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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U 902-E) for Authority to Establish a Ratemaking Mechanism for Energization Projects Pursuant to Senate Bill 410	Application 25-04-015 (Filed April 25, 2025)

SMALL BUSINESS UTILITY ADVOCATES' OPENING BRIEF

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SUMMARY OF RECOMMENDATIONS

Small Business Utility Advocates respectfully requests that the Commission take the following actions:

- SDG&E forecast should be required to be adjusted to incorporate current trends and realistic assumptions of near-term need.
- SDG&E's IT and miscellaneous costs should be disallowed.
- SDG&E's costs should only be allowed to be passed on through rates in a Tier 2 process.

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SMALL BUSINESS UTILITY ADVOCATES' OPENING BRIEF

In accordance with Rule 13.12 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), submits this Opening Brief regarding San Diego Gas & Electric Company's (SDG&E) *Application for Authority to Establish a Ratemaking Mechanism for Energization Projects Pursuant to Senate Bill 410* (Application).

I. INTRODUCTION

SBUA's mission is to represent the utility concerns of the small business community. SDG&E serves over 166,000 small business customers (circa 2022) that could be impacted by the costs and benefits of the proposed Electric Energization Memorandum Account (EEMA).[1] In this Application, SDG&E requests a cost cap of $144,631,000 for 2025 and 2026, with permission to roll over unspent 2025 funds to 2026, if needed.[2] While amounts approved under SDG&E's SB 410 forecast will be subject to reasonableness review in the next general rate case (GRC),[3] in the meantime, customers will pay increased rates, subject to refund.

Plainly, an unjustifiably high cost cap that enables SDG&E to impose interim rates beyond what should be permitted under SB 410 is inconsistent with Public Utilities Code section 451. The section declares: "Every unjust or unreasonable charge demanded or received for such product or

[1] SBUA-01 at 1.
[2] SDGE-2 at ED-7
[3] See Pub. Util. Code § 937(b)(3); SDGE-3 at BB-35.

commodity or service is unlawful." SBUA is particularly concerned that SDG&E disclaims liability under Section 451. Seeking to outsource responsibility, SDG&E declares: "it is the role of the Commission–not the utility–to confirm what costs are reasonable and in the public interest."[4] This position is preposterous and troubling.

Customers, in particular the small commercial class, face an affordability crisis[5] and it is not appropriate exacerbate rate shock by imposing excessive costs now only to reverse them later. In fact, given the lack of liquidity and high borrowing costs faced by small businesses, the future crediting of unspent or unreasonably spent amounts does not undo the harm of unaffordable rates in the present. Additionally, as noted in Utility Consumers' Action Network's testimony, capital spending may functionally be irreversible if the utility can claim that a completed asset is "used and useful."[6] As a result, the Commission must closely scrutinize SDG&E's requested forecast and deny any amounts that do not meet the requirements of SB 410.

II. DISCUSSION

A. SDG&E's Forecast of Dramatically Increasing Expenditures in 2025-2026 is Unsupported and Does not Take into Consideration Federal Policy Changes and Economic Trends in 2025

In direct testimony, SBUA demonstrated that SDG&E's estimates for 2025-2026 reflect an unsupported increase from previous year expenditures and an overly optimistic increase in activity.[7] The forecasts additionally ignores the dramatic elimination of federal subsidies and the imposition of new charges on solar and electric vehicles in the 2025 budget bill and reversal of

[4] SDGE-03 at BB-36.
[5] See SBUA-01 at
[6] UCAN-01 at 20-21.
[7] SBUA-01 at 4-5.

much of the Inflation Reduction Act of 2022.[8] SDG&E also neglects to discuss the imposition of new tariffs.[9]

In rebuttal, SDG&E cites to studies that do not discuss the federal changes and trends since 2025.[10] SDG&E's source that battery prices are falling[11] while published in May 2025 is a forecast from 2024 that does not actually address events in 2025. It has no discussion at all of tariffs. It does, however, emphasize China's extreme dominance in this area, which will be very negative for prices in light of tariffs.

SDG&E also cites to Executive Order N-27-25 for the proposition that California is insulated from changes in federal policy. However, the executive order itself recognizes that California's electric-car-promoting regulations enacted by means of a Clean Air Act waiver are under attack by the Trump Administration and litigation is ongoing.[12] In 2019, the Trump Administration had succeeded in revoking California's waivers.[13] SDG&E's argument that California is seeking to insulate the state from the Trump Administration regulator actions does not address the wider economic challenges brought by tariff policy or the administration's elimination of subsidies. SDG&E's growth forecast is overly optimistic and not based on current information.

B. SDG&E's IT Costs are Unsupported

[8] SBUA-01 at 4-5.
[9] Id.
[10] SDGD-03 at BB-28, fn. 51.
[11] Id.
[12] Executive Order N-27-25, available at https://www.gov.ca.gov/wp-content/uploads/2025/06/CRA-Response-EO-N-27-25_-bl-formatted-GGN-Signed-6-11-954pmFinal.pdf (see twelfth, thirteenth and fourteenth recital acknowledging significant impact of federal actions and that litigation is ongoing).
[13] See, *Diamond Alternative Energy LLC v. EPA*, Case No. 24-07, issued June 20, 2025, slip op. p. 4, available at https://www.supremecourt.gov/opinions/24pdf/24-7_8m58.pdf.

SDG&E seeks over $16 million in 2025 and $34 million in 2026 for additional IT support costs.[14] As explained in SBUA's direct testimony, "SDG&E's testimony lacks a showing that this magnitude of costs are reasonably necessary to providing distribution capacity."[15] In rebuttal testimony, SDG&E repeatedly asserts that the IT upgrades are necessary to comply with D.24-09-020.[16] However, that decision expressly stated

> The template and directives adopted in this decision are not intended to require any information technology or billing system upgrades; the utilities should instead use the systems already available to track the information sought in Appendix C and provide a narrative explanation if the information collected does not meet the targets adopted in this decision. More discussion on improving data collection efforts may be discussed in Phase 2 of this proceeding.[17]

It further explained, concerning the data collection and notification process:

> This notification process must not require incremental information technology or billing system upgrades; instead, it must fall on the large electric IOUs to directly correspond with the customer once an energization application is received to (1) describe the adopted energization targets adopted in this decision, and (2) keep the customer informed about each stage of the energization process, as necessary. Should a large electric IOU determine it needs incremental funding to implement this notification process or further meet the customer outreach requirements adopted in this decision, it must request a ratemaking mechanism to track and recover associated costs, pursuant to Pub. Util. Code § 937.[18]

While the decision allows SDG&E to request IT costs, SDG&E's testimony plainly ignores that this is not anticipated or an intended result of the compliance requirements. SDG&E's general list of IT features does not justify that these are in fact necessary for compliance and should be disallowed.

C. SDG&E's Miscellaneous Compliance Costs are Unsupported and Should be Denied

[14] SDGE-01 at BB-26
[15] SBUA-01 at 6-7.
[16] SDG&E-03 at BB-29.
[17] D.24-09-020 at 59, fn. 95.
[18] Id. at 70.

In a footnote, SDG&E states: "SDG&E notes that its proposed ratemaking mechanism includes flexibility to recover additional miscellaneous compliance costs that may be needed to comply with SB 410 and D.24-09-020."[19] It is not clear what "miscellaneous compliance" refers to and SDG&E does not explain this in rebuttal testimony. SDG&E should not be permitted to add "miscellaneous" costs not specified in its Application.

D. The Statute Requires Annual Caps, Not Staggered Caps

In SBUA's direct testimony, SBUA explained that "SB 410 is very clear that only annual caps are to be considered in the memo account. In fact the word 'annual' is repeated in the law itself:"[20]

> (b) If requested by the electrical corporation, the commission shall authorize, within 180 days of the request, the use of a ratemaking mechanism that does all of the following:
>
> (1) Authorizes the electrical corporation to track costs for energization projects placed in service after January 1, 2024, that exceed the costs included in the electrical corporation's **annual** authorized revenue requirement for energization, as established in the electrical corporation's general rate case or any other proceeding.
>
> (2) Requires the commission to establish an up-front **annual** cap on the amount that each electrical corporation can recover within the mechanism. Before establishing the cap, the commission shall review all information submitted by the electrical corporation pursuant to subdivision (c).
>
> (3) Requires the commission to authorize the recovery of costs tracked within the mechanism through an **annual** rate adjustment until it determines whether the costs are just and reasonable in the electrical corporation's next general rate case. The commission shall require the electrical corporation to include in its next general rate case application a demonstration that the costs incurred were just and reasonable. Any costs that the commission finds were not just and reasonable shall be subject to refund.
>
> (4) Requires only costs associated with energization to be included in the mechanism and requires costs to be tracked using the same

[19] SDGE-02 at BB-27
[20] SBUA-01 at 8.

> cost categories as used by the electrical corporation in its general rate case application.
> (5) Prevents the electrical corporation from recovering any costs through the mechanism in any year until its recorded spending for energization projects exceeds its **annualized** revenue requirements for energization projects as established in the electrical corporation's general rate case.[21]

Nevertheless, SDG&E requests "that the cap for each year be set equal to the highest forecasted year (2026), with the condition that any unused cap in 2025 be added to 2026's cap."[22]

> In other words, SDG&E is suggesting that the Commission ignore its 2025 annual cap request of $72 million and instead allow this year's cap to be $144 million AND allow any amounts under $144 million in 2025 to be carried over to 2026. This creativity in interpretation of straightforward legislative language is perplexing and must be denied with prejudice. An annual cap is just that - annual.[23]

For a reason that is unknown to SBUA, SDG&E decline to address this issue in rebuttal testimony. In addition to disallowing the excessive cap proposed by SDG&E, the Commission should set annual caps as required by SB 410.

E. SDG&E Does Not Adequately Explain its Ratemaking Approach and Rates Must Not be Allowed to be Recovered Through the Annual Electric True-Up Letter

In direct testimony, SBUA criticized SDG&E's failure to provide "information on the conversion of capital to revenue requirement[.]"[24] While SDG&E provides illustrated rate amounts,[25] is not clear how SDG&E determined this approach to translating capital costs into rates that are applied to each class of customer. SDG&E requests that the "amount transferred [from the EEMA to the Electric Distribution Fixed Cost Account (EDFCA)] will be addressed in the annual Regulatory Account Update Filing, which will then be consolidated with the Annual

[21] Pub. Util. Code § 931(b) (emphasis added).
[22] SDGE-02 at ED-7
[23] SBUA-01 at 9.
[24] SBUA-01 at 9.
[25] See SDG&E-04 at ED-15.

Electric True Up advice letter for rates effective January 1."[26]

As SBUA explained, this "is an inappropriate ratemaking proposal in that it does not provide the Energy Division sufficient ability to ensure that recorded spending in the memorandum accounts is consistent with Commission requirements and properly beneath capped amounts."[27] Instead, "SDG&E should be required to file a separate Tier 2 advice letter at least 60 days prior to January 1 with a table showing recorded and forecasted costs through the end of the year in the body of the letter, and the memorandum account details in an appendix."[28] In rebuttal testimony, SDG&E' objected to this recommendation, citing to D.24-07-008, claiming that SBUA's proposal subjects SDG&E to a mechanism "different than those imposed on other utilities."[29] SDG&E, however, is incorrect that PG&E's process is less burdensome than that recommended by SBUA. In D.24-07-008, the Commission explains that for PG&E, the process "consist[s] of two different advice letters, a Tier 2 preliminary AET due November 15 and a Tier 1 updated AET due no later than December 31."[30] SDG&E should be subject to a similar level of review.

III. CONCLUSION

SBUA requests the Commission reject portions of SDG&E's Application and require the prospective policy changes described in this brief. SBUA looks forward to responding to other party positions in its reply brief.

[26] SDGE-02 at ED-6
[27] SBUA-01 at 10.
[28] Id.
[29] SDG&E-04 at ED-17.
[30] D.24-07-008 at 38.

Respectfully submitted,

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