



BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

FILED

07/20/26

04:59 PM

A2606014

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)

CONSOLIDATED

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)

PROTEST OF THE INDICATED SHIPPERS

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July 20, 2026

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PROTEST OF THE INDICATED SHIPPERS

Pursuant to the California Public Utilities Commission (Commission) Rules of Practice and Procedure Rule 2.6, the Indicated Shippers¹ submit this protest to the June 15, 2026, *Application of Southern California Gas Company for Authority, Among Other Things, to Update its Gas Revenue Requirement and Base Rates Effective on January 1, 2028* (Application).

I. INTRODUCTION

Southern California Gas Company's (SoCalGas or Company) 2028 General Rate Case (GRC) requests Commission approval of its proposed Test Year (TY) 2028 gas revenue requirements and base rates, effective January 1, 2028.² SoCalGas is also requesting approval

¹ The Indicated Shippers represent the natural gas non-core customer interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., Marathon Petroleum Company LP, and PBF Holding Company.

² Application at 1.

to implement a post-test year ratemaking mechanism for 2029-3031.³ Specifically, SoCalGas requests a total TY 2028 revenue requirement of \$5.1 billion, an increase of \$485 million or approximately 10.5% over its expected 2027 revenue requirement.⁴ SoCalGas requests an additional \$1.9 billion in Post-Test Year (PTY) revenue requirement,⁵ for a cumulative GRC period ratepayer revenue increase of \$2.4 billion. For context, the 2024 GRC decision only approved \$4.232 billion in revenue requirement for 2027, so the proposed \$485 million increase to \$5.1 billion in 2028 would be a 20.5% increase over that original amount.⁶ PTY attrition revenue increases then add 6.2% in 2029, 5.8% in 2030, and 5.5% in 2031.⁷

The requested increase raises concerns and should be carefully scrutinized. Given the continued upward pressure on rates, the proposal would further undermine rate affordability for all customer classes, including the noncore Commercial & Industrial (C&I) class. The Indicated Shippers therefore protest SoCalGas's Application and intend to actively participate in developing the record to demonstrate that the revenue increase, as proposed, is not just and reasonable. The proposed expenditures have not been shown to be necessary at the levels requested and the Application does not demonstrate a reasonable effort to balance the costs of maintaining safe and reliable gas service with concomitant rate impacts on customers.

³ Application at 1.

⁴ *Id.*

⁵ Application at 5, 11.

⁶ Decision Addressing The 2024 Test Year General Rate Cases Of Southern California Gas Company And San Diego Gas & Electric Company, D.24-12-074 at 4 ("For SoCalGas, the decision adopts a PTY revenue requirement of \$3.995 billion for 2025, \$4.112 billion for 2026, and \$4.232 billion for 2027."). SoCalGas's figures calculating a 10.5% increase to result in a revenue requirement of \$5.1 billion could not be validated, though Indicated Shippers intends to do so through discovery.

⁷ Application at 11.

II. GROUNDS FOR PROTEST

The revenue requirement increases for TY 2028 and the PTY period are too high to be just and reasonable when consideration is also given to the proposed accelerated pace of additional safety and reliability investment. As ratepayers struggle with affordability, the Company should proactively minimize its requested revenues to only those that are absolutely necessary during this rate case cycle to provide safe and reliable service. Despite the ongoing affordability crisis and worsening economic outlook,⁸ the Application shows no indication of any significant effort by SoCalGas to mitigate rate increases. Indeed, SoCalGas proposes to accelerate investment in declared risk mitigation projects like its Residential Meter Protection program having a Benefit-Cost Ratio (BCR) well below 1.0.⁹ Indicated Shippers respectfully ask the Commission to consider whether the Application achieves a proper balance between safety and reliability expenditures and the need to manage cost of service.

SoCalGas's 2028 GRC follows previous rate cases which contributed to the present burden on customers in SoCalGas's service territory. From TY 2019 to TY 2024, SoCalGas increased its revenue requirement request by \$1.497 billion, a 51% increase over five years.¹⁰ The TY 2028 10.5% requested increase roughly reflects this trend, despite SoCalGas's claim to

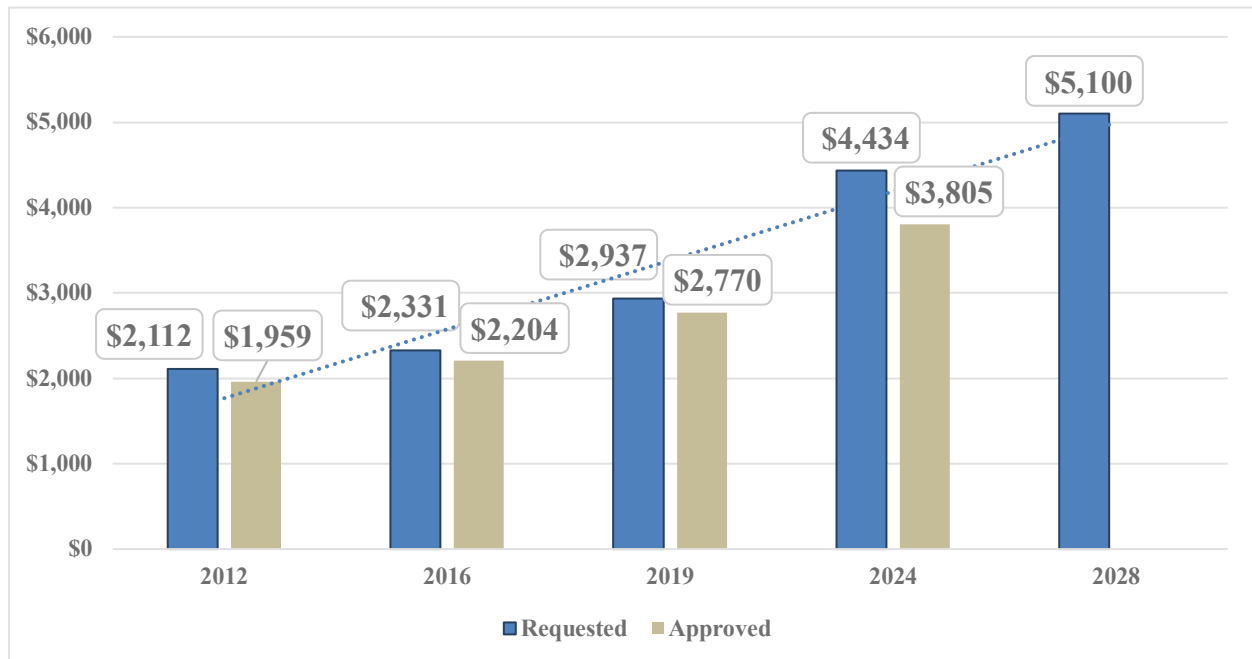
⁸ SoCalGas itself admits to an "unprecedented scale of customer arrearages," signaling a worsening outlook for the affordability crisis. SCG-08 Testimony at 8:24-27.

⁹ For example, see SCG-04 at 61-62, Table JW-44 at 127, Table JW-53 at 151. SoCalGas proposes to spend over \$84 million (\$2025) to install bollards or snow shelters on 600 meters in each 2026 and 2027, and 4,000 per year in both 2028 and 2029. The BCR for RAMP Risk ID C175 for Residential Meter Protection is 0.01.

¹⁰ Application at 1.

the contrary.¹¹ Just as the Commission found previous requests to be unreasonable, the Commission should do the same in this rate case to protect overburdened customers.¹²

Table 1
SoCalGas Revenue Requirement Application and Approval by Test Year¹³
(Millions \$)



¹¹ Application at 1 (“Notably, a 10.5% requested increase is the lowest request in over a decade...”).

¹² D.24-12-074 at 2 (“The decision adopts a 2024 TY revenue requirement of \$3.805 billion for SoCalGas, which is \$ 628.658 million lower than the \$4.434 billion that SoCalGas requested in its Update Testimony”) (citations omitted); D.19-09-051 at 3 (“For SoCalGas, the decision adopts a TY2019 revenue requirement of \$2.770 billion which is \$166.109 million lower than the \$2.937 billion that SoCalGas had requested in its update testimony.”); D.16-06-054 at 4 (“For SoCalGas, with the adjustments for the repairs deduction and bonus depreciation, we adopt a test year 2016 revenue requirement of \$2,203,966,000 for SoCalGas. Today’s adopted 2016 revenue requirement is \$127 million lower than what SoCalGas had requested (\$2.331 billion)...”); D.13-05-010 at 2 (“SoCalGas requested a test year 2012 revenue requirement of \$2,112,476,000. Today’s adopted revenue requirement... is \$153.731 million lower than what SoCalGas had requested.”).

¹³ Based on data from previous SoCalGas General Rate Case Decisions, D.13-05-010, D.16-06-054, D.19-09-051, D.24-12-074; Application at 1.

As the affordability crisis continues to intensify, the Commission should examine SoCalGas's request with heightened scrutiny. Considering the impact of each incremental increase, on top of existing financial pressures, can prevent further undue burdens placed upon SoCalGas ratepayers.

In addition, it is inappropriate for SoCalGas to include its proposed Earning Sharing Mechanism (ESM) within the scope of this proceeding.¹⁴ The proposed ESM would reallocate the financial consequences of deviations from SoCalGas's authorized rate of return (ROR) between shareholders and ratepayers, thereby altering the risk allocation underlying that authorization. Questions concerning utility risk, earnings incentives, and the corresponding authorized return are properly evaluated together in the cost of capital proceeding. SoCalGas should not use this GRC to obtain downside protection from shareholders without a corresponding reassessment of the return authorized in exchange for assuming that risk. .

III. EFFECT OF APPLICATION ON THE INDICATED SHIPPERS

Indicated Shippers are an *ad hoc* association representing the natural gas transportation customer interests of its members, who have industrial facilities in SoCalGas's service territory and are noncore customers of SoCalGas. Indicated Shippers actively participate in SoCalGas's rate cases to address rate and revenue impacts to noncore customers. SoCalGas's proposed 2028 revenue requirement will increase noncore C&I customer rates by approximately 3.7% as compared to currently effective rates.¹⁵ This is concerning and will directly impact the rates and SoCalGas bills that the Indicated Shipper members pay.

¹⁴ SCG-28 at 11-12.

¹⁵ Application, Appendix C, Statement of Proposed Gas Rates Changes; SCG-29/SDGE-34 Prepared Direct Testimony of Gas Rates at Table MF-1, MF-3.

Indicated Shippers' interest in this proceeding is the impact on natural gas transportation costs, and the impact on gas distribution, transmission, and storage operations as they affect industrial customers' operations.

IV. THE PROPOSED EARNINGS SHARING MECHANISM IS OUT OF SCOPE FOR THIS GRC

SoCalGas's proposed ESM is not an ordinary post-test-year revenue requirement adjustment; it would materially reallocate the risk associated with deviations from SoCalGas's authorized ROR. Under the proposal, ratepayers would bear 50 percent of earnings shortfalls between 201 and 250 basis points below the authorized ROR, and 100 percent of shortfalls beyond 250 basis points, subject to potential suspension for broadly defined extraordinary or non-controllable events.¹⁶ Although SoCalGas characterizes the ESM as an affordability measure, potential sharing of excess earnings does not justify transferring a corresponding portion of the Company's downside risk to ratepayers.

Table 2
SoCalGas Proposed Earnings Sharing Mechanism¹⁷

<u>Bands</u>	<u>Basis Points Above/Below Authorized ROR</u>	<u>Ratepayer %</u>	<u>Shareholder %</u>
Inner	0-200	0	100
1	201-250	50	50
2	Above 250	100	0

That proposed transfer of downside risk should not be included within the scope of this GRC proceeding. The Commission establishes SoCalGas's authorized ROR every three years in

¹⁶ SCG-28 at 11:4-12:6.

¹⁷ SCG-28 Testimony at 11, Table RG-5.

the separate Cost of Capital proceeding.¹⁸ Consistent with the controlling legal standard,¹⁹ the Commission evaluates the utilities' individual financial, business, and regulatory risks and determines the return commensurate with those risks.²⁰ The resulting authorization provides an *opportunity* to earn the approved return, not a guarantee.²¹ The proposed ESM risks altering that framework by protecting SoCalGas's shareholders from a portion of the downside risk underlying the authorized return, without a corresponding reassessment of the Company's cost of capital. Whether a reduced risk profile warrants a different earnings opportunity must be considered as part of a comprehensive Cost of Capital review, not through an isolated mechanism in this GRC.

Notably, SoCalGas attempted to implement an ESM in its 2012 GRC, which the Commission rejected.²² In denying that request, the Commission noted that parties had:

cast suspicion on whether the earnings sharing mechanism ... favor[s] shareholders over ratepayers, and whether [it] can be gamed. As UCAN points out, the Applicants also have the discretion, within the parameters of safety and reliability considerations, to engage in cost cutting.²³

The same concerns apply here. By shifting a substantial portion of its risk to ratepayers, the proposed ESM weakens SoCalGas's incentive to minimize imprudent costs and employ rigorous cost controls to both capital and operational expenditures. Moreover, if SoCalGas's

¹⁸ See D.25-12-043 at 50-51, Ordering Paragraph 3 (establishing SoCalGas's Test Year 2026 Cost of Capital)

¹⁹ *The Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944) (*Hope*) and *Bluefield Water Works & Improvement Company v. Public Service Commission of the State of Virginia*, 262 U.S. 679 (1923) (*Bluefield*).

²⁰ See, D.25-12-043 at 22-23, 35-45, 48, 50-51, Finding of Fact 19, 30, and Conclusion of Law 14.

²¹ See, e.g., D.25-12-043 at 23.

²² D.13-05-010 at 1010.

²³ *Id.*

true objective is to “advanc[e] ratepayer affordability,” a mechanism that shares only excess earnings with ratepayers would accomplish that goal, ensuring that ratepayers are not required to absorb the Company’s earnings shortfalls. The inclusion of a loss-sharing component therefore undermines the Company’s stated rationale for proposing the ESM. Rather than primarily serving ratepayer interests in rate affordability, the proposal functions to reduce shareholder risk in light of decarbonization, electrification, and other market risks discussed throughout the Application. Accordingly, even if the Commission were to determine that consideration of the ESM falls within the scope of this proceeding, it should nevertheless find the proposal unreasonable and deny it.

V. REASONS APPLICATION IS NOT JUSTIFIED, AND FACTS SUPPORTING DENIAL OF APPLICATION

Upon initial review, it appears SoCalGas is not managing its capital investments with the objective of maintaining safe and reliable utility service at just and reasonable costs. SoCalGas advances several capital expenditure proposals which warrant careful examination in this proceeding to determine whether SoCalGas has made sufficient effort to mitigate customer rate increases. However, such examination is not possible at this juncture because the Application and testimony provide insufficient explanation of whether or how SoCalGas took into account all regulatory compliance flexibility to inform the pacing of new investment. As such, the Application is not sufficiently justified as filed because it does not provide sufficient detail surrounding SoCalGas’s efforts to balance cost impacts with its obligation to maintain safe and reliable service.

For example, in addition to the Residential Meter Protection initiative discussed above, SoCalGas proposes to spend over \$1.25 billion in capital (\$2025) between 2027 and 2031 on its

Distribution Risk Evaluation and Monitoring System (DREAMS) initiative.²⁴ DREAMS is a risk mitigation project aimed at mitigating risks associated with underground plastic pipe and bare steel pipe replacement.²⁵ DREAMS has a sub-1.0 BCR except when evaluated using a societal discount rate.²⁶ SoCalGas justifies its \$1.25 billion proposed capital investment in DREAMS based upon several high-profile failures of Aldyl-A plastic piping. However, SoCalGas does not provide a cogent and compelling analysis.²⁷ Nor does it compare the specific factual situations underpinning those high-profile failure events and SoCalGas's existing plastic pipe inventory.²⁸ This infirmity²⁹ was observed by the Commission's Safety Policy Division (SPD) in its October 10, 2025 Evaluation Report (SPD Evaluation Report) on SoCalGas's 2025 Risk Assessment and Mitigation Phase Report filing (A.25-05-010).³⁰ The Commission also noted SoCalGas's arbitrary process for selecting plastic pipe replacements.³¹ The Commission's guidance to its

²⁴ SCG-04 Testimony, Table JW-50 at 140.

²⁵ See A.2505010, SoCalGas RAMP Report, May 15, 2025, at SCG-Risk-3 Medium Pressure Gas System-39. SCG SoCalGas estimates that its Bare Steel Replacement Program (BSRP) will cost \$78 million per year, implying that the remainder of the \$1.25 billion proposed DREAMS capital investment is for its vintage plastic pipe replacement initiative.

²⁶ SCG-04 Testimony, Table JW-53 at 152.

²⁷ SCG-04 Testimony at 65-66, 156-157.

²⁸ *Id.*

²⁹ See SPD Evaluation Report at 60.

³⁰ See SPD Evaluation Report at 61 ("SPD requested Sempra to define the term 'medium pressure distribution main locations' with respect to the Aldyl A pipeline quantitative risk assessment. Sempra's response indicates an absence of standardized or definite starting and ending boundaries for each such location. Therefore, it appears the size of any distribution main location can be arbitrarily selected by the risk evaluator. Consequently, the quantity of Aldyl A pipelines in each distribution main location, and, hence, the total risk of each location can be changed simply by changing the starting area and ending area of the distribution main location. This level of flexibility, without a standardized way to construct a distribution main location, partially defeats the operation of the 6x10⁻⁶ serious injuries threshold, since a pipeline replacement decision on each segment can be overridden by varying the size of each location. SPD recommends that for the 2028 GRC, a standardized way be used to define distribution main locations when comparing the risk value against the 6x10⁻⁶ serious injuries threshold.").

³¹ SPD Evaluation Report at 61.

jurisdictional gas utilities regarding Aldyl-A piping risk management did not prescriptively require accelerated replacements.³² The Commission should require SoCalGas to provide a robust fact-based justification for its proposed \$250 million/year spending pace on Aldyl-A line replacements during the 2027-2031 period.

Further, SoCalGas unreasonably proposes converting the Transmission Integrity Program Balancing Account (TIMPBA) into a two-way account. This would eliminate the present structure as a one-way balancing account with refunds to customers for overcollections.³³ Its proposal allows cost recovery of a staggering 50% of the above-authorized TIMP balance through a Tier 3 advice letter, which exceeds the 35% limit set when TIMPBA was a two-way account.³⁴ TIMPBA was converted into a one-way account in the 2024 SoCalGas GRC decision because it would lead to a reduction in costs.³⁵ The Commission reasoned that foregoing recovery by advice letters meant SoCalGas could only recover “...via the more thorough reasonableness review application process that will better protect ratepayers.”³⁶ In its

³² See Hazard Analysis and Mitigation Report on Aldyl-A Polyethylene Gas Pipelines in California, June 11, 2014 at 32: “The potential hazards with early vintage Aldyl A pipes are operator specific, depending on the stress factors put on the pipes by the operators. Having highlighted the potential danger associated with early vintage Aldyl A pipes, we defer the mitigation of this potential hazard and the consideration on the scope and pace of any replacement program to the operators’ judgment, since pipeline replacement programs are more suitably dealt with in the larger context of a general rate case or equivalent proceeding. We instead make recommendations to address impediments we identified which collectively can prevent our jurisdictional operators from effectively managing the potential danger associated with early vintage Aldyl A pipelines.”

³³ SCG-21 Testimony at 9.

³⁴ SCG-21 Testimony at 9:27-29, 10:1, 12:10-15.

³⁵ D.24-12-074 at 248.

³⁶ *Id.*

testimony, SoCalGas cites to no new updates or changes in regulation which would undermine the Commission's previous reasoning.³⁷ Therefore, this request should be denied.

The proposed revenue requirement would significantly increase rates across all customer classes. At this juncture, further information is needed to determine whether these expenditures are just and reasonable. The Indicated Shippers intend to conduct discovery to further scrutinize SoCalGas's Application to determine whether SoCalGas's proposals impact the cost of service, and whether less costly alternatives can accomplish the same goals. In furtherance of its affordability goals, the Commission must prioritize managing the cost of service while maintaining safety and reliability. To the extent that the Application fails to incorporate this, it must be rejected.

VI. PROPOSED CATEGORIZATION AND NEED FOR HEARING

SoCalGas proposes that the application be categorized as "ratesetting," and that hearings will likely be requested.³⁸ Indicated Shippers agree with the proposed categorization and believe that evidentiary hearings will be needed.

VII. ISSUES TO BE CONSIDERED

For the reasons discussed above, Indicated Shippers do not agree with the scope of issues presented in SoCalGas's Application and urge the Commission to exclude the Earnings Sharing Mechanism from this proceeding. Indicated Shippers also request inclusion of the following, more specific issues:

³⁷ See generally SCG-21 at V.A. (lacking argumentation around changes which would justify overruling the Commission's previous decision).

³⁸ Application at 13.

1. Whether Sempra Utilities' proposed revenue requirements, costs, and recovery mechanisms for Test Year 2024 are just and reasonable and should be adopted by the Commission and reflected in rates;
2. Whether Sempra Utilities' post-test-year ratemaking mechanisms are just and reasonable; and
3. Whether the various regulatory account proposals are just and reasonable.

VIII. PROPOSED SCHEDULE

Indicated Shippers will work with other intervenors and SoCalGas and be prepared to discuss the schedule at the Prehearing Conference.

IX. CONCLUSION

Indicated Shippers intend to conduct discovery and participate actively in this proceeding and appreciate the opportunity to submit this protest.

Respectfully submitted,

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July 20, 2026