

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to
Establish Policies, Processes, and
Rules to Ensure Safe and Reliable Gas
Systems in California and Perform
Long-Term Gas System Planning.

Rulemaking 24-09-012
(Filed September 26, 2024)

**JOINT REPLY OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN
DIEGO GAS & ELECTRIC COMPANY (U 902 G) FOR THEIR JOINT MOTION TO
AMEND SB 1221 MEMORANDUM ACCOUNT TO RECORD INCREMENTAL,
VERIFIABLE COSTS OF COMPLYING WITH DECISION NO.25-12-042**

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Dated: February 10, 2026

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Pursuant to Rule 11.1 of the California Public Utilities Commission’s (CPUC or Commission) Rules of Practice and Procedure and the Administrative Law Judge Paula Gruendling’s January 30, 2026 email ruling authorizing Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (together, the Joint Utilities) to file and submit a reply by February 10, 2026, the Joint Utilities submit this reply to the response to their Motion to Amend SB 1221 Memorandum Account to Record Incremental, Verifiable Costs of Complying with Decision No. 25-12-042 (Motion).¹

I. INTRODUCTION

Indicated Shippers’ response to the Motion argues that: (1) a petition for modification is required; and (2) memorandum account elements must be shown when SoCalGas and SDG&E seek to amend a memorandum account to record the costs related to reasonable directives

¹ Pursuant to Rule 1.8(d), counsel for SoCalGas was authorized to submit this Joint Reply on behalf of SDG&E.

established by the Commission in a subsequent decision. Indicated Shippers' arguments lack merit and should be rejected based on the following.²

II. DISCUSSION

A. The Joint Utilities Seek to Amend Their Existing Memorandum Accounts Only to Track Verifiable and Incremental Costs Incurred for Complying with Commission Requirements in D.25-12-042 that Relate to SB 1221

As a preliminary matter, the Joint Utilities clarify that the intent of their motion to amend their existing, respective SB 1221 memorandum accounts is simply to allow the tracking of incremental and verifiable costs incurred to comply with the Commission directives in (D.) 25-12-042. The Joint Utilities are only requesting authorization to record costs associated with the Commission directives in D.25-12-042 and are not seeking recovery of costs in the memorandum account at this time. To the extent Indicated Shippers have concerns regarding the costs that are recorded to the accounts, now is not the appropriate time and this is not the appropriate vehicle for addressing such concerns. Memorandum accounts are established to track specific costs or expenses that are not included in a utility's general rate case or prior ratemaking applications that may later be reviewed for potential recovery through rates—provided such costs are determined to be just and reasonable by the Commission. These mechanisms are necessary in this case to avoid retroactive ratemaking, a principle that generally prevents utilities from recovering costs incurred before receiving Commission authorization. The Commission has a longstanding practice of requiring pre-authorization for expenses to be recorded in memorandum accounts so that any subsequent recovery in rates complies with this principle.

² 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. See Response of Indicated Shippers at 1.

Accordingly, authorizing the Joint Utilities to amend their existing SB 1221 memorandum accounts to include subsequent directives by the Commission relating to SB 1221 allows for efficient and transparent tracking of SB 1221 funds consistent with such directives and SB 1221.

B. Authorizing the Joint Utilities to Amend Their Existing SB 1221 Memorandum Accounts Enables and Aligns with D.25-12-042 and SB 1221 Statutes

Section 5.4 of D.25-12-042, expressly provides that “To pursue cost recovery, Gas Corporations may file a motion requesting authority to track costs associated with complying with this decision. Gas Corporations are reminded that we will consider the reasonableness of costs tracked in a memorandum account as of the date the motion is filed.” The decisional language thus authorizes (and anticipates) that the gas utilities would file motions to track the cost with complying with the decision and provides further guidance regarding the timing considerations of when associated cost recording would commence. Consistent with the authority from the Commission, the Joint Utilities filed their motion to amend their existing respective SB 1221 Memorandum Accounts to record incremental, verifiable costs of complying with D.25-12-042 including conducting outreach, host and record one information session, and file a report.³

Moreover, granting our motion is consistent with the law. SB 1221 is focused on understanding the implications of developing cost-effective Zero Emission Alternative pilots and potential recovery for costs incurred in implementing SB 1221. SB 1221 provides that in administering the voluntary pilot program the Commission must establish: (1) criteria and a methodology for determining the cost-effectiveness of a zero-emission alternative as compared

³ The Joint Utilities note that their request is aligned with a materially similar motion filed on December 23, 2025, by Pacific Gas and Electric Company (PG&E), pursuant to the same authority, to amend its respective SB 1221 memorandum account. Notably, no party filed a response to PG&E’s motion.

to replacement, repair, or continued operation of the affected asset of the gas system, (2) a requirement that the gas corporations recover costs related to the pilot projects that are deemed just and reasonable, and (3) the appropriate rate of return and recovery period that a gas corporation is eligible to receive for its costs to implement a zero-emission alternative.⁴

The basis underpinning the costs that the Joint Utilities are seeking to record by amending their existing memorandum accounts is important. These verifiable and incremental costs are incurred to accomplish the Commission's SB 1221-related directives that it has determined are reasonable. Specifically, in D.25-12-042, the Commission *directed requirements* for Gas Corporations in the Ordering Paragraphs and also *expressly found the requirements were reasonable* in Conclusions of Law (COL) 4 through 8. For instance, in COL 4 the Commission determined that "[i]t is reasonable to require each Gas Corporation to" provide the Commission's Public Advisor's Office SB 1221 fact sheet to stakeholders, host and record one virtual SB 1221 information session in each of their service areas, make interpretation services available at the information session, and post the link to a recording of the virtual information session on their SB 1221 website. In COL 7 the Commission specifically found that "[i]t is reasonable to require each Gas Corporation to" comply with the notice requirements described in this decision's Ordering Paragraphs. Likewise in COL 8, the Commission found that "[i]t is reasonable to require each Gas Corporation to" file a Report in the docket of this Rulemaking by April 1, 2026, with content specifications.

Again, the Joint Utilities do not seek to recover any recorded costs that are reasonably incurred at this time but rather highlight the reason why such costs are being incurred in the first

⁴ Public Utilities Code sections 663(b)(2); (b)(8) and (b)(9).

instance. The Motion is directly aligned with the efficient administration of compliance with D.25-12-042 and implementation of the SB 1221 statutes.

C. The Joint Utilities' Proposal is Based on Efficient and Transparent SB 1221 Related Cost Tracking by Amending Existing Memorandum Accounts

Finally, Indicated Shippers' argument that a petition for modification is a requirement to comply with subsequent Commission directives established in a subsequent Commission decision is meritless. Under Indicated Shippers' characterization, parties would be in continuous, evergreen litigation, and the Commission would be devoting limited resources to retroactively revising previous decisions relating to subsequent Commission directives and determinations. Regardless, a petition for modification is inapplicable in this case as the Joint Utilities are not seeking to revise a prior Commission decision. The Joint Utilities' are simply seeking authority to track incremental costs needed to comply with the novel directives in a subsequent Commission decision, D.25-12-042, and complying with that decision's directives regarding the venue in which to seek relief.

The Joint Utilities also note that the Motion seeks to amend an existing memorandum account and not establish a new one. In D.25-07-016, the Commission approved the Joint Utilities' respective memorandum accounts after concluding that "[a]uthorizing memorandum accounts to track SB 1221 mapping costs is consistent with Standard Practice U-27-W criteria because the costs are not under the utility's control, could not have been reasonably foreseen in the utility's last general rate case, will occur before the utility's next scheduled rate case, are worth the effort of processing a memo account, and have ratepayer benefits."⁵ There the Commission reasoned that while there may be some aspects of SB 1221 mapping for which the Joint Utilities have a degree of control, "the fundamental tasks required of the gas utilities are

⁵ D.25-07-016 at COL 2.

directed by statute and the Commission.”⁶ Similarly, the Commission found that “the gas utilities could not have reasonably foreseen SB 1221 enactment and related mapping costs while developing their last GRC applications.”⁷ Pursuant to the timelines required in D.25-12-042, the incremental costs related to compliance will occur prior to the resolution of gas utilities’ next GRC applications.⁸ While there was no consensus among the parties as to the specific mapping costs at issue in D.25-07-016, the Commission found sufficient ratepayer interest based on the finding that “the Legislature has already determined that implementing SB 1221, including mapping requirements, will have ratepayer benefits” and that “the gas utilities’ use of memorandum accounts to track and record their SB 1221 mapping costs will provide a common transparent accounting mechanism for ratepayers.”⁹ The same underlying considerations apply to this request.

The costs related to compliance with D.25-12-042 for the Joint Utilities are not known at this time, however, the Joint Utilities submit that it is appropriate to allow tracking of these incremental costs related to Commission-established directives for SB 1221 activities for the same reasons tracking was approved for Public Utilities Code section 661 mapping purposes. Granting the Joint Utilities’ motion to amend their existing memorandum accounts supports efficient administration of transparent cost tracking for SB 1221 purposes rather than repeated litigation to allow for cost tracking for subsequent incremental SB 1221 costs—which would be administratively burdensome, inefficient, hinder transparent cost recording, and not be in the public interest.

⁶ D.25-07-016 at 9.

⁷ D.25-07-016 at 11.

⁸ The next scheduled general rate case for the Joint Utilities will be filed in May 2026 using a Test Year of 2028.

⁹ D.25-07-016 at 20.

To the extent the Commission determines that another process is more appropriate to seek tracking incremental SB 1221 costs related to its directives in D.25-07-016, the Joint Utilities respectfully request that the filing date of their underlying motion be retained as the date to begin recordation of applicable costs.

III. CONCLUSION

The Joint Utilities respectfully request the Commission grant their request to amend their SB 1221 Memorandum Accounts for the foregoing reasons in order to record costs that support the execution and implementation of SB 1221 requirements from D.25-12-042 in an appropriate, efficient, and transparent manner.

Respectfully submitted,

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