BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

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A2205015

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)**
And Related Matters	**Application 22-05-016 (Consolidated)**

INDICATED SHIPPERS AND ENVIRONMENTAL DEFENSE FUND JOINT RESPONSE TO PETITION FOR MODIFICATION

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January 16, 2026

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Pursuant to Rule 16.4 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Indicated Shippers[1] and Environmental Defense Fund (EDF) submit this joint response[2] to the December 17, 2025 Petition for Modification (Petition)[3] filed by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (together, the Companies).

I. INTRODUCTION

In Decision (D.) D.24-12-074,[4] the Commission adopted a uniform 3% post-test year (PTY) escalation mechanism, finding it to be a balanced benchmark that allows the Companies

[1] The Indicated Shippers represent the natural gas non-core customer interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., Marathon Petroleum Company LP, PBF Holding Company, and Phillips 66 Company.
[2] Pursuant to Rule 1.8(d), Environmental Defense Fund authorizes the Indicated Shippers to file this response and to make the representations herein on Environmental Defense Fund's behalf.
[3] *Petition of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) for Modification of Decision 24-12-074*, A.22-05-016, Dec. 17, 2025 (Petition).
[4] D.24-12-074, *Decision Addressing The 2024 Test Year General Rate Cases Of Southern California Gas Company And San Diego Gas & Electric Company*, A.22-05-015/016, Dec. 23, 2025.

to cover operating expenses and capital costs while ensuring rates remain just and reasonable. The Companies now seek to collaterally attack and overturn this reasoned determination through a procedurally improper filing that functions as an untimely application for rehearing packaged as a petition for modification.

The Companies' assertion of a "revenue shortfall" in the 2025–2027 PTY period is not grounded in any new factual development; it is instead the product of the Companies' desire to apply outsized escalators to a revenue-requirement baseline that was already significantly increased in the test year. In D.24-12-074, the Commission deliberately adopted a uniform 3% mechanism to place a reasonable constraint on the Companies' aggressive rate-base-expansion trajectory, and to moderate rate impacts in light of declining gas demand and affordability concerns. Because the Petition identifies no new facts, changed circumstances, or other grounds required by Rule 16.4, and instead seeks to relitigate issues expressly resolved in D.24-12-074, it must be rejected.

II. BACKGROUND

As the Commission correctly recognized in D.24-12-074, PTY ratemaking "is not meant to replicate a test year analysis or cover all potential cost changes to guarantee the utility's rate of return during the attrition years."[5] Rather, PTY ratemaking is intended "to reduce volatility between test years so that a well-managed utility can provide safe and reliable service while maintaining financial integrity."[6] This framing underscores the Commission's expectation that

[5] *Id*. at Finding of Fact (FoF) 434.
[6] *Id*.

utilities must prudently and efficiently manage their operations within their general rate case (GRC) authorized revenue requirement.

In Track 1 of this proceeding, the Companies proposed complex, multi-component PTY mechanisms that departed sharply from this core purpose. Their proposal would have embedded escalating capital-additions forecasts into the PTY years, mirroring and perpetuating the significant year-over-year rate-base growth they sought in the test year. [7] This approach, if adopted, would have produced unprecedented attrition-year revenue requirement increases from 2025 through 2027: 6.58%, 5.52%, and 7.63% for SoCalGas from 2025–2027, and 11.49%, 9.91%, and 8.23% for SDG&E.[8] These elevated PTY increases were driven not by inflationary pressures, but by the Companies' desire to continue growing rate base more quickly than depreciation.[9]

The Commission properly rejected these capital-additions-driven proposals based on a robust evidentiary record showing that the Companies' test-year revenue requirements had already escalated sharply between 2021 and 2024.[10] The Commission found that continuing to allow for automatic Global Insight-based escalation "would allow rates to continue to increase unsustainably at an unjust and unreasonable pace."[11] Critically, the Commission also concluded that the Companies had "not demonstrated the need for additional funds to account for

[7] *Id*. at 893-894.
[8] *Id*. at 892.
[9] *Id*. at FOF 432-433, 437-438.
[10] *Id*. at 899-900.
[11] *Id*. at FoF 433.

anticipated growth in capital additions in excess of depreciation," particularly given their history of earning above their authorized returns.[12]

Instead, the Commission adopted a streamlined Consumer Price Index (CPI) based 3% PTY mechanism applicable to both O&M and capital, with narrowly limited exceptions.[13] The Commission also authorized memorandum account treatment for prudently incurred Gas Integrity Management Programs.[14]

This CPI-based framework is grounded in the substantial record evidence and reflects the Commission's judgment that "CPI reflects the general price increases ratepayers endure and expect."[15] The Commission further reasoned that PTY revenue increases guided by the CPI serve as a "reasonable benchmark, helping to moderate utilities' proposed cost increases,"[16] and "balance the interests of the utility and its ratepayers."[17] Thus, this approach ensured that the Companies would continue to have the opportunity to earn their authorized returns through prudent management, not through automatic rate-base expansion in an era of declining gas demand and heightened affordability concerns.[18]

This context is both fundamental and imperative to understanding why the Companies' Petition must be denied. The Petition hinges on the assertion of a "revenue shortfall,"[19] yet that

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[12] *Id*.at 900, FOF 437-438.
[13] *Id*. at 901.
[14] *Id*.
[15] *Id*.
[16] *Id*.
[17] *Id*. at FOF 435.
[18] *Id*. at Conclusion of Law (COL) 305 ("It is reasonable to adopt Cal Advocates at the California Public Utilities Commission's recommendation with a modification to increase the Post-Test Year revenue requirement by 3 percent each year for 2025, 2026, and 2027 because it reflects the general price increases ratepayers endure and expect while allowing the utilities to take proactive steps to reduce unnecessary expenses and contribute to addressing the affordability crisis on California ratepayers.
[19] Petition at 3.

"revenue shortfall" exists only when the Companies impose their own preferred capital-growth assumptions that the Commission already rejected. The Companies present claims that the Commission's determinations in D.24-12-074 relied on "misconceptions of fact,"[20] mirroring assertions previously raised by the Companies in comments on the proposed decision,[21] and that the Commission ultimately resolved in D.24-12-074.[22]

III. LEGAL STANDARD

A petition for modification is a narrow and "extraordinary" procedural mechanism.[23] Although Public Utilities Code Section 1708 authorizes the Commission to "rescind, alter, or amend" a prior order, the Commission has emphasized that such discretion must be exercised "with great care."[24] This approach is driven by the Commission's recognition that reopening a final decision represents "a departure from the standard that settled expectations should be allowed to stand undisturbed."[25]

Rule 16.4 reinforces this narrow scope by requiring petitioners to state their justification concisely, propose specific modification language, cite the evidentiary record, and, critically,

[20] *Id*. at 2.
[21] *Opening Comments Of Southern California Gas Company (U 904 G) And San Diego Gas & Electric Company (U 902 M) On The Proposed Decision In The Test Year 2024 General Rate Case*, A.22-05-016, Nov. 7, 2024 at 9-11.
[22] D.24-12-074 at 934-937 (addressing the Companies' claim that the proposed decision's "blanket O&M and capital escalation rate is insufficient to fund incremental capital additions," and renewed arguments that gas integrity management programs and SDG&E's Hardening Alternative would be underfunded by the denial of budget-based forecasts).
[23] D.19-10-002, *Decision Granting Petition for Modification of the City of Santa Rosa*, A.15-05-014, Oct. 17, 2019 at 2.
[24] Pub. Util. Code §1708; D.09-02-032, *Order Denying Rehearing of Decision 08-07-028*, A.16-12-005, et seq., Feb. 23, 2009 at 8-9.
[25] D.19-10-002 at 2-3.

support any allegation of new or changed facts with a sworn declaration.[26] Petitions that do not comply with these baseline requirements must be denied.[27]

In applying these standards, the Commission has made clear that a petition for modification cannot be used to relitigate issues that were raised in the underlying proceeding.[28] Accordingly, the Commission has rejected petitions that merely restate arguments previously considered and litigated, deeming them as impermissible collateral attacks on a final decision.[29] The Commission has also explained that it will not revisit policy judgments simply because a party disagrees with the outcome reached on the existing record.[30] Even where a petitioner presents new information, modification is appropriate only when genuinely new or materially changed facts create a "strong expectation" that the Commission would have reached a different result.[31] The Commission has emphasized that "new facts" do not include conditions the Commission already anticipated when issuing the decision, nor re-analysis of data already in the record.[32] Finally, Rule 16.4 cannot be used as a substitute for the rehearing process[33] established in Rule 16.1.[34]

Applying these rigorous standards here, the Companies' Petition warrants summary denial. The Companies present no new facts in their Petition. By characterizing their policy

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[26] Rules of Practice and Procedure, Rule 16.4(b).
[27] D.24-09-004, *Decision Denying Ivy Energy Petition for Modification of Decision 23-11-068*, R.20-08-020, Sept. 18, 2024 at 4-5.
[28] D.09-02-032 at 5; D.19-10-002 at 3; D.24-09-004 at 1, 5-6.
[29] D.08-07-028, *Decision Denying the Petition for Modification of Decision 07-12-029 by the Los Angeles Unified School District*, A.06-12-005, et seq., Aug. 4, 2008 at 5-6; D.09-02-032 at 9.
[30] D.08-07-028 at 5-6; D.09-02-032 at 8.
[31] D.15-08-010, *Decision Denying Marin Clean Energy Petition for Modification of Decision 14-01-033*, R.09-11-014, Nov. 20, 2009 at 4.
[32] *Id*. at 5.
[33] D.19-10-002 at 3.
[34] Rules of Practice and Procedure, Rule 16.1.

disagreements regarding the adopted 3% PTY escalation mechanism for both O&M and capital expenditures] as "misconceptions of fact," the Companies are transparently attempting to relitigate issues the Commission has already settled. Because the Petition offers no genuinely new facts, but instead repackages arguments previously rejected in the underlying proceeding, it fails to meet the strict threshold for modification—and thus constitutes an impermissible collateral attack on a final, conclusive Commission order.

IV. RESPONSE

A. The Petition Is Procedurally Defective Because It Functions as an Untimely Application for Rehearing

The Petition rests on the flawed premise that, in adopting the PTY mechanism, the Commission in D.24-12-074 relied on purported "misconceptions of fact," resulting in an alleged "unfunded mandate."[35] Under Rule 16.1, the exclusive vehicle for raising such claims of legal and factual error is an application for rehearing, which must be filed within 30 days of the decision's issuance.[36] The Companies failed to meet this statutory deadline and now attempt to recast legal and factual challenges as "new facts" under Rule 16.4. Because the Companies failed to file a timely application for rehearing, D.24-12-074 is final and conclusive, and the Petition is procedurally barred.

B. The Petition Fails to Identify Genuinely New or Changed Facts Warranting Modification

Beyond this fatal procedural infirmity, the Petition fails to substantively demonstrate that the requested relief should be granted. Rule 16.4 requires petitioners asserting new or

[35] Petition at 2-3, 32-33.
[36] Rules of Practice and Procedure, Rule 16.1.

changed facts to identify those facts with specificity, and to support them with sworn declarations.[37] Modification is warranted only when a petitioner demonstrates a material change in circumstances creating a "strong expectation" that the Commission would have reached a different outcome.[38] The Petition fails to meet this standard.

Although the Petition includes supporting declarations, the Companies fail to identify and present any objectively verifiable "new facts." The Petition's central "new" fact—a purported $5 billion capital-related revenue shortfall—is not new evidence at all. The Supporting Declaration of Ryan Hom[39] confirms the Companies derived this figure entirely from the same Results of Operations (RO) model and capital forecasts the Commission evaluated in Track 1.[40] Mr. Hom's analysis simply recalculates authorized PTY revenues against the Companies' preferred capital-spending trajectory. Thus, this analysis only serves to show the Companies' forecasted gap between the level of capital expenditures the Companies wish to pursue and the Commission's approved PTY spending levels; this is not the emergence of any changed factual condition. Indeed, the Commission expressly anticipated this dynamic when it found that "escalation rates were relatively higher between 2021-2024 than any other period between 2021-2027,"[41] and that the Companies had "not demonstrated the need for additional funds in the post-test years" to support capital additions above depreciation.[42]

[37] Rules of Practice and Procedure, Rule 16.4.
[38] D.15-08-010 at 4.
[39] Petition at Attachment D, Ryan Hom Declaration.
[40] Petition at D-1 – D-2.
[41] D.24-12-074 at 900.
[42] *Id*.

The Supporting Declarations of Bill G. Kostelnik[43] and Jonathan T. Woldemariam[44] likewise fail to demonstrate valid grounds warranting modification of D.24-12-074. Mr. Kostelnik's statements regarding Pipeline Safety Enhancement Program work describe longstanding safety obligations already reviewed in the TY 2024 GRC, and therefore cannot constitute changed circumstances.[45] Mr. Woldemariam's discussion of Energy Safety's partial denial of SDG&E's 2025 Wildfire Mitigation Plan Petition to Amend similarly does not alter any material fact underlying the Commission's PTY determinations; it merely reflects how the Companies' existing obligations interact with the adopted PTY mechanism.[46]

Furthermore, the Petition's suggestion that the Commission mistakenly assumed that O&M and capital behave identically in revenue requirement calculations[47] is undermined by the language in D.24-12-074. The Decision expressly acknowledged that O&M costs are annual and inflation-driven, while capital-related costs involve depreciation and rate-base return over an asset's life.[48] The Commission nonetheless chose a single, CPI-based escalator mechanism for both categories to appropriately capture inflation, while simultaneously serving as a policy-driven limit on the Companies' desired pace of new capital deployment. The Petition's disagreement is therefore a disagreement with the Commission's policy judgment, not identification of factual error warranting modification.

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[43] Petition at Attachment E, Bill G. Kostelnik Declaration.
[44] Petition at Attachment F, Jonathan T. Woldemariam Declaration.
[45] *See* D.24-12-074 at 935 ("The decision allows Sempra Utilities to record Gas Integrity Management Program costs to memorandum accounts subject to reasonableness review. If truly justified spending occurs beyond their authorized levels during the attrition years, Sempra Utilities will have an opportunity to request specific recovery of capital expenditures in excess of authorized revenues.").
[46] *Id*. at 936-937.
[47] Petition at 13.
[48] D.24-12-074 at 898, 934-935.

Finally, the Petition's references to credit-rating commentary do not constitute new or changed facts relevant to PTY ratemaking.[49] PTY escalation is driven by inflation and affordability considerations—not by financial-market reactions—and nothing in the Petition shows that market commentary reflects any materially different conditions from those already weighed by the Commission.

In short, every purportedly factual assertion the Companies advance is either (1) information already before the Commission, (2) a re-analysis of inputs the Commission expressly considered, or (3) a consequence the Commission anticipated when adopting a CPI-based PTY mechanism. Because the Petition identifies no genuinely new or materially changed facts, it fails to satisfy the substantive requirements of Rule 16.4 and Public Utilities Code Section 1708. Accordingly, the Petition must be denied.

C. The Petition Is Inconsistent with the Commission's Express Focus on Promoting Rate Affordability through Prudent and Efficient Utility Operations

The relief requested directly undermines the Commission's effort to encourage the utilities' fiscal responsibility to their ratepayers in furtherance of crucial affordability objectives. The Petition's request to tie PTY revenue requirements directly to a multi-year average of historical capital additions seeks to guarantee recovery for every dollar of rate base expansion in excess of depreciation, regardless of impact on customer bills. This approach would disrupt the intended balance between ratepayers and utilities the Commission sought to achieve, and would frustrate the Commission's intent that the Companies prudently and efficiently manage their capital expenditures within authorized limits.[50]

[49] Petition at 27-29.
[50] D.24-12-074 at 893, 936, FOF 434-435, COL 305.

Further, the Companies' assertion distorts the capital investments that can be supported at the Commission-approved limitations on attrition year revenue adjustments. Under D.24-12-074, the Companies can make annual capital expenditures that offset the depreciation expense accruals that will lower the post-test-year rate base relative to the test year rate base, plus capital expenditures that will grow the post-test-year rate base. The increase in attrition year revenue will allow for growth in the test year rate base. Hence, the set allowance for limited attrition year revenue growth will permit the Companies to make annual capital expenditures that are in excess of their annual depreciation expense. This level of annual capital spend will permit the Companies to manage necessary annual capital spending with rate affordability.

If adopted, the Companies' proposal would worsen rate affordability pressures by increasing the Companies' natural gas revenue requirements as anticipated future gas throughput declines. Furthermore, the Companies' "rate smoothing" proposal is a disguised attempt to mask the Petition's immediate rate impacts, by preventing a scheduled rate decrease resulting from the roll-off of existing memorandum account amortizations from reaching customers' bills.[51] The Commission should avoid this outcome and reject the Petition.

[51] Petition at 38.

V. CONCLUSION

The Indicated Shippers and Environmental Defense Fund appreciate the opportunity to submit this response, and urge the Commission to deny the Companies' procedurally improper and substantively deficient Petition.

Respectfully submitted,

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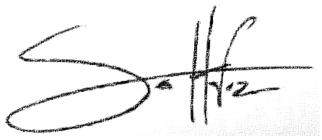

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January 16, 2026