

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



Application of Pacific Gas and Electric  
Company for Authority, Among Other Things,  
to Increase Rates and Charges for Electric and  
Gas Service Effective on January 1, 2027.

(U 39 M)

Application No. 25-05-009  
(Filed May 15, 2025)

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**RESPONSE OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN  
CALIFORNIA GAS COMPANY TO PACIFIC GAS AND ELECTRIC 2027 GENERAL RATE  
CASE AMENDED SCOPING MEMO AND RULING**

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Pursuant to Commissioner John Reynolds’ *E-Mail Ruling A.25-009 Amended Scoping Memo and Ruling* (Scoping Ruling), San Diego Gas & Electric Company (SDG&E) hereby submits its responses to questions 1-5 outlined in the Ruling. Southern California Gas Company (SoCalGas) joins in this response with respect to Section III, Questions to Parties 4.

**I. Introduction**

The Ruling adds two new issues to the scope of this proceeding:

1. Should the Commission determine whether PG&E may continue to track costs incurred for wildfire risk mitigation to the WMPMA and FRMMA that are unforeseen and incremental to the wildfire risk mitigation programs and activities authorized in PG&E’s revenue requirements in this GRC decision?
2. Should the Commission provide guidance for what costs may be tracked in these or other memorandum accounts the Commission may authorize, as “unforeseen” and/or “incremental” and thus eligible for submission in future cost recovery applications?

The Scoping Ruling also permitted parties to this proceeding to respond to whether there are “issues the Commission should consider with regard to the cited new provision of SB 254.”<sup>1</sup>

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<sup>1</sup> Scoping Ruling at 4.

**II. The Commission Should Generally Support Mechanisms that Allow Ongoing Flexibility to Implement Approved Wildfire Mitigation Plan (WMP) Programs and Initiatives, and Respond to New Technology and Risk Assessment**

The memorandum accounts mandated by the Legislature in Senate Bill (SB) 901 and reaffirmed in Assembly Bill (AB) 1054 enabled SDG&E to rapidly respond to the critical need for additional wildfire mitigation efforts identified by the Legislature and the Commission in the wake of the devastating 2017 and 2018 fires. Absent the authorization of these cost tracking mechanisms, SDG&E might have had to delay those efforts until 2024, when its next General Rate Case went into effect, resulting in increased wildfire risk and additional PSPS impacts for customers—the exact opposite of the intended outcome of SB 901 and AB 1054.<sup>2</sup> The authorization of its regulatory mechanisms, including the Wildfire Mitigation Plan Memorandum Accounts (WMPMAs) and Fire Risk Mitigation Memorandum Account (FRMMA), was thus a critical component in enabling SDG&E to rapidly amplify its wildfire mitigation efforts and successfully avoid a catastrophic wildfire.

Since the establishment of SDG&E’s electric and gas WMPMAs and FRMMA, SDG&E has recorded substantial costs in support of a myriad of system enhancements to harden its system, inspect and repair infrastructure, enhance situational awareness, enable emergency response and preparedness, and successfully perform targeted Public Safety Power Shutoffs (PSPS) and associated notification programs. These programs have been approved by Energy Safety and the Commission has generally ratified them as necessary to support public safety and wildfire preparedness. In large part due to the timing of the passage of SB 901 and AB 1054, a

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<sup>2</sup> See, AB 1054, Section (§) 2(b) (AB Stats. 2019-2020, Ch. 79 (Cal. 2019)) (“The state’s electrical corporations must invest in hardening of the state’s electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfire.”)

significant portion of these activities were unforeseen and not included in SDG&E's Test Year 2019 GRC forecasts, resulting in significant undercollections which are now being addressed through Commission reasonableness reviews.<sup>3</sup>

The immediacy of action that was necessary in 2019 has evolved into a more predictable cadence of WMP activities and initiatives, and all of the electrical corporations are now operating under GRCs that authorized WMP forecasts developed with the understanding of SB 901's requirements. That should ultimately result in reduced reliance on memorandum account treatment and likely less impactful undercollections. But that has not changed the need for an ongoing mechanism to address and recover costs necessary to put critical safety investments in place and maintain WMP compliance.

The Commission should avoid interpreting SB 254's revision to Public Utilities Code Section 8386.4 as indicating a preference that the existing memorandum accounts be closed. While SB 254 now permits the Commission discretion regarding authorization of memorandum accounts to track costs incurred for wildfire mitigation activities, that same legislation emphasized the ongoing requirement that electrical corporations implement approved WMPs in a timely fashion. In fact, the legislation heightened the emphasis on timely implementation of approved WMP initiatives in two manners: 1) it now allows the imposition of fines and penalties for any degree of WMP non-compliance, rather than mandating penalties only in the instance of substantial non-compliance, and (2) it aligns previously after the fact "compliance" reviews and reporting with the "implementation" language of the safety certification requirements. Thus, the utility's overall compliance and implementation of approved WMP targets is more closely

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<sup>3</sup>Tracks 2 and 3 of A.22-05-015/016 address the reasonableness of, among other things, SDG&E's incremental wildfire mitigation costs incurred to implement its 2019-2023 Wildfire Mitigation Plans.

tethered with an electrical utility's ability to receive a safety certificate. Given the existential importance of the safety certificate to an electrical corporation, it is imperative that the Commission continue to authorize financial mechanisms to allow utilities to achieve approved safety goals, complete the work required to maintain compliance with the approved plans, and seek recovery through reasonableness reviews, consistent with the then applicable language of California Public Utilities (Cal. Pub Util.) Code § 8386.4.

Additionally, SB 254's efforts to close the gap between the WMP and GRC processes have not yet gone into effect. The well-recognized misalignment that SB 254 aimed to correct will continue through SDG&E's upcoming GRC cycle and will not be resolved until at least 2032.<sup>4</sup> Energy Safety is only beginning to embark on development of rules and guidelines to implement SB 254's requirements, and there remain too many regulatory unknowns regarding the ultimate outcome of that process for any party to say with certainty that the alignment is working to reduce any regulatory friction and the potential for unforeseen and incremental costs. The ongoing disconnect between the WMP and GRC processes necessitates continuation of a mechanism to record costs to implement approved WMP initiatives and seek recovery of those costs through predictable and timely reasonableness reviews.

SDG&E acknowledges that the timing of its 2019 GRC and the creation of the WMPs necessitated almost unprecedented amounts of incremental spending to reduce wildfire risk. But it would be premature to close any of the electrical corporations' wildfire mitigation plan memorandum accounts without further understanding of how those accounts function in the context of GRC forecasts based on approved WMPs and on which the Commission has opined

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<sup>4</sup> Cal. Pub. Util. Code § 8386(c)(1) requires that electrical corporations implement the SB 254 alignment between the four year WMP and GRC cycles in 2027; SDG&E will submit its Test Year 2028 GRC in May of 2026.

on the reasonableness of forecasted wildfire activities. SDG&E thus recommends that the Commission continue to authorize memorandum accounts to track and record incremental costs necessary to achieve WMP compliance and promote the safety of our operations, customers, and employees.

Finally, the questions posed in the Scoping Ruling have substantial reach beyond PG&E's GRC. While the Commission can and should consider the reasonableness of and justification for specific memorandum account treatment in a utility GRC, the broader policy questions and statutory interpretation at issue here should be considered in a holistic fashion with comprehensive stakeholder input and development. Failure to consider these issues in an appropriate venue, such as a potential rulemaking, could result in inconsistent outcomes and increased regulatory uncertainty that would only serve to delay important safety work and increase costs to customers.

### **III. SDG&E's Responses to the Questions Posed by the Amended Scoping Memo and Ruling**

**Questions to Parties 1: Should the Commission direct PG&E to close its existing WMPMA and FRMMA memorandum accounts, or otherwise stop recording costs to existing memorandum accounts that exceed PG&E's GRC authorization of the revenue requirement necessary to implement its WMP?**

**Questions to Parties 2: Should the Commission exercise its discretion to authorize PG&E to establish new memorandum accounts, or allow PG&E to continue recording costs to existing memorandum accounts, for costs exceeding PG&E's GRC authorization for wildfire mitigation plan implementation during the GRC period?**

#### **SDG&E Response:**

As previously addressed above, SDG&E believes the Commission should continue to authorize and support mechanisms to allow the electrical corporations to successfully and efficiently implement their Wildfire Mitigation Plans. With respect to the accounting mechanisms applicable to a specific

electrical corporation, SDG&E submits that the proper forum to determine the appropriateness of a request for continued memorandum account treatment through the WMPMA should be addressed in the utilities' applicable GRCs.

Continuation of SDG&E's WMPMA and FRMMA were authorized in Decision (D.) 24-12-074 and remain effective through its next GRC.<sup>5</sup> While not directly addressed in this question, SDG&E notes it would be inappropriate now, in the middle of SDG&E's GRC cycle, to revisit the authorization of SDG&E's WMPMA or order it closed outside of the context of SDG&E's own GRC.

**Questions to Parties 3: Should the Commission direct PG&E to seek Commission authorization to record unforeseen and incremental wildfire mitigation costs, if necessary, through an appropriate administrative process in the future? Should the Commission specify an administrative process (e.g., via Advice Letter filing, Application, or other administrative process) in this GRC?**

**SDG&E Response:**

As previously addressed above, SDG&E believes the Commission should continue to authorize and support mechanisms that foster successful and efficient implementation of approved Wildfire Mitigation Plans. SDG&E assumes that this question presupposes closure of the memorandum accounts, which, at this time, is inconsistent with the intent of SB 901 and SB 254 for the reasons stated above. SDG&E generally supports the continued authorization of accounting mechanisms that foster flexibility to respond to new risks and evolving technology, and track "costs incurred for wildfire risk mitigation that are unforeseen and incremental to the wildfire risk mitigation programs and activities authorized in the electrical corporation's revenue requirements."<sup>6</sup>

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<sup>5</sup> D.24-12-074 at 495-496.

<sup>6</sup> Pub. Util. Code § 8386.4(a)(2) (effective September 19, 2025).

**Questions to Parties 4: Should the Commission adopt any requirements or guidance to demonstrate that costs recorded to memorandum accounts are “unforeseen and incremental” to the programs and activities authorized in this GRC?**

**SDG&E and SoCalGas Response:**

This question potentially poses a significant expansion of the scoping questions and could reach far beyond the reforms envisioned by SB 254. As this question implicates the interests of other utilities, SDG&E and SoCalGas submit that it would be inappropriate for the Commission to enact such broader policy in the context of PG&E’s GRC. SDG&E and SoCalGas encourage the Commission to use an alternative forum—including a potential rulemaking—to the extent it wishes to explore these matters.

**Questions to Parties 5: Are there other issues the Commission should consider with regard to the cited new provision of SB 254?**

**SDG&E Response:**

SB 254 recognizes the potential for further revisions to the utility wildfire mitigation process through the comprehensive study currently underway and facilitated by the California Earthquake Authority (CEA). SDG&E recommends that the Commission defer consideration of this question until the CEA study is complete.

Respectfully submitted on behalf of SDG&E and SoCalGas,

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