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

Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2028.

Application 26-06-014
(Filed March 20, 2025)

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2028.

Application 26-06-015
(Filed March 20, 2025)

**THE PROTECT OUR COMMUNITIES FOUNDATION PROTEST
TO THE CONSOLIDATED APPLICATIONS BY
SAN DIEGO GAS & ELECTRIC COMPANY AND
SOUTHERN CALIFORNIA GAS COMPANY
FOR AUTHORITY, AMONG OTHER THINGS, TO UPDATE ITS GAS REVENUE
REQUIREMENT AND BASE RATES EFFECTIVE ON JANUARY 1, 2028**

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**BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2028.	Application 26-06-014 (Filed June 15, 2026)
Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2028.	Application 26-06-015 (Filed June 15, 2026)

**THE PROTECT OUR COMMUNITIES FOUNDATION PROTEST
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REQUIREMENT AND BASE RATES EFFECTIVE ON JANUARY 1, 2028**

Pursuant to Rule 2.6 of the Rules of Practices and Procedure (Rules) of the California Public Utilities Commission (Commission), The Protect Our Communities Foundation (PCF) hereby timely¹ protests and responds to the consolidated² Applications by Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, “Utilities”) for Authority, Among Other Things, to Update its Electric and Gas Revenue Requirement and Base Rates Effective on January 1, 2028 (Applications).³

¹ Cal. Code Regs., tit. 20, § 2.6.

² A.26-06-014, 015, Administrative Law Judges’ Ruling Consolidating Applications (July 7, 2026), p. 2.

³ A.26-06-015, Test Year 2028 General Rate Case Application of San Diego Gas & Electric Company (U 902 M)(Applications) (hereafter “SDG&E Application”) (June 15, 2026); A.26-06-014, Test Year 2028 General Rate Case Application of Southern California Gas Company (hereafter “SoCalGas Application”) (June 15, 2026).

I. INTRODUCTION

The Utilities' revenue requirement is set by applying an authorized rate of return to its rate base—the accumulated total of capital investments the Commission has approved for recovery from ratepayers. This formula financially incentivizes the Utilities to maximize capital spending: every capital expenditure that the Utilities propose and the Commission approves becomes part of rate base and generates authorized profit for Sempra shareholders for the life of the asset. The Utilities have no corresponding financial incentive to restrain capital costs or consider lower-cost alternatives, because capital restraint reduces shareholder profit and not shareholder costs. As the Commission itself has acknowledged, the Utilities are “inherently incentivized to make investments to drive an increase in their rate base and there, their profitability.”⁴ Because the Utilities' “sole way to increase profits year to year is to add to rate base,” as Commissioner Houck has explained, “this creates incentives for utilities to expand rate base as much as possible to benefit shareholders.”⁵

The perverse financial incentives for privately owned utility companies like SDG&E and SoCalGas help explain why, between 2020 and 2023, publicly owned utilities' rates have gone up 44% less than inflation, while investor-owned utility rates went up 49% more than inflation, and SDG&E's rates increased by 78%.⁶

⁴ CPUC, Utility Costs and Affordability of the Grid of the Future (May 2021), p. 24, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf.

⁵ A.22-04-008, Video of October 17, 2024 Commission Meeting, Item 14, available at https://www.adminmonitor.com/ca/cpuc/voting_meeting/20241017/.

⁶ Mark Ellis, Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public (January 2025), p. 2, available at <https://www.economicliberties.us/wp-content/uploads/2025/01/20250102-aelp-ror-v5.pdf>.

And in this proceeding, these perverse financial incentives translate into SDG&E asking ratepayers to pay approximately \$3.8 billion per year in test year⁷ 2028—approximately \$1.1 billion, or 41 percent, more than the revenue requirement the Commission authorized for test year (TY) 2024 in SDG&E’s last General Rate Case (GRC).⁸ SDG&E’s application fails to demonstrate why San Diego ratepayers—who already pay among the highest electricity rates in the nation—should shoulder such an extraordinary burden.

And the excessive nature of SDG&E’s requested revenue requirement does not stop in TY 2028. Compounding its failure to justify any need for \$1.1 billion more in TY 2028 than the Commission authorized for TY 2024, SDG&E also proposes a post-test year (PTY) attrition increase of 8.70% in 2029—nearly three times the 3% the Commission authorized for the attrition years in SDG&E’s last GRC cycle.⁹

As a 501(c)(3) public benefit corporation, PCF files this protest to protect the interests of San Diego and Southern California residential ratepayers. PCF requests that the Commission closely scrutinize the Utilities’ capital proposals in light of the financial incentives that make capital spending inherently attractive to the Utilities regardless of ratepayer need or ratepayer benefit, to consider alternatives, and to ensure compliance with the specific informational requirements imposed by D.24-12-074 and D.26-01-021 and the Commission’s legal mandates.

⁷ The “test year” is the first year of the four-year rate case cycle for which the Commission authorizes rates. This proceeding covers the four-year period from 2028 through 2031. The test year is 2028, and the “post-test years” are 2029, 2030 and 2031.

⁸ D.24-12-074, p. 3. SDG&E’s request is \$778 million, or 26 percent, more than SDG&E asked for in its last GRC cycle. A.26-06-015, SDG&E TY2028 GRC Application (June 15, 2026), p. 1, 7 (approximately \$2.9 billion electric + \$900 million gas = \$3.8 billion total); CPUC, SoCalGas and SDG&E 2024 (Sempra) General Rate Case (A.22-05-015/-016 (December 19, 2024), available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/general-rate-cases/sempra-grc-fact-sheet.pdf> (TY2024 authorized revenue requirement of \$2.699 billion).

⁹ A.26-06-015, SDG&E TY2028 GRC Application (June 15, 2026), p. 8 (\$327.1 million / 8.70% in 2029; \$225.8 million / 5.53% in 2030; \$240.4 million / 5.57% in 2031); D.24-12-074, p.1084.

Among other things, those mandates require the Commission to reduce rates to as low as possible, to disallow all unreasonable costs and all costs that have not been justified, to consider solar-plus-storage (SPS) alternatives as a far less expensive alternative to SDG&E's capital-intensive grid hardening proposals, to fully account for decisions made in SDG&E's still pending TY 2024 proceeding, and to make the adjustments required by section 451.8.¹⁰

II. THE UTILITIES' FINANCIAL INCENTIVES TO GROW RATE BASE ARE ADVERSE TO RATEPAYER AND ENVIRONMENTAL INTERESTS AND REQUIRE THE COMMISSION TO CLOSELY SCRUTINIZE—AND REJECT—THE UTILITIES' UNJUSTIFIED AND UNNECESSARY REQUESTS.

The Utilities' revenue requirement—the amount the Commission authorizes the Utilities to collect from ratepayers through rates each year—is the sum of four components: operations and maintenance expenses, depreciation and amortization, taxes, and a return on rate base.¹¹ Depreciation and amortization costs are what ratepayers pay, over time, to reimburse the Utilities for the cost of their capital investments: the return *of* capital. The return on rate base is profit: a return *on* capital.

Every dollar that the Utilities invest in infrastructure that the Commission approves enters rate base and generates revenue requirement in three ways simultaneously: (1) recovery *of* the original capital investment itself, paid back by ratepayers over the life of the asset (depreciation); (2) a return *on* that capital for shareholders (profit); and (3) by generating an income tax allowance that ratepayers fund in full, even though the Utilities' actual current tax liability is lower and leaves the Utilities to use the ratepayer-provide cash.¹² In contrast, every dollar of cost avoided or shifted to a non-rate-base alternative do not generate profits for shareholders.

¹⁰ Pub. Util. Code, §§ 747, 463, 451, 454, 451.8.

¹¹ A.26-06-014, 015, Test Year 2028 General Rate Case Workshop A.26-06-014 and A.26-06-015 (July 7, 2026), Slide 96.

¹² A.25-03-010 et al., The Protect Our Communities Foundation Opening Brief (September 19, 2025), pp. 14, 21-22.

The Utilities’ financial interest therefore naturally favors capital solutions over non-capital solutions, utility-owned assets over customer-sited or third-party resources, and large centralized projects over distributed ones — regardless of which approach would best serve ratepayers. This bias is especially consequential for the consideration of customer-sited distributed generation alternatives. Distributed generation resources such as solar-plus-storage, when deployed by customers or third parties rather than SDG&E, do not enter SDG&E’s rate base and generate no return for Sempra shareholders. SDG&E therefore has a financial incentive to favor power purchases that require capital-intensive grid infrastructure over privately funded distributed generation alternatives, even when those alternatives would be more cost-effective for ratepayers and produce better environmental outcomes. With SDG&E now proposing approximately \$1.19 billion in grid hardening¹³—nearly double the \$657 million authorized for TY2024¹⁴—the economic and environmental case for evaluating alternatives is even stronger.¹⁵

Sempra, the Utilities’ parent company, freely admits that is “business model is designed to produce recurring cashflows and earnings” by “concentrating investments in its utilities,” which translates into a five-year plan for SDG&E and SoCalGas to increase annual capital expenditures to more than \$5 billion dollars in 2029 and “significant projected rate base growth” all five years.¹⁶

¹³ SDG&E-07-Risk (Woldemariam), p. 210-211 ([400 miles of strategic undergrounding x \$2.32 M/mile] + 200 miles of covered conductor x \$1.31 M/mile = \$1.19 B)

¹⁴ D.24-12-074, p. 990 (2024: \$154.5 M); p. 991 (Finding of Fact No. 180)(2025: \$166.5 M; 2026: \$167.4 M; 2027: \$168.6 M).

¹⁵ In the TY2024 proceeding, PCF’s witness Bill Powers established that locally deployed solar-plus-storage is a more cost-effective alternative to SDG&E’s proposed grid hardening capital expenditures in many high-fire-threat-district applications. See A.22-05-015/-016, Exhibit PCF-01 (Powers)(March 27, 2023), p. 15-20; A.22-05-015/-016, Exhibit PCF-47 (Powers) (July 14, 2024), p. 35.

¹⁶ Sempra, 2024 Earnings Results + Capital Plan Update (February 25, 2025), p. 9, 19, 31, available at <https://investor.sempra.com/static-files/fb7f29e8-21e3-414f-a9ca-6492ec8409a9>; Sempra, Q4-25 Earnings Results, Building America’s Leading Utility Growth Business 2025-2030 (February 26, 2025), p. 26, available at <https://investor.sempra.com/static-files/8e68db0b-d14c-4982-ad46-963487351518>;

The Utilities’ inherent incentives “to make investments to drive an increase in their rate base and there, their profitability”¹⁷ must inform the Commission’s scrutiny in this proceeding. That scrutiny must include a serious evaluation of whether the Utilities’ proposed capital expenditures reflect genuine ratepayer need that has not been exaggerated by the utility’s financial interest in maximizing capital spending and expanding rate base. As set forth below, SDG&E’s has not justified its request for a 41% raise from its TY 2024 authorized amounts, a red flag which calls its entire application into question.

III. THE APPLICATIONS SHOULD BE DENIED BECAUSE THE UTILITIES’ REQUESTED REVENUE REQUIREMENT IS UNREASONABLE AND HAS NOT BEEN JUSTIFIED.

The Commission remains statutorily obliged to deny costs where the Utilities do not met their burden of proof.¹⁸ Under section 463, if a utility “fails to prepare or maintain records sufficient to enable the commission to completely evaluate... the reasonableness and prudence of any expense,” that expense must be denied.¹⁹ The same is true for unreasonable costs in the wildfire mitigation context.²⁰

The following table compares SDG&E’s TY 2024 application, the Commission’s TY 2024 authorization, and SDG&E’s TY 2028 request:

Sempra, News Release: Sempra Reports 2025 Financial and Business Results (February 26, 2026), p. 3 available at <https://investor.sempra.com/static-files/25dc237d-957f-49e1-8695-065f1b7e8ed1>.

¹⁷ CPUC, Utility Costs and Affordability of the Grid of the Future (May 2021), p. 24, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf; see, also, A.22-04-008, Video of October 17, 2024 Commission Meeting, Item 14, available at https://www.adminmonitor.com/ca/cpuc/voting_meeting/20241017/ (Commissioner Houck’s remarks).

¹⁸ Pub. Util. Code, § 463, subd. (b) (“Whenever an electrical or gas corporation fails to prepare or maintain records sufficient to enable the commission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense...the commission shall disallow that expense for purposes of establishing rates for the corporation.”); Pub. Util. Code, § 8386.4, subd.(b); *see also*, Pub. Util. Code, §§ 451, 454.

¹⁹ Pub. Util. Code, § 463, subd. (b); *see also* Pub. Util. Code § 217 (adopting a broad definition of electric plant).

²⁰ Pub. Util. Code, § 8386.4, subd. (a)(1), (2).

	TY2024 Request	TY2024 Authorized	TY2028 Request
Electric	\$2.348 billion ²¹	\$2.192 billion ²²	\$2.9 billion ²³
Gas	\$658.732 million ²⁴	\$506.062 million ²⁵	\$900 million ²⁶
Total	\$3.007 billion²⁷	\$2.698 billion²⁸	\$3.8 billion²⁹
Vs. TY2024 request	N/A	-\$309 million (-10.3%) ³⁰	+\$793 million (+26.4%) ³¹
Vs. TY2024 authorized	N/A	N/A	+\$1.102 billion (+40.8%) ³²

The \$1.1 billion gap between what the Commission authorized for TY 2024 and what SDG&E now requests for TY 2028 has not been justified. SDG&E requests not only the full \$308.3 million amount cut in the last cycle, but approximately \$793 million more on top of that—without addressing the foundational question of what has changed to justify 41% more for 2028 than it was entitled to for 2024.

Instead, the Utilities use unreliable and opaque forecasts and mischaracterized their burden of proof. The Commission can—and must—reject the Utilities’ unreasonable requests for rate increases because they rest upon unreliable information and have not been justified.

²¹ D.24-12-074, p. 888.

²² D.24-12-074, p. 3.

²³ A.26-06-015, SDG&E TY2028 GRC Application (June 15, 2026), p. 7.

²⁴ D.24-12-074, p. 888.

²⁵ D.24-12-074, p. 3.

²⁶ A.26-06-015, SDG&E TY2028 GRC Application (June 15, 2026), p. 7.

²⁷ D.24-12-074, p. 887.

²⁸ D.24-12-074, p. 3.

²⁹ A.26-06-015, SDG&E TY2028 GRC Application (June 15, 2026), p. 7.

³⁰ \$2.698 billion - \$3.007 billion = \$309 million.

³¹ \$3.8 billion - \$3.007 billion = \$793 million.

³² \$3.8 billion - \$2.698 billion = \$1.102 billion.

A. The Utilities' Forecast Methods are Inconsistent, Unreliable, and Lack Transparency and Cannot Form the Basis for Revenue Requirements and Rates.

The Utilities concede that they use “a variety of forecasting methodologies.”³³ SDG&E acknowledges that the selection of methodology—whether base-year, historical average, linear trend, or zero-based—is left to each “witness area” and applied “depending on the facts and circumstances of the various projects and programs,”³⁴ an approach so open-ended it provides no meaningful constraint. The application acknowledges that the “base-year may be selected when costs are steady, there is inadequate historical data, *or* to recognize the most recent financial data is the preferred starting point for forecasting the future.”³⁵ This criteria is so broad that SDG&E’s witnesses could invoke any of the criteria to justify the highest-yielding method.

Nowhere do the Utilities justify their “black box”³⁶ method of determining which forecasting methodology to use in a given situation. They offer no explanation of how different methodology choices affect the revenue requirement, and no analysis of which approach would minimize cost to ratepayers.³⁷ The only justification SDG&E offers for these opaque practices is that “the Companies' forecasts [have been] adopted by the Commission in prior GRC proceedings.”³⁸ This self-referential defense does not provide any justification for the Utilities’ failure in this proceeding to provide record evidence of the impacts of their various forecasting methodologies *on ratepayers* and to establish that they have not simply selected the most profitable forecast method *for shareholders*.

³³ SDG&E Application, p. 10.

³⁴ SDG&E Application, Appendix J, p. J-4.

³⁵ *Ibid.* (emphasis added).

³⁶ Cf. D.19-05-036, p. 29 (The Commission has previously also described SDG&E’s risk assessment as a “black box,” stating “A ‘trust us, we know what we are doing’ approach to risk assessment is not appropriate”).

³⁷ Pub. Util. Code, § 747.

³⁸ SDG&E Application, Appendix J, p. J-5.

B. The Utilities Mischaracterize the Standard Applicable in Reasonableness Reviews and Do Not Establish Reasonableness.

The Utilities mischaracterize the standard of review that applies to reasonableness reviews, suggesting that they need only do what other utilities are doing.³⁹ But that is not the standard that the Legislature set forth and that this Commission must abide by. The prudent manager standard originates from a 1987 decision, D.87-06-021, related to recovery of Southern California Edison's litigation settlement costs⁴⁰—not from any statutory construction analysis. Under Article XII of the California Constitution and section 1757, subdivision (a)(2), it is not up to SDG&E to decide what standard it wishes the Commission to apply.⁴¹ Put simply, the Commission must abide by the Legislature's statutory directives.

The “just and reasonable” standard⁴² must be interpreted in light of the Legislature's expressed intent to “that the commission reduce rates for electricity and natural gas to the lowest amount possible.”⁴³ Notably, even under federal law and a far less rigorous standard of review, the Supreme Court has interpreted “just and reasonable” language as requiring an analysis that considers the consumer perspective and protects against exploitation of consumers by privately owned utilities.⁴⁴ Even prudent utility managers cannot reasonably be expected to protect ratepayers from exploitation by their own decision-making.

³⁹ SDG&E Application, p. 10.

⁴⁰ D.87-06-021, 24 CPUC 2d 476 (June 15, 1987)

⁴¹ Cal. Const., Art XII, §§ 2, 5, 9 (Article XII made “no substantive change” to the pre-1974 Constitution); *County of Sonoma v. State Energy Resources Conservation and Development Com.* (1985) 40 Cal.3d 361, 367-368 (former section 23 could not have been clearer that “the right of the Legislature to confer powers upon the [] Commission respecting public utilities is hereby declared to be plenary and to be unlimited by any provision of this Constitution”); Pub. Util. Code, §1757, subd. (a)(2).

⁴² Pub. Util. Code, §§ 451, 8486.4.

⁴³ Pub. Util. Code, §§ 747, 1757, subd. (a)(2).

⁴⁴ Cf., *Fed. Power Comm'n v. Hope Nat. Gas Co.* (1944) 320 U.S. 591, 612 (Supreme Court holding Federal Power Act provisions which also include “just and reasonable” language “plainly designed to protect the consumer interests against exploitation at the hands of private [utility] [] companies.”).

Simply put, the Commission must ensure that ratepayers are not paying for gold plated infrastructure that provides the utilities with unnecessary profits at ratepayers' expense. As the Commission has acknowledged, a utility like SDG&E is "inherently incentivized to make investments to drive an increase in their rate base and there, their profitability."⁴⁵ The Commission remains statutorily obliged to protect ratepayers against the Utilities' inherent financial incentives to grow their rate base.

IV. THE COMMISSION SHOULD CONSIDER THE UTILITIES' CASH FLOWS AND OFFSET PROPOSED RATE BASE GROWTH WITH THE ZERO-COST CAPITAL THAT RATEPAYERS PROVIDE IN THE FORM OF DEFERRED TAXES.

Ratepayers provide the Utilities with substantial capital at zero cost in the form of deferred income taxes and accumulated depreciation and amortization (D&A). Deferred taxes represent funds collected from ratepayers in rates but not yet remitted to tax authorities. Those funds sit with the Utilities at zero interest and are available for reinvestment.⁴⁶ Accumulated D&A represents the return of capital already invested by ratepayers through prior rates. In 2024, deferred taxes and D&A together covered more than 55% of SDG&E's total capital expenditures.⁴⁷

Yet SDG&E's TY 2028 Application treats its proposed capital spending as if it requires entirely new outside equity investment by Sempra shareholders, so that SDG&E earns a full authorized return on each dollar spent.

⁴⁵ A.22-05-015/-016, Exhibit PCF-41-E (Powers) (July 3, 2024); CPUC, Utility Costs and Affordability of the Grid of the Future (May 2021), p. 24, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf.

⁴⁶ See A.25-03-010 et al., The Protect Our Communities Foundation Opening Brief (September 19, 2025), pp. 21-22.

⁴⁷ A.25-05-010 et seq., PCF Protest to SDG&E 2026 Cost of Capital Application A.25-03-013 (April 24, 2025), pp. 7-8; A.22-05-015/-016, PCF Opening Brief (August 14, 2023), pp. 60-61-.

But SDG&E already has cash on hand that it receives from ratepayers, and those amounts must be accounted for. The Commission should require SDG&E to demonstrate (1) the total zero-cost capital available from deferred taxes and D&A during the TY 2028 rate cycle; (2) how that capital offsets the need for new outside equity; and (3) the degree to which proposed capital expenditures require equity capital that actually earns a return, as opposed to capital already provided by ratepayers at zero cost. Failing to account for zero-cost capital inflates the revenue requirement in violation of Public Utilities Code section 747.⁴⁸

V. SDG&E’S POST-TEST YEAR RATEMAKING PROPOSALS ARE EXCESSIVE, UNJUSTIFIED, AND SHOULD BE REJECTED.

SDG&E proposes a two-part post-test year (PTY) ratemaking mechanism set forth in Exhibit SDGE-33 (Crevoiserat).⁴⁹ Under the proposal, O&M revenue requirement would be escalated by S&P Global Market Intelligence’s utility cost escalation factors, with medical costs separately adjusted using WTW actuarial forecasts.⁵⁰ Capital-related revenue requirement would be escalated by S&P Global Market Intelligence’s factors applied to the test-year capital additions forecast, with an additional “budget-based exception” for Wildfire Mitigation Plan Strategic Undergrounding capital additions.⁵¹ SDG&E also proposes an Earnings Sharing Mechanism that shares returns with ratepayers.⁵² SDG&E’s PTY proposal would result in annual revenue requirement increases of \$327.1 million (8.70%) in 2029, \$225.8 million (5.53%) in 2030, and \$240.4 million (5.57%) in 2031 — a total of \$793.3 million over three post-test years.⁵³ SDG&E’s PTY ratemaking proposals should be rejected outright.

⁴⁸ Pub. Util. Code, § 747.

⁴⁹ A.26-06-015, SDG&E Exhibit SDGE-33 (Crevoiserat), Prepared Direct Testimony on Post-Test Year Ratemaking, TY2028 GRC (June 2026), Summary pp. ii-iii.

⁵⁰ SDG&E Application, p. 13-14.

⁵¹ SDG&E Application, p. 14.

⁵² SDG&E Application, p. 14.

⁵³ SDG&E Application, p. 8.

A. SDG&E's Proposed Post-Test Year Increases Are Unjustified, Unreasonable, and Dwarf TY 2024 Authorized Levels.

SDG&E proposes the following PTY attrition increases:

TY28 Years	Proposed Increase (\$)	Proposed Increase (%)	TY24 Years	TY24 Authorized (%)
2029	\$327.1 million ⁵⁴	8.70% ⁵⁵ + \$33.6 million undergrounding exception ⁵⁶	2025	3% + 166.5 million undergrounding and covered conductor exception ⁵⁷
2030	\$225.8 million ⁵⁸	5.53% ⁵⁹ + \$73.2 million undergrounding exception ⁶⁰	2026	3% + 167.4 million undergrounding and covered conductor exception ⁶¹
2031	\$240.4 million ⁶²	5.57% ⁶³ + \$125.4 million undergrounding exception ⁶⁴	2027	3% + 168.6 million undergrounding and covered conductor exception ⁶⁵
3-Year Total	\$793.3 million	—		—

For TY 2024, the Commission authorized PTY increases of 3% per year for attrition years 2025, 2026, and 2027, plus \$502.2 million in 2025-2027 capital exceptions for undergrounding and covered conductor.⁶⁶ In the TY 2024 GRC proceeding, before settling on

⁵⁴ SDG&E-33 (Crevoiserat), p. 2.

⁵⁵ SDG&E-33 (Crevoiserat), p. 2.

⁵⁶ SDG&E-33 (Crevoiserat), p. 12.

⁵⁷ D.24-12-074, p. 4.

⁵⁸ SDG&E-33 (Crevoiserat), p. 2.

⁵⁹ SDG&E-33 (Crevoiserat), p. 2.

⁶⁰ SDG&E-33 (Crevoiserat), p. 12.

⁶¹ D.24-12-074, p. 4.

⁶² SDG&E-33 (Crevoiserat), p. 2.

⁶³ SDG&E-33 (Crevoiserat), p. 2.

⁶⁴ SDG&E-33 (Crevoiserat), p. 12.

⁶⁵ D.24-12-074, p. 4.

⁶⁶ D.24-12-074, p. 1084 (Conclusion of Law No. 305)(3% annual PTY increase for attrition years 2025, 2026, and 2027); *Id.* at p. 991 (Finding of Fact No. 180)(, plus (Adopting capital exceptions for undergrounding and covered conductor).

3%, the Commission considered but rejected a 4% escalation, finding it “would be excessive.”⁶⁷ And PCF's Application for Rehearing of D.24-12-074 demonstrated that even the adopted 3% annual PTY increase exceeded projected CPI—which ranged from 2.1% to 2.3% per year over the authorized PTY period—and therefore imposed costs on ratepayers above what actual cost growth warranted.⁶⁸

Yet SDG&E now proposes 8.70% for 2029⁶⁹—nearly three times the 3% the Commission found reasonable less than two years ago. Excluding the SB 254 equity adjustment, the 2029 figure would be 5.99%—roughly double the TY2024 authorization. SDG&E offers no meaningful justification for this escalation beyond the mechanical operation of a generic S&P Global cost index.⁷⁰ An index is not evidence of need. The Commission must require SDG&E to demonstrate why anticipated costs in the post-test years justify increases that far outstrip both inflation and prior authorized levels.

These PTY escalations compound the incentive to grow rate base even if a test year amount were reasonable. Building in attrition rates far exceeding inflation and far exceeding prior authorized levels ensures that utility shareholders will profit from perpetually growing rate bases at ratepayers' expense. Locking in compounding escalation on an already-elevated test year base would contravene the Commission's obligation under Public Utilities Code section 747 to reduce rates to the lowest amount possible.⁷¹ SDG&E's PTY proposals must be rejected.

⁶⁷ D.24-12-074, p. 936.

⁶⁸ A.22-05-015/-016, PCF AfR of D.24-12-074 (January 22, 2025), p. 23.

⁶⁹ SDG&E Application, p. 8.

⁷⁰ SDG&E Application, p. 13-14.

⁷¹ Pub. Util. Code, § 747.

B. The Budget-Based Exception for Strategic Undergrounding Capital Must Be Rejected As Unreasonable and Unjustified: SDG&E Admits it Does Not Actually Use Project-Specific Forecasts to Calculate its PTY Requests.

In addition to the general index-based PTY escalation, SDG&E proposes a “budget-based exception” for Wildfire Mitigation Plan Strategic Undergrounding capital additions, providing additional PTY revenue requirement of \$33.6 million (2029), \$73.2 million (2030), and \$125.4 million (2031)⁷²—totaling \$232.2 million over three years. But SDG&E fails to justify or present any reasonable basis for expanding the program to 400 miles over the four-year GRC cycle⁷³—approximately 100 miles per year, nearly three times the roughly 35 miles per year authorized in TY 2024⁷⁴—at \$2.32 million per mile.⁷⁵ Giving SDG&E a budget-based PTY exception keyed to this dramatically expanded program would guarantee unnecessary rate base growth.

Moreover, despite characterizing its request as a “budget-based exception,”⁷⁶ SDG&E does not, in fact, provide its budgets. At the July 7, 2026 TY2028 GRC Workshop, CPUC staff asked directly whether project-specific PTY forecasts are used to calculate the escalation amount or only as a reasonableness check after the fact:

Berhane, Gelila(Host, presenter)

cpuc.ca.gov

2:28 PM

just to clarify- are capital project-specific PTY forecasts actually used to calculate the escalation factor or proxy amount, or are they provided only as a reasonableness check to support the funding generated by the mechanism?

Jamie York(Panelist)

Unverified

2:30 PM

Hi Gelila, it's a reasonableness [sic] check.⁷⁷

⁷² SDG&E-33 (Crevoiserat), p. 12

⁷³ SDG&E-07-Risk (Woldemariam), p. 210-211.

⁷⁴ D.24-12-074, p. 990 (Finding of Fact No. 173).

⁷⁵ SDG&E-07-Risk (Woldemariam), p. 210-211.

⁷⁶ A.26-06-014, 015, Test Year 2028 General Rate Case Workshop A.26-06-014 and A.26-06-015 (July 7, 2026), Slide 104.

⁷⁷ A.26-06-014, 015, Test Year 2028 General Rate Case Workshop A.26-06-014 and A.26-06-015 (July 7, 2026), chat excerpt & slide 104.

SDG&E's representative thus confirmed that PTY amounts are not in fact derived from anticipated project budgets.

The Commission's traceability requirements require more. D.14-12-025 established that capital spending must be traceable from the Risk Assessment Mitigation Phase (RAMP) process through the GRC and into the Rate Spending Accountability Report (RSAR) on a project-by-project basis.⁷⁸ SDG&E's TY 2024 PTY witnesses stated they were “not aware” of this mandate,⁷⁹ and nothing in Exhibit SDGE-33 for TY 2028 demonstrates that the failure to base undergrounding costs on anticipated project costs has been corrected.

Established Commission precedent requires that attrition mechanisms work in both directions.⁸⁰ But by structuring the PTY mechanism exclusively to escalate revenue requirements upward only—the Utilities propose a ratchet that guarantees rate increases regardless of actual cost trends, record profits, or prior-cycle overspends. The Commission should reject the proposed PTY increases because the Utilities continue to fail to provide project-by-project evidence of anticipated PTY expenditures consistent with the Commission's traceability requirements.

⁷⁸ D.14-12-025, p. 44 (referring to “program by program” and “project-by-project” comparisons; “...the Risk Spending Accountability Report would compare the utility's GRC projected spending for approved risk mitigation projects to the actual spending on those projects, and to explain any discrepancies between the two.”); *id.* at p. 46 (“...the two reports shall explain how these risk mitigation activities and risk spending are meeting the goals for managing and minimizing the risks that were identified in the utility's RAMP and GRC submissions”);

⁷⁹ A.22-05-015/016, Transcript Evidentiary Hearing, Vol. 19, p. 3392, l. 6-12 (Hancock, Nguyen) (“Q: ...Does your general understanding include that -- the Commission's intent that programs should be traceable from the RAMP to the GRC to the RSAR? A: I am not specifically aware of that requirement. A: I am not aware of it either.”).

⁸⁰ D.93-12-043, 1993 Cal. PUC LEXIS 728, 39 (rejecting SoCalGas' position that attrition year adjustments only work in one direction); D.20-01-002, p. 8, fn. 13 (“attrition” refers to both increases and decreases), p. 11.

C. The PTY Mechanism Must Account for SDG&E's Record Profits.

In the TY 2024 proceeding, SDG&E's PTY witnesses did not consider the utility's record profits and earnings per share when requesting PTY increases.⁸¹ Exhibit SDGE-33 for TY 2028 continues this pattern: it contains no analysis of whether SDG&E's elevated profits from the prior GRC cycle support any need for further PTY escalation. SDG&E's parent Sempra has announced a \$65 billion multi-year capital investment plan, signaling ongoing expansion of the rate base from which shareholders benefit.⁸² Under Public Utilities Code section 747, the Commission's obligation to set rates at the lowest amount⁸³ requires that shareholder profitability be considered before, not after, PTY escalation requests are granted.

The Earnings Sharing Mechanism proposed in Exhibit SDGE-33⁸⁴ does not cure the problem of too-high profits for Sempra shareholders. A sharing mechanism that triggers only when earnings exceed the authorized rate of return does not address the underlying problem: a PTY mechanism that builds in compounding rate increases on top of an already-inflated test year. SDG&E's Earnings Sharing Mechanism is a distraction, and not a substitute for the Commission's independent obligation to (1) scrutinize the Utilities' TY 2024 and the PTY escalation rate proposals, (2) require evidence of actual anticipated expenditure needs, and (3) reject all requests that are not clearly necessary to provide ratepayers with safe and reliable utility service.

⁸¹ A.22-05-015, 016, Evidentiary Hearing Transcript, Vol. 19, p. 3402-3403, l. 20-13 (Hancock; Nguyen).

⁸² Sempra, Sempra Reports 2025 Financial and Business Results (February 26, 2026), available at <https://www.sempra.com/newsroom/press-releases/sempra-reports-2025-financial-and-business-results>.

⁸³ Pub. Util. Code ; Cf., *Fed. Power Comm'n v. Hope Nat. Gas Co.* (1944) 320 U.S. 591, 603 (The rate-making process under the Act, i.e., the fixing of 'just and reasonable' rates, involves a balancing of the investor and the consumer interests.'').

⁸⁴ SDG&E-33 (Crevoiserat), p. 12-14.

VI. SDG&E'S TY 2028 APPLICATION SHOULD BE DENIED BECAUSE SDG&E FAILED TO FULLY COMPLY WITH REQUIREMENTS OF D.24-12-074 AND D.26-01-021.

The Commission's TY 2024 GRC Track 1 and Track 2 decisions, D.24-12-074⁸⁵ and D.26-01-021,⁸⁶ each imposed specific informational requirements on SDG&E to be satisfied in this GRC. SDG&E's TY 2028 Application and requests for revenue requirement increases should be denied to the extent it does not fully satisfy the Commission's requirements.

A. SDG&E Has Not Satisfied the Grid Hardening Information Requirements of D.24-12-074.

As acknowledged by SDG&E's witness in exhibit SDGE-07,⁸⁷ D.24-12-074 required SDG&E to provide "more information" regarding strategic undergrounding and covered conductor, including cost and mileage data for strategic undergrounding and covered conductor.⁸⁸ Instead of providing this information, however, SDG&E proposes nearly double the amount the Commission authorized for TY 2024.

Specifically, the Commission authorized \$154.5 million per year for 35 miles of strategic undergrounding and 100 miles of covered conductor for TY 2024.⁸⁹ SDG&E now proposes a dramatic escalation: 400 miles of strategic undergrounding at \$2.32 million per mile (\$928 million) and 200 miles of covered conductor at \$1.31 million per mile (\$262 million), totaling

⁸⁵ D.24-12-074, Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company (December 19, 2024) ("TY 2024 GRC Decision or "D.24-12-074").

⁸⁶ D.26-01-021, Decision Addressing San Diego Gas & Electric Company's Track 2 Request for Recovery of Wildfire Mitigation Plan Memorandum Account Costs (January 23, 2026) ("Track 2 Decision"), pp. 2-3, 5-6 (\$206.14 million O&M disallowed; \$242.47 million capital disallowed; \$77.86 million O&M and \$945.53 million capital approved).

⁸⁷ SDG&E-07-Risk (Woldemariam), p. 211

⁸⁸ D.24-12-074, p. 990 (Finding of Fact No. 173) (requiring SDG&E to provide unit cost and mileage data for strategic undergrounding and covered conductor in its next GRC); D.24-12-074, p. 483 (requiring SDG&E to provide more information regarding strategic undergrounding in its next GRC). Both requirements are cited in Exhibit SDGE-07.

⁸⁹ D.24-12-074, p. 990 (Finding of Fact No. 173) (\$154.5 million per year authorized for 35 miles of strategic undergrounding and 100 miles of covered conductor).

approximately \$1.19 billion over the four-year rate cycle.⁹⁰ The following table compares TY 2024 and TY 2028 grid hardening:

Program	TY 2024 Authorized (Annual)	TY 2028 Requested (4-Year)	TY 2028 Annual Equiv.
Strategic Undergrounding	35 miles / \$82.6 million	400 miles / \$928M	100 mi / \$232M
Covered Conductor	100 miles / \$71.9 million	200 miles / \$262M	50 mi / \$65.5M
Total Grid Hardening	\$154.5M/year	\$1.19 billion	\$297.5M/year

The near-doubling of grid hardening expenditures has not and cannot be justified and should be rejected. The Commission should not approve additional costs without first scrutinizing whether SDG&E has actually provided: (1) the basis for \$2.32 million per mile for strategic undergrounding, particularly given prior Commission findings that SDG&E’s cost-effectiveness showing was deficient;⁹¹ (2) the basis for tripling annual undergrounding mileage from 35 to 100 miles per year; (3) a realistic comparison of unit costs and risk reduction per dollar for undergrounding, covered conductor, overhead hardening, and SPS alternatives; and (4) the cost-effectiveness analysis the Commission has repeatedly demanded that SDG&E failed to provide in prior proceedings.

⁹⁰ SDGE-07 (Woldemariam), p. 210-211 (400 miles strategic undergrounding at \$2.32 million/mile = \$928 million; 200 miles covered conductor at \$1.31 million/mile = \$262 million; total = \$1.19 billion over four-year rate cycle).

⁹¹ D.26-01-021, p. 28 (SDG&E “continues to lag in specifically evaluating wildfire mitigation strategies for cost-effectiveness”); p. 67 (“cost-effectiveness is a valid concern” for strategic undergrounding); p. 179 (FoF11) (SDG&E failed to demonstrate that its drone costs were reasonable because of a “lack of cost breakdowns, the lack of comparisons with other SDG&E inspection programs, and this program’s high unit cost”).

B. SDG&E's TY 2028 Application Must Satisfy the Requirements of D.26-01-021

In D.26-01-021, the Commission disallowed over \$448 million in O&M and capital costs and imposed four specific requirements for SDG&E to satisfy in its TY 2028 Application.

SDG&E has not satisfied these requirements.

1. Wood Pole Cost-Benefit Analysis

D.26-01-021 required SDG&E to perform cost-benefit analyses comparing wood poles to steel poles and demonstrate the savings from using steel poles.⁹² But SDG&E failed to provide a meaningful cost-benefit analysis responsive to this requirement. Instead, SDG&E refers to steel poles requiring lower O&M costs,⁹³ without actually comparing the cost or performance of wood poles and steel poles. The Commission must require SDG&E to actually perform a cost benefit analysis as required by D.26-01-021.

2. Microgrids

D.26-01-021 required that if SDG&E seeks recovery for microgrid projects, it must demonstrate the energy source and cost-effectiveness of those projects as wildfire mitigations.⁹⁴ SDG&E requests its costs be approved for its microgrid program, even though the program has a very low cost-effectiveness, of 0.22, 0.06, and 0.21.⁹⁵ Further, SDG&E has delayed replacing diesel generators with renewable energy at its microgrid sites,⁹⁶ as it was originally planning on completing its microgrid projects within the 2024 GRC cycle.⁹⁷ The Commission should not approve funding for delayed microgrid projects.

⁹² D.26-01,021, p. 188 (OP 4).

⁹³ SDG&E-07-Risk (Woldemariam), p. 175-176.

⁹⁴ D.26-01-021, p. 188 (OP 5).

⁹⁵ SDG&E-07 (Woldemariam), p. 185.

⁹⁶ SDG&E-07 (Woldemariam), p. 130.

⁹⁷ SDG&E-07 (Woldemariam), p. 201-202.

3. Generator Assistance, Generator Grant, and Standby Power Programs

D.26-01-021 required SDG&E to provide the unit cost of generator and standby power options, including renewable alternatives, and to identify the distance at which grid hardening becomes unreasonable compared to providing backup power.⁹⁸ SDG&E unreasonably values the cost of SPS systems as \$50,000-\$60,000 per residence,⁹⁹ requiring a premium to install SPS. SDG&E's estimated costs are unrealistically high, as PCF has already established¹⁰⁰ and will establish again in this proceeding.

Additionally, SDG&E failed to include any evidence providing a distance-threshold comparing backup power to grid hardening. The Commission should deny costs for the generator and standby power programs that SDG&E has not justified against the standard it was specifically required to meet.

4. Pole Inspection and Replacement Programs

D.26-01-021 requires SDG&E in its GRC application to specify O&M costs "for all Asset Management and Inspection programs separately from capital costs for repair or replacement of poles and the number of poles being replaced."¹⁰¹ It also requires SDG&E to "coordinate and optimize pole inspection and replacement programs and demonstrate a lack of redundancy between the programs."¹⁰² But SDG&E's application does not even state the number of poles being replaced. Further, SDG&E fails to demonstrate that its inspection programs have been optimized and are not redundant. The Commission should deny all costs for which SDG&E has failed to provide the justification this Commission has expressly required.

⁹⁸ D.26-01-021, p. 188 (OP 7).

⁹⁹ SDG&E-07, p. 36.

¹⁰⁰ PCF's expert found that SPS can be installed at a cost of \$25,000/customer A.22-05-015/-016, Exhibit PCF-47 (Powers) (July 14, 2025), p. 35.

¹⁰¹ D.26-01-021, p. 189 (OP 8).

¹⁰² D.26-01-021, p. 189 (OP 8).

5. Drone program.

D.26-01-021 declined to authorize SDG&E's drone inspection costs after finding that SDG&E “failed to demonstrate that its costs for its Drone Investigation Assessment and Repair pilot program after 2020 were reasonable for many reasons, including the lack of cost breakdowns, the lack of comparisons with other SDG&E inspection programs, and this program's high unit cost.”¹⁰³ Yet SDG&E requests drone costs in TY 2028 through its Risk-Informed Drone Inspections program ((RIDI) without explaining why the program should be authorized notwithstanding the Commission’s previous finding that SDG&E had failed to demonstrate the reasonableness of the costs for its drone program.

Although SDG&E provides cost breakdowns for the RIDI program with labor costs listed at \$15 per inspection, and non-labor at \$110 per inspection, for a total of \$125/inspection,¹⁰⁴ two deficiencies the Commission specifically identified remain unaddressed. SDG&E provides no comparison of drone costs to other inspection programs, and the \$110 per-inspection non-labor cost—more than three times the \$29.89 per-pole cost of a five-year detailed inspection¹⁰⁵ and twenty-six times the \$4.22 per-pole annual patrol cost¹⁰⁶—is presented without any analysis of how that cost differential could be reasonable or justified.

Given the Commission’s understanding that it “should not send the message that IOUs will be given multiple bites at the apple where they fail to meet their burden by failing to provide what should be basic information,”¹⁰⁷ the Commission should deny SDG&E’s RIDI costs.

¹⁰³ D.26-01-021, p. 179 (Finding of Fact No. 11).

¹⁰⁴ SDG&E-07-WP (Woldemariam), p. 183.

¹⁰⁵ SDG&E-07-WP (Woldemariam), p. 150 (17,299 poles/\$517,000).

¹⁰⁶ SDG&E-07-WP (Woldemariam), p. 186 (86,040 poles/ \$363,000=\$4.22).

¹⁰⁷ D.26-01-021, p. 109.

VII. RULE 2.6(D) MATTERS

Pursuant to Rule 2.6(d),¹⁰⁸ PCF agrees with the Utilities that the Applications should be categorized as ratesetting.¹⁰⁹ Below, PCF provides its comments regarding the proposed schedule, issues to be considered, and need for a hearing.

A. Additional Issues for the Commission to Consider Include Section 451.8 Compliance and Alternatives to the Utilities' Proposals.

SDG&E presents only three issues for consideration: “1. Whether SDG&E’s proposed TY 2028 revenue requirement is just and reasonable and should be adopted by the Commission and reflected in rates; 2. Whether SDG&E’s proposed post-test year ratemaking mechanism is just and reasonable; and 3. Whether SDG&E’s regulatory accounts proposals are just and reasonable.”¹¹⁰ As set forth below, the Commission remains obliged to consider alternatives presented by intervenors, and must also comply with Public Utilities Code section 451.8.

1. The Commission must consider alternatives to the Utilities’ proposals, including solar-plus-storage as an alternative to capital expenditures proposed by SDG&E.

The Commission is also legally obligated to consider alternatives to utility proposals when it is in the public interest.¹¹¹ It “must consider alternatives presented and factors warranting adoption of those alternatives,” and failure to do so is grounds for annulment.¹¹²

¹⁰⁸ Cal. Code Regs., tit. 20, § 2.6 (“(d) Any person protesting or responding to an application shall state in the protest or response any comments or objections regarding the applicant’s statement on the proposed category, need for hearing, issues to be considered, and proposed schedule. Any alternative proposed schedule shall be consistent with the proposed category, including a deadline for resolving the proceeding within 12 months or less (adjudicatory proceeding) or 18 months or less (ratesetting or quasi-legislative proceeding) or deadline for issuance of a proposed decision within 12 months or less (catastrophic wildfire proceeding).”).

¹⁰⁹ SDG&E Application, p. 16; SoCalGas Application, p. 13.

¹¹⁰ SDG&E Application, p. 17.

¹¹¹ *United States Steel Corp. v. Public Utilities Com.* (1981) 29 Cal.3d 603, 608; *Northern California Power Agency v. Pub. Util. Com.* (1971) 5 Cal.3d 370, 380 (Commission must consider alternatives sua sponte).

¹¹² *City & County of San Francisco v. Public Utilities Com.* (1971) 6 Cal.3d 119, 130 (annulling decision for failure to consider alternatives).

PCF will present additional testimony that locally deployed solar-plus-storage (SPS) is a more cost-effective alternative to SDG&E's capital-expenditures, and to SDG&E's excessive grid hardening strategy for High Fire Threat Districts (HFTDs). Mr. Powers's analysis in the last GRC cycle¹¹³ showed that fully saturated SPS deployment in Tier 3 HFTDs would be more cost-effective than SDG&E's strategic undergrounding and covered conductor programs on a per-ratepayer-dollar basis.¹¹⁴ As a result, in D.26-01-021, the Commission required evidence in SDG&E's next GRC on the cost-effectiveness of renewable alternatives to grid hardening in remote areas.¹¹⁵ Thus, the Commission must consider SPS because PCF will present the alternative in this proceeding, and because D.26-01-021 requires it.

For TY2028, with SDG&E proposing approximately \$1.19 billion in grid hardening—nearly double the \$657 million authorized for TY2024—the SPS alternative consideration is more important than ever. Grid hardening that is not cost-effective compared to SPS alternatives must be disallowed.

2. The Commission must consider how it will comply with Public Utilities Code section 451.8 before authorizing revenue requirements, in light of the Utilities' failure to provide adequate information.

Assembly Bill 2666 added section 451.8 to the Public Utilities Code, imposing mandatory obligations on the Commission in every GRC cycle.¹¹⁶

¹¹³ A.22-05-015/-016, Exhibit PCF-01 (Powers) (March 27, 2023); PCF Opening Brief (August 14, 2023), pp. 45-65.

¹¹⁴ A.22-05-015/-016, Exhibit PCF-01 (Powers) (March 27, 2023), pp. 1-20 (14,700 MW DC rooftop solar potential in San Diego County; local SPS versus utility-scale solar with new transmission; fully saturated SPS in Tier 3 HFTDs more cost-effective than SDG&E grid hardening on a per-ratepayer-dollar basis); A.22-05-015/-016, Exhibit PCF-41-E (Powers) (July 3, 2024), p. 18-21; A.22-05-015/-016, PCF-47 (Powers) (July 14, 2025), p. 35 (cost of undergrounding approximately 2.3 million/mile whereas it would be \$2.5 million to equip customers with SPS, assuming 100 customers/distribution circuit)

¹¹⁵ D.26-01-021, p. 188 (Ordering Paragraph 7: "In San Diego Gas & Electric Company's (SDG&E's) next General Rate Case application, SDG&E shall provide evidence of the unit cost of generator and standby sources of power, including renewable options, and the distance at which grid hardening remote customers is unreasonable and standby power is recommended.").

¹¹⁶ Stats. 2024, ch. 413, § 1 (2023-2024 Reg. Sess).

Section 451.8, subdivision (a) provides that “[f]ollowing the approval of each general rate case, the commission shall review which costs, if any, differed from the general rate case forecasts for each electrical corporation or gas corporation” and “shall adjust the authorized revenue requirement in the subsequent general rate case, as appropriate, based on the actual past costs the corporation records.”¹¹⁷ Section 451.8, subdivision (b) further requires the Commission to establish guidelines for utilities to calculate and report their actual rates of return annually, and to “adopt processes to adequately track an electrical corporation's or gas corporation's actual rate of return relative to its forecasted rate of return” and require identification of “cost categories where projected costs differed from actual costs.”¹¹⁸

This proceeding is the subsequent general rate case following approval of the Utilities’ TY2024 general rate case. Section 451.8(a) therefore requires the Commission to review which of SDG&E's TY2024 costs differed from its GRC forecasts and to adjust the authorized revenue requirement accordingly before setting new rates. That review and adjustment is not optional and is not something the Commission can defer to a later proceeding.

Recognizing this, the Commission required the Utilities to provide this information with their GRC applications.¹¹⁹ Yet, the Utilities’ TY2028 Applications fail to provide the necessary information.¹²⁰ SDG&E, for example, claims that it cannot distinguish between CPUC-jurisdictional and FERC-jurisdictional income, and relies on its RSARs¹²¹ instead of

¹¹⁷ Pub. Util. Code, § 451.8, subd. (a).

¹¹⁸ Pub. Util. Code, § 451.8, subd. (b).

¹¹⁹ D.24-12-074, p. 806 (“If the Commission has not adopted an order or decision implementing AB 2666 prior to their next general rate case filings, then SoCalGas and SDG&E shall calculate their actual annual rates of return, compare their annual rates of return relative to their forecasted annual rates of return, and identify the cost categories where projected (forecasted) costs differed from actual (recorded) costs. Such information and related supporting documents shall be provided to the service list of the utilities’ rate case proceeding with the filing of its next GRC application.”).

¹²⁰ See e.g. SDG&E-36, pp. 10-11.

¹²¹ See Section V.B., *supra* (explaining lack of sufficient information in RSARs for tracking purposes).

providing the information required by section 451.8.¹²² In essence, SDG&E asks the Commission to authorize \$1.1 billion more per year than it authorized for TY2024 without section 451.8 adjustments.

But as the State Auditor found, the Utilities “have an incentive to generate profits by overestimating their operating costs and characterizing their actual costs as savings,” which can lead to actual rates of return consistently exceeding authorized rates of return.¹²³ And the Commission itself has acknowledged the serious nature of the problems involved with SDG&E’s consistently excessive rates of return in particular.¹²⁴ Compliance with AB 2666 mandates thus becomes particularly important in the context of this GRC.

The Commission has not yet implemented section 451.8 through a rulemaking or other means. But the absence of doing so does not suspend the Commission’s statutory obligations. To the contrary, as D.24-12-074 implicitly acknowledges, section 451.8 is self-executing in the sense that it imposes a specific obligation tied to a specific event: approval of a prior GRC. Thus, the Commission must conduct the review and establish the procedures required by section 451.8 as part of this proceeding, at least on an interim basis until more formal procedures have been adopted. It cannot simply accept SDG&E’s requested revenue requirement as if section 451.8 did not exist. PCF urges the Commission to require the Utilities to provide the cost-comparison data section 451.8 requires, and to adjust the authorized revenue requirement accordingly before any new rates take effect.

¹²² SDG&E-36, p. 11 & fns. 25-27.

¹²³ Auditor of the State of California, *Electricity and Natural Gas Rates: The California Public Utilities Commission and Cal Advocates Can Better Ensure that Rate Increase are Necessary* (August 2023), p. 36, available at <https://information.auditor.ca.gov/pdfs/reports/2022-115.pdf>.

¹²⁴ D.24-12-074, p. 805-806.

B. Evidentiary Hearings Are Required to Allow for Cross-Examination Regarding the Unreasonableness of the Utilities' Requested Revenue Requirements.

To determine whether and to what extent the Utilities' requested revenue requirements exceed the limits of reasonableness, the Public Utilities Code,¹²⁵ the Constitution,¹²⁶ and the public interest require evidentiary hearings.¹²⁷ Section 1705 requires that "[a]t the time fixed for any hearing before the commission," intervenors "shall be entitled to be heard and to introduce evidence,"¹²⁸ and fundamental principles of due process require that parties have a right to cross-examine witnesses to satisfy their right to be heard.¹²⁹ The United States Supreme Court has stated that "[i]n almost every setting where important decisions turn on questions of fact, due process requires an opportunity to confront and cross-examine adverse witnesses," including "in all types of cases where administrative actions were under scrutiny."¹³⁰ The High Court has explained, "a fair and open hearing must be accorded as an inexorable safeguard."¹³¹

¹²⁵ See e.g. Pub. Util. Code, §§ 451, 454, 728, 729, 747, 761, 770, 1705.

¹²⁶ *Caesar's Restaurant v. Industrial Accident Com.* (1959) 175 Cal.App.2d 850, 855 ("The right to [a fair and open hearing] is one of 'the rudiments of fair play'[] assured to every litigant by the Fourteenth Amendment as a minimal requirement.[] The reasonable opportunity to meet and rebut the evidence produced by his opponent is generally recognized as one of the essentials of these minimal requirements"); Cal. Const. Art. I, § 3, subd. (a), (b)(1) ("(a) The people have the right to instruct their representatives, petition government for redress of grievances...(b) (1) The people have the right of access to information concerning the conduct of the people's business, and, therefore, the meetings of public bodies and the writings of public officials and agencies shall be open to public scrutiny."); U.S. Const. Amends. I, XIV.

¹²⁷ *City of Los Angeles v. Public Utilities Com.* (1975) 15 Cal.3d 680, 694-695 ("unjustified failure to deliberate constitutes error"); *Northern California Power Agency v. Public Utilities Com.* (1971) 5 Cal.3d 370, 380 ("The Commission may and should consider *sua sponte* every element of public interest affected by facilities which it is called upon to approve. It should not be necessary for any private party to rouse the Commission to perform its duty...").

¹²⁸ Pub. Util. Code, § 1705.

¹²⁹ U.S. Const. Amend. XIV; Cal. Const., Art. 1, § 7; *California Trucking Assn. v. Public Utilities Com.* (1977) 19 Cal.3d 240, 244 (opportunity to present written objections fails to provide required opportunity to be heard); *Caesar's Restaurant v. Industrial Accident Com.* (1959) 175 Cal.App.2d 850, 855 ("The right to [a fair and open hearing] is one of 'the rudiments of fair play'[] assured to every litigant by the Fourteenth Amendment as a minimal requirement.[] The reasonable opportunity to meet and rebut the evidence produced by his opponent is generally recognized as one of the essentials of these minimal requirements").

¹³⁰ *Goldberg v. Kelly* (1970) 397 U.S. 254, 269-270.

¹³¹ *R.R. Com. of California v. Pacific Gas & Electric Co.* (1938) 302 U.S. 388, 393.

Evidentiary hearings have long been understood as necessary in general rate case proceedings. And the California Supreme Court has held that “[t]he phrase ‘opportunity to be heard’ implies at the very least that a party must be permitted to prove the substance of its protest rather than merely being allowed to submit written objections to a proposal.”¹³² Evidentiary hearings will be necessary to provide intervenors with a meaningful opportunity to cross-examine the Utilities’ witnesses and otherwise establish that the Utilities’ requests for rate increases are unreasonable, unjustified, and cannot be adopted in a manner consistent with the Commission’s obligation to reduce rates to as low as possible.

Additionally, the Commission is duty bound to consider fully alternatives presented by intervenors¹³³ regarding less expensive ways to serve ratepayers and protect the public interest. The outcome of this proceeding will determine whether ratepayers will be required to shoulder unnecessary, additional cost burdens on top of their current rates and thus remains of utmost importance for ratepayers, and the Commission is duty-bound to provide evidentiary hearings so that intervenors can test the basis for the Utilities’ claims made in their applications, testimony, and workpapers.

C. The Schedule Should Include (1) Inclusive Public Participation Hearings at Multiple Locations and Timeframes, (2) Sufficient Time for Evidentiary Hearings, (3) An Opportunity for Intervenors to Test the Basis for All Evidence Submitted by the Utilities, and (4) a Date for Oral Argument.

PCF presents a proposed schedule to accommodate the public interest in this proceeding, and the minimal changes required compared to the Utilities’ proposed schedule, below.

¹³² *California Trucking Assn. v. Public Utilities Com.* (1977) 19 Cal. 3d 240, 244.

¹³³ *United States Steel Corp. v. Public Utilities Com.* (1981) 29 Cal.3d 603, 608 (“The commission must consider alternatives presented and factors warranting adoption of those alternatives.”); *City & County of San Francisco v. Public Utilities Com.* (1971) 6 Cal. 3d 119, 130 (“For failure to consider lawful alternatives in calculation of federal income tax expense, the decision of the commission must be annulled.”).

The schedule should include more robust opportunities for public participation hearings, including an opportunity for additional public participation hearings after the evidence is in and briefs have been filed, so that the public can weigh in on the most relevant information to the Commission’s decision-making. PCF’s recommended schedule set forth in the fourth column in the table below, like the Utilities’ proposed schedule, allows for a decision by the end of the year and well within the 18-month limitation for ratesetting proceedings.

Utility Proposed and PCF Proposed Events	SDG&E/SoCalGas Proposed Date	PCF Proposed Date
Application filed	June 15, 2026	--
Workshop on Application	June 25, 2026	--
Protests or Responses	July 15, 2026	July 20, 2026 (per Rule 2.6)
Reply to Responses/Protests	July 27, 2026	July 30, 2026 (per Rule 2.6)
Prehearing Conference	July 30, 2026	July 24, 2026 (per ruling)
Scoping Memo of Assigned Commissioner Issued	September 14, 2026	Mid-August, 2026
Public Participation Hearings	Mid November 2026 (if needed)	First part of December or second half of January; Multiple hearings and locations needed (see explanation below)
Intervenor Testimony served	January 15, 2027	February 15, 2027
Concurrent Rebuttal Testimony served	March 1, 2027	March 30, 2027
Rule 13.9 Meet and Confer Deadline – Parties inform ALJ whether evidentiary hearings are necessary and identify specific disputed issues of material fact, witness list, and cross-examination estimates	March 11, 2027	April 16, 2027
2026 Recorded Expenditures Served by SDG&E & SoCalGas	May 22, 2027	April 23, 2027
Update Testimony and Hearings (if necessary)	April 23, 2027	April 23, 2027
Response/Objections to Additional Exhibits		April 30, 2027
Evidentiary Hearings	March 29 – April 9, 2027	May 4 – June 11, 2027
Opening Briefs	May 20, 2027	July 2, 2027

Reply Briefs	June 11, 2027	July 23, 2027
Public Participation Hearings		July 30 & August 6, 2027
Status Conference, proceeding submitted for Commission Decision (Rule 13.14(a))	TBD	--
Oral Argument		August 27, 2027
Proposed Decision issued	December 1, 2027	
Final Decision Adopted	January 2028	
Effective Date of Final Decision	January 1, 2028	

The schedule proposed by PCF in the fourth column above has been presented in the same chronological order as the schedule proposed by SDG&E and SoCalGas, except the rows highlighted in red and green. The row highlighted in red moves the evidentiary hearings to *after* the Utilities have submitted their evidence. The rows highlighted in green are rows added by PCF that the schedule proposed by the Utilities does not include. PCF's schedule accommodates a final decision by January 2028 while providing adequate time intervenor testimony, robust evidentiary hearings, two rounds of public participation hearings at multiple locations, and oral argument.

1. Multiple inclusive and timely public participation hearings should be provided.

SDG&E's proposed schedule treats public participation hearings as optional and, if held at all, would schedule them only in mid-November 2026.¹³⁴ PCF urges the Commission to require robust, multi-location public participation hearings, held at two critical time periods: the first round early enough to meaningfully inform the proceeding; and the second round late enough so that the public can provide input on the information upon which the Commission will base its decision.

¹³⁴ SDG&E Application, p. 18.

A rate increase of this magnitude—\$1.1 billion more in the test year than the Commission authorized in the last GRC—demands that ratepayers have meaningful opportunities to be heard before the Commission makes its decision. PCF urges the Commission to hold the first round of public participation hearings in the first round of public participation in the first half of December or the second half of January, in order to avoid (1) the November election time period, and (2) the holiday season, so that the public can be more fully engaged.

PCF also urges the Commission to hold a second round of public participation hearings after reply briefs have been filed, so that the public can be heard on the record developed during the proceeding—not merely on the utilities’ initial, deficient applications. PCF’s schedule proposes these hearings for the end of July and early August. This approach better serves the Commission’s public interest mandate in a multi-year, technically complex proceeding.

In terms of location, SDG&E’s service territory spans all of San Diego County and portions of Orange County—a diverse region including densely populated urban communities and rural communities that have the fewest alternatives and the least ability to absorb higher rates. The communities most directly affected by wildfire risk and grid hardening costs are often those in SDG&E’s east county and backcountry, where residents are also subject to Public Safety Power Shutoffs. Disadvantaged communities and communities with high utility disconnection rates should also be prioritized. PCF urges the Commission to hold multiple public participation hearings at a minimum in the following locations and with the following access requirements:

- (1) south county (south or southeast of downtown San Diego);
- (2) north county (along the highway 78 corridor);
- (3) central San Diego (i.e. Linda Vista/Clairemont area); and
- (4) east county (HFTD and backcountry).

Hearings should be held at venues with adequate public parking and public transit access, at times—including evening hours—that permit working families to attend. Virtual attendance options should also be provided.

2. The schedule should allow sufficient time for evidentiary hearings, and should be held after all the evidence has been submitted.

Despite that the Sempra GRC is the only GRC in which parties and staff are compelled to address more than one GRC simultaneously, and although an entire month of evidentiary hearings in the Utilities' TY24 GRC caused parties to have to cut short their cross-examination, the Utilities propose a mere two weeks for evidentiary hearings.¹³⁵ PCF's proposed schedule reserves five weeks for evidentiary hearings for these two GRC proceedings so that the parties and the Commission are not forced to rush through and cut short cross-examination of witnesses.

Additionally, the evidentiary hearings should be held *after* the testimony is in. This can easily be accomplished by adjusting the Utilities' proposed dates for 2026 recorded expenditures and update testimony and the evidentiary hearings, such that the evidentiary hearings occur thereafter. An excerpt of PCF's above-schedule is reproduced here for ease of reference:

2026 Recorded Expenditures Served by SDG&E & SoCalGas	May 22, 2027	April 23, 2027
Update Testimony and Hearings (if necessary)	April 23, 2027	April 23, 2027
Response/Objections to Additional Exhibits		April 30, 2027
Evidentiary Hearings	March 29 – April 9, 2027	May 4 – June 11, 2027

PCF's recommended changes also eliminate the Utilities' proposed opportunity to submit late-filed exhibits necessary to meet their burden of proof without providing a corresponding opportunity to respond and for cross-examination.

¹³⁵ SDG&E Application, p. 19.

If the Commission is inclined to allow the Utilities to submit exhibits necessary to establish their case after evidentiary hearings, PCF requests an opportunity to respond or object to those late-filed exhibits, and that a second round of evidentiary hearings be scheduled for after all the evidence has been submitted.

3. The schedule should incorporate a date for oral argument.

PCF proposes that the schedule incorporates a tentative date for oral argument. Anticipating oral argument will allow the parties and the Commission to plan ahead for oral argument to be held shortly after the reply brief has been filed but before the proposed decision has been issued. In past GRCs, oral arguments have been particularly useful and informative, with Commissioners actively engaged and asking important questions.

VIII. CONCLUSION

At all times throughout this proceeding, the Commission should keep in mind that the Utilities' natural financial incentives conflict with ratepayers' interests, so that the Commission may meet its statutory obligations to disallow all unreasonable and unjustified costs and to reduce rates to as low as possible.

/s/ Malinda Dickenson

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