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08/07/26
04:59 PM
A2205015

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, 2024.	Application 22-05-015 (Filed May 16, 2022)
Related Matter	Application 22-05-016 (Filed May 16, 2022)

THE PROTECT OUR COMMUNITIES FOUNDATION
NOTICE OF EX PARTE COMMUNICATIONS

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Dated: August 7, 2026

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THE PROTECT OUR COMMUNITIES FOUNDATION NOTICE OF EX PARTE COMMUNICATIONS

Pursuant to Rule 8.4 of the Commission's Rules of Practice and Procedure, and Public Utilities Code § 1701.1(e)(3), The Protect Our Communities Foundation (PCF) hereby provides notice of the following ex parte communications, initiated by Andrea White, PCF staff attorney, discussing the record and pending Settlement Agreement in Track 3. Ms. White's PowerPoint is provided as Attachment A to this notice.

REPRESENTATIVES IN ATTENDANCE:

Commissioner Harada's Office:

- Wednesday, August 5, 2026, 2:30-3 PM (Oral communication via Teams)
- Edwin Schmitt, Advisor to Commissioner Harada
- Adam Buchholz, Acting Chief of Staff to Commissioner Harada

President Reynolds's Office:

- Thursday, August 6, 2026, 1:30 PM-2 PM (Oral communication via Webex)
- Seina Soufiani, Advisor to President Reynolds

Commissioner Douglas's Office:

- Thursday, August 6, 2026, 3 PM – 3:30 PM (Oral communication via Webex)
- Julian Buchwalter, Advisor to Commissioner Douglas

The Protect Our Communities Foundation:

- Andrea White, Staff Attorney, The Protect Our Communities Foundation

SUMMARY OF COMMUNICATION:

During the meetings, PCF Staff Attorney Ms. White explained three main reasons the Commission should deny the Settlement Agreement: it is 1) substantively deficient, 2) based on an inconsistent and escalating cost record, and 3) procedurally deficient. She also explained that the Commission cannot just compare this record to Track 2, and rebutted claims that PCF's Opening Brief is no longer "germane." Ms. White further corrected some of the misstatements asserted in the Settling Parties' Reply Comments.

Ms. White explained one of the substantive deficiencies with the settlement, which was the inadequate reduction of drone program costs. The Commission concluded that SDG&E failed to establish the reasonableness of its drone program in Track 2, but the settlement allows 85% of drone program costs. Because the drone programs' costs represent 45% of the total cost request, an inadequate reduction undermines the settlement's reasonableness. Ms. White detailed the excessive costs: 1) drone inspections cost $662 per pole versus $3 for patrol inspections and $18 for detailed inspections (2019–2023 average); 2) drone-identified repairs cost 60% more than under SDG&E's other inspection programs; and 3) a redundant AI/Machine Learning constituted 10% of drone costs, despite SDG&E already using Qualified Electric Workers to review drone inspection images and assess poles. Less costly alternatives existed, such as combining the drone program with detailed inspections, or conducting drone inspections only when a Qualified Electric Worker determines a drone inspection is necessary.

Ms. White explained that the Settling Parties claim that there are no deficiencies in the record because their revenue request has not changed since March 2026. But sections 8386.4(b)(1) and 451 of the Public Utilities Code require the Commission specifically to evaluate costs, not just the revenue requirement. She also discussed that SDG&E has changed its reported costs numerous times throughout this proceeding. The Settlement relies on SDG&E-T3-WMPMA-19, a late-filed exhibit with numerous new costs. Ms. White illustrated the cost variations for the largest capital programs: for example, the reasonableness of 46 miles of undergrounding depends on whether SDG&E spent $77 million, $118 million, or $130 million; and SDG&E-T3-WMPMA-19 asserts $61 million in spending for just 2.33 miles of Distribution Overhead System Hardening.

Ms. White then explained the procedural deficiencies, including that the Settlement Motion and Agreement did not provide all the terms of the Settlement, in violation of Rule 12.1(a). The Settling Parties contend their Settlement was procedurally acceptable because they agreed that SDG&E would provide the indirect costs by the Reply Comment deadline and would hold a private meeting if indirect costs caused a greater than 5% change to the overall percentage reduction. But the Settling Parties never sought Commission approval for these terms. In the Settlement Motion, the Settling Parties admitted that SDG&E had yet to calculate the indirect cost reductions. When the indirect cost reductions were provided, they were not well explained, despite wide variations in the assignment of indirect costs to very similar programs. Ms. White reiterated that the Settlement was procedurally deficient for relying on SDG&E-T3-WMPMA-19 and that the Settlement also did not include a comparison exhibit with staff positions as required under Rule 12.1(a).

Ms. White also explained that the Commission cannot just compare the Settlement to the Track 2 decision, because Track 3 involves a different record. PCF's Opening Brief develops the record for numerous programs rather than repeating PCF's Track 2 positions. The Track 2 decision also did not include an ultimate determination on the drone program, and if it had, the overall percentage reductions would have been much larger.

Ms. White rebutted the arguments that PCF's Opening Brief is no longer "germane." The Opening Brief was filed pursuant to a June 17, 2026 ALJ Ruling, under a schedule the Settling Parties had agreed to where Opening Briefs and Settlement Comments could be filed. The Settling Parties addressed PCF's Opening Brief in comments, demonstrating the continued relevance. PCF listed several proceedings that have allowed both Settlement Comments and Opening Briefing/Comments and explained that Rule 12.1(d) requires evaluating the whole record when evaluating a Settlement, which PCF's Brief does.

Finally, Ms. White corrected several misstatements in the Settling Parties' reply comments—including claims that PCF argued SDG&E should have performed only the bare minimum GO 165 inspections, that a cost-per-mile approach to DOSH costs was rejected in Track 2, and that the Settlement included indirect costs (it did not; those were introduced for the first time in opening comments). Ms. White recommended that the Commission deny the Settlement and issue a Proposed Decision based on the record.

/s/ Andrea White
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August 7, 2026

ATTACHMENT A

SEMPRA GRC TY24 Track 3 WMPMA; PCF's Opposition to Pending Track 3 Settlement

PROTECT OUR COMMUNITIES FOUNDATION

Key Reasons to Deny the Settlement

1. **Substantively Deficient:** SDG&E failed yet again to justify any drone program costs, but the settlement approves 85% of costs requested (for 2019-2023)
2. **Unreasonable and unjustified cost escalations throughout Track 3:** Settling Parties chose SDG&E-T3-WMPMA-19 as baseline even though the late-filed exhibit contains new, higher costs
3. **Procedurally Deficient:** Did not include all terms of the settlement, the indirect costs and method for calculating indirect cost reductions were excluded

Settlement Drone Cost Reductions Insufficient

- Track 2 decision held SDG&E failed to establish reasonableness of the drone program
  - CoL 8 "San Diego Gas & Electric Company (SDG&E) failed to demonstrate the prudency of SDG&E's Drone Investigation Assessment and Repair program and failed to establish the reasonableness of the high unit cost and total costs from 2019–2022 for this program."
- Settlement allows 85% of costs for both DIAR and RIDI programs
  - allows $298 million of $350 million in spending[1]
- SDG&E's Drone Program was too expensive and unreasonable:
  - Including indirect costs, represents 45% of total cost request.[2]
  - Inspections were $662/pole compared to $3/pole patrol inspections, $18/pole detailed inspections (2019-2023 average)[3]
  - Repairs were 60% more expensive than other inspection programs[4]
  - Redundant AI/Machine Learning Program constituted 10% of costs of drone program alone[5]
- Alternatives include combine with other inspection programs, only conduct drone inspections when necessary

[1] *See* Settling Parties Joint Opening Comments (July 13, 2026)(Attachment A).
[2] *Ibid*. ($350 / $766.1 million = 45.68%).
[3] SDG&E-T3-WMPMA-06-E (Kaminsky), p. JK-10.
[4] PCF Opening Brief, p. 36.
[5] SDG&E-T3-WMPMA-06-E (Kaminsky), p. JK-89

Section 8386.4(b)(1) Requires Commission to Disallow Recovery for Unreasonable Costs

- (b)(1)“The commission shall consider whether the **cost** of implementing each electrical corporation's plan is just and reasonable in its general rate case application… The commission shall review the **costs** in the memorandum accounts and disallow recovery of those **costs** the commission deems unreasonable.” (version of statute at time costs were incurred)
- Section 451 requires **each charge** demanded for any product or service be just and reasonable
- Statutes requires looking at **costs** not just revenue requirement
- Settling parties chose to base cost reductions on the last filed cost request SDG&E-T3-WMPMA-19 which contained substantially larger, new costs
- Settling parties cite to decisions stating that Commission only looks at settlement agreements as a whole to determine if the settlement is reasonable, but the Commission modified several of those decisions before approval

The Undisputed Discrepancies Show that SDG&E's Filing Cannot Support a Finding of Reasonableness

	OEIS 2023 Report on Compliance (June 2025) (PCF-64)	Original Testimony 4/30/2025	Supplemental Testimony 3/9/2026	Supplemental Testimony Errata 4/27/2027	SDG&E-T3-WMPMA-19 5/21/2026
Covered Conductor Miles	OEIS identifies discrepancy: (1) SDG&E reports **60 miles** reported by in its Electric Corporation Report on Compliance; (2) SDG&E reports **78 miles** in its Data Request-280 (2023 Quarterly Data Reports).	60 miles	50 miles	47 miles	n/a
Covered Conductor Costs (O&M and Capital)	$84,872,000	$42,781,000	$34,497,000	$64,488,000	$62,199,000
Undergrounding Miles	72 miles, 70.3 miles	72 miles	46 miles	46 miles	n/a
Undergrounding Costs (O&M and Capital)	$175,207,000	$98,730,000	$77,311,000	$118,706,000	$130,277,000
DOSH Miles	2.3 miles	2.33 miles	2.33 miles	2.33 miles	n/a
DOSH Costs (O&M and Capital)	$7,237,000	$5,216,000	$6,985,000	$6,938,000	$61,301,000; But reports difference between actual and authorized spending as $-3,510,000
Drone Costs 2023	$128,046,000	$97,009,000	$99,723,000	$125,408,000	Does not separate 2019-2022 spending and 2023 spending

The Settlement Motion is Procedurally Deficient

- Rule 12.1(a)- requires all terms included in settlement: Indirect costs not included as part of settlement
- Private discussion if final indirect costs caused a greater than 5% change to final reduction
- Settling Parties did not explain indirect cost calculation's wide variations between programs, not just a proportional assignment

  Indirect costs are 10% Covered Conductor direct costs and 48% of DOSH costs without explaining methodology
- SDG&E-T3-WMPMA-19 contains additional, increased direct costs, which conflicts with prior record evidence, at the last minute, as the appropriate baseline
- No comparison exhibit with Staff positions as Rule 12.1(a) requires

Commission Cannot Merely Compare Track 2 % Reduction Total to Settlement % Reduction Total

Settling Parties' Allegations about PCF's positions are inaccurate; PCF makes entirely new arguments based on the record and does not merely repeat its Track 2 arguments

1. Covered conductor and undergrounding unjustified and unreasonable

- PCF developed record showing exclusive choice between covered conductor and undergrounding and failure to use RSE to compare programs- did not consider any other programs
- Failed to address changes in miles and costs requested

2. DOSH Program costs unreasonable, $61 million costs asserted for 2.33 miles

- PCF identified high cost per mile and suspicious costs listed in SDG&E-T3-WMPMA-19
- Contains no reductions in settlement, fails to address negative account balances

3. Distribution Communications Reliability Improvements Costs increased for unauthorized second license

- Program was $31 million more expensive in 2023 v 2022; PCF identified excessive spending on second Private LTE Spectrum License
- Settlement fails to address significant increase in spending

4. WiNGS program costs unjustified; unreasonable at $19 million

- PCF argues for rejecting all WiNGS program costs
- Settlement allows WiNGS programs denied in Track 2. Settlement rejects only Centralized Repository for Data.
- In reply comments incorrectly assert Allocation Methodology Development and Application was granted in Track 2, but was mostly denied ($10 million out of $11 million denied) – D.26-01-021, p. 12

5. SDG&E's drone program spending of $350 million remains unjustified and unreasonable

- PCF presented detailed and comprehensive evidence of drone program unreasonableness and implementation deficiencies
- Settling parties reply provides misleading characterization of PCF's drone analysis and evidence

PCF's Opening Brief Establishes Unreasonableness of SDG&E's Request and of the Settlement

PCF's Opening Brief and Opening Comments Were Filed Concurrently per June 17, 2026 ALJ Ruling

- Settling Parties agreed to a schedule where Opening Briefs were due on July 13
- Could have filed briefing if wished to, chose to agree to Settlement term requiring defense of settlement
- Settling Parties address PCF's Opening Brief in comments

Other Proceedings Allowed Both Settlement Comments and Briefs/Comments

- A.25-07-016: Charter/Cox Proceeding
- R.23-05-018: Go 131
- Track 1 of this proceeding A.22-05-015/-016
- A.02-12-027/A.02-12-028/I.03-03-016

Rule 12.1(d)

- Requires settlements to be reasonable in light of the "whole record"
- PCF's Opening Brief is comprehensive and evaluates the whole record
- Settlement Motion and comments selectively reference record

Settlement Reply Comments Made Many Misstatements: Some Examples

Claim: PCF stated SDG&E should have done bare minimum of GO 165 inspections.

Fact: Drones can be useful in some instances, but SDG&E implemented a massively expensive drone program. PCF details recommended cost reductions in its Opening Brief.

Claim: PCF argues for DOSH reductions on a cost per mile approach, which was rejected in Track 2.

Fact: The Track 2 decision did not reject a cost per mile approach, and PCF also pointed out the excessive costs requested for DOSH in SDG&E-T3-WMPMA-19.

Claim: PCF is incorrect to claim the Settlement did not include indirect costs.

Fact: The settlement did not include indirect costs. These were included in opening comments for the first time, violating Rule 12.

Claim: SDG&E's 2019-2022 capital expenditures in SDG&E-T3-WMPMA-19 were in SDG&E's supplemental workpapers.

Fact: To the extent the costs are included in SDG&E's supplemental workpapers, they are not delineated or separated from Track 2 costs so that it is impossible to tell from the workpapers which 2019-2022 costs are being requested in Track 3.