STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

**FILED**
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September 25, 2026

**Agenda ID #24558**
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 26-05-002:

This is the proposed decision of Administrative Law Judge Shannon Clark. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 29, 2026 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:nd3
Attachment

Decision **PROPOSED DECISION OF ALJ CLARK (Mailed 9/25/2026)**

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

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| Application of Southern California Gas Company (U904G) and San Diego Gas & Electric Company (U902M) for Authorization to Implement Revenue Requirement to Enable SAP Migration Program. | Application 26-05-002 |

# DECISION AUTHORIZING ESTABLISHMENT OF MEMORANDUM ACCOUNT

## Summary

This decision authorizes Southern California Gas Company and San Diego Gas & Electric Company (jointly, Sempra Utilities) to establish the Systems Applications Products (SAP) Migration Memorandum Account, effective May 1, 2026, to track costs stemming from implementation of the SAP Migration Program Phase 1B, up to a cap of $13.7 million.

This decision does not authorize Sempra Utilities to recover costs recorded in the SAP Migration Memorandum Account. Whether, how, and to what extent Sempra Utilities may recover costs tracked in this memorandum account will be determined in a future Commission decision.

This proceeding remains open.

## 1. Background

On May 16, 2022, Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E), referred to collectively as Sempra Utilities, or Sempra, filed their 2024 Test Year general rate case (GRC) applications.[1] The applications requested $70.612 million in capital costs for the Systems Applications Products (SAP) Transformation Project, precipitated by the decision of SAP, one of the world's largest enterprise resource planning (ERP) platform companies, to discontinue maintenance of certain longstanding applications at the end of 2027. In Decision (D.) 24-12-074, the Commission authorized $51.212 million in capital costs for the SAP Transformation Project.[2]

On May 1, 2026, Sempra Utilities filed the instant application, requesting authorization to implement an approximate $348 million revenue requirement to enable the SAP Migration Program. In its application, Sempra states that since its initial request to fund the SAP Transformation Project in its 2024 Test Year GRC, it has elected to scale back the SAP program from a complete transformation to a more narrow scope of migration to supported systems and a limited, strategic modernization.[3] Sempra states that the $51.212 million was authorized by the Commission for the initial phase (Phase 1A) of the SAP program, and that the $348 million requested in A.26-05-002 will support the remaining phases of the SAP Migration Program (Phase 1B and Phase 2).

On May 15, 2026 and June 3, 2026, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the Utility Workers Union of America, AFL-CIO, Local 483 filed motions for party status in the SAP

[1] *See* Application (A.) 22-05-015 and A.22-05-016.

[2] D.24-12-074 at 648-651.

[3] Application at 4.

Migration Program proceeding, which were granted on May 28, 2026 and June 8, 2026, respectively. Southern California Generation Coalition, the Utility Consumers Action Network, Cal Advocates, and The Utility Reform Network all filed timely responses or protests to the application. Small Business Utility Advocates was granted party status at the prehearing conference held on July 27, 2026.

On May 4, 2026, Sempra Utilities filed a motion to establish the SAP Migration Memorandum Account (SAPMMA) to track Phase 1B costs from the SAP Migration Program and requesting an effective date of May 1, 2026. On May 19, 2026, Cal Advocates filed a response to Sempra Utilities' motion opposing the establishment of the SAPMMA. After requesting and being granted leave to file a reply, Sempra Utilities filed a reply to Cal Advocates' response on May 29, 2026.

On August 25, 2026, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo). The Scoping Memo found that no further testimony was needed on the motion for the SAPMMA to resolve issues of law or fact that that a decision on the motion would be issued prior to a resolution on the other issues.[4]

## 2. Issues Before the Commission

This decision addresses the issue of whether the requested SAPMMA is reasonable and should be authorized, and if so, what the effective date and the scope of costs permitted to be recorded to the account should be.

The Scoping Memo identified five other issues to be addressed in this proceeding, including whether the estimated costs and revenue requirement for

[4] Scoping Memo at 4-5.

the SAP Migration Program are reasonable and should be implemented, and if the SAPMMA is authorized, whether those costs should be transferred to a balancing account proposed by Sempra. This decision does not address these issues. The remaining issues identified in the Scoping Memo will be addressed in a later, final Commission decision on this application.

## 3. Discussion

### 3.1. It Is Reasonable to Establish the SAP Migration Memorandum Account

We find that establishing the SAPMMA is consistent with some of the Commission's criteria under Standard Practice U-27-W, and is in the public interest. Therefore, for the reasons discussed below, we grant Sempra's request.

The Commission often uses the criteria set forth in the Commission's Standard Practice U-27-W to determine whether to authorize a memorandum account. While Standard Practice U-27-W provides general guidance for approval of memorandum accounts, the guidelines serve as general instruction rather than an absolute rigid test, and the Commission retains the discretion to approve a memorandum account when a utility meets only some of the established criteria.[5]

Standard Practice U-27-W sets forth five elements for the establishment of memo accounts, finding that memo accounts track costs that the Commission has directed or approved to be tracked due to events of an exceptional nature that:

a. are not under the utility's control,
b. could not have been reasonably foreseen in the utility's last general rate case,
c. that will occur before the utility's next scheduled rate case,

[5] D.22-12-055 at 18.

d. are of a substantial nature in that the amount of money involved is worth the effort of processing a memo account, and

e. have ratepayer benefits.

The first standard element in Standard Practice U-27-W is whether the expenses are caused by an exceptional event that is outside of the control of the utility. As noted in its application, SAP will discontinue maintenance of certain longstanding ERP applications at the end of 2027.[6] Sempra, along with other investor-owned utilities and companies, are experienced utilities that should be able to plan for and manage the migration of its supported systems in order to maintain essential ERP functionality.[7] Therefore, we do not find that this discontinuance of SAP ERP applications is an exceptional event outside Sempra's control, although SAP's business decisions do influence the situation.

The second element in Standard Practice U-27-W is if expenses could not have been reasonably foreseen in the utility's last GRC. Here, while Sempra foresaw the need to migrate its SAP ERP applications in its last GRC application, the costs it requested in its last GRC only covered the costs for Phase 1A of the SAP Migration Project.[8] Further, Sempra states that subsequent to that GRC filing, Sempra determined to pursue a scaled down migration of their ERP, rather than a full transformation, which necessitated the Phase 1B costs.[9] Therefore, the Phase 1B costs could not have been reasonably foreseen in the last GRC.

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[6] Application at 3.

[7] *Ibid*.

[8] D.24-12-074 at 650-651.

[9] Sempra Reply at 4.

Cal Advocates argues that the Commission should deny Sempra's request for the SAPMMA because the Commission already considered the reasonableness of the SAP Migration Program costs in D.24-12-074 and found Sempra's estimates to be inadequately supported.[10] Cal Advocates also suggests that the memorandum account should be denied because the estimated costs for the SAP Migration Program that Sempra now requests are much higher than the costs requested in the 2024 GRC.[11] We disagree. D.24-12-074 declined to grant Sempra's full request for funding based on the lack of record support. The Commission did not prohibit Sempra from requesting additional funding for the program in the future. Moreover, we emphasize that this decision in no way authorizes Sempra to recover the costs in the memorandum account or makes any finding as to the reasonableness of the Sempra's estimated costs for the SAP Migration Program.

The third element in Standard Practice U-27-W is whether the expense will occur before the utility's next scheduled rate case. In its motion, Sempra states that it must commence work on the next phase of the SAP Migration Program (Phase 1B) without delay so that Sempra can successfully migrate its SAP systems ahead of the December 31, 2027, when its current SAP ERP platform becomes unsupported.[12] Sempra states that failing to begin work now could delay work on later phases and could result in significant risks and increased costs if the migration is not completed prior to the end of 2027.[13] We find that

[10] Cal Advocates' Response to Motion for Memo Account at 6.

[11] *Id*. at 7. We note that Sempra maintains that the costs requested in the 2024 GRC were only for Phase 1A of the SAP Migration Project, and that its current application requests costs related to Phase 1B and Phase 2 of the project.

[12] Sempra's Motion for Memo Account (Motion) at 2.

[13] *Ibid*.

due to the operational, compliance, and cybersecurity risks as well as increased costs that could accrue in the event that this migration is not completed prior to the end of 2027, that it is important for Sempra to incur these costs prior to its next GRC, subject to future reasonableness review.

The fourth element in Standard Practice U-27-W is whether the substantial amount of money involved is worth the effort of processing a memo account. In its application, Sempra states that the forecasted costs of Phase 1B of the program total approximately $13.7 million.[14] We find these forecasted costs to be substantial and therefore tracking these costs in a memorandum account is reasonable.

The fifth element in Standard Practice U-27-W is whether the costs sought to be tracked will have ratepayer benefits. In its application, Sempra states that beginning the next phases of work for the SAP Migration Program promptly is necessary to avoid adverse impacts stemming from ERP obsolescence including operational, compliance and cybersecurity risks.[15] We decline to address this element in this decision. The final decision in this proceeding will make a final determination on ratepayer benefits.

After considering the criteria set forth in Standard Practice U-27-W, we find that establishing the SAPMMA is reasonable because the costs stemming from the SAP Migration Program meet three out of the five factors. Moreover, we find, as the Commission did in D.24-12-074,[16] that the SAP ERP platform provides a critical role in Sempra's day-to-day operations. Therefore, we find

[14] Application at 6-7.

[15] Application at 7-8.

[16] D.24-12-074 at 650.

that delaying implementation of the SAP Migration Program could have adverse impacts on ratepayers, and establishing the SAPMMA is in the public interest.

### 3.2. Scope of Costs

We next consider what the scope of costs permitted to be recorded to the SAPMMA should be. In its motion, Sempra requests to record costs associated with Phase 1B activities from the SAP Migration Program, totaling approximately $13.7 million.[17] Sempra explains Phase 1B activities consist of the operation and maintenance activities to support the migration from SAP ERP ECC to S/4HANA.[18] Phase 1B also includes forecasted costs to be incurred in 2027 to conduct a competitive solicitation process for Phase 2 activities (although no contracts will be executed prior to receiving a final decision in this proceeding authorizing costs for Phase 2 activities).[19] Sempra also states in its application that due to the need to implement the SAP Migration Program prior to SAP ceasing to provide support for Sempra's legacy ERP at the end of 2027, Sempra plans to deploy Phase 1 by May 2027, and commence Phase 2 activities as soon as it receives a final decision on the remaining issues in this proceeding.[20]

As we discuss above, we find that the SAP ERP platform provides a critical role in Sempra's day-to-day operations, and that delaying implementation of the SAP Migration Program could have adverse impacts. Given this, we find it reasonable to authorize Sempra to track costs associated with Phase 1B of the SAP Migration Program, up to a cap of $13.7 million. Sempra is not permitted to

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[17] We note that Cal Advocates' response to Sempra's motion appears to object to the costs for the entire SAP Migration Program, totaling approximately $348.1 million, being tracked in the SAPMMA. (Cal Advocates' Response at 7.)

[18] Motion at 2.

[19] *Ibid*.

[20] Application at 7, 12.

recover costs tracked in the SAPMMA until Sempra's revenue requirement for those costs is reviewed for reasonableness and approved in a subsequent decision.

### 3.3. Effective Date

We find that establishing the SAPMMA with an effective date of May 1, 2026 — the day that Sempra's SAP Migration Program application was filed — to be reasonable. While Cal Advocates objects to the creation of the SAPMMA generally, it does not raise any specific objections to the May 1, 2026 effective date. Moreover, we find that making memorandum accounts effective as of the date the relevant application was filed is consistent with Commission precedent and policy.[21] We therefore establish the SAPMMA with an effective date of May 1, 2026.

## 4. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Approximately 16 public comments were submitted using the Public Comment tab of the online Docket Card for this proceeding on the Commission's website. The comments to date express opposition to an increase in Sempra's

[21] *See* D.25-08-008, D.24-11-010, and D.22-09-027.

rates and appear relevant to a final decision to be issued in this proceeding. The present decision does not address a rate increase.

## 5. Conclusion

The Commission grants Sempra's request to establish the SAPMMA, effective May 1, 2026, to track and record actual costs related to the SAP Migration Program Phase 1B, up to a cap of $13.7 million.

## 6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Shannon Clark in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. Comments were filed on ____________________, and reply comments were filed on ____________________ by ____________________.

## 7. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Shannon Clark is the assigned Administrative Law Judge in this proceeding.

## Findings of Fact

1. On May 16, 2022, SoCalGas and SDG&E filed 2024 Test Year GRC A.22-05-015 and A.22-05-016 and included a request to recover costs for the SAP Transformation Program.
2. In D.24-12-074, the Commission authorized $51.212 million in capital costs, or 75 percent of Sempra's requested budget for the SAP Transformation Program, because it found that Sempra had not adequately supported its estimated costs for the program.
3. Subsequent to D.24-12-074, Sempra determined to pursue a scaled down migration of their ERP, rather than the full transformation, which it called the SAP Migration Program.

4. On May 1, 2026, Sempra Utilities filed A.26-05-002, requesting authorization to implement an approximate $348 million revenue requirement to enable Phase 1B and Phase 2 of the SAP Migration Program. The application states that the $51.212 million authorized in D.24-12-074 covered the costs for Phase 1A of the SAP Migration Project.

5. On May 4, 2026, Sempra filed a motion to establish the SAPMMA to track costs associated with the SAP Migration Program, Phase 1B, and requesting an effective date of May 1, 2026.

6. Sempra's requests for funding for the SAP Migration Program stemmed from SAP's decision to discontinue maintenance of certain longstanding ERP applications at the end of 2027.

7. Due to the operational, compliance, and cybersecurity risks, as well as increased costs that could accrue in the event that the SAP migration is not completed prior to the discontinuation of certain ERP applications at the end of 2027, it is important for Sempra to incur costs for the SAP Migration Program prior to its next GRC or to a decision being issued in this proceeding.

8. Sempra forecasts that the costs of the SAP Migration Program, Phase 1B, will total approximately $13.7 million.

9. Discontinuance of SAP ERP applications is not an exceptional event, although it remains partly outside Sempra's control.

10. Phase 1B costs could not have been reasonably foreseen in Sempra's last GRC.

11. The forecasted costs for Phase 1B are substantial.

12. We decline to address the determination of ratepayer benefits in this decision.

13. The SAP ERP platform provides a critical role in Sempra's day-to-day operations, and delaying implementation of the SAP Migration Program could have adverse impacts on ratepayers.

14. Making memorandum accounts effective as of the date the relevant application was filed is consistent with Commission precedent and policy.

## Conclusions of Law

1. It is reasonable to establish the SAPMMA to track and record costs related to it Phase 1B of the SAP Migration Program, up to $13.7 million.

2. It is reasonable to grant Sempra's request to give the SAPMMA an effective date of May 1, 2026, the day that Sempra's SAP Migration Program application was filed.

## O R D E R

**IT IS ORDERED** that:

1. Southern California Gas Company and San Diego Gas & Electric Company are authorized to establish the SAP Migration Memorandum Account, effective May 1, 2026, to track and record costs associated with the SAP Migration Program Phase 1B, up to a cap of $13.7 million.

2. Southern California Gas Company and San Diego Gas & Electric Company shall each file a Tier 1 Advice Letter within 30 days of the effective date of this decision to establish the SAP Migration Memorandum Account consistent with this decision.

3. Application 26-05-002 remains open.

This order is effective today.

Dated _____________________, at San Francisco, California.