

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric
Company (U 902 G) to Recover Costs
Recorded in the Transmission Integrity
Management Program Balancing Account
from January 1, 2019 to December 31, 2023.

Application 25-02-012

**AMENDED JOINT MOTION FOR APPROVAL OF SETTLEMENT
AGREEMENT OF SAN DIEGO GAS AND ELECTRIC COMPANY
AND THE PUBLIC ADVOCATES OFFICE**

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January 16, 2026

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**AMENDED JOINT MOTION FOR APPROVAL OF SETTLEMENT
AGREEMENT OF SAN DIEGO GAS AND ELECTRIC COMPANY
AND THE PUBLIC ADVOCATES OFFICE**

I. INTRODUCTION

Pursuant to Rule 12.1 of the California Public Utilities Commission’s (“CPUC” or “Commission”) Rules of Practice and Procedure, San Diego Gas and Electric Company (“SDG&E”), and the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates,” and, collectively with SDG&E, the “Settling Parties”) respectfully request that the Commission approve the Amended Settlement Agreement between SDG&E and Cal Advocates (“Amended Settlement Agreement”) attached as Attachment A to this motion in this proceeding addressing SDG&E’s request to recover costs recorded in the Transmission Integrity Management Program Balancing Account (“TIMPBA”) from January 1, 2019 to December 31, 2023.

The Amended Settlement Agreement represents the culmination of several weeks of settlement discussions between the Settling Parties. This settlement would resolve all issues between SDG&E and Cal Advocates in this proceeding, and as previously discussed with the Commission, obviates for the need for a fully litigated outcome.

On November 24, 2025, the Settling Parties filed and served their Joint Motion for Approval of Settlement with the attached and fully executed Settlement Agreement with an execution/signature date of November 24, 2025. On December 24, 2025, Administrative Law Judge (ALJ) Amin Nojan ordered the parties to amend the

Settlement Agreement to include the Settling Parties Litigation Positions on the Scoping Issues adopted in this proceeding. Specifically, ALJ Nojan ordered; “Identification of the issue, including what scoping ruling item it pertains to, Party 1’s litigated position, Party 2’s litigated position, Settlement Position, a table listing the issue, the respective parties’ positions, the difference, and the settled amount, and references to each party’s exhibits that correspond to the issue, including page number.”¹² To this end the parties have amended the Settlement Agreement to include the above information as Exhibit 1 to the Amended Settlement Agreement. This Amended Joint Motion to Approve Settlement Agreement and the Amended Settlement Agreement with Exhibit 1, hereby replaces the previously filed Joint Motion and Settlement Agreement of November 24, 2025 with the settlement terms remaining consistent with the November 24, 2025 Settlement Agreement.

As set forth in greater detail below, the Settling Parties move the Commission to find the Amended Settlement Agreement to be in the public interest, reasonable in light of the entire record, and consistent with the law.

II. BACKGROUND

On February 27, 2025, SDG&E filed its application (A.25-12-012) to request Commission authorization for recovery of \$7.4 million in revenue requirement recorded in the TIMPBA (Application).³ The \$7.4 million request represents the TIMPBA associated with the remaining unrecovered expenditures from the Test Year (TY) 2019 General Rate Case (GRC) cycle representing capital and operations and maintenance (O&M) expenditures from August 1, 2023 through December 31, 2023.⁴

On April 4, 2025, Cal Advocates filed a protest to the Application. Thereafter, Cal Advocates commenced discovery in this proceeding by propounding a number of

¹ In accordance with Rule 1.8(d), counsel for Cal Advocates has been authorized by SDG&E to file this Amended Joint Motion on their behalf.

² Administrative Law Judge (ALJ) Amin Nojan’s Email Ruling of December 24, 2025.

³ Application (A.)25-02-012 at 1.

⁴ A.25-02-012 at 1.

data requests on SDG&E. Cal Advocates analyzed whether the expenditures at issue were appropriately recorded in the TIMPBA and submitted testimony on July 31, 2025 recommending a disallowance.

The Settling Parties settlement discussions began on September 2, 2025. On October 30, 2025, a Notice of Settlement Conference was sent to the parties of this proceeding, and the conference was held on November 6, 2025. Following further discussions and negotiations, a settlement agreement was finalized and executed by both Settling Parties.⁵ On November 24, 2025, the Settling Parties filed and served their Joint Motion for Approval of Settlement with the attached and fully executed Settlement Agreement with an execution/signature date of November 24, 2025.

On December 24, 2025, Administrative Law Judge (ALJ) Amin Nojan ordered the parties to amend the Settlement Agreement to include the Settling Parties Litigation Positions on the Scoping Issues adopted in this proceeding. Specifically, ALJ Nojan ordered; “Identification of the issue, including what scoping ruling item it pertains to, Party 1’s litigated position, Party 2’s litigated position, Settlement Position, a table listing the issue, the respective parties’ positions, the difference, and the settled amount, and references to each party’s exhibits that correspond to the issue, including page number.”⁶ To this end the parties have amended the Settlement Agreement to include the above information as Exhibit 1 to the Amended Settlement Agreement.

III. SUMMARY OF THE AMENDED SETTLEMENT AGREEMENT

The Settling Parties seek Commission approval of the terms set forth in Attachment A, as summarized below. The Settling Parties, while acknowledging the matters addressed in this Agreement, have agreed to fully resolve all contested issues set forth in this proceeding.

⁵ On November 24, 2025, the Settling Parties filed a Joint Motion to Admit Testimony and Exhibits into Evidence and Joint Motion For Leave to File Under Seal.

⁶ Administrative Law Judge (ALJ) Amin Nojan’s Email Ruling of December 24, 2025.

- a. The Settling Parties agree that appropriate recovery for this Application is \$6.985 million in revenue requirement sought in the Application. The \$6.985 million represents a disallowance of \$0.428 million from SDG&E's original recovery request of \$7.413 million as detailed in the Amended Settlement Agreement's Table 1 below.

TIMPBA Costs	SDG&E Request	Agreed Reduction	Total Recovery
O&M Expenses	\$14,439,598	\$394,000	\$14,045,598
Capital Expenditures ⁷	-\$7,534,856	\$0.00	-\$7,534,856
Interest ⁸	\$508,473	\$34,000	\$474,473
TIMPBA Total	\$7,413,215	\$428,000	\$6,985,215

- b. The Settling Parties agree that the record supporting this Amended Settlement Agreement includes, but is not limited to the following:
- (a) Prepared Testimony of Travis T. Sera on behalf of SDG&E (TIMP Development and Implementation),
 - (b) Prepared Testimony of Elaine Weim and Travis T. Sera on behalf of SDG&E (Technical – Project Execution and Management),
 - (c) Prepared Testimony of Eric Dalton on behalf of SDG&E (Balancing Account and Revenue Requirement),
 - (d) Prepared Testimony of Marjorie Schmidt-Pines on behalf of SDG&E (Rates),
 - (e) Amended Workpapers Supporting the Prepared Direct Testimony of Elaine Weim and Travis T. Sera (Technical – Project Execution and Management) (Public and Confidential Versions),
 - (f) Workpapers Supporting the Prepared Direct Testimony of Eric Dalton (Balancing Account and Revenue Requirement),
 - (g) Prepared Rebuttal Testimony of Travis T. Sera, Elaine Weim, and Eric Dalton on behalf of SDG&E,
 - (h) Cal Advocates Report on the Results of Operations for San Diego Gas and Electric Company Transmission Integrity Management Program Balancing Account.

⁷ Credit to the capital revenue requirement is due to the natural gas safe harbor repairs tax benefit.

⁸ Estimated interest as of December 31, 2024 and will be updated upon implementation in rates as discussed in Section II.D of the Amended Settlement Agreement.

- c. The Amended Settlement Agreement includes a discussion of the parties' litigated positions and settlement on each of the scoping issues included in the Scoping Ruling for the proceeding.
- d. This Amended Settlement Agreement shall become effective upon issuance by the Commission of a decision adopting the Amended Settlement Agreement. The Settling Parties agree that SDG&E will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the month following advice letter submission or in connection with other authorized rate changes implemented by SDG&E.

IV. THE AMENDED SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE WHOLE RECORD, CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

Rule 12.1(d) provides that, before approving a settlement, the Commission must determine that the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

The Commission has consistently recognized the “strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”² This policy supports many worthwhile goals, including reducing the expense of litigation, conserving finite Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.¹⁰ Moreover, in assessing settlements the Commission evaluates the *entire* agreement, and not just its individual parts:

In assessing settlements, we consider individual settlement provisions but, in light of strong public policy favoring settlements, we do not base our conclusion on whether any single provision is the optimal result. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.¹¹

Here, and as further explained below and in Exhibit 1 of the Amended Settlement Agreement, Settling Parties submit that the settlement as a whole in this proceeding

² D.88-12-083, mimeo., at 54. *See also* D.11-05-018, mimeo., at 16.

¹⁰ D.92-12-019, mimeo., at 7-8.

¹¹ D.10-04-033, mimeo., at 9.

produces a just and reasonable outcome that satisfies the requirements of Rule 12.1(d).

A. The Settlement Is Reasonable In Light of the Whole Record

One of the three Rule 12.1(d) criteria for approval of a settlement is that it be reasonable in light of the whole record.

The Commission recently summarized its considerations under this criterion in the context of a proposed settlement of a telecommunications application for a Certificate of Public Convenience and Necessity:

This proceeding includes a full record of filed documents, including but not limited to the Joint Motion and Settlement. The Settlement was reached after careful analysis of the issues by each party involved, all of whom are knowledgeable and experienced regarding telecommunications regulatory requirements. The Settlement includes detailed instructions regarding implementation of its terms.¹²

The Amended Settlement Agreement shares these characteristics. As summarized above, a substantial record has been developed since SDG&E initiated this proceeding in February 2025. SDG&E submitted testimony and accompanying workpapers. The testimony and workpapers were reviewed and analyzed by Cal Advocates and vetted through numerous data requests, independent analysis, and discussions between the parties. Through the Joint Motion to Admit Testimony and Exhibits into Evidence, the Settling Parties jointly moved that these exhibits be entered into the evidentiary record.

Beginning on or around September 2025 and through the execution of the Amended Settlement Agreement, the Settling Parties engaged in several settlement calls and discussions with each other regarding each Settling Party's position as set forth in Exhibit 1 of the Amended Settlement Agreement and jointly analyzed each issue involved. After these settlement calls and deliberations, the Settling Parties were able to reach a

¹² *Re SP Licenses, Inc.*, D.17-03-005, (*mimeo*) pp. 5-6. See also, *Re Sierra Pacific Power*, D.06-08-024, (*mimeo*), p. 8: "Prior to the settlement, parties conducted extensive discovery, and served detailed testimony on the issues related to revenue requirement, marginal costs, revenue allocation and rate design." See also, *Re Pacific Gas and Electric Co. Re Pacific Gas and Electric Co.* (1991) 40 C.P.U.C.2d 301, 326.

settlement.

Throughout these settlement calls, the parties devoted substantial time and effort to working collaboratively to identify and achieve a better common understanding of the range of issues in dispute, the various options for narrowing the number of disputed issues, and opportunities to develop compromise positions that would permit resolution of the disputed issues. The Amended Settlement Agreement is a product of those efforts.

The Amended Settlement Agreement represents the collective best efforts of the Settling Parties. Consistent with Rule 12.1, the parties to the Settlement agree that the Amended Settlement Agreement results in “a mutually agreeable outcome to the proceeding.” The Commission should find the Amended Settlement Agreement reasonable in light of the record.

B. The Amended Settlement Is Consistent With The Law

The Settling Parties are represented by experienced counsel and believe that the terms of the Amended Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof. In agreeing to the terms of the Amended Settlement Agreement, the Settling Parties considered relevant statutes and Commission decisions and believe that the Amended Settlement Agreement is fully consistent with those statutes and prior Commission decisions.

C. The Settlement Is In The Public Interest

The Commission has determined that a settlement that “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” meets the “public interest” criterion.¹³ The Settling Parties have joined in this amended motion and have signed the attached Settlement Agreement indicating that they believe the agreement represents a reasonable compromise of their respective positions.

Moreover, nothing in the Amended Settlement Agreement would jeopardize the public interest. The Settling Parties negotiated in good faith over an extended period of

¹³ D.10-06-015, mimeo., at 11-12, *citing* D.92-12-019, mimeo., at 7.

time, during which they applied their expertise and collective judgment to a fulsome record. The Commission should find the Amended Settlement Agreement to be in the public interest.

The Amended Settlement Agreement, if adopted by the Commission, avoids the cost of further litigation, and frees up Commission and Settling Parties' time and resources to focus on other proceedings.

D. The Settlement Should Be Adopted Without Modification

Though various terms of the Amended Settlement Agreement are discussed separately in the summary above, the Amended Settlement Agreement is presented as a whole and Settling Parties request that it be reviewed and adopted as a whole. Each provision of the Settlement is dependent on the other provisions of the Settlement; thus, modification of any one part of the Amended Settlement Agreement would harm the balancing of interests and compromises achieved in the Settlement. The various provisions reflect specific compromises between litigation positions and differing interests; in some instances, the proposed outcome reflects a party's concession on one issue in consideration for the outcome provided on a different issue. The proposed outcome on each issue is reasonable in light of the entire record. Accordingly, the Commission should consider and approve the Settlement as a whole, with no modification.

V. CONCLUSION

As shown herein, the Amended Settlement Agreement is reasonable in light of the whole record, is consistent with law, is in the public interest, and should be approved by the Commission.

Respectfully submitted,

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January 16, 2026

ATTACHMENT A

AMENDED SETTLEMENT AGREEMENT BETWEEN SAN DIEGO GAS AND ELECTRIC COMPANY AND THE PUBLIC ADVOCATES OFFICE

San Diego Gas and Electric Company (“SDG&E”) and the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”) (collectively, the “Settling Parties”) hereby agree to settle and fully resolve proceeding (A.) 25-02-012 (“Proceeding”), the Application of San Diego Gas and Electric Company (U 902 G) to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account from January 1, 2019 to December 31, 2023.

I. RECITALS

- A. On February 27, 2025, SDG&E filed its Application in this Proceeding, through which it sought review of the capital and operations and maintenance (“O&M”) expenditures incurred for program development and implementation activities undertaken to execute the Transmission Integrity Management Program (“TIMP”) and requests recovery of the associated revenue requirement recorded in the TIMP Balancing Account (“TIMPBA”) from August 1, 2023 through December 31, 2023.
- B. As set forth in SDG&E’s Application, the entirety of the activities associated with the TIMP completed between January 1, 2019 through December 31, 2023, represent \$128.7 million in expenditures. SDG&E’s Application sought to recover \$7.4 million revenue requirement, which is the amount associated with the remaining unrecovered expenditures from the Test Year (“TY”) 2019 General Rate Case (“GRC”) cycle. Concurrent with the filing of the Application, SDG&E also served its Direct Testimony and workpapers and served amended workpapers on July 28, 2025.
- C. On April 4, 2025, Cal Advocates filed a Protest to the Application.
- D. On July 31, 2025, Cal Advocates served its Opening Testimony. On August 6, 2025, Cal Advocates sent its workpapers to SDG&E via email.
- E. On August 20, 2025, SDG&E served its Rebuttal Testimony.
- F. On November 24, 2025, the Settling Parties filed and served their Joint Motion for Approval of Settlement with the attached and fully executed Settlement Agreement with an execution/signature date of November 24, 2025. On December 24, 2025, Administrative Law Judge (ALJ) Amin Nojan ordered the parties to amend its Settlement Agreement to include the Settling Parties Litigation Positions on the Scoping Issues adopted in this proceeding. Specifically, ALJ Nojan ordered; “Identification of the issue, including what scoping ruling item it pertains to, Party 1’s litigated position, Party 2’s litigated position, Settlement Position, a table listing the issue, the respective parties’ positions, the difference, and the settled amount, and references to each party’s exhibits that correspond to the issue, including page number.”¹ To this end the parties have amended this Settlement Agreement to include the above

¹ Administrative Law Judge (ALJ) Amin Nojan’s Email Ruling of December 24, 2025.

information as Exhibit 1 attached herein. This Amended Settlement Agreement with Exhibit 1, hereby replaces the previous Settlement Agreement of November 24, 2025 with the settlement terms remaining consistent with the November 24, 2025 version.

- G. The Settling Parties, while acknowledging the matters addressed in this Amended Settlement Agreement, desire and have agreed to fully resolve the issues set forth in this Proceeding. The Settling Parties submit that this Amended Settlement Agreement complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Settling Parties have recognized that there is risk involved in litigation, and that a party's filed position might not prevail, in whole or in part, in the Commission's final determination. The Settling Parties have reached compromise positions that they believe are appropriate in light of the litigation risks. This Amended Settlement Agreement reflects the Settling Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

II. AGREEMENT

In order to avoid the risks and costs of litigation, the Settling Parties agree to the following terms and conditions.

A. SDG&E's TIMPBA Recovery

The Settling Parties agree that recovery by SDG&E of \$6.985 million in revenue requirement sought in the Application is appropriate. The \$6.985 million represents a disallowance of \$0.428 million from SDG&E's original recovery request of \$7.413 million as detailed in Table 1 below.

Table 1
A.25-02-012 Settlement Summary

TIMPBA Costs	SDG&E Request	Agreed Reduction	Total Recovery
O&M Expenses	\$14,439,598	\$394,000	\$14,045,598
Capital Expenditures ²	-\$7,534,856	\$0.00	-\$7,534,856
Interest ³	\$508,473	\$34,000	\$474,473
TIMPBA Total	\$7,413,215	\$428,000	\$6,985,215

B. Cost Allocation Method

SDG&E asserts that the functionalized allocation of transmission-related costs adopted in

² Credit to the capital revenue requirement is due to the natural gas safe harbor repairs tax benefit.

³ Estimated interest as of December 31, 2024 and will be updated upon implementation in rates as discussed in Section II.D of this Amended Settlement Agreement.

SDG&E's most recent Cost Allocation Proceeding (CAP), D.24-07-009 is appropriate for use to recover the \$6.985 million in the Timpba and consistent with Timpba's allocation of costs in Resolution G-3611. Cal Advocates did not address this issue in its testimony Exhibit CA-01 and takes no position on this issue.

C. Record Supporting Agreement

The Settling Parties agree that the record supporting this Amended Settlement Agreement includes the testimony and data submitted and exchanged by the parties during the pendency of this proceeding as seen in the Settling Parties filed and served Joint Motion to Admit Testimony and Exhibits Into Evidence.

D. Implementation Timeline

This Amended Settlement Agreement shall become effective upon issuance by the Commission of a decision adopting the Amended Settlement Agreement. The Settling Parties agree that SDG&E will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the month following advice letter submission or in connection with other authorized rate changes implemented by SDG&E.

III. OTHER MATTERS

A. Regulatory Approval

The Settling Parties agree to seek prompt approval of this Amended Settlement Agreement and to use their reasonable best efforts to secure Commission approval without change, including by filing an amended joint motion seeking approval of this Amended Settlement Agreement and any written filings, appearances, and other means as may be necessary to secure Commission approval. The Settling Parties agree to actively and mutually defend this Amended Settlement Agreement if its adoption is opposed by any other party in proceedings before the Commission.

Should any Proposed Decision (PD) or Alternate Proposed Decision (APD) seek a material modification to this Amended Settlement Agreement, and should any Settling Party be unwilling to accept such modification, that Settling Party shall notify the other Settling Party within five business days of issuance of the PD or APD. The Settling Parties shall thereafter promptly discuss the modification and negotiate in good faith to achieve a resolution acceptable to the Settling Parties and shall promptly seek Commission approval of the resolution so achieved. The Settling Parties agree to oppose any modification of this Amended Settlement Agreement proposed in a PD or APD not agreed to by both Settling Parties.

Any party signing this Amended Settlement Agreement may withdraw from this Amended Settlement Agreement if the Commission issues a final decision that materially modifies, deletes from, or adds to the disposition of the matters settled herein, except for resolutions of modifications agreed to by the Settling Parties as discussed in the previous paragraph. However, the Settling Parties agree to negotiate in good faith with regard to any Commission-ordered changes, in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful. To accommodate the interests related to various issues, the Settling Parties acknowledge that changes, concessions or compromises by one or both Settling Parties in

one section of this Agreement could result in changes, concessions or compromises by one or both Settling Parties in other sections of this Amended Settlement Agreement.

The provisions of this Section III.A. shall impose obligations on the Settling Parties immediately upon the execution of this Amended Settlement Agreement.

B. Incorporation of Complete Agreement

This Amended Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Settling Parties. This Amended Settlement Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues.

C. Unified Agreement

The Settling Parties have bargained in good faith to reach the agreement set forth herein. The Settling Parties intend the Amended Settlement Agreement to be interpreted as a unified, interrelated agreement. The Settling Parties agree that no provision of this Amended Settlement Agreement shall be construed against any Settling Party because a particular party or its counsel drafted the provision.

D. Successors and Assigns

The rights conferred and obligations imposed on any of the Settling Parties by this Amended Settlement Agreement shall inure to the benefit of or be binding on that Settling Party's successors in interest or assignees as if such successor or assignee was itself a party to this Amended Settlement Agreement.

E. Disputes Regarding Agreement

Should any dispute arise among the Settling Parties regarding the manner in which this Amended Settlement Agreement or any term shall be implemented, the Settling Parties agree, prior to initiation of any other remedy, to work in good faith to resolve such differences in a manner consistent with both the express language and the intent of the Settling Parties in entering into this Amended Settlement Agreement. The terms and conditions of the Amended Settlement Agreement may only be modified in writing subscribed to by the Settling Parties.

F. Non-Waiver

None of the provisions of this Amended Settlement Agreement can be waived by either Settling Party unless both Settling Parties consent to the waiver in writing. The failure of a Settling Party to insist in any one or more instances upon strict performance of any provision of this Amended Settlement Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provision or the relinquishment of any such rights for the future, and the Amended Settlement Agreement shall continue and remain in full force and effect.

G. Governing Law

This Amended Settlement Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders, and rulings, as if executed and to be performed wholly within the State of California.

H. Captions and Paragraph Headings

Captions and paragraph headings used herein are for convenience only and are not a part of this Amended Settlement Agreement and shall not be used in construing it.

I. Signatures/Counterparts

This Amended Settlement Agreement may be executed in counterparts. This Amended Settlement Agreement may be executed in separate counterparts, the whole of which shall constitute a binding agreement. Facsimile signatures or pdf version signatures communicated by email, when received, shall have the same force and effect as original signatures. The representatives of the Settling Parties signing this Amended Settlement Agreement are fully authorized to enter into this Amended Settlement Agreement.

IN WITNESS WHEREOF, the Settling Parties hereto have duly executed this Amended Settlement Agreement.

Entity: San Diego Gas and
Electric Company

By: Daniel Skopec
SVP & Chief Regulatory
Officer

Date: 15, January, 2026



Entity: The Public Advocates
Office

By: Michael Campbell
Deputy Director of the Public
Advocates Office

Date: 15 January , 2026



1. Parties' Litigation Position on the Scoping Issues

Scoping Issue #1 - Whether SDG&E's TIMPBA expenditures and cost recovery request of \$7.4 million are just and reasonable?

SDG&E's Position: Yes, SDG&E's TIMPBA expenditure and cost recovery request of \$7.4 million are just and reasonable. The amount requested represents the under-collected revenue requirement in the TIMPBA for the period of August 1, 2023 through December 31, 2023. (SDG&E-01 at TTS-1.) This cost was incurred due to changes to the TIMP regulatory requirements that included new and updated sections within 49 CFR Part 192 as part of the Gas Transmission Safety Rule (GTSR), updated interpretations of existing regulations, and the Pipeline Hazardous Materials Safety Administration's (PHMSA) advisory bulletins expanded the scope of the TIMP. (SDG&E-05 at SWD-1 and SDG&E-01 at TTS-1-2.) These changes required SDG&E to spend more than previously forecasted in the TY 2019 GRC. (SDG&E-01 at TTS-9-10 and SDG&E-05 at SWD-6.) Cal Advocates does not dispute that the expenditure was in response to the regulatory changes. (SDG&E-05 at SWD-1.)

Straight-Time Labor - In response to Cal Advocates' straight-time labor disallowance, SDG&E asserts that, consistent with D.22-06-032, incrementality can be measured on an activity-by-activity basis. (SDG&E-05 at SWD-10.) SDG&E contends that Cal Advocates did not challenge that new PHMSA requirements that were not included in SDG&E's TY 2019 GRC forecast expanded activities. (SDG&E-05 at SWD-6-7.) Further, in D.19-09-051, SDG&E was authorized revenue requirement for TIMP that was separate and apart from SDG&E base funding. (SDG&E-05 at SWD-7-8.) SDG&E recorded TIMP expenditures in the TIMPBA which is separate from its base business. (SDG&E-05 at SWD-8.) SDG&E contends that incrementality should compare costs incurred to those previously authorized for recovery for similar expenditures; therefore, any expenditure above that is previously authorized for TIMP is incremental. (SDG&E-05 at SWD-8-9.) Even if the CPUC wants to expand beyond TIMPBA, SDG&E's Risk Spending Accountability Report (RSAR) shows that SDG&E exceeded total authorized costs for gas transmission safety, reliability, and maintenance scopes for work by approximately \$92.4 million. (SDG&E-05 at SWD-8-9.) SDG&E contends that the RSAR shows that Cal Advocates incorrectly assumes that SDG&E's reallocation of employees to respond to changes in TIMP requirements and activity levels meant that the non-TIMP funding associated with those employees was unspent. (SDG&E-05 at SWD-14.)

Vacation and Sick - Vacation & Sick costs are applied as a factor to direct labor costs and are included in balancing account recovery mechanisms. These costs are proportionally tied to the incremental straight time labor. Therefore, for the same reasons that Cal Advocates requested disallowance for SDG&E's labor fails, Cal Advocates requested disallowance for Vacation & Sick fails. (SDG&E-05 at SWD-14-15.)

Intercompany O&M Transactions - In compliance with D.97-12-028, costs that are incurred at one utility on behalf of the other utility are allocated and billed to the other company receiving services. (SDG&E-05 at SWD-16.) The purpose of the practice is to prevent cross-subsidization between utilities. For the TIMPBA, SDG&E incurred costs due to the support received from SoCalGas as a way to enable cost efficiency between the utilities to support lower costs for customers. (SDG&E-05 at SWD-

16.) These charges are billed to the utility receiving the service on a fully loaded basis which includes Public Liability/Property Damage (PLPD) and Purchasing overheads.

Cal Advocates Position: No. SDG&E's recovery is not entirely just and reasonable since it lacks evidentiary support, and portions of the request are not incremental beyond what was approved in the applicable GRC Decision (D). 19-09-051 and is out of scope with the TIMPBA recovery requirements contained in D.19-09-051. (CA-01 at 3 and 8-9). Cal Advocates recommends the Commission disallow \$0.717 million from SDG&E's recovery request. (CA-01 at 2).

Straight Time Labor - SDG&E failed to provide supporting documentation justifying and demonstrating that it hired new employees to fill new positions SDG&E created exclusively for TIMP. (See CA-01 at 13-16).

Vacation and Sick Leave - SDG&E failed to provide evidence that the underlying labor was incremental making the related vacation and sick leave costs also not incremental and not recoverable. (See CA-01 at 16-17).

Intercompany O&M Transactions - SDG&E failed to justify why its public liability/property damage and purchasing overheads costs were not charged to its sister company SCG and why they were instead included in this Application, which covers a separate rate jurisdiction with different ratepayers. SDG&E failed to show that it hired additional employees for the TIMPBA projects covered in this section. (See CA-01 at 17-19).

Scoping Issue #2 - Whether SDG&E's revenue requirement associated with the costs presented in the Application and recorded in their TIMPBA are justified for rate recovery?

SDG&E's Position: See Scoping Issue #1.

Cal Advocates Position: See Scoping Issue #1.

Scoping Issue #3 - Whether SDG&E's TIMPBA recovery request complies with all applicable rules, decisions, statutes, and other requirements, including the tariff?

SDG&E's Position: For the reason stated in Scoping Issue #1, yes.

Cal Advocates Position: SDG&E's request fails to comply with; the applicable GRC D.19-09-051, PUC sections 451 (just and reasonable), 454 (burden of proof), 463 (lack of supporting data), D.23-02-017 (lack of incrementality), D.12-01-032 (reasonableness), D.25-06-051 (lack of verification and data), and California P.U.C. Tariff Sheet No. 24211-G (Effective December 23, 2019) (CA-01 at 3, 4, 15, 16-17, 19).

Scoping Issue #4 - Whether SDG&E's TIMPBA recovery request is incremental to the cost recovery approved in AL 3257-G-A as described in Cal Advocates position above as to Scoping Issue 1?

<p>SDG&E's Position: See Scoping Issue #1.</p> <p>Cal Advocates Position: See Scoping Issue #1.</p> <p><i>Scoping Issue #5 - Whether the cost allocation policies adopted in Decision (D.) 24-07-009 should apply to the TIMPBA under collection requested in this Application?</i></p> <p>SDG&E's Position: SDG&E asserts that the functionalized allocation of transmission-related costs adopted in SDG&E's most recent Cost Allocation Proceeding (CAP), D.24-07-009 is appropriate for use to recover the undercollection in the TIMPBA and consistent with TIMPBA's allocation of costs in Resolution G-3611. (SDG&E-04 at MSP-2-4; Resolution G-3611.)</p> <p>Cal Advocates Position: Cal Advocates did not take a position on this issue.</p>
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2. Parties' Settlement Comparison Table

Scoping Issue	SDG&E Litigation Position	Cal Advocates Litigated Position	\$ Difference	Settled Position and Amount
All	\$7.4 million	Disallowance of \$0.717 million.	-\$0.717 million	Disallowance of \$0.428 million. Settlement amount is \$6,985,215.