTRIBUTION OVERHEAD SYSTEM HARDENING COSTS.

As detailed in Section II above, SDG&E’s \$97,139,000 in requested spending for its DOSH program must be rejected because SDG&E failed to provide sufficient records demonstrating the accuracy of its spending requests. The PD states that PCF “failed to recognize that the Commission already approved the replacement of wood poles with steel poles,”⁷⁷ but provides no citation for this approval. In D.19-05-039, which SDG&E cites in its Opening

⁷⁰ PD, p. 54.

⁷¹ *NCPA v. Public. Util. Com.* (1971) 5 Cal.3d 370, 380.

⁷² *Id.* at p. 379.

⁷³ See PCF-41-E, p. 26; see also PCF Opening Brief p. 61-62.

⁷⁴ See PCF-41-E, p. 3.

⁷⁵ See PCF-41-E, p. 19-21.

⁷⁶ *NCPA v. Public. Util. Com.* (1971) 5 Cal.3d 370, 379.

⁷⁷ PD, p. 46.

Brief⁷⁸ as evidence that it was authorized to replace wood poles with steel poles, the Commission did not approve the replacement unconditionally. Instead, SDG&E should “continue to assess the best materials to use for poles in High Fire-Threat District areas, and in future Wildfire Mitigation Plans shall document that its selections for pole replacements are reasonable.”⁷⁹

However, despite the requirement in D.19-05-039 that SDG&E continue to assess the reasonableness of replacing wood poles with steel poles, SDG&E did not do so. SDG&E admitted that it did not even break down the costs of their DOSH initiative to reveal how much it actually spent on wood-to-steel pole replacement.⁸⁰ The 2020 WMP reported that SDG&E spent \$11 million in 2019 on “Pole Replacement and Reinforcement” and anticipated that SDG&E would spend an additional \$28 to \$34 million on pole replacement from 2020-2022.⁸¹ SDG&E has not demonstrated that the \$39 to \$45 million in wood to steel pole replacement spending is reasonable. SDG&E’s GRC application fails to provide any support for its program spending, and fails to itemize its spending even to the level that SDG&E reported to OEIS in 2019.

The PD fails to evaluate that even if some poles required replacement—which was unlikely as SDG&E had already replaced numerous poles in HFTDs from 2014 to 2018⁸² — SDG&E could have replaced damaged wood poles with wood poles, saving ratepayers money. Contrary to SDG&E’s arguments, replacement of wood poles with steel poles is unnecessary, because SDG&E’s poles are already required to be able to withstand high wind gusts.⁸³ Because SDG&E failed to provide adequate documentation that replacement of wood poles with steel poles was cost-effective, the PD should be revised to order SDG&E to specify how much money was spent on wood-to-steel replacement costs and to reject the replacement costs.

⁷⁸ SDG&E Opening Brief (September 26, 2024), p. 48.

⁷⁹ D.19-05-039, p. 27 (CoL 5-6).

⁸⁰ See PCF Opening Brief, p. 45 (citing to A.22-05-015/016, Reporters’ Transcript (Vol. 25), p. 4304, l. 5-14 (Woldemariam)).

⁸¹ See PCF Opening Brief, p. 45 (citing to Exhibit SDG&E-T2-01R (Woldemariam), Appendix A, Appendix A, p. 39).

⁸² See e.g. D.16-05-038, p. 38 (OP 1).

⁸³ See PCF Opening Brief, p. 46.

VI. THE PD SHOULD BE REVISED TO REJECT THE SUBMISSION OF SDG&E'S SUPPLEMENTAL EXHIBIT AND SHOULD NOT RELY ON IT.

The PD should not cite to SDG&E's Supplemental Exhibit because admitting additional exhibits six months after the end of evidentiary hearings⁸⁴ was contrary to the Commission's Rules of Practice and Procedure, the Public Utilities Code, and fundamental principles of due process. Four months after the submission of Reply Briefs,⁸⁵ the ALJ issued an email ruling requiring SDG&E to submit supplemental exhibits demonstrating how it corrected the deficiencies and lack of support and documentation repeatedly identified by the Commission and OEIS.⁸⁶ The ruling allowed intervenors only 10 days to respond to the evidence. PCF's initial attempt to file objections in March was rejected, and it was only in June that PCF's objections were permitted to be filed.⁸⁷ PCF's objections were later unlawfully overruled.⁸⁸

Rule 13.11 of the Commission's Rules of Practice and Procedure allows the presiding officer in a proceeding to "require the production of further evidence upon any issue."⁸⁹ But, receipt of that evidence into the record may only occur "[u]pon agreement of the parties."⁹⁰ PCF did not agree to the admission of SDG&E's evidence into this proceeding, and in fact filed numerous objections.⁹¹ As PCF stated in its objections, PCF and other intervenors did not have the opportunity to cross examine witnesses about the additional materials.

⁸⁴ A question arises from the procedures followed in Track 2 whether Rule 13.15 was violated, because of the late allowance of additional evidence by the applicant, after testimony, evidentiary hearings and briefing had been completed. The parties and ALJ repeatedly recognized that SDG&E failed to meet its required burden to document its actual costs, to support its requested costs, and to demonstrate that its costs were reasonable. Notwithstanding the failures in SDG&E's application, testimony, cross examination, and briefing, SDG&E was allowed to provide supporting materials after the end of the administrative process, when the appropriate action would have been to reject its unsupported cost claims.

⁸⁵ A.22-05-015/016, Email Ruling Granting Extension of Track 2 Evidentiary Hearing (July 26, 2024), p. 5.

⁸⁶ Email Ruling Requiring Additional Evidence (February 18, 2025).

⁸⁷ See The Protect Our Communities Foundation Response to June 20, 2025 Email Ruling Addressing Outstanding Exhibits (June 30, 2025); see also The Protect Our Communities Foundation Objections to Material Referenced by San Diego Gas & Electric Company on March 4 and March 5, 2025 (March 14, 2025).

⁸⁸ Email Ruling Admitting Outstanding Exhibits (July 21, 2025), p. 4-5.

⁸⁹ Commission Rules of Practice and Procedure, Rule 13.11.

⁹⁰ Commission Rules of Practice and Procedure, Rule 13.11.

⁹¹ See The Protect Our Communities Foundation Response to June 20, 2025 Email Ruling Addressing Outstanding Exhibits (June 30, 2025); see also The Protect Our Communities Foundation Objections to Material Referenced by San Diego Gas & Electric Company on March 4 and March 5, 2025 (March 14, 2025).

As required by Section 1705 “[a]t the time fixed for any hearing before the commission,” intervenors “shall be entitled to be heard and to introduce evidence.”⁹² However, intervenors were denied the opportunity to cross examine any SDG&E witnesses about the preparation of or the materials contained in the Supplemental Exhibit.⁹³ Fundamental principles of due process require that parties have a right to cross-examine witnesses to satisfy their right to be heard.⁹⁴ The Supreme Court has stated that “[i]n almost every setting where important decisions turn on questions of fact, due process requires an opportunity to confront and cross-examine adverse witnesses.”⁹⁵ The “requirements of confrontation and cross-examination” apply “in all types of cases where administrative actions were under scrutiny.”⁹⁶ Here, allowing SDG&E to introduce supplemental exhibits, in the face of SDG&E’s abject failure to prove its case, required the Commission to allow parties the ability to confront and cross examine SDG&E witnesses.

Even though intervenors were barely given a chance to respond to SDG&E’s Supplemental Exhibit, the PD relies solely on SDG&E’s Supplemental Exhibit to conclude that the concerns raised by the CPUC/OEIS Audit were resolved.⁹⁷ Because the Commission failed to comply with Rule 13.11 of its own procedural rules, and violated Section 1705 and concomitantly, basic due process requirements, the PD should be revised to delete all references to the Supplemental Exhibit. Further, the PD cannot rely upon SDG&E’s Supplemental Exhibit to conclude that SDG&E resolved its cost discrepancies.

VII. THE PD SHOULD BE REVISED TO FOLLOW THE CPUC/OEIS AUDIT RECOMMENDATIONS TO ACCOUNT FOR UNDERSPENDING AND AVOID DOUBLE RECOVERY.

The PD errs in critical ways in its two-page discussion of the findings and recommendations contained in the CPUC/OEIS Audit of SDG&E’s 2019 and 2020 WMP

⁹² Pub. Util. Code, § 1705.

⁹³ Email Ruling Admitting Outstanding Exhibits (July 21, 2025).

⁹⁴ U.S. Const. Amend. XIV; Cal. Const. Art. 1, § 7; *California Trucking Assn. v. Public Utilities Com.* (1977) 19 Cal.3d 240, 244 (opportunity to present written objections fails to provide required opportunity to be heard); *Caesar’s Restaurant v. Industrial Accident Com.* (1959) 175 Cal.App.2d 850, 855 (“The right to [a fair and open hearing] is one of ‘the rudiments of fair play’[] assured to every litigant by the Fourteenth Amendment as a minimal requirement.[] The reasonable opportunity to meet and rebut the evidence produced by his opponent is generally recognized as one of the essentials of these minimal requirements”).

⁹⁵ *Goldberg v. Kelly* (1970) 397 U.S. 254, 269.

⁹⁶ *Goldberg*, 397 U.S. at 270 (quoting *Greene v. McElroy* (1959) 360 U.S. 474, 496-497).

⁹⁷ PD, p. 141.

expenditures (the “Audit”). Because of accounting and record-keeping inadequacies, the auditor could not determine how SDG&E spent the money the Commission authorized in D.19-09-051 (SDG&E’s 2019 GRC Decision). The Audit found that SDG&E underspent a total of \$240 million in 2019 and 2020. The Audit then recommended that SDG&E not be allowed recovery of any incremental wildfire expenditures from 2019 to 2020 that were funded as a result of SDG&E deferring and never completing GRC-adopted projects or activities.⁹⁸ The PD ignores the Audit’s specific findings of SDG&E’s documented electric distribution capital underspending and the Audit’s repeated findings of SDG&E’s troubling lack of documentation. The PD also ignores the Audit’s explanation of the key problem that results from SDG&E shifting spending from Commission-authorized wildfire mitigation programs to other broad spending areas – namely that such spending shifts create double recovery when the utility requests additional funding for programs that it has already paid for with the diverted funds.

A. The PD Does Not Address the Audit’s Concern of Double Recovery.

The PD erroneously concludes that because “on a combined basis for O&M and Capital SDG&E overspent by \$182 million for non-balanced work supporting safety, reliability, and/or maintenance”⁹⁹ from its 2019 GRC authorization, the concern that SDG&E underspent \$240 million for electric distribution capital spending authorized in the 2019 GRC was avoided.¹⁰⁰ The PD cannot excuse SDG&E’s documented and un rebutted failure to spend \$240 million in the manner which the Commission directed. The PD conflates SDG&E’s overspending in different WMP accounting categories with the Audit’s documented 2019-2020 underspending and potential spending diversions.

Overspending in one WMP program cannot justify underspending in a different WMP program and can result in double recovery if SDG&E requests current (or future) GRC cost recovery for programs it already paid for with the funds it previously diverted. As the Audit explains, the Commission in the GRC process must examine whether any of the claimed “overspending” contains any requests for double recovery or whether SDG&E decided not to spend and just keep the ratepayer money it was given for specific 2019 WMP programs.¹⁰¹ The

⁹⁸ PCF Opening Brief, p. 34.

⁹⁹ PD, p. 141

¹⁰⁰ PD, p. 141.

¹⁰¹ Exhibit PCF-43, p. 17; id. at 18 (“At a minimum, and as part of any future proceeding regarding

PD's failure to determine the reasonableness of each WMP expenditure fails to comply with the Commission's statutory requirement to determine the reasonableness of each cost for each wildfire risk mitigation program and each activity.¹⁰²

B. SDG&E Fails to Provide Any Evidence or Support as to Which Funds Were Diverted and Any Justification for Underspending.

SDG&E submitted no evidence (1) addressing the electric capital cost underspending that the Audit identified, (2) establishing which costs it may have redirected and used for wildfire activities, or (3) establishing that the underspend the Audit identified was returned to ratepayers.¹⁰³ SDG&E failed to provide the Commission with "evidence that the deferred projects were completed," and thus "SDG&E should not be allowed future recovery of incremental wildfire expenditures from 2019 to 2020 that were funded as a result of SDG&E deferring and never completing GRC adopted projects or activities."¹⁰⁴ The 2021 Audit also found that as of 2021, SDG&E's accounting and program documentation was so severely lacking that the auditors could not track SDG&E's spending from year to year. These un rebutted facts alone trigger a mandatory disallowance under Section 463(b), because the Audit not only established \$240 million in underspending or diversions—it also conclusively established that SDG&E's accounting and record keeping practices were insufficient to determine how or whether that money was spent.

C. The PD Improperly Relies On SDG&E's Illegitimate Supplemental Exhibit.

As discussed above in Section VI, the PD relies on SDG&E's Supplemental Exhibit to excuse SDG&E's underspending and potential spending diversions that the Audit found.¹⁰⁵ The PD relies on SDG&E's Supplemental Exhibit as the sole basis to conclude that, while SDG&E

recovery of incremental costs, SDG&E should provide sufficient quantifiable and detailed analysis to substantiate that any underspend has been returned to ratepayers or is planned to be used as originally intended prior to requesting additional rate recovery. This is to avoid a situation where GRC-funded amounts were significantly underspent (e.g., by not meeting the intended activity levels or diverting funds for other purposes)").

¹⁰² See Section 8386.4, subd. (a)(1).

¹⁰³ The E&Y review, attached to Mr. Gentes' testimony, should be entirely disregarded by the Commission, because E&Y clearly states that it did not perform an audit, nor does it provide any form of assurance on SDG&E's financial statements as a whole. It merely tracked the recording of expenses and did not attempt to assess whether those expenditures complied with Commission GRC requirements or processes necessary to determine reasonableness.

¹⁰⁴ Exhibit PCF-43, pdf p. 7.

¹⁰⁵ PD, p. 141.

admittedly underspent funds as found by the audit, SDG&E overspent \$182 million for other purposes.¹⁰⁶ As PCF details above, the PD improperly considered post-submission information without re-opening the record or providing PCF an opportunity to cross examine SDG&E about the chart it provided six months after evidentiary hearings were held in Track 2. Thus, despite PCF's repeated and timely objections to the allowance of SDG&E's post-hoc filings and to the lack of due process provided in this proceeding, the PD impermissibly relies on that inadmissible information as the basis to allow SDG&E to keep \$240 million in underspent ratepayer money. The PD's shallow and cursory treatment of the Audit findings fails to comport with the Commission's duty to determine the reasonableness of the cost of each wildfire mitigation program and activity pursuant to Section 8386.4(a)(1).

D. \$58 Million in Underspending Remains Unaccounted For Under the PD's Calculations.

Even if SDG&E overspent in other categories, as the PD claims, the PD's own calculations demonstrate that SDG&E did not overspend the same amount of money as it underspent. The PD concludes, relying inappropriately on SDG&E's Supplemental Exhibit, that SDG&E overspent by \$182 million while acknowledging that the Audit found \$240 million in diverted or underspent 2019 funds. Even using the PD's own numbers and calculations, \$58 million in underspending of the funds already provided in the 2019 GRC is still unaccounted for. Therefore, the PD's conclusion that SDG&E did *not underspend* its GRC-authorized amounts is inaccurate and Finding of Fact 6 should be revised, at the least, to reflect that SDG&E owes ratepayers at least \$58 million, as documented by the Audit's unrefuted findings and analyses.

E. The PD Provides No Justification for Allowing SDG&E To Shift Funds From Previously Authorized GRC Programs.

The PD further gratuitously states that SDG&E is allowed to reprioritize authorized funds to ensure safe and reliable operations.¹⁰⁷ However, the PD cites only to the SDG&E Reply Brief for support that SDG&E is allowed to reprioritize funds. The SDG&E Reply Brief cites one 2011 Commission decision; a 2017 Energy Division SCE Report; and a 2012 Resolution, E-4464, involving California Pacific Electric Company.¹⁰⁸ None of these documents relate to WMP issues or decisions. All three sources originate from before the WMP was established. It was

¹⁰⁶ PD, p. 141.

¹⁰⁷ PD, p. 56.

¹⁰⁸ SDG&E Reply Brief, p. 58.

only in 2019, when the Legislature enacted Senate Bill 901, that the electric utilities were required “to include all relevant wildfire risk and risk mitigation information” required by the S-MAP and RAMP decisions in their WMPs.¹⁰⁹

The 2011 Commission decision, D.11-05-018, upon which SDG&E and derivatively the PD relies, includes several qualifications to a utility’s ability to reprioritize funds. As D.11-05-018 warns, any possible flexibility “does not mean that everything the utility ends up doing is necessary or reasonable” and the Commission still retains the responsibility to disallow unjust and unreasonable costs, a right which is preserved throughout the Public Utilities Code.¹¹⁰ D.11-05-018 also cautions that “justified or not, reprioritization and deferrals undermine the basis for the Commission’s determination of the reasonableness of the utility’s GRC request and the extent of the authorized revenue requirement.”¹¹¹ As the decision elaborates, reprioritized funds may not have been tested by the GRC process.¹¹² Thus the PD’s reliance on SDG&E’s outdated and inapposite 2011 Commission decision cannot support its sweeping conclusion that SDG&E was allowed to reprioritize funds previously authorized by this Commission in the 2019 GRC.

The Commission cannot abdicate its responsibility to review reprioritized spending under the aegis that D.11-05-018 allowed reprioritization of already-provided 2019 wildfire mitigation funds. The PD should be revised to disallow \$240 million in SDG&E’s 2019-2020 wildfire spending requests for additional electric capital costs because SDG&E failed to show that it appropriately spent previously authorized funds for those programs.

VIII. THE PD SHOULD REJECT SDG&E’S SECURITIZATION PROPOSAL.

The PD authorizes a three-year amortization and allows SDG&E to file an application to securitize the WMPMA costs.¹¹³ Instead, the PD should be revised to reject the securitization proposal outright because it will burden ratepayers with unnecessary costs. As SDG&E’s witness Ms. Bille admitted, the securitization proposal would increase rates over time.¹¹⁴ Compared to

¹⁰⁹ PCF Opening Brief (citing to D.19-05-036, *Guidance Decision on 2019 Wildfire Mitigation Plans Submitted Pursuant to Senate Bill 901* (May 30, 2019), Appendix A, p. A2; Pub. Util. Code, § 8386, subd. (c)(12), (13)).

¹¹⁰ Pub. Util. Code, § 8386.4; Pub. Util. Code, § 463.

¹¹¹ D.11-05-018, p. 29.

¹¹² D.11-05-018, p. 29.

¹¹³ PD, p. 138.

¹¹⁴ PCF Opening Brief, p. 69 (citing to Exhibit SDG&E-T2-04 (Bille), p. VB-18).

the three-year amortization, the 10-year securitization proposal would increase SDG&E's overall revenue requirement by \$222 million dollars over the life of the securitization.¹¹⁵

Additionally, the Scoping Memo parameters preclude any consideration of SDG&E's securitization proposal in this proceeding.¹¹⁶ This proceeding constitutes a ratemaking proceeding, not a catastrophic wildfire proceeding,¹¹⁷ and the Commission remains statutorily obliged to identify the issues under consideration in this proceeding's scoping memo.¹¹⁸

Even if some kind of securitization proposal had been in the Scoping Memo for Track 2, the Commission could not lawfully "express support for" SDG&E's proposal. Section 850.1 limits financing orders to expressly defined "recovery costs"¹¹⁹ – costs that have not been identified by SDG&E in this proceeding.

The PD states that "SDG&E may file an application to securitize the WMPMA costs approved by this application less the amount recovered through interim rates."¹²⁰ But the PD remains ambiguous in specifying which costs SDG&E is allowed to include in the securitization application the PD references. Such ambiguity provides fertile ground for the utility to overcharge its customers. For example, SDG&E has proposed to securitize its O&M costs, as Ms. Bille confirmed that SDG&E's securitization proposal makes no distinction between how it treats capital and O&M costs.¹²¹ But SDG&E was unable to justify why ratepayers ten years from now should pay for SDG&E's 2019 O&M expenses.¹²² SDG&E cannot justify securitizing its current operating costs because SDG&E will incur similar operating costs each and every year. Delaying the payment of today's O&M costs—and then piling SDG&E's current operating costs on additional annual O&M costs as they accrue —would create an unbearable cost burden on SDG&E's future ratepayers.

¹¹⁵ PCF Opening Brief, p. 69 (citing to Exhibit SDG&E-T2-04 (Bille), p. VB-22 (\$1,458,785,000 - \$1,237,166,000 = \$221,619,000)).

¹¹⁶ A.22-05-015/016, Assigned Commissioner's Scoping Memo and Ruling (October 3, 2022), p. 4-5; *Golden State Water Co. v Public Utilities Commission* (2024) 16 Cal.5th 380, 394-398; *Southern California Edison Co. v. Public Utilities Commission* (2006) 140 Cal.App.4th 1085, 1105.

¹¹⁷ See A.22-05-015/016, Assigned Commissioner's Scoping Memo and Ruling (October 3, 2022), p. 23 ("The category of the proceeding is ratesetting."); Pub. Util. Code, § 1701.1, subd. (d)(3) (defining "Ratesetting cases"); compare Pub. Util. Code, §1701.1, subd. (d)(4) (defining "Catastrophic wildfire proceedings").

¹¹⁸ Pub. Util. Code, § 1701.1, subd. (b).

¹¹⁹ Pub. Util. Code, § 850, subd. (b)(10).

¹²⁰ PD, p. 138.

¹²¹ A.22-05-015/016, Reporters' Transcript (Vol. 24), p. 4134, l. 4-7 (Bille).

¹²² A.22-05-015/016, Reporters' Transcript (Vol. 24), p. 4133, l. 19 – p. 4134, l. 3 (Bille).

Similarly, Ordering Paragraph 10 states that SDG&E can file an application for a financing order, but adds an additional requirement for securitizing “capital expense costs.”¹²³ The PD should be revised to clarify whether capital expense costs refers to capital expenditures or to the revenue requirement associated with capital expenditures. Although PCF opposes any securitization, specifying which costs SDG&E is allowed to include in any securitization application constitutes an essential directive because securitizing the revenue requirement would burden ratepayers even more than just securitizing capital costs.

IX. THE PD MUST REJECT ALL FUTURE COST ESTIMATES REQUESTED FOR 2023-2027 AS OUT OF SCOPE.

Contrary to the PD’s assertions, 2023-2027 costs are not within scope of this proceeding. Section 1701.1, subdivision (b)(1) requires that, upon initiating a ratesetting proceeding, the Commission issue by order or ruling a scoping memo that describes the issues to be considered.¹²⁴ Further, as explained in *Southern California Edison Co. v. Public Utilities Com.*, the Commission fails to proceed in the manner required by law when it considers and decides issues outside of the scope of a proceeding.¹²⁵

The October 3, 2022 Scoping Memo, in setting out the issues to be addressed in Track 2, clearly states the issue to be addressed in this proceeding is only “[w]hether SDG&E’s recorded amounts in its Wildfire Mitigation Plan Memorandum Account” are reasonable and prudent for cost recovery.¹²⁶ The Scoping Ruling clearly states that Track 2 involves the “Wildfire Mitigation Plan Memorandum Account” for “Years 2019-2022.”¹²⁷ All parties, including SDG&E, have long understood that the costs at issue in Track 2 are those costs that SDG&E recorded to the WMPMA for the years 2019 through 2022. The PD must be revised to eliminate any discussion of, much less approval of, the \$576.4 million¹²⁸ the PD authorizes for SDG&E’s revenue requirement recovery.

Nor has SDG&E provided any evidence that would allow the Commission to evaluate SDG&E’s 2023-2027 costs. SDG&E fails to prove that its request for 2023-2027 costs are

¹²³ PD, p. 154-155 (OP 10).

¹²⁴ Pub. Util. Code, § 1701.1, subd. (b)(1).

¹²⁵ *Southern California Edison Co. v. Public Utilities Com.* (June 26, 2006), 140 Cal.App.4th 1085, 1106.

¹²⁶ See A.22-05-015/016, Assigned Commissioner’s Scoping Memo and Ruling (October 3, 2022) (“Scoping Memo”), p. 4.

¹²⁷ Scoping Memo, p. 18.

¹²⁸ PD, p. 132.

limited to projects that were placed in service by the end of 2022. Nor does SDG&E establish that the subject 2023-2027 capital costs were incremental. SDG&E has also not submitted any of the specific detailed accounting information and documentation that the Audit identified as necessary to enable any multi-year tracking of capital asset spending. SDG&E also presents no information about its methods for calculating its Track 2 2023-2027 revenue requirement, or whether its calculations are based on an average rate base, a year end rate base, or any other basis. The PD must be revised to reject recovery of all of the out-of-scope 2023-2027 costs because SDG&E provided insufficient supporting documentation.

X. THE PD APPROPRIATELY REJECTS ALMOST ALL DRONE COSTS.

The PD appropriately rejects all drone costs, except for 2019 drone costs, because SDG&E deployed a novel and expensive technology without determining its effectiveness.¹²⁹ Additionally, the PD appropriately requires SDG&E to determine how to avoid redundancy in the future and to provide further explanation of its WMP spending.¹³⁰

/s/ Andrea White

Andrea White, Staff Attorney
The Protect Our Communities Foundation
4452 Park Blvd. #309
San Diego, California 92116
Tel: (619) 693-4788
Email: andrea@protectourcommunities.org

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¹²⁹ PD, p. 90-91.

¹³⁰ PD, p. 93 (SDG&E shall provide additional evidence regarding how inspection programs are coordinated to avoid or account for overlapping activity and associated O&M and capital costs. SDG&E shall also detail the staffing employed, their cost, and the justification for the additional cost in coordination with other inspection programs, including their risk benefit cost ratios.”)

APPENDIX

Findings of Fact

1. SDG&E's request to recover \$1.89 million in capital expenditures and \$1.824 million in Operations & Maintenance expenses for SDG&E's Risk Assessment and Mapping Program is reasonably based on SDG&E's imputed authorizations, methodology, and identified costs drivers.
2. SDG&E reasonably completed wildfire mitigation work outside of the HFTD boundary in a Wildland Urban Interface area to reduce the risk of ignition and the possible growth of a fire once started. This work is further supported by the lack of regulatory requirements defining HFTD boundaries.
3. SDG&E's Covered Conductor costs are unreasonable and should be denied, ~~significantly higher than that of PG&E and SCE, and it is reasonable to reduce SDG&E's recovery of capital expenditures for Covered Conductor by approximately 19 percent to reflect the approximate percentage difference between SDG&E's and PG&E's Covered Conductor cost per mile.~~
4. San Diego Gas & Electric Company's Strategic Undergrounding cost recovery request of \$241.233 million in direct cost capital expenditures and \$0.176 million in Operations & Maintenance direct costs for the 2019–2022 period for 109.5 miles of Strategic Undergrounding is unreasonable based on the degree to which Strategic Undergrounding can reduce ignitions and Public Safety Power Shutoff events in High Fire Threat Districts.
5. San Diego Gas & Electric Company's combination of Strategic Undergrounding, Distribution Overhead System Hardening, and Covered Conductor during the 2019–2022 period corresponds approximately to the profile of the same work approved by the Commission in Track 1 of this proceeding.
6. San Diego Gas & Electric Company did ~~not~~ underspend General Rate Case-authorized amounts for electric capital wildfire mitigation for the 2019-2022 period, which includes the years 2021 and 2022 that were not covered by the CPUC/OEIS 2021 Audit.
7. The number of non-Supervisory Control and Data Acquisition capacitors San Diego Gas and Electric Company replaced outside High Fire Threat Districts (HFTDs) during the 2019-2022 period is reasonable because 93 percent of those capacitors were installed in the Wildland Urban Interface or coastal canyons with unique wildfire risk and 73 percent were installed within two miles of the HFTD boundary.
8. The number of sectionalizing switches San Diego Gas & Electric Company installed outside High Fire Threat Districts during the 2019-2022 period was closely related to high wildfire risk areas and was a reasonable method of providing rapid isolation during any wind or wildfire events.

9. San Diego Gas & Electric Company's (SDG&E's) installation of communication stations outside High Fire Threat Districts (HFTDs) during the 2019-2022 period reasonably improved SDG&E's wireless communications in the HFTDs, and the additional cost of SDG&E installing a new mobile communications network, including stations outside HFTDs, was a reasonable method of reducing costs and maximizing coverage for HFTDs.
10. San Diego Gas & Electric Company's Standby Power Program costs that benefit commercial customers were not reasonable because commercial customers lack medical and other critical needs during Public Safety Power Shutoff events.
11. San Diego Gas & Electric Company's costs for its expanded Drone Investigation Assessment and Repair pilot program after 2020 were not reasonable because of that program's high unit cost.
12. San Diego Gas & Electric Company's costs of \$22.442 million for Fuels Management were not reasonable because of that program's high unit cost of almost 100 times the unit cost for pole brushing.
- ~~13. In its audit of a sample of San Diego Gas & Electric Company's costs incurred from May 30, 2019 through December 31, 2022, the accounting firm of Ernst & Young identified approximately \$0.8 million in costs that were not properly evidenced for inclusion in the Wildfire Mitigation Plan Memorandum Account. In this audit, Ernst & Young reasonably extrapolated the amount of improperly evidenced costs incurred during the audit period to be \$2.6 million. Ernst & Young's Report was not an audit and should not be relied upon by the Commission.~~
14. For the May 30, 2019 through December 31, 2022 period, San Diego Gas & Electric Company's Results of Operations Model determined the amount of undercollected revenue requirement attributed to Operations & Maintenance expenses, and depreciation, taxes, and the return on rate base for capital placed into service during this period in the same manner that the Results of Operations Model determined these costs for Track 1 of this proceeding.
15. After deducting the amount authorized for interim relief of \$193.8 million in 2024 and \$96.1 million in 2025, the amount San Diego Gas & Electric Company undercollected in revenue requirement for 2019-2022 wildfire mitigation costs through the end of 2025 is \$191.720 million.
16. For the undercollected revenue requirement of \$191.720 million, the difference between the bill impacts for a six-year versus a three-year amortization period is less than 1% for an average non-California Alternative Rates for Energy customer on January 1, 2026.
17. To collect the amount of \$191.720 million over a three-year period, the average San Diego Gas & Electric Company electricity bill increases \$3.31 or 3.1% to \$110.31 per month for California Alternative Rates for Energy (CARE) customers and \$5.09 or 2.94% to \$178.09 per month for non-CARE customers.

Conclusions of Law

1. San Diego Gas & Electric Company's (SDG&E's) request for recovery of \$1.869 million in capital expenditures and \$1.824 million in Operations & Maintenance expenses for SDG&E's Risk Assessment and Mapping Program is incremental, just, and reasonable and should be authorized.
2. San Diego Gas and Electric Company's (SDG&E's) request for \$613.417 million (in direct costs only) in capital expenditures and \$51.665 million (in direct costs only) in Operations & Maintenance expenses for SDG&E's Grid Design & System Hardening cost category is not incremental, just, and reasonable and should not be authorized- because SDG&E failed to demonstrate cost-effectiveness and did not provide adequate documentation of its costs.
3. San Diego Gas and Electric Company's (SDG&E's) request for recovery of Emergency Planning & Preparedness (EP&P) capital costs for Community Outreach, Public Awareness, and Communication Efforts is not reasonable because SDG&E failed to demonstrate how such costs would be incurred for over a year as a capital cost. As a result, SDG&E's request for EP&P costs should be authorized as an Operations & Maintenance cost in the amount of \$7.686 million for Community Outreach, Public Awareness, and Communication Efforts.
4. San Diego Gas & Electric Company (SDG&E) total Operations & Maintenance expenses for emergency Planning & Preparedness including the amount of \$7.686 million for Community Outreach, Public Awareness, and Communication Efforts, indirect costs, and all reductions discussed above and shown in Appendix B is just and reasonable and should be authorized.
5. San Diego Gas & Electric Company's request for \$3.010 million (in direct costs only) in capital expenditures and \$1.854 million (in direct costs only) in Operations & Maintenance expenses for Situational Awareness costs is just, reasonable, and incremental and should be authorized.
6. Though San Diego Gas & Electric Company's (SDG&E's) request for capital cost recovery of Detailed Inspections of Transmission Equipment (Distribution Underbuild) costs is not reasonable because SDG&E failed to demonstrate how such costs would be incurred for over a year as a capital cost, SDG&E's Distribution Underbuild costs are just, reasonable, and incremental and should be authorized for recovery as an Operations & Maintenance cost in the amount of \$225,000.
7. Though San Diego Gas and Electric Company's (SDG&E's) request for capital cost recovery of High Fire Threat District Tier 3 Distribution Pole Inspections (DPI) cost is not reasonable because SDG&E fails to demonstrate how such costs would be incurred for over a year as a capital cost, SDG&E's DPI costs are just, reasonable, and incremental and should be authorized for recovery as an Operations & Maintenance cost in the amount of \$3.111 million.

8. San Diego Gas & Electric Company (SDG&E) failed to demonstrate the prudence of expanding the Drone Investigation Assessment and Repair program without modification and failed to establish the reasonableness of the high unit cost and total costs from 2019–2022 for this program. ~~SDG&E's request for recovery in the amounts SDG&E recorded for its initial drone inspection program in 2019 of \$0.274 million in capital expenditures and \$13.557 million in Operations & Maintenance expenses is just, reasonable, and incremental and should be authorized.~~
9. The Commission should deny recovery for the Circuit Ownership Platform program because San Diego Gas & Electric Company failed to demonstrate the reasonableness and prudence of initiating this program.
10. Though San Diego Gas & Electric Company's (SDG&E's) request for capital cost recovery of Patrol Inspections costs is not reasonable because SDG&E failed to demonstrate how such costs would be incurred for over a year as a capital cost, SDG&E's Patrol Inspections costs are just, reasonable, and incremental and should be authorized for recovery as an Operations & Maintenance cost in the amount of \$0.927 million.
11. San Diego Gas and Electric Company's request for \$8.446 million (in direct costs only) in capital expenditures and -\$38.746 million (in direct costs only) in Operations & Maintenance expenses for Asset Management and Inspections costs is just, reasonable, and incremental and should be authorized.
12. The Commission should deny recovery for the Light Detection and Ranging (LiDAR) inspections program as not reasonable and imprudent because San Diego Gas & Electric Company (SDG&E) did not: 1) provide information regarding whether a greater percentage of abnormalities were found using infrared technology than with other technology, 2) support the additional cost compared with other inspection programs, and 3) indicate how or when it assessed such information before initiating this program as a pilot or continuing it beyond the pilot stage.
13. San Diego Gas & Electric Company's (SDG&E's) request for recovery for the cost of its Vegetation Restoration Program is not reasonable and should be denied because the program is not part of any of SDG&E's WMPs and is not tied to reducing a specific risk driver and reducing ignitions.
14. San Diego Gas & Electric Company's (SDG&E's) request for \$3.139 million (in direct costs only) in Operations & Maintenance expenses for Vegetation Management and Inspections costs is just, reasonable, and incremental and should be authorized.
15. San Diego Gas & Electric Company's (SDG&E's) request for recovery for Aviation Firefighting is not reasonable and should be denied because SDG&E has not sufficiently demonstrated what the last general rate case authorized SDG&E to spend in Operations & Maintenance expenses for this cost category, has not accounted for its unauthorized capital costs, has not accounted for its cost sharing arrangement with counties and CAL FIRE, and has not considered alternatives to purchasing helicopters.

16. San Diego Gas & Electric Company's (SDG&E's) request for recovery of capital expenditures for Grid Operations & Operating Protocols is not reasonable and should be denied because SDG&E failed to sufficiently support such costs as capital expenditures.
17. San Diego Gas & Electric Company's (SDG&E's) request for recovery of additional costs for the Centralized Repository for Data is not reasonable and should be denied because SDG&E failed to provide sufficient evidence required by the Rate Case Plan to support the request and failed to separate the amounts requested for data governance from other requests that may also support Wildfire Mitigation Plan data processing functions.
18. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Resource Allocation Methodology costs is not reasonable and should be denied because SDG&E failed to provide sufficient evidence required by the Rate Case Plan to support the amount requested, including how the amount requested is separate from the amount requested for the development of the WiNGS model as part of Risk Assessment and Mapping work.
19. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Community Engagement costs is not reasonable and should be denied because SDG&E failed to provide sufficient information required by the Rate Case Plan, including how the amount requested is separate from the amount requested for recovery of costs requested under Community Outreach, Public Awareness, and Communication Efforts of Emergency Planning and Preparedness.
20. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Public Safety Power Shutoff Communications costs is not reasonable and should be denied as unsupported because SDG&E failed to demonstrate the cost of the mobile phone application (App) separate from other costs requested, failed to demonstrate the value of an App compared to other alternatives, and failed to demonstrate the App's value to county governments and residents.
21. San Diego Gas & Electric Company's (SDG&E's) request for recovery of Employee Benefits costs in the amounts of \$0.221 million in capital and \$0.261 million for Operations & Maintenance expenses is not reasonable and should be denied because SDG&E failed to provide sufficient information to demonstrate the amount of such costs that were authorized in the last General Rate Case and the type and amount of employee benefits associated with any new employees in the record that may be incremental.
22. San Diego Gas & Electric Company's (SDG&E's) request for recovery of professional membership dues in the amount of \$0.003 million in capital expenditures and \$0.218 million in Operations & Maintenance expenses is not reasonable and should be denied because SDG&E provided insufficient evidence to demonstrate the ratepayer benefits of such costs.
23. It is reasonable for the Commission to reduce San Diego Gas & Electric Company's (SDG&E's) cost recovery by reducing indirect costs in proportion to reductions for direct costs. As a result, SDG&E should be denied cost recovery for indirect costs in the

amounts shown in Appendix B, totaling \$38.966 million, with \$28.760 million denied for indirect capital expenditures and \$10.206 million denied for indirect Operations & Maintenance expenses.

24. San Diego Gas & Electric Company should be denied cost recovery in the amount of \$2.6 million for costs identified by Ernst & Young in an ~~audit~~ [report](#) to have not been properly evidenced for inclusion in the Wildfire Mitigation Plan Memorandum Account and extrapolated.
25. For the May 2019 - December 31, 2022 period, total cost recovery for San Diego Gas & Electric Company (SDG&E) in the amounts of \$47.727 million in capital expenditures and \$87.555 million in Operations & Maintenance expenses is just, reasonable, and incremental and should be authorized. The total revenue requirement for May 2019-December 31, 2022 authorized by this decision should be \$135.282 million as reasonably determined by SDG&E's Results of Operations Model based on the amounts authorized for capital expenditures and Operations & Maintenance expenses as shown in Appendix C.
26. ~~A separate proceeding to determine the ongoing capital related electric costs recorded to the Wildfire Mitigation Plan Memorandum Account (WMPMA) for 2019-2022 is not necessary because the depreciated capital, taxes, and return on rate base for the WMPMA costs are determined by the Results of Operation Model as they were for Track 1 of this proceeding.~~ [SDG&E's requested recovery for 2023-2027 should be denied as out-of-scope and for lacking supporting documentation or sufficient explanation of the costs at issue.](#)
27. A separate proceeding is not necessary to review San Diego Gas & Electric Company's (SDG&E's) request for ongoing capital costs for gas projects because SDG&E has failed to demonstrate their connection to wildfire mitigation costs. As a result, SDG&E's request for recovery of \$16.9 million in ongoing capital related costs for gas projects is unsupported and should be denied.
28. SDG&E should request recovery of the balance of the undercollected revenue requirement through years 2026 and 2027 of \$239.135 million through a Tier 2 Advice Letter that includes a proposed amortization period and associated bill impacts, to be effective at the beginning of years 2026 and 2027.
29. Authorizing the collection of \$191.720 million in revenue requirement through 2025 for 2019-2022 wildfire mitigation costs over a three-year period is a reasonable outcome to recover the cost of mitigations to prevent wildfires and to maintain the safety and reliability of San Diego Gas & Electric Company's electrical service based on the financing cost and monthly bill impacts.
30. San Diego Gas & Electric Company's filing of its application for recovery of wildfire mitigation costs for the 2019-2022 period in this general rate case (GRC) is consistent with statutory authority, Commission directives requiring the filing of this GRC in May 2022, and the Assigned Commissioner's Scoping Memo in this GRC.

31. SDG&E's Supplemental Exhibit cannot be relied upon as its submission was unlawful and contrary to the principles of due process, Public Utilities Code requirements, and the Commission's Rules of Practice and Procedure.
32. SDG&E must ensure that the cost information it provides to the Office of Energy Infrastructure Safety (OEIS) is accurate and thoroughly documented.