

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



FILED

06/01/26

11:24 AM

A2606001

Application of San Diego Gas & Electric Company (U 902-E) for Approval of: (i) Contract Administration, Least-Cost Dispatch and Power Procurement Activities in 2025, (ii) Costs Related to those Activities Recorded to the Energy Resource Recovery Account, Portfolio Allocation Balancing Account, Transition Cost Balancing Account, Local Generating Balancing Account, and Modified Cost Allocation Mechanism Balancing Account in 2025, and (iii) Costs Recorded in Related Regulatory Accounts in 2025.

Application 26-06-_____
(Filed June 1, 2026)

**APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
FOR APPROVAL OF ERRA COMPLIANCE FOR RECORD PERIOD 2025**

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June 1, 2026

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I. INTRODUCTION

In compliance with California Public Utilities Code Section 454.5, relevant Decisions (“D.”) of the California Public Utilities Commission (“Commission” or “CPUC”), including, but not limited to, D.02-10-062, D.02-12-074, D.05-01-054, and D.05-04-036, and the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) hereby submits its Application for review and approval of: (i) contract administration, least-cost dispatch and power procurement activities in 2025, (ii) costs related to those activities recorded to the Energy Resource Recovery Account (“ERRA”), Portfolio Allocation Balancing Account (“PABA”), Transition Cost Balancing Account (“TCBA”), Local Generating Balancing Account (“LGBA”), and Modified Cost Allocation Mechanism Balancing Account (“MCAMBA”) in 2025, and (iii) costs recorded in related regulatory accounts in 2025, including Independent Evaluator Memorandum Account (“IEMA”); the Litigation Cost Memorandum Account (“LCMA”); the Green Tariff Marketing Education & Outreach Memorandum Account (“GTME&OMA”); the Green Tariff Shared Renewables Administrative Cost Memorandum Account (“GTSRACMA”); the Enhanced Community Renewable ME&O Memorandum Account (“ECRME&OMA”); the

Green Tariff Shared Renewable Balancing Account (“GTSRBA”); the Tree Mortality Non-Bypassable Charge Balancing Account (“TMNBCBA”); the Disadvantaged Communities – Single Family Solar Homes Balancing Account (“DACSASHBA”); and the Disadvantaged Community-Green Tariff Balancing Account (“DACGTBA”). SDG&E is not seeking a cost recovery or a rate change at this time for any of these costs.

II. BACKGROUND

A. Scope of ERRA Compliance Review

The ERRA balancing account mechanism was established in D.02-10-062 to track fuel and purchased power billed revenues against actual recorded costs. That decision also required the electric utilities to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism, and a schedule for semiannual ERRA proceedings. The first semiannual proceeding (the forecast application) consists of an application by the utility to establish annual fuel and purchased power forecasts for the upcoming calendar year. During the second semiannual proceeding, a compliance review is conducted of the utility’s prior period energy resource contract administration, least-cost dispatch, and ERRA balancing account. The Commission is required to perform a compliance review as opposed to a reasonableness review of the ERRA compliance application.¹ “A compliance review considers whether a utility has complied with all applicable rules, regulations, opinions, and laws, while a reasonableness review evaluates not only a utility’s compliance, but also whether the data or actions resulting from, for example, the calculation of a forecasted expense, are reasonable, based on the methods and inputs used.”²

In D.02-10-062, the Commission adopted minimum standards of conduct the utilities must follow in performing their procurement responsibilities. Standard of Conduct #4 (“SOC 4”) describes

¹ D.16-05-003 at 3.

² *Id.*

the compliance review criteria for contract administration and economic dispatch of generation resources on which the utilities will be evaluated: “The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner. Our definitions of prudent contract administration and least cost dispatch are the same as our existing standard.”³

The scope of compliance review described in D.02-10-062 and D.02-12-074 includes Commission review of utility owned generation (“UOG”)⁴ management of planned and unplanned outages, UOG fuel expenses, contract administration, California Independent System Operator (“CAISO”)-related costs, existing Qualified Facilities (“QF”) contracts, other power purchase agreements (including renewable resource contracts), and economic dispatch of electric generation resources (including SDG&E’s combined-cycle generating facilities, peaking plants, battery energy system projects, and solar energy projects).

The Commission further stated in D.03-06-067 that in determining whether the utilities complied with the requirement to “dispose of economic long power and to purchase economic short power in a manner that minimizes ratepayer costs,”⁵ the Commission would examine “the prudence of each utility’s decision to dispatch resources contained in the integrated DWR-IOU portfolio and execute market transactions for economic purposes”⁶ Accordingly, the Commission’s annual compliance review focuses on UOG management of planned and unplanned outages, prudent contract administration, least-cost dispatch, and UOG fuel procurement activities.

The appropriate scope and standard of review for these ERRRA applications have also been addressed in D.05-04-036 and D.05-01-054. According to those decisions and pertinent to the

³ D.02-10-062 at Conclusion of Law 11.

⁴ For purposes of this application, the phrase “UOG” includes SDG&E’s utility-owned storage.

⁵ D.03-06-067 at 10.

⁶ *Id.*

scope of review of the utility’s least-cost dispatch obligation, the Commission will consider those decisions to dispatch the resources in the daily, hourly, and real-time markets. As for the standard of review of the utility’s least-cost dispatch, contract administration, and UOG costs, the Commission reiterated in D.05-04-036 that its review is not a “reasonableness review,” but is instead a “compliance review:”

We [the Commission] went on to state that the least cost dispatch review process is a compliance review, and that there are no ranges of possible outcomes. (D.05-01-054 at 13-14.) Instead, we stated in pertinent part that:

The outcome or standard for review has been predetermined – that is the lowest cost. SCE must demonstrate that it has complied with this standard, by providing sufficient information and/or analysis in order for the Commission to verify that SCE’s dispatch resulted in the most cost- effective mix of total resources, thereby minimizing the cost of delivering electric services. Based on analyses of SCE’s showing and subsequent discovery, ORA or any other party may take the position that SCE did not fully comply with SOC 4. In such cases, we will judge the merits of the parties’ positions and may impose disallowances and/or penalties.... This compliance process encompasses much more than that characterized by ORA. Imposing a compliance process for least-cost dispatch under SOC 4, rather than a reasonableness review process, does not diminish our ability to ensure just and reasonable rates.

(D.05-01-054 at 14-15.)⁷

In this same decision, the Commission further clarifies:

D.05-01-054 did not adopt specific criteria for determining “what constitutes least-cost dispatch compliance or what the utility needs to provide to meet its burden to prove such compliance.” (D.05-01-054 at 15.) Instead, we stated that if ORA or another party can demonstrate that the utility “has not dispatched resources in a least-cost manner, the Commission will review that evidence and make appropriate adjustments for non-compliance.” (*Id.* at 16.)⁸

Finally, on October 21, 2014, SDG&E, along with Pacific Gas and Electric Company (“PG&E”) and Southern California Edison Company (“SCE”), jointly filed a Joint Proposal for the Demonstration of Least-Cost Dispatch (“Joint Proposal”), which detailed the information that

⁷ D.05-04-036 at 26; *accord* D.15-11-011 at 2; D.17-03-016 at 3.

⁸ *See also* D.05-04-036 at 27 (internal footnote omitted).

the utilities would include in testimony or workpapers in ERRA compliance proceedings to demonstrate least-cost dispatch. On November 5, 2014, the Commission’s Office of Ratepayer Advocates (“ORA”) filed a response which included four recommended modifications to the Joint Proposal. On December 2, 2014, Administrative Law Judge Roscow and Commissioner Florio issued an “Interim Ruling Providing Guidance for the 2014 ERRA Compliance Proceedings,” which adopted both the Joint Proposal as well as ORA’s suggested modifications relating to economically dispatched demand response programs. These requirements were adopted on a non-interim basis in D.15-05-005 and D.15-12-025. The prepared direct testimony and associated attachments and workpapers of SDG&E witness Andrew Scates address these least-cost dispatch requirements and satisfy SDG&E’s burden of proof for the 2025 record period. The prepared direct testimony of Kevin M. Counts and attachments thereto demonstrate that in the 2025 record year, SDG&E operated and maintained its UOG resources, including with respect to planned and unplanned outages, in a reasonable and prudent matter consistent with Good Utility Practice⁹ and the reasonable manager standard.¹⁰

B. ERRA

As noted above, the purpose of the ERRA is to provide full recovery of SDG&E’s energy procurement costs associated with serving SDG&E’s bundled service customers. SDG&E’s ERRA revenue requirement primarily includes the recovery of CAISO costs charged to SDG&E, such as energy and ancillary services load charges, other miscellaneous CAISO-related costs, the costs of Renewable Portfolio Standard (“RPS”) and Resource Adequacy (“RA”) Program compliance, and hedging costs to serve SDG&E’s bundled service customers. ERRA includes revenues from SDG&E’s Electric Energy Commodity Cost (“EECC”) rate schedules (commodity

⁹ See D.02-12-069, Attachment A-3 at 5.

¹⁰ D.14-05-023 at 15.

revenue) adjusted to exclude non-fuel generation revenues allocated to the Non-Fuel Generation Balancing Account (“NGBA”) and other Commission-approved regulatory accounts.

SDG&E believes that the costs and expenses recorded to the ERRA during 2025 are correctly stated and in compliance with the Commission’s directives and are recoverable. The ERRA balance as of December 31, 2025 was zero, as shown in the accompanying prepared direct testimony of Brenda Hua and its associated Table 1, as well as Attachment A thereto.

C. PABA

Pursuant to D.18-10-019 and Advice Letter (“AL”) 3318-E,¹¹ the Portfolio Allocation Balancing Account (“PABA”) was established to record the “above-market” costs and revenues associated with all generation resources that are eligible for cost recovery through the Power Charge Indifference Adjustment (“PCIA”) rates, including SDG&E’s UOG. The PABA is comprised of a series of subaccounts referred to as “vintage subaccounts.” Costs recorded in each vintage subaccount include, but are not limited to, fuel, greenhouse gas (“GHG”) costs, third party power purchase contracts, and UOG’s revenue requirement. For 2025, SDG&E had two PCIA-eligible conventional generators that were subject to GHG compliance, Palomar Energy Center and Desert Star Energy Center; the GHG expense for these to resources was recorded to PABA in the appropriate vintage subaccounts. The above-market costs of all generation resources that are eligible for cost recovery through the PCIA rates, including SDG&E’s UOG, are also recorded in the PABA. The PABA tariff states that “[t]he entries recorded in the vintaged PABA subaccounts shall be reviewed in SDG&E’s annual ERRA Compliance proceeding.”¹²

¹¹ See SDG&E AL 3318-E, filed on December 10, 2018, and approved on May 30, 2019.

¹² See SDG&E Electric Tariffs, Preliminary Statements at Revised Cal. Pub. Util. Code Sheet No.37488-E, available at <https://tariffsprd.sdge.com/view/tariff/?utilId=SDGE&bookId=ELEC&tarfKey=964>.

The balance in the PABA as of December 31, 2025 reflected a \$289.687 million undercollection, as shown in the accompanying prepared direct testimony of Brenda Hua and its associated Table 2, as well as in Attachment B thereto, which provides a monthly summary of the accounting entries recorded to the PABA during 2025. Accordingly, SDG&E requests confirmation that the transactions recorded in 2025 in the PABA are correctly stated and in compliance with the Commission's directives.

D. TCBA

In D.06-12-019, the Commission determined that SDG&E's annual TCBA review should be included as part of the annual ERRA compliance review. The ERRA compliance review is the appropriate forum to review the TCBA because the costs that are recovered in the TCBA generally relate to the above-market portion of certain QF and purchase power costs eligible for recovery under Assembly Bill ("AB") 1890. Specifically, the TCBA records the eligible above-market power costs and the revenues received from SDG&E's Competition Transition Charge ("CTC") rate. The TCBA balance as of December 31, 2025 was a \$(1.723) million overcollection, as shown in the accompanying prepared direct testimony of Brenda Hua and its associated Table 3, as well as in Attachment C thereto. SDG&E requests confirmation that the entries and calculations recorded in the TCBA are correctly stated and in compliance with the Commission's directives.

E. LGBA

The LGBA was authorized in D.13-03-029 for the purpose of recording the costs and revenues for generation that have been determined to be subject to the cost allocation mechanism ("CAM"). This decision was issued to comply with Senate Bill (SB) 695, which was signed in 2009 and required the net capacity costs of new generation resources needed for system or local area reliability to be passed on to bundled service, direct access, and customer choice aggregation customers. The net capacity costs were defined in Public Utility Code

section 365.1 as being the cost of the resource less the value received for the energy and ancillary services.

For 2025, the contracts included in the LGBA were the Escondido Energy Center, the Pio Pico Energy Center, CP Kelco Combined Heat & Power, the Grossmont Hospital CHP, Sentinel (RA only), Gateway (RA Only), Carlsbad Energy Center, and Sentinel Energy Center contracts. Also included were the SDG&E-owned Escondido Energy Storage, El Cajon Energy Storage, Fallbrook Energy Storage, Miramar Energy Storage, Melrose Energy Storage, Pala-Gomez Creek Energy Storage and Westside Canal Energy Storage Expansion Phase 2 Facilities, along with SDG&E-owned energy storage microgrids Boulevard Substation, Clairemont Substation, Elliott Substation, and Paradise Substation.¹³ SDG&E currently has contracts with two conventional resources, Carlsbad Energy Center and Pio Pico Energy Center, that are approved for CAM recovery and were subject to GHG compliance in 2025. The GHG compliance expense for these resources was recorded monthly in LGBA. In addition, the LGBA records the net costs of contracts procured under MCAMBA for opt-out LSEs that subsequently left the market and are no longer serving customers.

As of December 31, 2025, the LGBA balance reflected an overcollection, as shown in the accompanying *confidential* prepared direct testimony of Brenda Hua and its associated Table 5, as well as in Attachment D thereto, which provides a monthly summary of the accounting

¹³ These contracts are to be recorded in the LGBA per D.13-03-029 for EEC (established in AL 2499-E), CP Kelco CHP (in AL 2897-E), Grossmont Hospital CHP (in CHP Program Settlement Agreement Term Sheet October 8, 2010, and adopted in D.10-12-035), Escondido Energy Storage (in AL 2924-E), and El Cajon Energy Storage (in AL 2499-E); D.14-02-016 for Pio Pico Energy Center; D. 21-02-028 for Sentinel (RA Only) (in AL 3689-E); D.21-02-028, D.21-03-056, and D.21-12-015 Gateway (RA Only) (in & AL 4010-E); D.15-05-051 for Carlsbad Energy Center (in AL 2757-E); D.18-05-024 for Fallbrook Energy Storage and Miramar Energy Storage; D.21-12-004 for the SDG&E-owned microgrids (AL 3929-E); D.21-02-028 for Melrose Energy Storage and Pala-Gomez Creek Energy Storage (both in AL 3913-E approved by Res E-5193); and D.23-06-029 and D.21-12-015 for Westside Canal Energy Storage Expansion Phase 2 (AL 4556-E).

entries recorded to the LGBA during 2025. In this Application, SDG&E is requesting that SDG&E's 2025 transactions reflected in its LGBA are in compliance with the Commission's directives.

F. MCAMBA

Pursuant to D.22-05-015 and AL 4043-E,¹⁴ the purpose of MCAMBA is to record the net costs related with the procurement of energy resources by SDG&E incurred on behalf of certain load-serving entities ("LSEs") in the following circumstances: (1) opt-out procurement-related costs, including incremental administrative costs for customers of LSEs that have opted out of self-procurement; and (2) backstop procurement-related costs, including incremental administrative costs for customers of LSEs that fail to provide the capacity required by D.19-011-016 and/or D.21-06-035.

Pursuant to Resolution ("Res.") E-5241, the MCAMBA was established in January 2024 approving SDG&E cost recovery to implement MCAM.¹⁵ As of December 31, 2025, the balance in the MCAMBA reflected an undercollection as shown in the *confidential* Attachment E of the accompanying *confidential* prepared direct testimony of Brenda Hua and Table 6. SDG&E is requesting that the Commission find that its 2025 transactions reflected in its MCAMBA are in compliance with the Commission's directives.

G. IEMA

Pursuant to D.04-12-048 and D.05-07-039, the purpose of the IEMA is to record third-party costs associated with the use of Independent Evaluators ("IEs") in the utility's long-term procurement activities and RPS programs. Interest is applied to any over- or undercollection balance at the three-month Commercial Paper rate.

¹⁴ See SDG&E AL 4043-E, filed on July 18, 2022 and approved on January 12, 2023.

¹⁵ Res. E-5241, Ordering Paragraph ("OP") 1.

In D.11-10-029, which approved Phase 1 of SDG&E's 2009 ERRA Compliance filing, SDG&E was authorized to update its IEMA tariff disposition to transfer the balance in the IEMA to the ERRA on an annual basis.¹⁶

As explained in the accompanying prepared direct testimony of Brenda Hua and reflected in Attachments A and F thereto, pursuant to the above-mentioned decisions, SDG&E transferred the IEMA 2025 overcollection balance of \$(0.230) million to ERRA. SDG&E is requesting confirmation in this Application that the amounts transferred from IEMA to ERRA during 2025 are in compliance with the Commission's directives.

H. LCMA

Pursuant to Res. E-3893, the LCMA records litigation costs associated with refunds resulting from the energy crisis in October 2000 through January 2001. The LCMA tracks the difference between incurred litigation costs and settlement proceeds received.

At this time, SDG&E is not requesting recovery of its December 31, 2025 overcollected LCMA balance because the energy crisis proceeding is not yet fully completed, and the appropriate vehicle for requesting recovery is through a separate filing. SDG&E requests that the Commission review SDG&E's 2025 LCMA transactions. The balance in the LCMA as of December 31, 2025 was an overcollection of six hundred and seventy-eight dollars, as shown in Table 7 of the accompanying prepared direct testimony of Brenda Hua and Attachment G thereto. Once SDG&E has closed all LCMA related litigation, SDG&E will evaluate and execute next steps.

¹⁶ D.11-10-029 was implemented in AL 2304-E, which was approved on January 12, 2012 and effective November 17, 2011.

I. GTME&OMA

Pursuant to D.15-01-051, the GTME&OMA records the difference between the revenues collected through the GT-ME&O Charge and the initial and ongoing incremental ME&O cost incurred to implement the Green Tariff Shared Renewables Program (“GTSRP”). In 2025, the GTME&OMA had a beginning balance of a \$(0.161) million overcollection. Revenues in 2025 were zero dollars, interest totaled six thousand eight hundred and ninety-seven dollars, and the ending balance was a \$(0.168) million overcollection as shown in Table 8 of the accompanying prepared direct testimony of Brenda Hua and in Attachment H thereto. In this proceeding, SDG&E requests confirmation that the transactions recorded in the GTME&OMA are correctly stated and in compliance with the Commission’s directives.

J. GTSRACMA

Pursuant to D.15-01-051, the purpose of the GTSRACMA is to record the difference between the revenues collected through the GTSR Administrative Charge and the initial and ongoing incremental administrative costs incurred to implement the GTSRP.

In 2025, the GTSRACMA had total operating and maintenance (“O&M”) and interest activity of seventy-four thousand nine hundred and sixty-three dollars, and the ending balance was \$1.826 million undercollection, as shown in Attachment I in the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the GTSRACMA are correctly stated and in compliance with the Commission’s directives.

K. ECRME&OMA

Pursuant to D.15-01-051, the purpose of the ECRME&OMA is to record the difference between the revenues collected through the ECR-ME&O Charge and the initial and ongoing incremental ME&O costs incurred to implement the GTSRP. The GTSRP consists of both a Green

Tariff (“GT”) option and an Enhanced Community Renewables (“ECR”) option. ME&O costs for the Enhanced Community Renewables option are recorded in the ECRME&OMA.

In 2025, the ECRME&OMA had interest of one hundred forty-five dollars, and the ending balance was three thousand five hundred thirty-one dollars as shown in Attachment J of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the ECRME&OMA are correctly stated and in compliance with the Commission’s directives.

L. GTSRBA

Per D.15-01-051, SDG&E established the GTSRBA¹⁷ to record the difference between the revenues collected from individual customers electing to participate in the GTSR program and the incremental costs incurred to serve customers participating in that program. The GTSR program consists of both a GT component and an ECR component, which are recorded in separate subaccounts with the GTSRBA.

In 2025, GTSRBA had current activity and interest of \$0.129 million and the ending balance was \$3.151 million undercollection as shown in Attachment K of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests that the Commission confirm that the transactions recorded in the GTSRBA are correctly stated and in compliance with the Commission’s directives.

¹⁷ See AL 2889-E, approved June 23, 2016 and effective May 28, 2016.

M. TMNBCBA

Per D.18-12-003, SDG&E filed AL 3343-E-B¹⁸ to establish the TMNBCBA to record the tree mortality related procurement costs. As noted in D.18-12-003, OP 9, the TMNBCBA cost will be recovered through the public purpose program (“PPP”) charge.¹⁹

In 2025, the TMNBCBA activity and interest reflected an undercollection as shown in the accompanying confidential prepared direct testimony of Brenda Hua and its associated Attachment L. SDG&E requests confirmation that the transactions recorded in 2025 in the TMNBCBA are correctly stated and in compliance with the Commission’s directives.

N. DACSASHBA AND DACGTBA

Pursuant to OP 8 of D. 18-06-027 issued on June 22, 2018, AL 3410-E-A²⁰ established the DACSASHBA, and AL 3253-E-B²¹ established the DACGTBA.

1. DACSASHBA

The DACSASH program provides incentive payments to low-income single-family homeowners in DACs for rooftop solar installation, as authorized in D.18-06-027. The incentive payments will be included as costs in DACSASHBA. The DACSASHBA will also record SDG&E’s proportionate share (10.3%) of the \$10 million annual budget starting in 2021 through the end of the program in 2030. Funds not allocated to specific projects or program expenses will be returned to ratepayers at the conclusion of the program (December 31, 2030). The DACSASH

¹⁸ See SDG&E AL 3343-E-B, filed on May 31, 2019, approved on July 19, 2019, with an effective date of July 2, 2019.

¹⁹ See SDG&E Electric Tariffs, Preliminary Statements at Revised Cal. Pub. Util. Code Sheet No. 31950-E, available at <https://tariffsprd.sdge.com/view/tariff/?utilId=SDGE&bookId=ELEC&tarfKey=968>.

²⁰ See SDG&E AL 3410-E-A, filed on October 1, 2019, and approved on October 24, 2019.

²¹ See SDG&E AL 3253-E-B, filed on November 21, 2019, and approved on December 12, 2019.

program will be funded first by GHG allowance revenues, and if such funds are exhausted, the programs will be funded through PPP funds.

In 2025, the DACSASHBA had current GHGRBA transfers, activity and interest totaling \$0.163 million, and the December 31, 2025 ending balance was a \$(5.677) million overcollection as shown in Attachment M of the accompanying prepared direct testimony of Brenda Hua.

SDG&E requests confirmation that the transactions recorded in the DACSASHBA are correctly stated and in compliance with the Commission's directives.

2. DACGTBA

The DAC-GT program is a GT program that allowed all DAC-GT customers to purchase 100% green energy at a discount. DAC-GT was intended to benefit customers who primarily live in DACs and are unable to install solar. Pursuant to D.18-06-027 and until 2024, the DAC-GT program was to be funded first by GHG allowance revenues, and if such funds are exhausted, the program was to be funded through PPP funds. Currently, SDG&E does not have any customers enrolled and has been unable to secure any qualifying energy contracts for its DAC-GT program.

Pursuant to D.24-05-065 OP 3 (c), SDG&E filed AL 4522-E to discontinue procurement activities and close its Schedule DAC-GT tariff for its bundled customers. DACGTBA will remain open, because SDG&E will continue to incur administrative costs to provide required support for SDCP and other CCAs with their DAC-GT program.²²

In 2025, the DACGTBA had current GHGRBA activity and interest of \$(0.204) million, and the December 31, 2025 ending balance was a \$(3.308) million overcollection, as shown in Attachment N of the accompanying prepared direct testimony of Brenda Hua. SDG&E requests confirmation that the transactions recorded in the DACGTBA are correctly stated and in compliance with the Commission's directives.

²² See SDG&E AL 4522-E, filed on September 27, 2024, and approved on October 27, 2024.

O. GHG Compliance Instrument Procurement and Accounting

California's Cap-and-Invest Program, established pursuant to Assembly Bill 32 and reauthorized in 2025 through 2045 via Assembly Bill 1207, creates a market-based framework requiring covered entities to obtain compliance instruments—comprised of allowances and limited offsets—for each metric ton of GHG emissions. As a covered entity for both UOG and certain imported power and tolling arrangements, SDG&E procures these instruments to meet its compliance obligations while supporting statewide emissions reduction goals.

Consistent with the authority granted in Decision (“D.”) 12-04-046 and SDG&E’s Commission-approved Bundled Procurement Plan (“BPP”), SDG&E utilized a portfolio of authorized procurement methods, including participation in CARB auctions, transactions on approved exchanges, and other permitted mechanisms, while adhering to applicable volumetric and vintage limits. SDG&E’s procurement strategy balanced forward and near-term purchases to manage price risk and ensure cost-effective compliance, while remaining within the Commission-approved GHG procurement limits. The resulting procurement activity, including net purchases and associated costs, demonstrates adherence to both the quantitative limits and qualitative standards established by the Commission for GHG compliance instrument procurement.

SDG&E’s procurement activity was consistent with the approach prescribed by the Commission in D.12-04-046, D.15-10-031, and SDG&E’s BPP. Therefore, SDG&E requests that the Commission find that SDG&E complied with D.12-04-046, D.15-10-031, Commission-approved AL 2850-E-A and AL 4565-E, and D.21-05-004 based on the prepared direct testimony of Stephen M. Elliott provided herewith for the record period January 1, 2025 through December 31, 2025. SDG&E further requests that, based on the prepared direct testimony of Sheri Miller and Attachments A and B thereto, the Commission find SDG&E in compliance with the calculation and reporting requirements prescribed in D.21-05-04.

P. Public Safety Power Shutoffs

On November 13, 2019, the Commission initiated its *Order Instituting Investigation on the Commission’s Own Motion on the Late 2019 Public Safety Power Shutoff Events* (“PSPS OII”)²³ to determine whether California’s electric investor-owned utilities (“IOUs”) complied with applicable laws, rules, and regulations when they initiated the PSPS events in 2019.

On June 7, 2021, the Commission issued D.21-06-014 in the PSPS OII (“PSPS OII Decision”).²⁴ The PSPS OII Decision found that the utilities did not reasonably comply with the critical guideline to identify, evaluate, weigh, and report public risks for the late 2019 PSPS events.²⁵ Accordingly, the Commission determined a “ratemaking remedy” that would apply prospectively from the effective date of the PSPS OII Decision.²⁶

The PSPS OII Decision directs that the IOUs shall include the estimated unrealized volumetric sales and unrealized revenue resulting from future PSPS in their respective ERRA proceedings, addressing the years in which the PSPS events occurred.²⁷ The PSPS OII Decision also directs that the IOUs forgo collection in rates of unrealized sales and unrealized revenues until the utility demonstrates improvements in identifying, evaluating, weighing, and reporting public harm when determining whether to initiate a PSPS event.²⁸ The PSPS OII Decision directed SDG&E, Pacific Gas and Electric Company (“PG&E”), and Southern California Edison Company

²³ Investigation (“I.”) 19-11-013.

²⁴ D.21-06-014.

²⁵ D.21-06-014 at 56.

²⁶ *Id.* at 60.

²⁷ *Id.* at OP 1.

²⁸ *Id.*

(“SCE”) to agree on a methodology to be used to calculate the estimated unrealized volumetric sales and revenues and present it for the Commission’s consideration in the ERRA proceeding.²⁹

On July 3, 2023, the Commission issued D.23-06-054, which adopted the methodology for calculating unrealized sales and revenues during PSPS events.³⁰ D.23-06-054 states that the unrealized revenues resulting from a PSPS event “shall be calculated by multiplying the unrealized volumetric electric sales by the electric rate.”³¹ D.23-06-054 provides a detailed description as to how the utilities are to calculate both the unrealized volumetric electric sales as well as the electric rate that should be used. SDG&E presents its calculation of unrealized volumetric sales and unrealized revenue resulting from PSPS events in 2025 in the testimony of Josue Mondragon and Jeff DeTuri.

III. SUMMARY OF PREPARED DIRECT TESTIMONY

In support of this Application, SDG&E provides seven pieces of prepared direct testimony. As SDG&E’s prepared direct testimony demonstrates, in 2025, SDG&E has fully complied with its Commission-approved electric procurement plan,³² all relevant contract terms and conditions, SOC 4 and applicable Commission decisions. The prepared direct testimony shows that SDG&E’s 2025 ERRA, PABA, TCBA, LGBA, MCAMBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, and DACGTBA accounting entries are correctly stated and in compliance with the Commission’s directives. The prepared direct

²⁹ *Id.*

³⁰ D.23-06-054.

³¹ D.23-06-054, OP 1.

³² For purposes of the Commission’s review and the compliance findings requested herein, the relevant upfront standards and criteria for cost recovery are set forth in SDG&E’s Bundled Procurement Plan (“BPP”) approved by the Commission in D.12-04-046 and implemented by AL 2850-E (including subsequent updates thereto including the updates in AL 3738-E approved by Res. E-5196).

testimony of SDG&E's witnesses, and the issues they address, are summarized below and incorporated by reference herein:

- **MR. ANDREW SCATES**

Mr. Scates' prepared direct testimony describes the various energy resources in SDG&E's electricity portfolio and addresses the manner in which SDG&E complied during the record period with its obligation to dispatch its energy portfolio in a least-cost manner, consistent with SDG&E's Commission-approved BPP.

- **MS. BRENDA HUA**

Ms. Hua's prepared direct testimony provides a description of the transactions for the 2025 entries to SDG&E's ERRA, PABA, TCBA, LGBA, MCAMBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, and DACGTBA. Ms. Hua's prepared direct testimony explains the regulatory basis for SDG&E's requested disposition for these accounts and seeks the Commission's determination that, for the 2025 record period, SDG&E's recommended dispositions are in compliance with Commission directives and should be approved as correctly stated.

- **MS. MORIA SALDAÑA**

Ms. Saldaña's prepared direct testimony describes the categories of expenses that were recorded to SDG&E's ERRA, PABA, TCBA, LGBA, MCAMBA, and TMNBCBA accounts and explains the contract administration activities associated with SDG&E's power purchase agreements during 2025.

- **MR. STEPHEN ELLIOTT**

Mr. Elliot's prepared direct testimony explains SDG&E's procurement of GHG compliance instruments during the 2025 record period. In this proceeding, SDG&E is requesting that the Commission review and approve GHG compliance instrument procurement activity incurred in 2025 in compliance with the LTPP and BPP, AB 32, and recent Commission directives regarding GHG compliance costs, including D.21-05-004.

- **MS. SHERI MILLER**

Ms. Miller’s prepared direct testimony presents SDG&E’s accounting procedure used to record the GHG Compliance Instrument costs that are described in the testimony of SDG&E witness Stephen Elliott and also includes the required GHG direct cost tables.

- **MR. KEVIN COUNTS**

Mr. Counts’ prepared direct testimony explains that SDG&E has complied with applicable Commission standards governing the operation of UOG resources and the management of planned and unplanned outages during the 2025 record period.

- **MR. JOSUE MONDRAGON AND MR. JEFF DETURI**

Mr. Mondragon’s and Mr. DeTuri’s combined prepared direct testimony presents SDG&E’s calculation of unrealized volumetric sales and unrealized revenue resulting from Public Safety Power Shutoff (“PSPS”) events in 2025 for purposes of determining the PSPS ratemaking remedy set forth in D.21-06-014 and using the methodology set forth in D.23-06-054.

IV. REQUESTED RELIEF AND ISSUES TO BE CONSIDERED

In submitting this Application and supporting testimony, SDG&E demonstrates and requests express Commission findings that:

1. During 2025, SDG&E prudently administered and dispatched its UOG resources and portfolio of contracts, including Palomar Energy Center, Desert Star Energy Center, Cuyamaca Peak Energy Plant, and Miramar Energy Facility I and II; the following battery energy storage systems: Escondido, El Cajon, Top Gun, Kearny, Miguel Vanadium Redox Flow, Fallbrook, Westside Canal, Ramona Air Attack, Pala-Gomez, Melrose, Elliott, Paradise, Boulevard, Clairemont, Borrego Dark Sky, Westside Canal 2B, Cameron Corners; two solar energy projects, Ramona Solar Energy Project and Cameron Corners PV; power purchase agreements, QFs, non-QF resources, and renewable energy resources, in compliance with SDG&E’s Commission-approved procurement plan;
2. All 2025 entries and costs recorded in SDG&E’s ERRA, PABA, TCBA, LGBA, MCAMBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA,

GTSRBA, TMNBCBA, DACSASHBA, and DACGTBA are correctly stated and in compliance with the Commission’s directives;

3. SDG&E’s procurement of GHG compliance instruments during the 2025 record period is consistent with the Commission’s current directives applicable to those compliance instruments and in compliance with SDG&E’s Commission-approved procurement plan;
4. SDG&E’s calculation of unrealized volumetric sales and unrealized revenues resulting from Public Safety Power Shutoff events in 2025 is correctly stated and in compliance with Commission directives; and
5. Confidential treatment of the unredacted versions of the prepared direct testimony, as requested in the declarations accompanying the testimony, is appropriate and authorized.

V. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1(a) – (c)

In accordance with Rule 2.1 (a) – (c) of the Commission’s Rules of Practice and Procedure, SDG&E provides the following information.

1. Rule 2.1(a) - Legal Name

SDG&E is a corporation organized and existing under the laws of the State of California. SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E’s principal place of business is 8330 Century Park Court, San Diego, California 92123. SDG&E’s attorney in this matter is Krista deBoer.

2. Rule 2.1(b) - Correspondence

Correspondence or communications regarding this Application should be addressed to:

With copies to:

Nick Santos
Regulatory Case Manager
San Diego Gas & Electric Company 8330
Century Park Court, CP31D
San Diego, California 92123
Email: nsantos@sdge.com

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Attorney for:
San Diego Gas & Electric Company

3. Rule 2.1(c)

a. Proposed Category of Proceeding

In accordance with Rule 7.1, SDG&E requests that this Application be categorized as ratesetting.

b. Need for Hearings

SDG&E does not believe that approval of this application will require evidentiary hearings. SDG&E has provided ample supporting testimony, analysis and documentation that provide the Commission with a sufficient record upon which to grant the relief requested. However, to the extent that evidentiary hearings may be required, SDG&E requests that any schedule set forth by the Commission include a procedural mechanism by which the parties can specifically identify material issues of fact in dispute that warrant an evidentiary hearing. Similarly, pursuant to Rule 2.6(b), any protest that requests evidentiary hearings “must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the application.”

c. Issues to be Considered

The issues to be considered in this Application are set forth below:

1. Whether SDG&E administered and managed its own generation resources prudently, to include the management of outages and associated fuel costs, according to Standard of Conduct (“SOC”) 4.

2. Whether SDG&E administered and managed its Qualifying Facility (“QF”) and non-QF contracts for generation and power purchase agreements in accordance with the contract provisions and otherwise followed Commission guidelines relating to those contracts and their amendments according to SOC 4.
3. Whether SDG&E used the most cost-effective mix of energy resources under its control and achieved Least Cost Dispatch of its energy resources according to SOC 4.
4. Whether SDG&E administered its demand response programs to minimize costs to its ratepayers according to SOC 4.
5. Whether the entries recorded during the record year in the following accounts are correctly stated and in compliance with Commission directives:
 - a. the Energy Resource Recovery Accounts (“ERRA”);
 - b. Portfolio Allocation Balancing Account (“PABA”);
 - c. Transition Cost Balancing Account (“TCBA”);
 - d. Local Generating Balancing Account (“LGBA”);
 - e. Modified Cost Allocation Mechanism Balancing Account (“MCAMBA”);
 - f. Independent Evaluator Memorandum Account (“IEMA”);
 - g. Litigation Cost Memorandum Account (“LCMA”);
 - h. Green Tariff Marketing Education & Outreach Memorandum Account (“GTME&OMA”);
 - i. Green Tariff Shared Renewables Administrative Cost Memorandum Account (“GTSRACMA”);
 - j. Enhanced Community Renewable ME&O Memorandum Account (“ECRME&OMA”);
 - k. Green Tariff Shared Renewable Balancing Account (“GTSRBA”);
 - l. Tree Mortality Non-Bypassable Charge Balancing Account (“TMNBCBA”);
 - m. Disadvantaged Communities – Single Family Solar Homes Balancing Account (“DACSASHBA”); and
 - n. Disadvantaged Community-Green Tariff Balancing Account (“DACGTBA”).
6. Whether SDG&E’s Greenhouse Gas Compliance Instrument procurement was consistent with applicable standards and in compliance with SDG&E’s Commission-approved procurement plan.
7. Whether the entries in SDG&E’s Greenhouse Gas Revenue Balancing Account and Greenhouse Gas-related entries in other ERRA sub-accounts are accurate,

and whether SDG&E met its burden of proof regarding its claim for these entries.

8. Whether SDG&E’s calculation of unrealized volumetric sales and unrealized revenues resulting from Public Safety Power Shutoff events in 2025 is correctly stated and in compliance with Commission directives.
9. Regarding safety considerations, based on current information, SDG&E’s proposals in this Application and associated testimony will not result in any adverse safety impacts on the facilities or operations of SDG&E.

d. Proposed Schedule

SDG&E proposes the following schedule:

ACTION	DATE
Application filed	June 1, 2026
Protests due	July 1, 2026
Reply to Protests due	July 13, 2026
Prehearing Conference	July 15, 2026
Intervenor Testimony	December 11, 2026
Rebuttal Testimony	February 12, 2027
Rule 13.9 Meet and Confer deadline - Parties inform ALJ whether hearings are necessary and identify the specific disputed issues of material fact, witness lists and cross-examination estimates	March 5, 2027
Hearings (if necessary)	Week of March 15, 2027
Opening Briefs	April 9, 2027
Reply Briefs	April 30, 2027
Proposed Decision	Third Quarter 2027
Final Decision	Third Quarter 2027

B. Rule 2.2 – Articles of Incorporation

A certified copy of SDG&E’s Restated Articles of Incorporation, as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on September 10, 2014, in connection with SDG&E’s Application 14-09-008, and is incorporated herein by reference.

VI. CONFIDENTIAL INFORMATION

SDG&E is submitting the prepared direct testimony supporting this Application in both public (redacted) and non-public (unredacted and confidential) form, consistent with SDG&E's declarations of confidential treatment attached to the witnesses' testimony and submitted in conformance with D.06-06-066, D.08-04-023 and other applicable orders and statutory provisions. In short, confidential treatment is necessary in this proceeding to avoid inappropriate disclosure of the confidential and commercially sensitive information (pertaining to SDG&E's electric procurement resources and strategies) that SDG&E witnesses must identify to support this Application.

VII. SERVICE

This is a new application. No service list has been established. Accordingly, SDG&E will electronically serve this Application, prepared direct testimony and related exhibits on parties to the service list for A.25-06-002 (last year's SDG&E ERRR compliance proceeding) and R.12-03-014 (OIR to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans). Electronic copies will also be served on Chief ALJ Michelle Cooke.

VIII. CONCLUSION AND SUMMARY OF RELIEF REQUESTED

WHEREFORE, SAN DIEGO GAS & ELECTRIC COMPANY requests that the Commission:

- (1) find that during 2025 SDG&E prudently administered its generation resources and portfolio of contracts and dispatched energy in a least-cost manner, in compliance with SDG&E's Commission-approved procurement plan;
- (2) find that SDG&E's 2025 entries in its ERRR, PABA, TCBA, LGBA, MCAMBA, IEMA, LCMA, GTME&OMA, GTSRACMA, ECRME&OMA, GTSRBA, TMNBCBA, DACSASHBA, and DACGTBA were correctly stated and in compliance with the Commission's directives;

- (3) determine that SDG&E's procurement of GHG compliance instruments during the record period was consistent with applicable standards and in compliance with SDG&E's Commission-approved procurement plan;
- (4) find that SDG&E's calculation of unrealized volumetric sales and unrealized revenues resulting from Public Safety Power Shutoff events in 2025 is correctly stated and in compliance with the Commission's directives; and
- (5) grant such additional relief as the Commission believes is just and reasonable.

SDG&E is ready to proceed with its showing in this Application.

Respectfully submitted,

/s/ Krista deBoer

Krista S. deBoer

Attorney for:

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June 1, 2026

SAN DIEGO GAS & ELECTRIC COMPANY

By: /s/ Miguel Romero

Miguel Romero

San Diego Gas & Electric Company

Senior Vice President and Chief Commercial Officer

DATED at San Diego, California, this 1st day of June 2026.

OFFICER VERIFICATION

I, Miguel Romero, declares as follows:

I am an officer of San Diego Gas & Electric Company and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF ERRR COMPLIANCE FOR RECORD PERIOD 2025** are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on June 1, 2026 at San Diego, California.

By: /s/ Miguel Romero
Miguel Romero
San Diego Gas & Electric Company
Senior Vice President and Chief Commercial
Officer