BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
07/22/26
04:03 PM
A2205015

Application of Southern California Gas Company (U 904 G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.	Application No. 22-05-015 (Filed May 16, 2022)
And Related Matter.	Application No. 22-05-016 (Filed May 16, 2022)

JOINT REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M), THE UTILITY REFORM NETWORK, PUBLIC ADVOCATES OFFICE, AND THE SMALL BUSINESS UTILITY ADVOCATES ON THE JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

Laura Fulton
Ross Fulton
8330 Century Park Court, CP32D
San Diego, California 92123
Telephone: (619) 372-7529
E-mail: rfulton@sdge.com
lfulton@sdge.com

Attorneys for
San Diego Gas & Electric Company

Robert Finkelstein
360 Grand Avenue, #150
Oakland, California 94610
Telephone: (415) 929-8876
Email: bfinkelstein@turn.org

General Counsel for
The Utility Reform Network

Marion Peleo
Roderick D. Hill
Layla I. Labagh
505 Van Ness Avenue
San Francisco, California 94102
Telephone: (415) 703-2130
E-mail: Marion.Peleo@cpuc.ca.gov

Attorneys for
Public Advocates Office
California Public Utilities Commission

Ariel Strauss
Jennifer L. Weberski
548 Market Street, Suite 11200
San Francisco, California 94104
Telephone: (703) 489-2924
Email: ariel@utilityadvocates.org
jennifer@utilityadvocates.org

Attorneys for
Small Business Utility Advocates

July 22, 2026

TABLE OF CONTENTS

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2024.	Application No. 22-05-015 (Filed May 16, 2022)
And Related Matter.	Application No. 22-05-016 (Filed May 16, 2022)

JOINT REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M), THE UTILITY REFORM NETWORK, PUBLIC ADVOCATES OFFICE, AND THE SMALL BUSINESS UTILITY ADVOCATES ON THE JOINT MOTION FOR ADOPTION OF SETTLEMENT AGREEMENT

I. INTRODUCTION

Pursuant to Article 12 and Rule 1.8(d) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure (Rules), and Administrative Law Judges (ALJs) Larsen and LeQuang's June 17, 2026 email ruling, as modified by their July 1, 2026 email ruling,[1] San Diego Gas & Electric Company (SDG&E), The Utility Reform Network (TURN), the Public Advocates Office (Cal Advocates), and Small Business Utility Advocates (SBUA) (collectively, the Settling Parties), submit these reply comments in support of their June 22, 2026 Motion (Motion) to the Commission to adopt the Settlement Agreement Regarding SDG&E's Track 3 Wildfire Request (Settlement) and in response to The Protect Our Communities Foundation (PCF)'s Comments Contesting the Track 3 WMPMA Settlement Agreement (PCF Comments) and Track 3 WMPMA Opening Brief (PCF Brief).[2]

[1] E-Mail Ruling Continuing the Rule 12.2 Comment Process (July 1, 2026) (ALJs' July 1 Ruling).
[2] SDG&E has been authorized by Cal Advocates, TURN, and SBUA to sign these Reply Comments on their behalf, consistent with Rule 1.8(d) of the Commission's Rules of Practice and Procedure. The Settling Parties incorporate all definitions from the Motion.

PCF's brief addresses SDG&E's pre-settlement Track 3 Wildfire request. But as PCF recognizes, the Settlement is now the position of the Settling Parties, and the Settling Parties are bound to defend the Settlement (not their litigation positions). The Settling Parties thus respond to PCF's brief and comments where PCF differs from the Settlement—as whether the Settlement should be adopted under Rule 12 is the applicable question before the Commission.

PCF's filings fail to refute the fact that the Settlement reaches a reasonable determination by the Settling Parties of a just and reasonable outcome following litigation, is consistent with the Commission's long-standing policy favoring the settlement of disputes, and should be adopted. The Settlement should be presumed to be fair, reasonable, and in the public interest.[3] The Settlement:

- Was reached between four of the five active parties;
- Results in a 22% direct cost reduction, a 23% indirect cost reduction, and a 19% revenue requirement reduction—larger than the direct cost reduction in D.26-01-021 (Track 2 Decision) and larger than the revenue requirement average reduction from prior Commission wildfire mitigation cost recovery decisions; and
- Provides direct and indirect cost recovery amounts for every SDG&E program—amounts that are largely consistent with the Commission's Track 2 Decision and/or the Settling Parties' litigation positions.

Although much of PCF's opposition is focused on the Settlement's program-by-program agreed-upon amounts, in considering a Settlement, the Commission assesses the Settlement as a whole under its established fairness standards. It does not consider the underlying merits of the case or whether any single provision reaches the optimal result.[4] Even so, in reviewing individual

---

[3] *See* Decision (D.) 26-03-017 at 11 (applying the principle from California courts that a settlement is presumed fair when it is reached through arm's-length bargaining, investigation and discovery were sufficient; counsel are experienced in such matters, and there is little or no opposition).

[4] *Id.* at 10 ("The trial court, or in this context the Commission, 'does not try out or attempt to decide the merits of the controversy, but instead determines whether the settlement meets established fairness criteria") (quoting *City of Detroit v. Grinnell Corp.* (2d Cir. 1974) 495 F.2d 488, 456).

program recovery amounts, it is the Settling Parties—not PCF—who are consistent with the Track 2 Decision and who propose a reasonable balance between reducing SDG&E's requested revenue requirement and ensuring that SDG&E can adequately mitigate wildfire risk.

PCF also misunderstands the factual record in this case. SDG&E did not add costs to its request following SDG&E's March supplemental testimony. Further, PCF's objections fail to reflect that the final indirect costs and revenue requirement result from, and are part of, the Settlement. Nor does PCF identify any procedural deficiencies with the Settlement.

The Settling Parties strongly believe that the Settlement is reasonable, in the public interest, and should be adopted.[5] The Settlement was reached by experienced, adversarial parties, including Cal Advocates and multiple ratepayer advocates. One party should not be able to undermine the validity of an otherwise all-party Settlement, lest it discourage parties from pursuing settlements going forward, undermining the Commission's policy favoring settlement.

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

As the Commission has found, when a motion for settlement is filed, the question before the Commission becomes whether that settlement under Rule 12.1(d) "whether contested or uncontested . . . is reasonable in light of the whole record, consistent with the law, and in the public interest.[6] The "Commission has long favored the settlement of disputes."[7]

---

5 *See* D. 92-08-036, 1992 Cal. PUC LEXIS 561, at *22 ("the parties themselves may be better able than the trier of fact to craft [an] optimal resolution of a dispute.").

6 Rule 12.1(d); *see* D.23-02-017 at 16 (the Commission's evaluation of settlements is guided by "situational factors, such as the type of proceeding at issue, the interests of the settling parties and whether the settlement is contested.").

7 D.26-03-017 at 10; D.23-02-017 at 16; *see* D.11-05-018 at 16 (finding that the Commission's policy in favor of settlement "supports many worthwhile goals, such as reducing litigation expense, conserving scare resources of the parties and the Commission, and allowing parties to reduce the risk that litigation will produce unacceptable results.").

A. PCF's Opening Brief Addresses SDG&E's Request, Which is No Longer Germane, Because the Settlement is What is Before the Commission Under Rule 12

PCF's Rule 13.12 opening brief is directed at SDG&E's pre-settlement Track 3 Wildfire Request, asserting that SDG&E "fail[s] to meet its burden to demonstrate the reasonableness of its request[]."[8] But as PCF itself states, the Settlement is now the "joint position of the sponsoring parties."[9] The Settlement thus supplants SDG&E's application request, as SDG&E is no longer seeking to "justify[] its proposed revenue requirements."[10]

For example, the Settlement already zeroes out four programs to which PCF objects, representing about $24.65 million in cost reductions.[11]

Table 1: PCF Recommended Disallowances Where Settlement Already Provides for Disallowances

Program	PCF's Requested Denial	Settlement Result
Centralized Repository for Data	Deny $14.716M (100%)	$14.716M (100%) disallowed
Fuels Management	Deny $4.131M (100%)	$4.071M (100%) disallowed
Tree Planting – Right Tree Right Place	Deny $1.257M (100%)	$1.218M (100%) disallowed
Aviation	Deny $4.014M (100% direct)	$4.641M (100%) disallowed

Moreover, the Settlement is a binding contractual commitment of the Settling Parties to defend the Settlement and seek its approval.[12] As such, SDG&E could not defend its pre-

8 PCF Brief at 2.
9 PCF Comments at 5.
10 PCF Brief at 17.
11 PCF Brief at 9. Those programs are aviation, centralized repository for data, fuels management, and right tree, right place.
12 Settlement at 3.1.

settlement litigation request in response to PCF's opening brief, even if it so desired.[13] Thus, to both consider PCF's objection to the Settlement and simultaneous pre-Settlement litigation briefing regarding SDG&E's pre-Settlement request would contravene the process established by Rule 12 and the Commission's policy favoring settlement, as it potentially disadvantages the settling parties who are bound by their new positions. As the Settling Parties do here, therefore, the Commission should consider PCF's Opening Brief in the context of PCF's objections to the Settlement, rather than as a separate briefing on the merits of SDG&E's original request that is not currently before the Commission.

B. The Settlement Meets the Commission's Standard for Approving Settlements

Instead, the applicable question before the Commission is whether the settlement meets the Commission's standard for adoption. In assessing the Settlement under Rule 12, PCF overstates the impact of the fact that PCF—one party out of five—contests the Settlement.[14] Rule 12.1(d) applies the same standard whether a settlement is "contested or uncontested."[15] And the Commission has repeatedly approved contested settlements.[16]

In D.23-02-017 (PG&E Wildfire Mitigation Settlement), the Commission approved a contested settlement regarding PG&E's request for incremental wildfire mitigation cost recovery, finding that the "[i]ssues and concerns raised by non-settling parties were reviewed and considered but do not rise to the level of making the proposed Settlement Agreement fail the

---

13 Moreover, Rule 12.4 provides the process for subsequent steps if a settlement is not accepted, which does not necessarily entail the parties engaging in Rule 13.12 briefing regarding their litigation positions. Even if such briefing were requested, it would occur following that Rule 12.4 process.

14 PCF Comments at 5.

15 D.26-03-017 at 10 ("Article 12 . . . applies to contested and uncontested settlements.").

16 *See, e.g.*, D.18-05-042; D.11-05-018.

public interest analysis."[17] As is the case with the Settlement here, the Commission found that the settlement resolving PG&E's request was:

- **Reasonable**: the settling parties were sophisticated experienced Commission practitioners that fairly represented the interests of the public and determined that the settlement represented the "best efforts of settling parties,"

- **Consistent with the Law**: many "of these costs were incurred to by PG&E's attempt to meet Commission approved and/or ratified wildfire mitigation plans"; and in the

- **Public Interest**: it resulted in a 19% reduction to PG&E's revenue requirement cost recovery request.[18]

In this situation, a single party objecting to the Settlement should not alter the Commission's review process under Rule 12.1(d).[19] To find otherwise would undermine the Commission's policy favoring settlement, as a single party could know that, by not joining a settlement, it could increase the likelihood that its position gets adopted.

Nor do the Settling Parties, contrary to PCF's claim, "incorrectly attempt to reduce all of the Commission's procedural and substantive requirements to a consideration of just three factors."[20] Instead, as the Motion cites, the Commission uses a variety of factors to determine whether a settlement is reasonable: "we have incorporated other standards into its analysis, which have largely depended on situational factors, such as the type of proceeding at issue, the interests of the settling parties and whether the settlement is contested."[21] The Motion continued that, in reviewing a settlement, the Commission considers: (1) whether the settlement

---

17 D.23-02-017 at 30; *id.* at 16 (D.18-05-042 and D.11-05-018 are "examples of adoptions of contested . . . settlements where the Commission still recognizes the favoring of settlements").

18 D.23-02-017 at 17-29.

19 *See* D.26-03-017 at 10 (California courts apply a presumption of fairness to a settlement with "*little* or no opposition") (emphasis added) (citing *Dunk v. Ford Motor Co.* (1996) 48 Cal.App.4th 1794).

20 PCF Comments at 6.

21 Motion at 12 (quoting D.23-09-002 at 15).

negotiations were at arms-length; (2) whether major issues were addressed; and (3) whether the parties were adequately represented.[22]

In D.26-03-017 (Liberty's GRC Settlement), the Commission found that a settlement resolving Liberty's 2025 GRC was largely reasonable because the settling parties "collectively represent a broad and balanced range of interests, including those of various ratepayer classes."[23] The Commission continued that the settlement was:

> [R]eached after discovery, evidentiary hearings, and submission of extensive written testimony. It resolves numerous issues supported by the evidentiary record and narrows the scope of disputes. The Settlement Agreement reflects compromises grounded in the data and testimony presented, resulting in rate and policy outcomes that are balanced and supported by the record as a whole.[24]

These factors likewise underscore that the reasonableness of the Settlement here:

- **Arms-length negotiations**: The Settling Parties have "a well-documented history of strongly-held, differing positions" and "negotiated in good faith, bargained aggressively, and compromised in a manner they believe reasonably balances the various interests."

- **Major issues addressed**: The Settlement addresses every SDG&E wildfire mitigation plan (WMP) initiative and every issue scoped into Track 3.

- **Adequate representation**: The Settling Parties represent SDG&E, ratepayer interests (TURN), the interests of small business ratepayers (SBUA), and the Commission's independent ratepayer advocate (Cal Advocates)—four of the five active parties, "represented by experienced CPUC practitioners,"[25] who have decades of collective CPUC experience and years of experience specific to the issues in Track 2 and Track 3 of this proceeding.

The Settlement is also consistent with the law. Like in Liberty's GRC Settlement, it is informed by and largely consistent with the Commission's Track 2 proceeding, and "aligns with

---

22 Motion at 12 (quoting D.91-05-029, 1991 Cal. PUC LEXIS 254 at *42).
23 D.26-03-017 at 12.
24 *Id.*
25 Motion at 12.

longstanding Commission practice approving settlements that advance administrative efficiency and conserve public and party resources."[26] And, as in Liberty's GRC Settlement, the Settlement is in the public interest. It "provides rate and policy outcomes that will reduce litigation costs, conserve regulatory resources, and enhance regulatory certainty for both the utility and customers."[27]

Specifically, like Liberty's GRC Settlement—where the Commission found that the settlement was in the public interest because it "results in a reduction of Liberty's requested revenue requirement while still ensuring the utility can continue to provide safe and reliable electric service at reasonable rates"[28]—the Settlement here results in significant reductions to SDG&E's Track 3 request, while being consistent with the Track 2 Decision's findings regarding where and how SDG&E was a prudent manager.

- **22% reduction in direct costs**—larger than the direct cost reduction in Track 2;
- **23% reduction in indirect costs**—computed proportionally consistent with the Settlement and Track 2 Decision methodology;
- **19% reduction in the total revenue requirement**—larger than the average of prior Commission wildfire mitigation cost recovery decisions;[29]
- **Permanent disallowance** of all agreed capital reductions, precluding future recovery.

Likewise, as in the case of Liberty's GRC settlement, here, the "participation of Cal Advocates—the Commission's independent consumer advocate—further supports the conclusion that the settlement protects the interests of ratepayers, including residential and low-income customers."[30] In fact, as was the case in PG&E's Wildfire Mitigation Settlement, the Settlement's

---

26 D.26-03-017 at 12.
27 *Id.* at 12-13.
28 *Id.* at 13.
29 *See* D.23-02-017 (19%); D.21-02-012 (20%); D.25-06-051 (21%).
30 D.26-03-017 at 13.

overall reduction amounts "essentially reflects [Cal Advocates'] litigation position."[31] The Settlement's 25% in direct capital reductions are larger than Cal Advocates' litigation recommendation of 19.79%, and the Settlement's 17% in direct O&M reductions is consistent with Cal Advocates' direct O&M reduction recommendation of 17.66%.[32]

C. The Settlement is Reasonable as a Whole

In response, much of PCF's filings are devoted to PCF's program-by-program recommendations.[33] Yet the Commission considers a Settlement as a whole and does not "base [its] conclusion on whether any single provision is the optimal result."[34]

As the Commission recently found, "California courts have long recognized the evaluation of a settlement is not an exercise in deciding the underlying merits of the case but an assessment of whether the agreement as a whole is fair and reasonable."[35] The Commission continued that the "trial court, or in this context the Commission, does not try out or attempt to decide the merits of the controversy but instead determines whether the settlement meets established fairness criteria."[36] The Commission added that the "pragmatic approach" of recognizing a presumption of fairness when: "(1) the settlement is reached through arm's-length bargaining; (2) investigation and discovery are sufficient to allow counsel and the tribunal to act intelligently; (3) counsel are experienced in similar matters; and (4) there is little or no opposition to the settlement," aligns with the "Commission's policy favoring settlements as

---

31 D.23-02-017 at 12.
32 *See* Exhibit (Ex.) CA-01, *Report on the Results of Operations for SDG&E GRC Test Year 2024* (Witness: S. Hunter) (July 14, 2025) at 3.
33 *See* PCF Comments at 17-25; PCF Brief at 38-70.
34 D.11-05-018 at 16.
35 D.26-03-017 at 10.
36 *Id.*

efficient, equitable, and resource-conserving resolutions of complex regulatory disputes."[37] The "focus is not on whether the agreement achieves the optimal result for any one party, but whether the negotiated outcome as a whole advances fairness, reasonableness, and the public interest."[38]

The same presumption of fairness, consistent with the Commission's policy of supporting settlement, should apply here. PCF's narrow programmatic focus does not undercut that the Settlement as a whole reaches what four well-informed parties believe is a reasonable determination of how this case should be resolved, resulting in overall significant reductions in SDG&E's request that are consistent with—or larger than—the reductions in previous wildfire mitigation cost recovery settlements approved by the Commission. The focus was not simply on program-by-program recovery amounts, but how those programmatic recovery levels fit within the overall reduction amount sought by the Settling Parties.

III. THE SETTLEMENT IS REASONABLE OVERALL AND REACHES REASONABLE PROGRAM-BY-PROGRAM RECOVERY AMOUNTS

Even so, the Settling Parties believe that the Settlement's agreed-upon amounts for each program are reasonable. It is the Settlement, not PCF's recommendations, that are consistent with Track 2.

A. Many of PCF's Recommendations are Either Consistent with the Settlement or Inconsistent with the Track 2 Decision

By contrast, PCF largely advocates for programmatic determinations that are either consistent with the Settlement or, where they are not consistent—inconsistent with the Commission's Track 2 Decision. As noted, the Settlement already adopts zero funding for four

---

37 *Id.* at 11. *Accord id.* ("Federal precedent is to the same effect. As the Ninth Circuit observed in *Hanlon v. Chrysler Corp.* (9th Cir. 1998) 150 F.3d 1011, 1027) 'Settlement is the offspring of compromise; the question we address is not whether the final product could be prettier, smarter or snazzier, but whether it is fair, adequate and free from collusion.").

38 *Id*.

programs that PCF likewise argues SDG&E should not receive recovery for, totaling over $24 million in cost reductions. PCF "did not offer comment" on 24 other programs where the Settlement agrees to SDG&E's requested cost recovery, totaling over $14 million.

Table 2: Programs Where PCF Did Not Comment and the Settlement Adopts SDG&E's Request

Program PCF Does Not Challenge	Direct Capital	Indirect Capital	Total Capital	Direct O&M	Indirect O&M	Total O&M
Advanced Protection	$2.933	$1.608	$4.541	$0.232	$0.049	$0.281
Early Fault Detection	$0.914	$0.849	$1.763	$0.004	$0.001	$0.005
Avian Protection Program	$0.616	$0.540	$1.156	$0.010	$0.009	$0.019
Strategic Pole Replacement Program	$0.059	$0.041	$0.100	-	-	-
Wireless Fault Indicators	($1.789)	($1.821)	($3.610)	-	-	-
PSPS Sectionalizing Enhancement Program	$4.007	$3.122	$7.129	-	-	-
Generator Grant Program	-	-	-	$5.465	$0.243	$5.708
Distribution Overhead Detailed Inspections	-	-	-	($13.005)	($2.226)	($15.231)
Distribution Wood Pole Intrusive Inspections	-	-	-	$0.108	$0.033	$0.141
Distribution Overhead Patrol Inspections	-	-	-	$0.331	$0.074	$0.405
Capacitor Maintenance and	$0.195	$0.140	$0.335	-	-	-

Replacement Program						
Expulsion Fuse Replacement Program	$0.124	$0.100	$0.224	-	-	-
Hotline Clamp Replacement Program	-	-	-	$1.662	$0.163	$1.825
Lightning Arrestor Removal and Replacement	$2.369	$1.731	$4.100	$0.086	$0.025	$0.111
Cleveland National Forest	($11.321)	($17.511)	($28.832)	$0.658	$0.054	$0.712
Pole Clearing / Brushing	-	-	-	$3.671	$0.103	$3.774
Weather Stations and NDVI Cameras	($0.431)	($0.311)	($0.742)	$2.064	$0.380	$2.444
Air Quality Management Program	$0.413	$0.074	$0.487	$0.066	$0.001	$0.067
Fire Potential Index	$5.864	$0.089	$5.953	-	-	-
High-Performance Computing Infrastructure	$0.010	$0.000	$0.010	-	-	-
Suppression Resources and Services	-	-	-	$1.953	$0.011	$1.964
Emergency Preparedness Plan	($0.422)	($0.218)	($0.640)	$17.791	$1.852	$19.643
Community Engagement	-	-	-	$0.448	$0.034	$0.482
Total	**$3.541**	**($11.567)**	**($8.026)**	**$21.544**	**$0.806**	**$22.350**

For eight programs where the Settlement agrees to SDG&E's request, PCF seeks a disallowance where the Commission in Track 2 already largely rejected PCF's position and granted SDG&E recovery, representing another $91 million in direct and indirect costs.

Table 3: Programs Where PCF is Inconsistent with Track 2

Program	PCF	Track 2 Outcome	Direct Capital	Indirect Capital	Total Capital	Direct O&M	Indirect O&M	Total O&M
Summarized Risk Map	Deny costs	Granted costs	-	-	-	$4.057	$0.731	$4.788
Allocation Methodology Development and Application	Deny costs	Granted costs	$5.475	$0.349	$5.824	$4.249	$0.517	$4.766
Distribution Underbuild	Deny 2023 wood-to-steel pole	Granted costs	$10.409	$5.805	$16.214	-	-	-
Distribution Overhead System Hardening	Deny 2023 costs	Granted majority costs	$0.646	$0.307	$0.953	($4.156)	($0.598)	($4.754)
Microgrids	Deny Cameron Corners	Granted costs	$9.999	$6.898	$16.897	$1.241	$0.046	$1.287
Distribution Communications Reliability Improvements	Deny $29.837M in 2023 DCRI costs	Granted costs	$29.250	$1.715	$30.965	$0.910	$0.003	$0.913
Standby Power Program	Deny conventional-generator	Granted costs except small reduction	-	-	-	$12.712	$0.143	$12.855
Generator Assistance Program	Deny all 2023 costs	Granted costs	-	-	-	$0.282	$0.038	$0.320
Total			$55.779	$15.074	$70.853	$19.295	$0.880	$20.175

For example, PCF objects to SDG&E recovering its Distribution Overhead System Hardening (DOSH) request.[39] But in the Track 2 Decision, the Commission rejected PCF's same argument to deny costs for this program and granted SDG&E recovery.[40] So too here, PCF's argument against recovery is based on the faulty premise that reasonableness is determined by how many miles were hardened and the cost per mile. This program—a "longstanding method of hardening electric distribution lines"[41]—is instead about the replacement and hardening of individual assets like wood poles, bare conductor, wood crossarms, guys, anchors, and insulators.[42] It is not measured on a "per mile" basis. The Settlement, consistent with Commission precedent, thus reasonably agrees to SDG&E's requested recovery for this program.

PCF's arguments regarding the Settlement permitting SDG&E to recover its capital-related costs for 2023-2027[43] similarly do not serve as a basis to deny the Settlement. PCF's identical arguments were rejected in the Track 2 Decision.[44]

For only two programs that PCF argues for the denial of costs does the Settlement agree to SDG&E's recovery requests where funding was denied in the Track 2 Decision—Distribution Infrared Inspections and LiDAR inspections. But those two programs only total $0 in capital

39 PCF Comments at 20; PCF Brief at 48-50.

40 D.26-01-021 at 53; *see id.* at 56 ("The Commission finds PCF's argument to reject the entire Covered Conductor program unreasonable, just as we did with respect to PCF's arguments regarding DOSH."); *accord* D.19-09-051 at 289-291 (finding SDG&E's traditional overhead electric distribution hardening request reasonable).

41 D.26-01-021 at 53.

42 Ex. SDG&E-T3-WMPMA-04-R, *Prepared Rebuttal Testimony of Jonathan Woldemariam On Behalf of SDG&E* (Sept. 2025), at JW-49. PCF's unfounded allegation that SDG&E "may be attempting to balance its books for the DOSH program," PCF Brief at 49 merely reflects PCF not understanding offsetting credits in accounting for amounts already authorized in SDG&E's 2019 GRC.

43 PCF Comments at 4, 23.

44 D.26-01-021 at 159 ("We reject [PCF's] argument because SDG&E's request is for undercollected revenue requirement that results from components of the rate formula that are only associated with costs authorized during the May 2019 through December 31, 2023 time period.").

costs and $1.28 million in O&M,[45] and, are part of agreement on a settlement as a whole in an effort to reach an overall reduction amount.

B. The Settlement's Agreed-to Amounts for Drone Inspections and Repairs, Covered Conductor, and Strategic Undergrounding are Reasonable

PCF focuses much of its energy arguing that SDG&E should recover zero for its Drone Inspection and Repairs, Covered Conductor, and Strategic Undergrounding programs. But for all three initiatives, as the Settling Parties explained in their Motion, the Settling Parties based their determinations on both the Track 2 Decision and the parties' litigation positions and achieved meaningful reductions—including ones larger than those in Track 2 for both covered conductor and strategic undergrounding. PCF's position on these programs, by contrast, was already rejected in the Track 2 Decision.

Table 4: Track 2 Program Percentage Disallowances Relative to Track 3 Wildfire Settlement Agreement Percentage Disallowances

WMP Program	Track 2 Decision Disallowance %	Track 3 Settlement Agreement Disallowance %
Drone Assessments and Repairs	N/A	15%
Covered Conductor Installation	19%	25%
Strategic Undergrounding	0%	30% direct capital expenditures; 25% direct O&M

a. Drone Assessment and Repairs

The Settlement—providing for a 15% reduction to SDG&E's 2019-2023 drone inspection and repairs requests[46]—is largely consistent with Cal Advocates' litigation

45 Joint Comments of SDG&E, TURN, Cal Advocates, and SBUA On The Joint Motion For Adoption Of Settlement Agreement (July 13, 2026) (Settling Parties' Comments), at Attachment A.

46 From 2019-2022, the program was referred to as "Drone Inspections and Repairs" (DIAR). For 2023, the program was known as the "Risk Informed Drone Investigations" (RIDI). As Jennifer Kaminsky explained, SDG&E's DIAR program was replaced by RIDI program beginning in 2023, reflecting the

recommendations of a 12% reduction in direct costs and a 14% reduction including indirect costs.[47] PCF's argument that SDG&E should recover zero for these programs, by contrast—without any consideration of the wider tradeoffs to reach the Settlement—lacks any foundation. PCF effectively argues that SDG&E should have done the minimum possible required by General Order (GO) 165 and thus SDG&E "implementing a new drone inspection program on top of the numerous other mitigation methods SDG&E had been conducting since 2007 was unnecessary."[48]

But the Commission in the Track 2 Decision already found that SDG&E's drone inspection and repair program had value, concluding that "drone inspections can provide an enhanced view of infrastructure and assist in inspecting infrastructure in hard-to-reach areas or rugged terrain."[49] As Jennifer Kaminsky explained, SDG&E's drone inspection programs were "implemented as targeted, supplemental tools to enhance visibility and situational awareness of overhead distribution assets in the highest wildfire-risk areas, accelerate identification of conditions needing corrective action, and improve prioritization and timeliness of repairs and replacements."[50] Contrary to PCF's assertion then (as PCF later seemingly acknowledges),

---

incorporation of risk-based inspection prioritization and technologies such as Intelligent Image Processing and machine learning to improve inspection efficiency. *See* Ex. SDG&E-T3-WMPMA-06-E, *Errata Supplemental Testimony of Jennifer Kaminsky On Behalf Of SDG&E* (April 2026) (Ex. SDG&E-T3-WMPMA-06-E (Kaminsky Supplemental)) at JK-56. The 15% reduction to SDG&E's request is for the two programs combined.

47 *See generally* Motion at 18 (noting that the 15% reduction was "consistent with Cal Advocates' recommendation;" *Compare* Settlement, Appendix 1 *with* Ex. CA-04, *Report on the Results of Operations for SDG&E GRC Test Year 2024* (Witness: M. Kang) (July 14, 2025) (Kang Direct). PCF points out that SDG&E's drone inspection and repairs cost is nearly half of SDG&E's total request, PCF Brief at 6, but that is because SDG&E's request for these programs is for four years due to carrying over 2019-2022 costs.

48 *See, e.g.*, PCF Brief at 59 (objecting to SDG&E completing HFTD inspections every three years instead the maximum allowed five years under GO-165).

49 D.26-01-021 at 105.

50 Ex. SDG&E-T3-WMPMA-11, *Supplemental Rebuttal Testimony of Jennifer Kaminsky On Behalf of SDG&E* (May 2026) (Ex. SDG&E-T3-WMPMA-11 (Kaminsky Supplemental Rebuttal)) at JK-3; *id.*

SDG&E extensively explained why "bucket trucks," helicopters, or other traditional inspection methods could not accomplish the same level or efficacy of inspection coverage.[51] Ms. Kaminsky's testimony is further supported by similar conclusions from PG&E, who found drone inspections more effective at identifying issues than helicopter or land-based inspections and "ultimately cancelled most helicopter inspections midway through the [aerial inspection] pilot," due to poor photo quality and missed structures.[52]

SDG&E also explained why it was important to complete the inspection of all high fire threat district poles within three years rather than GO-135's five-year minimum.[53] Putting aside the increased wildfire risk from simply doing the minimum of what is required,[54] absent the Office of Energy Infrastructure Safety's approval of a change to SDG&E's WMP targets, as Jennifer Kaminsky testified, "SDG&E was required to perform a certain number of drone inspections each year, consistent with its approved and ratified Wildfire Mitigation Plan (WMP).

---

at JK-13 ("SDG&E implemented DIAR and RIDI to help its WMP goals of enhancing inspections and prioritizing repair work in the high wildfire risk areas.").

51 PCF Brief at 61 ("Roads do not exist to all SDG&E distribution assets.") (quoting Ex. SDG&E-T3-WMPMA-06-E (Kaminsky Supplemental) at JK-72); Hearing Tr. Vol. 31 (May 29, 2026) at 5135:12-14 (Kaminsky) (explaining why other inspection programs could not accomplish the same thing as drone inspections, as the drones were there "to identify those non-obvious hazards from the top that you really couldn't find anywhere else," liking it to a "colonoscopy."). *See also* Ex. SDG&E-T3-WMPMA-11 at JK 32-33 ("First, helicopter patrols do not provide the same close-range, standardized, high-resolution imagery that SDG&E's drone programs were designed to collect for distribution-level components. A helicopter cannot get within mere feet of infrastructure for a sustained period of time. Moreover, helicopters inspections cannot work around potential impediments to visual assessments, such as vegetation cover, that would limit inspectors' ability to see assets in the same manner as from the ground.")

52 Ex SDG&E-T3-WMPMA-11 at JK-35 ("Like SDG&E, PG&E concluded that 'the drone only method is the most promising for aerial inspections in the near term.")

53 Hearing Tr. Vol. 31 at 5044:16-20 (five-year interval is the maximum interval that GO-135 allows); *id.* at 5057:20-5058:8 (adding drones to 5-year inspection cycle would provide less information and require significant coordination).

54 Ex. SDG&E-T3-WMPMA-11 (Kaminsky Supplemental Rebuttal) at JK-10 ("Based on the damages detected and repairs completed during the drone program, I truly believe that without SDG&E's drone program, our service territory would have experienced a catastrophic wildfire in our service territory in the last five years.").

Failure to perform these inspections would have resulted in potential fines for WMP non-compliance and risked SDG&E receiving its safety certificate due to failure to implement its WMP."[55] And no matter how many times PCF wants to compare SDG&E to Plumas Sierra (11 references in PCF's brief alone) the comparison is not apt between the drone program for a small rural collective with a workforce of 10-11 total inspectors and one for SDG&E's service territory and operations.[56]

Moreover, PCF's recommendation—including its "alternative" proposal of a 56.7% reduction—flies in the face of the fact that over 70% of SDG&E's requested recovery for these programs were for GO-95 required repairs that resulted from the inspections.[57] The drone inspections resulted in over 35,000 repairs between 2019-2023;[58] again demonstrating the efficacy of going beyond the bare minimum. "Failure to perform repairs of the at-risk assets identified by inspections could be deemed imprudent and, more importantly, could have placed our customers and communities at risk of wildfire."[59] It is also unreasonable to compare SDG&E's costs for repairs following drone inspections to SCE or PG&E. SDG&E is the only utility to have segregated drone repair costs and tracked them within the drone program itself;

---

55 Ex. SDG&E-T3-WMPMA-11 (Kaminsky Supplemental Rebuttal) at JK-1. *See also id.* at JK-13, n. 7 ("SED issued a proposed Administrative Enforcement Order to PacifiCorp directing the company to pay a penalty of $27,284,000 for eleven alleged WMP compliance violations"). Contrary to PCF's claims, SDG&E also demonstrated that the machine learning models improved the efficacy of inspections and were useful for situational awareness. *Id.* at JK-5.

56 Ex. SDG&E-T3-WMPMA-11 (Kaminsky Supplemental Rebuttal) at JK-27 - JK-28.

57 *Id.* at JK-1 ("Upon finding assets that posed imminent risk to reliability or public safety, or failed to comply with General Orders and other regulatory requirements, SDG&E was obligated to perform repairs of those assets."); *See* Ex. SDG&E-T3-WMPMA-13, *Exhibit of Jennifer Kaminsky On Behalf Of SDG&E Regarding Asset Management And Inspections* (May 2026) (Ex. SDG&E-T3-WMPMA-13 (Kaminsky Exhibit)) at 3 ("The repair costs resulting from SDG&E's drone inspections account for about 70 percent of the total costs that SDG&E is requesting for this program.").

58 Hearing Tr. Vol. 31 (Kaminsky) 5091:17-24.

59 Ex. SDG&E-T3-WMPMA-11 (Kaminsky Supplemental Rebuttal) at JK-2; Hearing Tr. Vol. 31 at 5081:5-5082:4 (discussing GO-95's requirement for SDG&E to perform identified repairs from drone inspections).

the other two utilities did not separately track drone repair costs, instead including them in the respective companies' overall budgets for asset repairs.[60] SDG&E's cost tracking methods allowed for comparatively more transparency and insight into program operations, a fact that PCF now tries to hold against SDG&E in arguing for extreme reductions.

Although PCF contends that the repairs resulting from drone inspections were over 61% costlier than average maintenance repairs,[61] those repairs are not comparable. The drone programs were specifically implemented to identify defects not observable from traditional ground-based inspections and to identify conditions posing heightened wildfire, reliability, safety, or compliance concerns, and to identify major structural defects.[62] The cost for the necessary repairs resulting from the drone inspections—namely pole replacements—increased during this period more so than less complex traditional corrective maintenance work due to differences in supply chain and inflationary pressures on obtaining steel poles and the need for SDG&E to engage outside contractors to help perform the work given the sheer volume of required repairs identified by the programs.[63]

Moreover, as noted in the Settling Parties' Comments, engineering costs that are normally pooled as indirect costs were directly charged to the drone inspection and repair programs.[64] This increased the amount of direct capital costs for repairs for these programs that would have otherwise been spread among all capital repair programs, making the comparison

---

60 Ex. SDG&E-T3-WMPMA-13 (Kaminsky Exhibit) at JK-3.
61 PCF Brief at 35-36.
62 See SDG&E-T3-WMPMA-06-E at 38; SDG&E-T3-WMPMA-11 at 2, 6-7; Hearing Tr. Vol. 31 at 5061:16-17 ("Drones are for major structural defects as defined in GO-165").
63 Ex. SDG&E-T3-WMPMA-06-E (Kaminsky Supplemental) at JK 79-81; Hearing Tr. Vol. 31 at 5088-5094.
64 Settling Parties' Comments at 5.

between the cost of repairs resulting from the drone programs not an apples-to-apples comparison with other repair programs where those costs were not directly charged.[65]

SDG&E's drone program has been widely praised by regulators and SDG&E's WMP independent evaluator as an effective tool to "augment existing inspection programs as part of its maturation and innovation in wildfire mitigation."[66] Through the program, SDG&E's Independent Evaluator found "*SDG&E* is investing in an asset that can pay dividends in operation and safety efficiencies for years to come."[67] The relevant question, then, is not whether SDG&E should have implemented the drone program in the first place, but whether it was a prudent manager in implementing its Commission-reviewed wildfire-mitigation program and adequately addressed the risks that those enhanced inspections revealed.[68] While, as PCF notes, the Commission requested additional information before assessing SDG&E's program,[69] SDG&E provided the additional information that the Commission required here,[70] through hundreds of pages of supplemental testimony, workpapers, and supplemental rebuttal

---

65 Ex. SDG&E-T3-WMPMA-06-E (Kaminsky Supplemental) at JK-79-80.

66 Ex. SDG&E-T3-06-E at JK-82.

67 *Id.* at JK-84 (citing Final Independent Evaluator Report on Compliance for SDG&E's 2022 WMP at 90 (June 30, 2022), available at https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=52688&shareable=true).

68 PCF's objection to the Commission's application of the "prudent manager standard" (PCF Brief at 18-19) reflects a misunderstanding of that standard. As the Commission held in the Track 2 Decision, under the Commission's longstanding precedent, the "prudent manager standard" is just an articulation of how the Commission reviews the prudency of already-incurred costs to determine whether they were just and reasonable under Pub. Util. Code Section 451. *See* D.26-01-021 at 40. As the Commission continued, the "Commission uses the established prudent manager standard to evaluate whether SDG&E's costs are just and reasonable." *Id.*

69 PCF Brief at 22.

70 D.26-01-021 at 110 (requesting that SDG&E provide "specific and detailed supplemental testimony of both the inspection and the repair costs associated with the category of costs at issue for this program," including "a breakdown of all AM&I costs" for 2019-2022 for repairs, inspections, capital expenditures, and O&M expenses.").

testimony.[71] SDG&E also provided a supplemental exhibit further detailing SDG&E's drone inspection and repair programs and contrasting those programs with available information for PG&E and SCE.[72]

And to the extent that any of PCF's objections have validity, the Settlement reaches a reasonable reduction based on the efficacy of the programs versus the comparatively high start-up costs as one part of an overall reasonable agreement.[73] That is, the specific amount of recovery permitted for any one program must be considered in context of the trade-offs involved with other programs (the cost for many of which PCF did not contest) to achieve an overall 22% reduction in direct costs.

b. Covered Conductor Installation and Strategic Undergrounding

PCF raises many of the same complaints in arguing for zero recovery for SDG&E's covered conductor and strategic undergrounding programs that it raised in Track 2. But, as noted, the Track 2 Decision rejected PCF's arguments. As the Commission found:

- "The Commission is not persuaded by PCF. The Commission finds PCF's argument to reject the entire Covered Conductor program unreasonable, just as we did with respect to PCF's argument regarding DOSH."[74]

- PCF's argument that strategic undergrounding is "not cost-effective compared to other wildfire mitigations . . . does not take into consideration the complexity of the evolution of wildfire risk and related issues."[75]

- "Although cost-effectiveness is a valid concern, the Commission is unpersuaded by intervenor arguments claiming their proposed alternatives were superior

71 *See* Ex. SDG&E-T3-WMPMA-06-E (Kaminsky Supplemental); Ex. SDG&E-T3-WMPMA-07-E, *Errata Supplemental Workpapers of Jennifer Kaminsky* (April 2026); Ex. SDG&E-T3-WMPMA-13 (Kaminsky Exhibit).
72 Motion at 18-19 (citing Ex. SDG&E-T3-WMPMA-13 (Kaminsky Exhibit) at 2-3).
73 *See* Motion at 18-19.
74 D.26-01-021 at 56.
75 *Id.* at 63-64.

> compared to SDG&E's. PCF fails to demonstrate how much—if any—SPS can substitute for undergrounding."[76]

The Commission in Track 2 instead reduced SDG&E's covered conductor installation request by 19% based on the percentage cost per mile difference for SDG&E and PG&E,[77] and fully granted SDG&E's strategic undergrounding request—finding that SDG&E was "prudent in strategically undergrounding electric distribution lines, especially in highest risk areas."[78]

The Settlement's reductions for these programs, not PCF's recommendations, are thus more consistent with the Track 2 Decision. The Settlement in fact already provides SDG&E a lower recovery percentage for covered conductor and strategic undergrounding than in Track 2.

Moreover, in the Motion, the Settling Parties noted that some of the same reasons that PCF objects to these programs were the bases for the agreed-upon amounts in the Settlement. For example, to the extent that PCF repeatedly raises the Office of Energy Safety's 2021 report regarding strategic undergrounding in its brief,[79] the Settling Parties note that one basis for the Settlement is that "TURN's prepared testimony identified a number of issues and concerns that were raised in Energy Safety decisions on SDG&E's 2022 and 2023-2025 WMPs that, according to TURN, would support a determination that the undergrounding project costs were not reasonable."[80] To the extent that PCF raises how SDG&E conducted RSE calculations,[81] the Motion notes that "further evidence adduced during the hearing process raised questions about how SDG&E chose to pursue undergrounding in the face of other options such as covered

---

76 *Id.* at 67. PCF again raises its SPS concept. PCF Brief at 33. Putting aside that the Commission in the Track 2 Decision, as noted, found that SPS is not a capable substitute, PCF proffering its preferred wildfire mitigation approach is better suited for a forward-looking GRC, rather than a review of the wildfire mitigation that SDG&E undertook pursuant to its approved WMP.

77 D.26-01-021 at 58.

78 *Id.* at 64.

79 *See* PCF Brief at 31.

80 Motion at 19-20.

81 PCF Brief at 13.

conductor, and the unit cost differences for SDG&E's covered conductor program as compared to the other major electric utilities in California."[82] The Settling Parties thus took these considerations into account in reaching a reasonable outcome for these two programs as part of the overall Settlement.

Because SDG&E's strategic undergrounding and covered conductor installations represented a substantial majority of SDG&E's capital cost request,[83] the Settlement Agreement results in significant capital reductions. But, again, the Settlement's reductions for these two programs—in contrast to PCF's already-rejected proposals in Track 2 for SDG&E to receive zero for both programs—are also consistent with the Commission in Track 2 finding SDG&E's covered conductor installation and strategic undergrounding to be a "reasonable exercise of judgment."[84] The Settlement thus reaches a reasonable balance.

IV. PCF MISUNDERSTANDS THE RECORD EVIDENCE

PCF also objects to the underlying record evidence, most notably Ex. SDG&E-T3-WMPMA-19. But PCF seemingly misunderstands that record.

A. SDG&E Did Not Increase its Capital Request after Supplemental Testimony

PCF is incorrect in asserting that SDG&E had "five different sets of costs for which it seeks cost recovery."[85] As PCF ostensibly recognizes, SDG&E's Track 3 Wildfire request came

---

82 Ex. TURN-06, *TURN Cross-Examination Exhibit* (April 2026); Hearing Tr. Vol. 29 (May 27, 2026) at 4807-4808 and 4835-4837.

83 Ex. TURN-01, *Prepared Testimony of Robert Finkelstein in "Track 3"* (July 14, 2025) at 3.

84 D.26-01-021 at 58 ("the Commission finds the cost per mile for Covered Conductor work for the 2019–2022 period to be an exercise of reasonable judgment for that time period"); *id.* at 61 ("the Commission finds SDG&E's requested Strategic Undergrounding costs to be incremental and just and reasonable.").

85 PCF Comments at 2; *see* PCF Brief at 3. PCF also incorrectly relies upon a June 26, 2026 ruling that has been vacated. *Compare* PCF Comments at 2 (citing Email Ruling Directing the Filing of Briefs (June 26, 2026) *with* ALJs' July 1 Email Ruling (vacating that June 26, 2026 ruling).

in the form of a revenue requirement.[86] The Settling Parties in Opening Comments explained each step in PCF's Figure 1 and specified that SDG&E has only had two different revenue requirement requests in this proceeding.[87] First, in April 2025 SDG&E submitted its direct testimony, requesting a revenue requirement of $669 million. Second, in March 2026, following the Track 2 Decision, SDG&E (while providing hundreds of pages of supplemental testimony and workpapers): (1) removed $148 million in capital expenditures for projects that were not yet in service in 2023; and (2) added in the 2019-2022 drone inspection and repairs costs per the Track 2 Decision, for an updated revenue requirement request of $766 million.

Table 5: SDG&E Track 3 Requested Revenue Requirement ($ in millions)

SDG&E Track 3 Wildfire Original Request	SDG&E March Track 3 Wildfire Request
$669	$766

SDG&E's request did not change again. PCF's statement that SDG&E has "dramatically increased its direct costs claimed throughout this proceeding" is thus not accurate.[88] Indeed, PCF seems to recognize this by acknowledging that SDG&E removed $148 million in requested costs—while simultaneously criticizing SDG&E for removing those costs.[89]

PCF focuses on: (1) the April 2026 errata; and (2) the May 2026 Ex. SDG&E-WMPMA-Track 3-19. But as noted, both pieces of evidence merely identified costs that SDG&E was already requesting:[90]

1. **April 2026 Errata (Ex. SDG&E-T3-WMPMA-06-E; Ex. SDG&E-T3-WMPMA-07-E; Ex. SDG&E-T3-WMPMA-08-E; Ex. SDG&E-T3-WMPMA-10-E)**: Corrected the omission of approximately $100 million in engineering costs from SDG&E's supplemental workpapers—costs that were included in SDG&E's

86 *See* PCF Brief at 6 ("In Track 3 SDG&E's revenue request includes . . .").
87 *See* Settling Parties' Comments at 4-5.
88 PCF Comments at 12.
89 *Id.*
90 Settling Parties' Comments at 3-8.

revenue requirement request but not separately displayed because SDG&E had changed its accounting practice to directly charge what are typically indirect engineering costs to four large programs as well as a table linking error.[91]

2. **May 2026 Exhibit SDG&E-T3-WMPMA-19:** separated identified 2019-2022 capital expenditures that were for multi-year projects that did not go in service—and thus were not recorded to SDG&E's WMPMA—until 2023.[92]

Contrary to PCF's suggestion, [93] as with the errata, Exhibit SDG&E-T3-WMPMA-19 did not add costs to SDG&E's request. Instead, as explained, it was already within SDG&E's revenue requirement request.[94] SDG&E could not—and did not—seek the recovery of those capital expenditures in Track 2 because they were not yet in service.[95] PCF itself elsewhere seemingly accepts that that capital costs spent in prior years are not available for recovery until in-service.[96]

Nor can PCF rightly say that these capital expenditures were "previously unreported."[97] Those direct capital expenditures were in SDG&E's supplemental workpapers.[98] The difference

---

91 Ex. SDGE-T3-WMPMA-12, *Supplemental Rebuttal Testimony of Jonathan Woldemariam On Behalf Of SDG&E* (May 2026) at 8, n.9 ("[w]hile the direct costs were not included in the previous workpapers, those direct costs were included in the revenue requirement calculations…and so SDG&E's revenue requirement did not change with the errata."). Contrary to PCF's implication, PCF Brief at 15, SDG&E corrected this error as soon as it was discovered.

92 Settling Parties' Comments at 6-8; *see* Ex. SDG&E-T3-WMPMA-09, *Supplemental Testimony of Jack Guidi On Behalf Of SDG&E* (March 2026) (Ex. SDG&E-T3-WMPMA-09 (Guidi Supplemental)) at JG-3 and JG-5 (Capital expenditures for multi-year projects like strategic undergrounding are accumulated in Construction Work in Progress (CWIP) until the asset is placed in service and recorded to the WMPMA).

93 PCF Comments at 13.

94 Hearing Tr. Vol. 30 at 4976:20-22 (Guidi) ("Q: And does SDG&E-T3-WMPMA-19 change SDG&E's request in this proceeding in any way? A: No, it does not.").

95 *See* D.24-03-008 at 25 (the Commission will not make a determination on the reasonableness of capital expenditures in CWIP occurs until those projects "ha[ve] been completed and transferred into service.").

96 PCF Brief at 48 ("As Mr. Guidi explained, SDG&E-T3-WMPMA-19 shows 'what went into service during that timeframe that we're talking about [in] Track 3 and the underlying costs associated.'" (quoting Hearing Tr. Vo. 30 at 4975:15-25 (Guidi)).

97 PCF Comments at 12.

98 Ex. SDG&E-T3-WMPMA-08-E, *Errata Supplemental Workpapers of Jonathan Woldemariam On Behalf Of SDG&E* (April 2026).

was that the supplemental workpapers did not separate out which of the 2019-2022 capital expenditures were sought in Track 2 (because they were capital expenditures for projects that went into service those years) and which were for Track 3.

PCF is likewise wrong in claiming that SDG&E failed to demonstrate that these 2019-2022 capital expenditures "were not included as part of SDG&E's Track 2 revenue requirement."[99] Instead, as Jack Guidi testified, SDG&E did not seek the recovery of those capital expenditures in Track 2, and for any Track 2 reduction in direct costs, the resulting revenue requirement was accordingly adjusted to account for that reduction.[100] SDG&E also entered into evidence an independent audit that verified the incrementality of all the costs that SDG&E was requesting in Track 3.[101]

Nor is PCF correct that Exhibit SDG&E-T3-WMPMA-19 was introduced "in a procedurally defective manner."[102] The exhibit was sponsored by Mr. Guidi, admitted into the record, and Mr. Guidi was available for cross examination regarding the exhibit.[103] Although, again, it would have been preferable if the exhibit was in the record earlier, there was no loss of process. And while PCF is wrong to state that the Settlement was "based entirely on SDG&E-T3-

---

99 PCF Brief at 26.

100 Hearing Tr. Vol. 30 at 5025:7-11 (Guidi) (The capital expenditures in Ex. SDG&E-T3-WMPMA-09 "were presented [in that exhibit] because the capital expenditures occurred in those years, but those amounts accumulated in CWIP and were not requested until they were placed in service, which would be in the Track 3 proceeding"); *id.* at 4999:12-15 ("I can say that to the extent that an amount was disallowed in Track 2, those adjustments were made to the revenue requirement to reflect that reduction in the Track 2 proceeding.").

101 Ex. SDG&E-T3-WMPMA-03, *Prepared Direct Testimony of Jake Van Reen On Behalf Of SDG&E* (April 2025).

102 PCF Comments at 11.

103 *See* Hearing Tr. Vol. 30 at 4935-5004 (Guidi).

WMPMA-19,"[104]—the Settling Parties relied upon this exhibit, along with all record evidence, in reaching the Settlement.[105]

B. The Settling Parties Are Represented by Experienced, Adversarial Practitioners Who Understood the Record

PCF devotes several pages to its allegations and theories regarding the deficiencies of the factual analysis and testimony support presented by the other intervenors, particularly regarding SDG&E's drone programs for 2019-2023.[106] The Commission should disregard PCF on these points.

There are numerous explanations for an intervenor's decision to not submit additional testimony or other evidence in response to emerging procedural opportunities to make such submissions in a proceeding. It could reflect a strategic decision based on a determination that the intervenor's intended arguments will be well-supported based on the evidentiary record consisting of the utility's showing, discovery responses, and additional evidence adduced through cross-examination. It could also reflect a decision driven by the limited resources some intervenors had available to devote to preparing additional rounds of testimony when those efforts overlapped with their work in the test year 2027 proceeding for PG&E or other significant proceedings before the Commission.

---

[104] PCF Comments at 2.

[105] PCF's assertion that SDG&E introduced Exhibit SDG&E-T3-WMPMA-19 "only after" a settlement proposal had been made (*see* PCF Comments at 2) appears to disclose information that would not have been publicly available absent participation in Rule 12 confidential settlement negotiations. A settlement in principle was not publicly disclosed until June 11, 2026—weeks after Exhibit SDG&E-T3-WMPMA-19 was introduced. To the extent PCF's argument relies on the timing of confidential settlement discussions to support a litigation position, it raises significant concerns under Rule 12.6 because parties are generally prohibited from disclosing or using information obtained through settlement negotiations outside those negotiations.

[106] PCF Comments at 15-17.

And where PCF had indicated it hoped to cross-examine SDG&E's witness on the drone programs for multiple hours—in addition to indications that the ALJs and/or Commissioner Houck intended to (and did) conduct cross-examination as well—it could have seemed reasonable to the other intervenors to expect that there would be no need for them to conduct any cross-examination of that witness.[107] None of this is a "deficiency," but rather the reality of intervenors practicing before the Commission during a period when a number of high-importance proceedings were underway on overlapping procedural schedules.

There certainly was no stipulation by either Cal Advocates or TURN that the testimony those parties had submitted "was deficient," as PCF states.[108] The stipulations merely acknowledged that the Cal Advocates' and TURN's testimonies had been served prior to the issuance of the Track 2 decision and the SDG&E revisions in Supplemental Testimony that followed that decision. The very clear inference to be drawn from the stipulations is that, absent the Settlement, those parties' final recommendations would have been set forth in the briefs and based on the original testimony, the supplemental and errata testimony, Exhibit SDG&E-T3-WMPMA-19, and the additional testimony provided during evidentiary hearings. PCF's claim that the acknowledgement in the two stipulations represents some sort of concession of deficiency is inconsistent with how long-established intervenors practice before the Commission, and seems predicated on an unfounded assumption that PCF, and only PCF, understands what it takes to effectively participate in Commission proceedings. Either way, the claim is unfounded.

At bottom, the only issue before the Commission is whether the Settlement satisfies Rule 12. As noted, the Settlement was reached by four experienced, adversarial parties, represented by practitioners with decades of experience before the Commission. The Settling Parties had been

---

107 *See* Hearing Tr. Vol. 31.
108 PCF Comments at 15 and n. 56.

participating in the various tracks of SDG&E's GRC for years, and had the Track 2 proceeding and Decision to rely upon as a guidepost for analogous issues. As PCF notes, TURN undertook cross examination of two key SDG&E witnesses and entered six cross-exhibits into the record—including three that resulted from data requests sent after SDG&E's issued supplemental testimony.[109]

Cal Advocates provided testimony recommending a 14% reduction to SDG&E's drone inspection and repairs program.[110] While PCF's normative judgment is that the Settlement reduction is not enough, as discussed, PCF's recommended 100% reduction flies in the face of the Commission in Track 2 finding that SDG&E's drone inspections have value,[111] the fact that the drone programs were in SDG&E's Commission-approved WMPs and that SDG&E is required to comply with those WMPs, and the fact that over 70% of the requested costs are for capital repairs that SDG&E must make or risk being non-compliant with GO-95.[112] PCF's attacks on the Settling Parties' competence and/or fixation on one program should not serve as a basis for rejecting a comprehensive, multi-party Settlement that satisfies the Commission's clearly applicable standards.

V. PCF MISUNDERSTANDS HOW THE SETTLEMENT PROVIDES FOR INDIRECT COSTS

PCF is likewise incorrect to say that the Settlement does not include indirect costs.[113] Instead, as the Settling Parties explained in their Comments, the Settlement provides for program-by-program direct and indirect costs amounts.[114] The expedited June 22, 2026 Motion

---

109 *Id.* at 16.
110 *See* Motion at 18-19 (citing n. 29, Kang Direct).
111 D.26-01-021 at 105.
112 *See* Hearing Tr. Vol. 31 at 5081:5-14 (Kaminsky).
113 PCF Comments at 14.
114 Settling Parties' Comments at 9-11.

filing date did not allow SDG&E sufficient time to calculate the final indirect costs, which required a program by program calculation of indirect costs off of the agreed-upon direct cost amounts. The Settlement thus provides that SDG&E would "only recover the indirect costs that result from the agreed-upon direct capital expenditures and direct O&M amounts," and would calculate those costs as part of calculating the final revenue requirement.[115]

To do so, the Settling Parties understood that SDG&E would calculate indirect costs "follow[ing] the same approach used in SDG&E's GRC-filings and is consistent with both FERC cost-allocation standards and the Commission-approved overhead allocation process adopted in SDG&E's 2019 and 2024 GRC decisions."[116] Notably, PCF in testimony did not contest SDG&E's methodology for calculating indirect costs. By definition (as provided in the Settlement) indirect costs flow from direct costs. They are not independently determined. Instead, they are company-wide costs (administrative and general, engineering, benefits, etc.), that are spread among programs by calculating the percentage for recovery off the allowed direct costs. When direct costs are decreased, as the Track 2 Decision recognized, so too proportionally are indirect costs (reflected in the fact that the Settlement reduces direct costs by 22% and indirect costs by 23%).[117]

The Settlement further provides that, once the final indirect costs and revenue requirement figures were available, the Settling Parties will review and make available by reply comments.[118] The Settling Parties' opening comments provide those figures.[119] As such, any

---

115 Settlement at 1.3.
116 Ex. SDG&E-T3-WMPMA-09 (Guidi Supplemental) at JG-10.
117 D.26-01-021 at 150. *Id.* at 144-45 ("intervenors did not contest SDG&E's methodology for adding overhead costs.").
118 Settlement at 1.4. The "by" in that provision indicated that those numbers could be provided sooner, as soon as they were available.
119 Settling Parties' Comments at 11-12, and Attachments A and B.

concerns should be ameliorated because PCF has the opportunity to review those figures and file reply comments.[120] And although PCF's claim that the time between opening and reply comments is not enough time to review those figures beggars belief (particularly because PCF did not object to SDG&E's methodology for calculating indirect costs),[121] PCF could request additional time for reply comments if it so chooses. Or, as PCF notes, the Commission can hold a hearing under Rule 12.3 if the Commission believes such a hearing is necessary.[122]

The Settlement is thus not "incomplete."[123] The final indirect costs and revenue requirement are provided by, and included in, the Settlement, resulting from the calculation of those figures off the agreed-upon direct costs, consistent with the longstanding methodology to do so. Far from "delegating" the Commission's authority to determine the reasonableness of the Settlement indirect costs and revenue requirement, the Settlement expressly provides that the Settling Parties will provide those final indirect costs and revenue requirement—as they have done—for the Commission's consideration and review under Rule 12.

VI. PCF'S PROCEDURAL OBJECTIONS TO THE SETTLEMENT ARE WITHOUT MERIT AND SHOULD BE REJECTED

Finally, PCF raises a series of procedural objections.[124] But those objections are without merit. The Motion contains 24 pages of factual and legal analysis, including legal, factual, and procedural background; summaries of each party's litigation position; a detailed Summary of the Settlement Agreement with program-by-program authorized recovery amounts; extensive

---

120 PCF Comments at 8 (asserting that non-settling parties will not have the opportunity to comment on final indirect costs).
121 *Id.* at 26.
122 *Id.* at 14.
123 *Id.* at 8.
124 *Id.* at 4.

analysis under Rule 12.1(d); and comparison to Track 2 disallowances and prior Commission wildfire cost recovery outcomes.

In response, PCF claims that the Motion's Rule 12.1(a) comparison exhibit is insufficient due to that Exhibit not detailing the positions that Cal Advocates contested.[125] Rule 12.1(a) provides that when "a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed," the motion must be supported by a comparison exhibit, and if the "participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing." As the Settling Parties detailed in their Motion, the Settling Parties did not believe that a comparison exhibit was required, because a proceeding seeking incremental cost recovery does not constitute a "proceeding under [the] Rate Case Plan," which addresses a traditional forecasted GRC revenue requirement case.[126]

For example, A.21-06-021 (PG&E's test year 2023 GRC Track 2 that resulted in the PG&E Wildfire Mitigation Settlement Decision) was a reasonableness review for the amounts PG&E recorded in 2021 in various electric and gas memorandum accounts. Though clearly within PG&E's GRC application proceeding and adopted in a decision addressing Track 1 and Track 2 issues,[127] the settlement motion did not include a comparison exhibit.[128]

Moreover, while in SCE's Track 2 of its test year 2021 GRC proceeding in A.19-08-013, a comparison exhibit was filed with the Motion for settlement, in substance the comparison

---

[125] *Id.* at 6, 9.
[126] Motion at 6, n.26.
[127] D.23-11-069 at 745-750.
[128] *See* Application (A.) 21-06-021, Joint Motion of PG&E And Cal Advocates For Approval Of A Settlement Of Track 2 Issues (January 6, 2023).

exhibit provided minimal information.[129] Here, in addition to Appendix 1 extensively detailing SDG&E's request, the Motion details Cal Advocates' position and quantifies Cal Advocates' recommended 19.79% direct capital reduction and 17.66% direct O&M reduction.[130] PCF's argument should thus not be fatal to the Settlement when a comparison exhibit was not required in approving PG&E's 2023 GRC Track 2 Wildfire Mitigation Settlement, when the requirement for a comparison exhibit has not been consistently applied in subsequent GRC tracks where motions for settlement were filed, and when the Settling Parties have provided ample information consistent with the quality and quantity of information that would be included in a comparison exhibit. To find otherwise would elevate form over function.

PCF's statement regarding the Settling Parties not holding a "settlement conference to advise parties of the final terms of the settlement"[131] is also not consistent with the Commission's rules. As PCF notes, Rule 12.1(b) only provides that "[p]rior to signing any settlement, the settling parties shall convene at least one conference with notice and opportunity to participate provided to all parties."[132] As PCF notes, the Settling Parties did so here and PCF attended.[133] There is no requirement in the rule to hold such a conference regarding "final terms."

Nor are there "material changes to the Settlement Agreement."[134] Instead, the Settlement is the final agreement. PCF is apparently referring to Section 1.4 of the Settlement, which provides that the Settling Parties will hold a meet and confer if the final revenue requirement is different by more than 5% from the estimate. Contrary to PCF's claim, SDG&E did not

---

[129] *See* A.19-08013, Joint Motion By SCE, Cal Advocates, TURN, and SBUA For Approval Of 2021 GRC Track 2 Settlement Agreement (November 2, 2020) at Appendix B.
[130] Motion at 7.
[131] PCF Comments at 4.
[132] Rule 12.1(b).
[133] PCF Comments at 10.
[134] *Id.* at 8.

"anticipat[e]" as much as a 5% difference.[135] Instead, the Motion states that SD&E's "believes that the difference between the estimate and actual revenue requirement amounts will be minor."[136] PCF thus misunderstands the point of that term, which was not to hold a subsequent settlement conference.

And more to the point, that term was proved unnecessary because the final revenue requirement reduction was 19%—a mere one percentage point difference from the estimate—rendering PCF's concern moot. As noted, PCF has the opportunity in reply comments to address that final revenue requirement.

Finally, PCF's complaint that the Settlement controls over the Motion is a non-starter.[137] The Settlement is the binding contractual agreement between the Settling Parties. Nowhere does Rule 12.1 say that the Motion must be a substitute for the Settlement or that it must list every term from the Settlement.

VII. CONCLUSION

For the reasons provided in the Motion, Opening Comments, and here, the Settlement should be adopted.

Respectfully submitted,

/s/ Ross R. Fulton

Ross R. Fulton
San Diego Gas & Electric Company
8330 Century Park Court, #CP32D
San Diego, CA 92123
Telephone: (619) 372-7529
Email: rfulton@sdge.com

Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY

July 22, 2026

[135] *Id*.
[136] Motion at 11.
[137] PCF Comments at 9.