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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, 2028	A.26-06-014
And Related Matter	A.26-06-015

SOUTHERN CALIFORNIA GENERATION COALITION
PROTEST

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SOUTHERN CALIFORNIA GENERATION COALITION PROTEST

I. INTRODUCTION

In accordance with Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the July 7, 2026 *Administrative Law Judges' Ruling Consolidating Applications* ("Consolidation Ruling"),[1] the Southern California Generation Coalition ("SCGC") respectfully protests the *Test Year 2028 General Rate Case Application of Southern California Gas Company* ("Application") dated June 15, 2026.

In its Application, the Southern California Gas Company ("SoCalGas") presents its Test Year 2028 General Rate Case ("GRC"). SoCalGas proposes a total Test Year 2028 revenue requirement of $5.1 billion, which would result in a $485 million (10.5 percent) increase over SoCalGas's estimated 2027 revenue requirement.

The members of SCGC include electric utilities that operate electricity generation facilities located in the SoCalGas service territory. The increased revenue requirement proposed by SoCalGas would increase the rates that SoCalGas charges for transportation of natural gas to the electricity generation facilities of the SCGC members. SCGC objects to the Commission

[1] Consolidation Ruling, p. 2 (July 7, 2026).

granting, in whole or in part, the increased revenue requirement proposed in the Application and requests an evidentiary hearing to provide an opportunity for SCGC to support SCGC's request for whole or partial denial of the Application.

On the same day that SoCalGas presented its Application, the San Diego Gas and Electric Company ("SDG&E") submitted its Test Year 2028 General Rate Case Application ("A.") 26-06-015 to revise SDG&E's Test Year 2028 revenue requirement. The SDG&E Application was consolidated with the SoCalGas Application in the July 7, 2026 Consolidation Ruling.[2] SCGC submits this protest in the consolidated proceeding, but SCGC's attention will be focused on the SoCalGas Application.

II. THE FACTS CONSTITUTING THE GROUNDS FOR SCGC'S PROTEST.

Rule 2.6 (b) of the Commission's Rules of Practice and Procedure requires a protesting party to state the facts constituting the grounds for a protest of an application. SCGC has not had adequate time since the June 15, 2026 service of the Application to conduct discovery or to complete an analysis of the Application. However, in the limited time since the service of the Application SCGC has identified ample grounds for protesting the Application.

The Application identifies the principal issues to be considered in this proceeding:

> Whether SoCalGas's proposed TY 2028 revenue requirement is just and reasonable, and should be adopted by the Commission and reflected in rates;
>
> Whether SoCalGas's proposed post-test year ratemaking mechanism is just and reasonable; and
>
> Whether SoCalGas's regulatory accounts proposals are just and reasonable.[3]

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[2] *Ibid.*

[3] Application, p. 13.

SCGC intends to conduct discovery and to perform an analysis relevant to the three issues identified by SoCalGas. However, based solely upon a review during the limited time since the Application was served on June 15, 2026, the following summarizes SCGC's preliminary positions on the three principal issues identified by SoCalGas.

A. ***Whether SoCalGas's proposed TY 2028 revenue requirement is just and reasonable, and should be adopted by the Commission and reflected in rates*: SoCalGas's Forecasts of Increases in Operations and Maintenance Expense Are Unjust and Unreasonable.**

SoCalGas presents testimony about three major areas of gas system operations: Gas Engineering & System Integrity ("GESI"),[4] Gas Transmission & Storage ("GT&S"),[5] and Gas Major Projects ("Major Projects").[6] Upon examination of SoCalGas's testimony about these three major areas, SCGC has determined that SoCalGas is projecting a cumulative increase in Operations & Maintenance ("O&M") expense between recorded Base Year 2025 expense and forecasted Test Year 2028 expense of approximately 21 percent in nominal dollars. SCGC proposes to present testimony by its highly experienced expert witness demonstrating that such a large increase in O&M expense between Base Year 2025 and Test Year 2028 is not supported by the preponderance of the evidence and should be adjusted downward.

Insofar as O&M expenses are recovered during the year in which the expenses are incurred, a downward adjustment of the SoCalGas forecast of O&M expense in the three major areas of gas operations would directly reduce SoCalGas's proposed $485 million (10.5 percent) Test Year 2028 increase above SoCalGas's estimated 2027 revenue requirement.

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[4] Prepared Direct Testimony of Amy Kitson, Exhibit ("Ex.") SCGC-03.

[5] Prepared Direct Testimony of Gena Orozco, Ex. SCG-05.

[6] Prepared Direct Testimony of Devin K. Zornizer, Ex. SCG-0.

B. *Whether SoCalGas's proposed post-test year ratemaking mechanism is just and reasonable*: SoCalGas's Proposal to Increase Post-Test-Year Revenue Requirements on the Basis of Indices is Unjust and Unreasonable.

SoCalGas proposes a Post-Test-Year ("PTY") ratemaking mechanism that would result in increases in the Test Year 2028 revenue requirement by 6.19 percent in 2029, 5.77 percent in 2030, and 5.49 percent in 2031:

($ in millions)	2029		2030		2031	
Revenue Requirement Increase	6.19%	$315	5.77%	$312	5.49%	$314

[7]

SoCalGas derives these large percentage increases in PTY revenue requirement by adjusting O&M expense and its capital-related revenue requirement for each PTY by applying S&P Global and Willis Tower Watson forecasts. SoCalGas summarizes its PTY ratemaking mechanism as follows:

- Operations and Maintenance (O&M)-related revenue requirement:
    - General O&M test-year cost forecast (labor and nonlabor) escalated by S&P Global's utility cost escalation factors forecast, and
    - Medical costs forecast escalated by WTW's (formerly known as Willis Tower Watson) actuarial forecast.
- Capital-related revenue requirement:
    - Test-year capital additions forecast escalated using S&P Global's utility cost escalation factors. [8]

SoCalGas proposes to layer a further adjustment on top of its PTY revenue requirement increases by implementing what SoCalGas calls an "Earnings Sharing Mechanism" which SoCalGas describes as follows: "An Earnings Sharing Mechanism that shares returns above or below

[7] Prepared Direct Testimony of Ricardo Gonzalez, Ex. SCG-28, p. 2.

[8] *Ibid*, p. ii.

authorized Rate of Return (ROR) with ratepayers and shareholders during the post-test years, within a defined range and subject to suspension…."[9]

SoCalGas's proposal for PTY revenue adjustments driven by S&P Global and Willis Tower Watson forecasts is inferior to the PTY mechanism adopted in SoCalGas's Test Year 2024 GRC proceeding in Decision ("D.") 12-24-074. In D.12-24-074, the Commission adopted a one-part PTY revenue requirement adjustment for O&M expenses and capital-related costs combined set at three percent per year.[10] The Commission explained that the three percent annual increase in PTY revenue requirement was reasonable because it allowed SoCalGas to recover its operating expenses, capital costs, and a reasonable return on ratebase.[11]

SoCalGas apparently presumes that it is entitled to a PTY mechanism that closely tracks forecasted increases in O&M expense and capital-related costs during a PTY period. However, the Commission explained that "it has the discretion to grant or deny an attrition request, and the utilities are not automatically entitled to an attrition mechanism between rate cases."[12] If a PTY mechanism is allowed, the Commission explained that the PTY mechanism should provide utilities with "an incentive to manage and reduce their costs during the PTY period" and to "stretch to achieve productivity between Test Years."[13] Continuing the three percent PTY mechanism adopted in D.24-12-074, tightening the mechanism, or denying any PTY adjustment mechanism at all is clearly within the Commission's discretion. SCGC intends to present expert testimony on the appropriate PTY mechanism, if any, for SoCalGas during the 2029-2031 PTY period in this proceeding.

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[9] *Ibid.*

[10] D.24-12-074, p. 901 (December 19, 2024).

[11] D.24-12-074, Conclusion of Law 307, p. 184.

[12] *See* D.25-09-030, p. 843; D.20-01-002, pp. 40-41.

[13] D.13-05-010, p. 108; D.14-08-032, p. 652; D.17-05-013, pp. 132-133 (Explaining that attrition should not be used to insulate the utility from the economic pressures which all businesses experience.).

C. *Whether SoCalGas's regulatory accounts proposals are just and reasonable:* **SoCalGas Should Go Further in Eliminating Regulatory Accounts.**

In his testimony on policy, witness Rodger Schwecke recognizes that in D.24-12-074 in SoCalGas's Test Year 2024 GRC, "The Commission expressed concerns with 'proliferation of regulatory accounts.'"[14] In D.24-12-074, the Commission explained, "The proliferation of regulatory accounts shields the IOUs from the risks that underlie their RoR determinations."[15]

In response to the Commission's concern, witness Schwecke says that in this GRC SoCalGas does not request to create any new balancing accounts and, in fact, proposes to close six balancing accounts, including the Distribution Integrity Management Program ("DIMP") and Storage Integrity Management Program ("SIMP") balancing accounts.[16] Witness Schwecke explains, "SoCalGas is proposing to convert to base business given the more predictable nature of the cost of those programs."[17] Witness Schwecke explains further, "Any cost pressures that arise associated with the execution of these programs will be managed within SoCalGas's overall revenue requirement, thus benefiting ratepayers."[18]

However, SoCalGas witness Rae Marie Yu goes in the opposite direction in her testimony on regulatory accounts.[19] In D.24-12-074 in the Test Year 2024 GRC, the Commission converted SoCalGas's Transmission Integrity Management Program Balancing Account ("TIMPBA") from being a two-way balancing account to being a one-way balancing account with above-authorized costs being recorded in a memorandum account, TIMPMA.[20] Witness Yu proposes that the one-way TIMPBA be converted back to being a two-way

[14] Prepared Direct Testimony of Rodger R. Schwecke, Ex. SCG-01, p. 18.

[15] D.24-12-074, p. 850.

[16] Ex. SCG-01, p. 18.

[17] *Ibid.*

[18] *Ibid.*

[19] Prepared Direct Testimony of Rae Marie Yu, Ex. SCG-21, p. 9.

balancing account with reasonableness review of above-authorized amounts and elimination of the TIMPMA.[21]

Witness Yu fails to recognize witness Schwecke's testimony. Specifically, she fails to address the extent to which the TIMP expenses have become "more predictable" like the DIMP and SIMP expenses, and she fails to explain why costs pressures that might arise as a result of execution of the TIMP could not be managed within SoCalGas's overall revenue requirement. After discovery, SCGC's expert witness will be positioned to present testimony explaining the appropriate treatment of the TIMPBA.

III. SCGC COMMENTS ON SOCALGAS'S STATEMENT ON THE PROPOSED CATEGORY, NEED FOR HEARING, ISSUES TO BE CONSIDERED, AND PROPOSED SCHEDULE.

In accordance with Rule 2.6(d) of the Commission's Rules of Practice and Procedure, SCGC states that it concurs with SoCalGas's proposal that the Application be categorized as "ratesetting."[22] SCGC also concurs with SoCalGas's statement that "evidentiary hearings may be required" in this proceeding.[23] Additionally, SCGC concurs with SoCalGas's summary of the principal issues to be considered in this proceeding.[24]

However, SCGC disagrees with SoCalGas's proposed schedule. SoCalGas proposes that intervenor testimony be served January 15, 2027, a mere four months after the proposed issuance of a Scoping Memo in this proceeding. The January 15, 2027, due date fails to allow adequate time for iterative rounds of discovery requests and responses, which experience in past GRCs indicates is likely to be necessary. Also, the January 15, 2027, due date fails to recognize the

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[20] D.24-12-074, p. 248.

[21] Ex. SCG-21, pp. 9-10.

[22] Application, p. 13.

[23] *Ibid.*

[24] *Ibid.*

traditional holiday period. Instead of January 15, 2027, SCGC proposes that intervenor testimony be due on March 12, 2027. The date proposed by SCGC recognizes that SoCalGas filed its Application a month after the deadline established in the Commission's Rate Case Plan.

IV. SCGC'S REQUEST FOR PARTY STATUS.

Rule 1.4(a) of the Commission Rules of Practice and Procedure states that a party may become a party to a proceeding by filing a protest. Accordingly, in virtue of filing of this protest, SCGC requests party status in this proceeding with the following person being included in the official service list for this proceeding:

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V. CONCLUSION

In accordance with this protest, SCGC respectfully requests that SoCalGas's Application be set for hearing with SoCalGas's proposed schedule being modified as recommended above and with SCGC being admitted to party status.

Respectfully submitted,

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