



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of Southern California Gas Company
(U 904 G) for Incremental Funding
for Customer Information System
Replacement Program.

Application No. 25-05-004
(Filed May 9, 2025)

**JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT
OF SOUTHERN CALIFORNIA GAS COMPANY AND SMALL
BUSINESS UTILITY ADVOCATES**

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February 11, 2026

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Pursuant to Rule 12.1 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, Southern California Gas Company (SoCalGas), and Small Business Utility Advocates (SBUA and, collectively with SoCalGas, the Settling Parties)¹ respectfully request that the Commission approve the Settlement Agreement between SoCalGas and SBUA (Settlement Agreement) attached as Attachment A to this motion in this proceeding addressing SoCalGas's request to recover incremental funding for its Customer Information System (CIS) Replacement Project.

The Settlement Agreement represents the culmination of several weeks of settlement discussion between the Settling Parties. This settlement would resolve all issues between SoCalGas and SBUA in this proceeding and obviates the need for a fully litigated outcome between the Settling Parties. This Joint Motion and the corresponding Settlement Agreement does not address outstanding contested issues raised by non-settling parties.

As described in more detail below, the Settlement Agreement is consistent with the Commission's policy favoring settlements and negotiated resolution of issues and the Commission's rules regarding settlements. The Settlement Agreement should reduce the burden

¹ In accordance with Rule 1.8(d), counsel for SoCalGas has been authorized by SBUA to file this Joint Motion on their behalf.

on the Administrative Law Judge (ALJ) and Assigned Commissioner by reducing or narrowing the opposition to Applicants' request.

The Settling Parties request that the Commission adopt the Settlement Agreement as being in the public interest, reasonable in light of the entire record, and consistent with the law.

I. BACKGROUND

On May 9, 2025, SoCalGas filed its Application (A.25-05 004) requesting to recover \$24.9 million in incremental project operations & maintenance costs necessary to support SoCalGas's CIS Replacement Project, which was previously approved by the Commission in Decision (D.) 24-12-074.²

On August 15, 2025, SBUA filed a motion for party status, which was granted by the assigned Administrative Law Judge (ALJ) on August 18, 2025. Thereafter, SBUA commenced discovery in this proceeding by propounding a number of data requests on SoCalGas. SBUA served its testimony on October 29, 2025 and SoCalGas served its Rebuttal Testimony on November 19, 2025. The Settling Parties, along with the Public Advocates Office of the California Public Utilities Commission, moved exhibits into the record for this proceeding on January 21, 2026.

The Settling Parties settlement discussions began on December 3, 2025. On January 27, 2026 a Notice of Settlement Conference was sent to the parties of this proceeding and the conference was held on January 29, 2026.³ A settlement agreement was finalized and executed by both Settling Parties.

II. SUMMARY OF THE SETTLEMENT AGREEMENT

The Settling Parties seek Commission approval of the terms set forth in Attachment A, as summarized below.

² D.24-12-074 at 1062. The Commission adopted \$10 million as the Test Year 2024 Operations and Maintenance (O&M) cost, which amounts to \$46.9 million over the GRC period using the escalation approved by the Commission. The Commission in D.24-23-074 also provided that "SoCalGas may submit a separate application if it expects costs to exceed what is authorized in this decision." *Id.* at 504.

³ The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) waived the seven day notice requirement in Rule 12.1(b).

1. The Settling Parties, while acknowledging the matters addressed in this Agreement, have agreed to fully resolve all contested issues set forth in this proceeding.
2. The Settling Parties agree that appropriate recovery for this Application is \$21 million in incremental operations and maintenance costs. The \$21 million represents a reduction of \$3.9 million from SoCalGas's original recovery request of \$24.9 million.
3. The Settling Parties agree that it is appropriate for SoCalGas to establish a two-way balancing account for the incremental costs related to the CIS replacement project to record the approved amount of up to \$21 million and seek reasonableness review of any amount greater than the authorized amount, up to 115% of the authorized amount.
4. The Settling Parties agree that SoCalGas will conduct small business outreach to confer with small businesses to identify primary issues and concerns that are within the scope of the CIS replacement project and identify any recommendations for areas that should be addressed by the project.
5. The Settling Parties agree that the record supporting this Settlement Agreement includes, but is not limited to, the following:
 - Ex. SCG-01 Prepared Direct Testimony of Evan Goldam (Chapter 1 Overview)
 - Ex. SCG-02-R Revised Prepared Direct Testimony of April McAllaster (Chapter 2 Cost Justification)
 - Ex. SCG-03 Prepared Direct Testimony of Rae Marie Yu (Chapter 3 Regulatory Accounting, Cost Recovery, and Revenue Requirement)
 - Ex. SCG-04 Prepared Direct Testimony of Julia Leigh Cortez (Chapter 4 Natural Gas Rate Impacts)
 - Ex. SCG-05 Prepared Rebuttal Testimony of Evan Goldman and April McAllaster
 - Ex. SBUA-01 Prepared Testimony of Matt Sheriff on Behalf of Small Business Utility Advocates

- Ex. SBUA-02 Data Response of Southern California Gas Company to Small Business Utility Advocates in Lieu of Cross Examination
6. The Settlement Agreement shall become effective upon issuance by the Commission of a decision adopting the Settlement Agreement.

III. THE 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.”⁴ 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.⁵ 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.⁶

Here, and as further explained below, Settling Parties submit that the settlement as a whole in this proceeding 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 and Consistent With the Law

The Settling Parties’ testimony and exhibits, together with the Settlement Agreement and this Joint Motion, contain the information necessary for the Commission to find the Settlement Agreement reasonable in light of the record.

⁴ D.18-12-002 at 6.

⁵ D.10-12-035 at 58.

⁶ D.11-05-018 at 16.

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. As summarized above, a substantial record has been developed since SoCalGas initiated this proceeding in May 2025. SoCalGas filed its Application on May 9, 2025 and has demonstrated the reasonableness of its request through prepared direct, revised, and rebuttal testimony and workpapers. The testimony and accompanying workpapers were reviewed and analyzed by SBUA and vetted through numerous data requests, independent analysis, and discussions between the parties. SBUA submitted its own testimony, exhibits, and recommendations, and has been an active participant in the proceeding. Finally, on January 29, 2026 a settlement conference was held and the Settling Parties explained the terms of the Settlement Agreement.

The Settlement Agreement is the product of substantial negotiation efforts and compromise on behalf of the Settling Parties. The Settling Parties devoted substantial time and effort to working collaboratively to develop a thorough understanding of the issues involved and assessment of each other's factual and legal positions.

The Settling Parties agree that the record in this proceeding has been fully developed to allow the Commission to determine that the Settlement Agreement is reasonable and should be adopted. Upon conclusion of the comment period provided by Rule 12.2, the attached Settlement Agreements will be ripe for Commission decision.

The Settlement Agreement is consistent with applicable laws. There are no terms within the Settlement Agreement that are contrary to any statute, case law, or Commission rules or regulation.

B. The Settlement Is In The Public Interest

As noted above, the Commission has a “long-standing policy favoring settlements.”⁷ The Commission “favors settlements because they generally support worthwhile goals, including reducing expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.”⁸

The Settlement is consistent with the Commission's policy. The Settling Parties have joined in this motion and have signed the attached Settlement Agreement indicating that they

⁷ D.10-06-038 at 38.

⁸ D.10-12-035 at 58.

ATTACHMENT A

**SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA GAS
COMPANY AND SMALL BUSINESS UTILITY ADVOCATES**

Southern California Gas Company (SoCalGas) and Small Business Utility Advocates (SBUA) (collectively, the Settling Parties) hereby agree to settle and fully resolve proceeding (A.) 25-05-004 (Proceeding), the Application of Southern California Gas Company (U 904 G) for Incremental Funding for Customer Information System Replacement Program.

I. RECITALS:

- A. On May 9, 2025, SoCalGas filed its Application in this Proceeding through which it sought \$24.9 million in incremental project operations and maintenance costs necessary to support SoCalGas's Customer Information System (CIS) Replacement Project.
- B. As set forth in SoCalGas's Application, in the absence of the incremental funding requested, successful completion of SoCalGas's CIS Replacement Project will be at risk, as SoCalGas will not be able to fully fund CIS Replacement Project activities, including training employees on the new CIS, surge staffing, change management, and decommissioning activities.
- C. On August 15, 2025, SBUA filed a Motion for Party Status, which was approved on August 18, 2025.
- D. On October 29, 2025, SBUA served its Testimony.
- E. On November 19, 2025, SoCalGas served its Rebuttal Testimony.
- F. The Settling Parties, while acknowledging the matters addressed in this Agreement, desire and have agreed to fully resolve the issues set forth in this Proceeding. The Settling Parties submit that this Settlement 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 Settlement 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. Incrementality:

SBUA recognizes the authority of the Commission to approve additional funding based on forecasting but does not endorse SoCalGas's position that forecast amounts are considered "incremental" prior to SoCalGas actually incurring costs in excess of the total authorized cost.

B. Authorized Funding:

For this application, SoCalGas is authorized \$21 million in incremental funding for the CIS replacement project.

C. Balancing Account:

SoCalGas is authorized to establish a two-way balancing account for the incremental costs related to the CIS replacement project to record the approved amount of up to \$21 million and seek reasonableness review of any amount greater than the authorized amount, up to 115% of the authorized amount. However, SoCalGas will not record any amounts greater than 115% of whatever amount is authorized by the final decision on this application. Additionally, SoCalGas will seek reasonableness review of any above-authorized costs (if any) as part of the next GRC.

D. Small Business Conferral:

(a) Within 45 days of the decision in this proceeding SoCalGas will undertake an internal discussion with its small business customer-focused service team and key CIS replacement project personnel to identify primary issues and concerns of the lowest-tier commercial customers that are within the scope of the CIS replacement project and identify any recommendations by the customer team for areas that should be addressed by the project (whether or not they are already being addressed).

(b) Within 6-8 weeks of those discussions, undertake an online survey of 500 small business customers to identify and confirm common service and billing concerns. To support achieving the required sample size and help ensure representation across the small business customer segment, SoCalGas will implement established multimodal recruitment and survey design practices that have been effective in increasing survey response rates and which have been shared with SBUA. Prior to surveying, SoCalGas will provide the draft survey to SBUA for informal comment.

(c) SoCalGas will then complete a report identifying (i) information received from the surveys and identified in the internal discussion, (ii) a list of small business customer issues that pertain to the CIS; (iii) the extent to which the CIS replacement project will/will not

address these issues; and (iv) means by which the CIS replacement project can be adjusted to better address these issues (e.g., by changing the sequencing/timing/prioritization of activities, adding functionality, adding outreach to small business customer to assist them in taking advantage of any new functionality, or any other action) within the existing budget scope. SoCalGas will provide this report to SBUA and other parties that have requested for informal feedback.

(d) SoCalGas will then issue a second communication identifying any changes that SoCalGas commits to making to the CIS replacement program in response to the report, also any other future actions it intends/is considering taking in light of the information gained in this process.

E. Recovery of Conferral Costs:

Incremental costs incurred to conduct the Small Business Conferral provision will be included in the two-way balancing account established by the Application and subject to Part C. SoCal Gas agrees to spend no more than \$150,000 for the Small Business Conferral activities.

F. Record Supporting Agreement

The Settling Parties agree that the record supporting this 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.

G. Implementation Timeline

The Settlement Agreement shall become effective upon issuance by the Commission of the decision adopting the Settlement Agreement.

III. OTHER MATTERS

A. Regulatory Approval

The Settling Parties agree to seek prompt approval of this Settlement Agreement and to use their reasonable best efforts to secure Commission approval without change, including by filing a joint motion seeking approval of this 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 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 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 Agreement proposed in a PD or APD not agreed to by both Settling Parties.

Any party signing this Agreement may withdraw from this 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 Agreement.

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

B. Incorporation of Complete Agreement

This 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 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 Settlement Agreement to be interpreted as a unified, interrelated agreement. The Settling Parties agree that no provision of this 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 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 Settlement Agreement.

E. Disputes Regarding Agreement

Should any dispute arise among the Settling Parties regarding the manner in which this 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 Settlement Agreement. The terms and conditions of the Settlement Agreement may only be modified in writing subscribed to by the Settling Parties.

F. Non-Waiver

None of the provisions of this 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 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 Settlement Agreement shall continue and remain in full force and effect.

G. Governing Law

This 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 Agreement and shall not be used in construing it.

I. Signatures/Counterparts


This Settlement Agreement may be executed in counterparts. This 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 Settlement Agreement are fully authorized to enter into this Settlement Agreement.

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

SOUTHERN CALIFORNIA GAS COMPANY

February 6, 2026

By: 

GILLIAN WRIGHT
Senior Vice President
Chief Systems & Technical Officer

February 11, 2026

SMALL BUSINESS UTILITY ADVOCATES

By: 

BRITT MARRA
Executive Director