

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



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10/02/26

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Application of San Diego Gas & Electric
Company (U 902-E) for Approval of its 2027
Electric Procurement Revenue Requirement
Forecasts, 2027 Electric Sales Forecast, and
GHG-Related Forecasts

Application 26-05-009
(Filed May 15, 2026)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E)
OPENING BRIEF**

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October 2, 2026

SUMMARY OF RECOMMENDATIONS

San Diego Gas & Electric Company (“SDG&E”) provides the following summary of the recommendations presented in its Opening Brief:

1. The Commission should approve SDG&E’s total 2027 forecast revenue requirement and the 2027 Tree Mortality Non-Bypassable Charge (“TMNBC”) forecast revenue requirement, effective in rates January 1, 2027.
2. The Commission should approve the revenue requirement forecasts for the following: (a) 2027 ERRA revenue requirement and projected 2026 ERRA year-end balance; (b) 2027 PABA revenue requirement and the projected 2026 PABA year-end balance; (c) 2027 CTC revenue requirement; (d) 2027 LG revenue requirement and projected 2026 LGBA year-end balance; (e) 2027 MCAM revenue requirement; (f) 2027 TMNBC revenue requirement; and (g) 2026 BioMAT balancing account projected year-end balance. The Commission should reject the San Diego Community Choice Aggregators’ (“SD CCAs”) proposals to replace SDG&E’s current, observed-market-based Resource Adequacy (“RA”) sales forecast with a percentage proxy and to misclassify a temporary solicitation buffer as Forecast Retained RA.
3. The Commission should approve SDG&E’s recovery of San Diego Community Power’s (“SDCP”) 2027 Disadvantaged Communities–Green Tariff (“DAC-GT”) revenue requirement.
4. The Commission should approve SDG&E’s 2027 forecasts of greenhouse gas (“GHG”) revenues, revenue set-asides and returns, and administrative expenses, which include: (a) forecast GHG allowance revenues; (b) forecast set asides for programmatic use; (c) forecast revenue returns to emissions intensive trade-exposed retail customers; (d) GHG

administration, customer education, and outreach plan costs; and (e) forecast revenue returns to residential and small business customers via the California Climate Credit.

5. The Commission should approve SDG&E's proposed vintage Power Charge Indifference Adjustment ("PCIA") rates as updated to implement the resolved vintage-specific normalization adjustment.
6. The Commission should approve SDG&E's proposed 2027 Modified Cost Allocation Mechanism ("MCAM") rates.
7. The Commission should approve SDG&E's 2027 Electric Sales Forecast.
8. The Commission should find that no other related matter requires an adjustment or additional directive.

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I. INTRODUCTION

In accordance with Rule 13.12 of the Commission’s Rules of Practice and Procedure, San Diego Gas & Electric Company (“SDG&E”) submits this Opening Brief in support of its Application for approval of its 2027 Electric Procurement Revenue Requirement Forecasts, 2027 Electric Sales Forecast, and greenhouse gas (“GHG”)-related forecasts (“Application”). The Application is a forward-looking ratesetting forecast: it asks the Commission to adopt reasonable estimates for 2027—not to conduct a backward-looking prudence review or to guarantee that every forecast input will equal an eventual recorded result.¹

The purpose of an ERRA Forecast proceeding is to establish rates that are as closely aligned as possible with expected actual costs. The relevant inquiry, therefore, is whether a proposed forecasting approach improves the accuracy of the forecast, not whether it produces a larger or smaller allocation to any particular group of customers. SDG&E’s forecasting methodology is designed to achieve that objective and reflects SDG&E’s considered judgment as to the most accurate forecasting approach available today. At the same time, SDG&E is committed to continually evaluating, refining, and improving its forecasting methodologies as market conditions, operational realities, and other

¹ See Assigned Commissioner’s Scoping Memo and Ruling at 6, 9 (July 22, 2026) (“Scoping Memo”) (confirming ratesetting categorization).

relevant factors evolve, with the goal of maintaining the most accurate and reasonable forecasts possible.

For the Commission's convenience, this Brief follows the eight issues in the July 22, 2026, Scoping Memo. The Joint Rule 13.9 Meet and Confer Report confirms that the Public Advocates Office ("Cal Advocates") raises no disputed issue, the Direct Access Customer Coalition ("DACC") raises no additional disputed issue, and only SDCP and Clean Energy Alliance (together, the "SD CCAs") contest portions of Scoping Issues 2 and 5.² After the parties' further discussions, two issues remain: (1) the appropriate methodology for forecasting RA sales; and (2) whether a temporary RA solicitation buffer must be treated as Forecast Retained RA. The SD CCAs' proposals on these issues should be rejected because each would substitute a less reliable proxy for SDG&E's reasonable, evidence-based forecast.

II. DISCUSSION OF ISSUES PRESENTED IN SCOPING MEMO

A. Scoping Issue No. 1: Whether the Commission Should Approve SDG&E's Total 2027 Forecast Revenue Requirement and the 2027 TMNBC Forecast Revenue Requirement, Effective January 1, 2027

No party raises a specific objection to SDG&E's total 2027 forecast revenue requirement or its 2027 TMNBC forecast revenue requirement.³ The Commission should approve both amounts, subject to the October Update, for recovery in rates effective January 1, 2027.

B. Scoping Issue No. 2: Whether the Commission Should Approve SDG&E's Revenue Requirement Forecasts and Projected Year-End Balances

The SD CCAs dispute two RA-related inputs affecting Scoping Issues 2(a) (2027 ERRA revenue requirement and projected 2026 ERRA year-end balance) and 2(b) (2027 PABA revenue requirement and the projected 2026 PABA year-end balance). Neither challenge supports an adjustment. Scoping Issues 2(c) through 2(g) are uncontested.

² Joint Rule 13.9 Meet and Confer Report at 3–5 (Sept. 18, 2026) ("Joint Rule 13.9 Report").

³ Joint Rule 13.9 Report at 3.

1. The Commission Should Approve SDG&E's RA Sales Forecast Methodology

The SD CCAs characterize SDG&E's use of 12 months of historical actual sales—April 2025 through March 2026—as a “substantive change” from the percentage-of-excess-RA method used in the 2025 and 2026 forecasts.⁴ They assert that SDG&E's PCIA-eligible Forecast Sold RA⁵ is too low compared with earlier years.⁶ Their witness recommends applying the percentage of excess PCIA-eligible RA sold during the most recent 12 months to projected 2027 excess RA.⁷ That calculation would raise average Forecast Sold RA about 50% higher than SDG&E's filed forecast—and reduce the 2027 Indifference Amount by \$26.5 million.⁸ Based on the assumption that their proposed mechanical percentage must be more accurate, the SD CCAs characterize SDG&E's forecast as an “understatement” that “inflates PCIA rates.”⁹ However, the SD CCAs ignore evidence that actual RA sales have declined. Because that evidence supports SDG&E's forecast, the Commission should reject the SD CCAs' proposed methodology.

As an initial matter, no standing Commission directive requires SDG&E to use a particular RA sales forecasting formula. And in fact, in Decision (“D.”) 23-12-021, the Commission itself—based on the CCA parties' proposal (of which the SD CCAs were a part)—directed SDG&E to “revise its 2024 RA sales forecast using the average of *actual* RA sales recorded in 2023 to date,” confirming that an actuals-based methodology is consistent with Commission practice when market conditions support it.¹⁰ The primary objective is accuracy. As SDG&E's rebuttal testimony explains: “The

⁴ Ex. CCA-01, Prepared Direct Testimony of Brian Dickman on behalf of SDCP and CEA (Aug. 19, 2026) (“Ex. CCA-01”), at 12.

⁵ Please note that at the time of this brief, SDG&E is working through the 2027 year-ahead solicitation and may provide an update to the forecast in the October Update based on preliminary results.

⁶ Ex. CCA-01 at 14-15.

⁷ *Id.* at 17.

⁸ *Id.* at 17–19.

⁹ *Id.* at 13.

¹⁰ D.23-12-021 at 29–30 (Dec. 15, 2023) (emphasis added).

method used in the annual forecast filing should be one likely to result in the most accurate forecast, and that may be different from year to year.”¹¹

That flexibility is essential in a market undergoing structural change. The SD CCAs’ expert is correct that SDG&E used a percentage method for the 2025 and 2026 Erra forecasts—but this was because implementation of the slice-of-day RA framework created significant uncertainty and made then-existing historical activity a poor guide.¹² Slice-of-day, implemented for the 2025 compliance year, replaced a single monthly peak construct with a 24-hour showing and brought an unprecedented level of precision to RA compliance. During the 2024 test year, market participants were uncertain about how to comply with the new framework and avoid penalties, which drove a temporary spike in both RA sales volumes and prices, and which rendered actuals less predictive.¹³ The present record is materially different. Now that slice-of-day is fully implemented and uncertainty from initial implementation has resolved, buyer demand has normalized to levels that SDG&E’s current forecast reflects.¹⁴

Actual SDG&E RA sales have been consistently low compared to forecasted, and were below forecast in 22 of the preceding 25 months.¹⁵ The total variance from October 2024 through July 2026 due solely to lower than-forecasted RA sales revenues is \$188 million, which includes a \$50 million undercollection from January through July 2026 alone.¹⁶ Those actual results demonstrate a slowing market after slice-of-day implementation. A percentage proxy that scales sales automatically with

¹¹ Ex. SDGE-08, Prepared Rebuttal Testimony of Sheri Miller and Josh Chasse (Sept. 9, 2026) (“Ex. SDGE-08”), at SM/JC-2.

¹² Ex. CCA-01 at 15-16; *id.* at SM/JC-2 (citing 2025 Erra Forecast testimony of J. Elias at JE-6).

¹³ Ex. SDGE-08 at SM/JC-3–4, and Ex. SDGE-08C at SM/JC-4 table (showing forecast and actual RA sales, including spike in 2025; see CCA-02C at SDG&E response to DR 7.09 and attached excel, Confidential SDCP CEA SDGE DR7 Q7.09 (showing actual sales data)).

¹⁴ Ex. SDGE-08 at SM/JC-4.

¹⁵ *Id.* at SM/JC-3-4.

¹⁶ *Id.* at SM/JC-4.

excess capacity as the SD CCAs propose would disregard buyer demand and force SDG&E to assume revenues that current market behavior does not support.

The SD CCAs assert that SDG&E's forecast implies substantial amounts of Unsold RA during 2027.¹⁷ But that observation does not demonstrate forecast error—it reflects the market reality that not all excess capacity can be sold, even in high-demand periods. Under D.19-10-001, Unsold RA is valued at \$0 in the Indifference Amount calculation, the correct treatment for capacity offered but not purchased.¹⁸ The SD CCAs' alternative would credit that same capacity as if it will be sold, which the most recent actual data does not support. SDG&E's forecast instead recognizes observed sales performance while remaining committed to offering all excess RA to the market. If market conditions improve, the October Update will capture any additional executed transactions through August.¹⁹

The SD CCAs' \$26.5 million result is therefore not a demonstrated savings; it is the mathematical consequence of assuming an average of 50% more MW per month of additional sales.²⁰ If those assumed sales do not materialize, the amount returns as an undercollection. That distinction matters for customers. Overstating RA sales does not create revenue; it merely credits customers in advance for sales that may never occur, and which must later be recovered through a larger true-up. The result is deferred cost recovery and avoidable rate volatility—the opposite of sound forecast ratemaking. The objective of an ERRA Forecast proceeding is to develop the most accurate forecast reasonably possible of expected actual results and to set rates on that basis. Whether a proposed methodology produces a larger or smaller adjustment for a particular customer class does not inform the question of which methodology best forecasts the amounts that will ultimately be recorded in SDG&E's balancing accounts.

¹⁷ Ex. CCA-01 at 18.

¹⁸ D.19-10-001 at Attachment B, Table II.

¹⁹ Ex. SDGE-08 at SM/JC-3, SM/JC-7 (updated projected 2026 PABA year-end balance will include actuals through August).

²⁰ Ex. CCA-01 at 19.

In its 2027 ERRR Forecast, SDG&E recognized an opportunity to decrease rate volatility that is due to overestimating RA sales revenues, and changed its forecast to better fit the actuals being observed.²¹ The Commission should approve SDG&E’s data-based approach as reasonable and reject the SD CCAs’ percentage methodology.

2. The Commission Should Reject the SD CCAs’ Attempt to Classify a Temporary RA Solicitation Buffer as Forecast Retained RA

The SD CCAs argue that any RA capacity SDG&E holds back from a particular solicitation is “retained for IOU use” under D.19-10-001, Attachment B, Table II, and therefore must be treated as Forecast Retained RA and valued at the RA Adder market price benchmark.²² They point to SDG&E’s treatment of reserves during the 2025 and 2026 slice-of-day transition as support.²³

The SD CCAs’ argument erroneously collapses a temporary portfolio-management choice into an ultimate forecast disposition. It also assumes that capacity not offered in one solicitation is withheld from the market, even though RA is sold through multiple channels and at multiple times.²⁴ SDG&E’s supplemental discovery response squarely addresses the error: the SD CCAs “conflate—in contradiction to the D.19-10-001 rules governing RA accounting—RA temporarily held back from an RFO for portfolio management purposes to mitigate against risk (i.e. ‘buffer’) and ‘Retained RA,’ which is RA that is ultimately used for compliance requirements.”²⁵

D.19-10-001 establishes exactly three RA categories: Forecast Retained RA, Forecast Sold RA, and Forecast Unsold RA. The decision does not create a fourth category for capacity temporarily withheld from a solicitation for risk-management purposes.²⁶ There is no “buffer” classification, no

²¹ Ex. SDGE-08 at SM/JC-5.

²² Ex. CCA-01 at 20-21.

²³ *Id.* at 20-22.

²⁴ Ex. SDGE-08 at SM/JC-5.

²⁵ Ex. CCA-01, Attachment B, SDG&E Supplemental Response to SDCP/CEA Data Request 3.19, at 2–3 (“SDG&E DR 3.19 Supp.”).

²⁶ D.19-10-001 at Attachment B, Table II.

separate buffer valuation, and no buffer accounting entry in SDG&E's balancing accounts. A temporary solicitation-stage status therefore has no independent ratemaking significance.

Moreover, a solicitation is not the whole market. SDG&E may sell capacity through requests for offers, bilateral negotiations, and broker-facilitated transactions. Capacity omitted from a particular solicitation remains available for later sale through another channel.²⁷ Thus, the operational status of capacity on one solicitation date does not determine whether the capacity ultimately will be used for compliance, sold, or remain unsold.

The forecast should approximate the treatment expected to be recorded when actual results are known. For actual accounting, capacity used to satisfy compliance obligations is recorded as Retained RA valued at the market price benchmark; capacity sold is recorded as Sold RA at the price received; and capacity neither used for compliance nor sold is recorded as Unsold RA, valued at \$0.²⁸ SDG&E's balancing accounts contain no separate line item for "buffer." RA capacity temporarily withheld and later sold is booked as Sold RA. RA capacity temporarily withheld and later used for compliance is booked as Retained RA. The temporary "buffer" status does not dictate the accounting result. The same principle should guide the forecast. Including a temporary buffer in Forecast Retained RA solely because it was not offered at one point would assign the RA Adder MPB to capacity not expected to serve compliance, overstate forecast PABA credits, and create a mismatch between forecasted and recorded results that *increases* rather than decreases forecast error.²⁹

The numerical example in discovery shows why the SD CCAs' classification is affirmatively harmful. If SDG&E expects to need 100 MW for compliance but adds a 10 MW temporary buffer, forecasting 110 MW as Retained RA would overstate both retained quantity and forecast PABA

²⁷ Ex. SDGE-08 at SM/JC-5.

²⁸ See D.19-10-001 at Attachment B, Table IV.

²⁹ See Ex. CCA-02 at SDG&E response to DR 3.19 Supp. at 2-3.

credits.³⁰ It would artificially lower the PABA rate, create an undercollection when the additional 10 MW is not actually used for compliance, and increase the true-up.³¹ D.19-10-001 does not compel that mismatch.

SDG&E's decision to align Forecast Retained RA with expected compliance needs—rather than layering on a temporary operational buffer—reflects an intentional effort to improve forecast accuracy. In 2027, SDG&E expects to make all RA not used for compliance available for sale.³² That fact distinguishes the transition years on which the SD CCAs rely, when SDG&E expected to withhold defined RA Reserves for contingencies associated with slice-of-day implementation and therefore included them in the forecast of Retained RA.³³ Those conditions no longer exist. Including a buffer under these circumstances would assign benchmark value to capacity that SDG&E does not intend to retain, producing an undercollection as described above. SDG&E's change in approach for the 2027 Forecast is a reasoned response to changed market conditions.³⁴

The SD CCAs' expert's proposal to import a prior-year buffer is especially arbitrary.³⁵ It would place a quantity in the 2027 forecast before SDG&E has determined that quantity and despite SDG&E's expectation that all noncompliance RA will be available for sale. The amount, if any, temporarily withheld at any point depends on then-current compliance needs, system conditions, outages, market opportunities, and portfolio risks.³⁶ Those variables may change from one solicitation

³⁰ *Id.*

³¹ *Id.*

³² Ex. SDGE-08 at SM/JC-5.

³³ *Id.*

³⁴ *Id.* at SM/JC-5–6.

³⁵ Ex. CCA-01 at 23.

³⁶ See, e.g., Ex. CCA-02 at SDG&E response to DR 3.19 Supp. at 4 (“The buffer quantities identified above reflected temporary portfolio management decisions intended to mitigate uncertainty regarding SDG&E's future Resource Adequacy requirements and available supply. Also note that even if SDG&E reserves buffer volume going into a solicitation, SDG&E can sell—and has sold—additional volumes that go into the buffer. As with all procurement decisions, SDG&E evaluates a host of factors, including price, portfolio, and market conditions, to make such decisions.”) Following completion of the applicable solicitations and as SDG&E obtained greater confidence in its Resource Adequacy portfolio and anticipated compliance position closer to the applicable delivery months, the buffer quantities associated with the 2026 Q3 delivery period were made

to another and from one year to the next. A 2026 buffer quantity provides no reliable basis for predicting a 2027 operational judgment made under different conditions.³⁷ Forecast ratemaking demands the best estimate of 2027—not a placeholder copied from 2026 merely because it produces a larger credit. The Commission should reject the proposal.

3. The Commission Should Approve the Uncontested Scoping Issue 2 Components

No party disputes Scoping Issues 2(c) through 2(g): the 2027 Competition Transition Charge revenue requirement; 2027 Local Generation revenue requirement and projected 2026 Local Generating Balancing Account year-end balance; 2027 MCAM revenue requirement; 2027 TMNBC revenue requirement; and projected 2026 BioMAT balancing account year-end balance.³⁸ The Commission should approve those components, subject to the October Update. It should also approve the ERRA and PABA forecasts under Scoping Issues 2(a) and 2(b) using SDG&E's RA methodology and updated inputs.

C. Scoping Issue No. 3: Whether the Commission Should Approve Recovery of SDCP's 2027 DAC-GT Revenue Requirement

No party raises a specific objection to SDG&E's recovery of SDCP's 2027 DAC-GT revenue requirement.³⁹ The Commission should approve the requested recovery.

D. Scoping Issue No. 4: Whether the Commission Should Approve SDG&E's 2027 GHG Forecasts

No party raises a specific objection to SDG&E's forecasts of GHG allowance revenues, programmatic set-asides, returns to emissions-intensive trade-exposed customers, administration and

available to the market through broker and bilateral market offerings. Such temporary buffer quantities reflected a point-in-time assessment of portfolio conditions and did not represent capacity that was permanently withheld from sale. Capacity initially identified as buffer volume remained available for disposition based on evolving portfolio conditions, market opportunities, and SDG&E's compliance needs. The relevant forecasting consideration is the expected ultimate disposition of the capacity, not whether capacity was temporarily withheld from a particular solicitation at a particular point in time.”)

³⁷ See, e.g., *id.*

³⁸ Joint Rule 13.9 Report at 3.

³⁹ *Id.*

outreach expenses, or returns through the California Climate Credit.⁴⁰ The Commission should approve the forecasts.

E. Scoping Issue No. 5: Whether the Commission Should Approve SDG&E's Proposed Vintage PCIA in Rates

The only identified dispute under Scoping Issue 5—the vintage-specific normalization adjustment—has been resolved. SDG&E explained that its filed methodology complied with D.18-10-019 and had repeatedly been reviewed without a finding of noncompliance.⁴¹ Nevertheless, SDG&E agreed to implement a version of the SD CCAs' vintage-specific normalization adjustment, with minor changes to placement, calculation steps, and workbook layout that preserve transparency and standardization while producing the same end rates.⁴² SDG&E also agreed that the normalization factor may be tied directly to bundled sales, resolving the parties' remaining implementation concern. SDG&E will implement the agreed adjustment in the October Update. The Commission should approve the resulting vintage PCIA rates.

To the extent the SD CCAs' RA-related arguments affect vintage PCIA rates,⁴³ SDG&E addresses those arguments in Section II.B above and incorporates them here. For the reasons set forth there, the Commission should reject the SD CCAs' proposed changes to the RA sales forecast methodology and the classification of a temporary solicitation buffer as Forecast Retained RA. The Commission should approve SDG&E's proposed vintage PCIA rates as updated to implement the resolved normalization adjustment and using SDG&E's RA methodology.

⁴⁰ *Id.* at 3–4.

⁴¹ Ex. SDGE-09, Prepared Rebuttal Testimony of Mindy Guardado (Sept. 9, 2026) (“Ex. SDGE-09”), at MG-2.

⁴² *Id.* at MG-1-3.

⁴³ See Joint Rule 13.9 Report at 4.

F. Scoping Issue No. 6: Whether the Commission Should Approve SDG&E's Proposed 2027 MCAM Rates

The SD CCAs initially asked SDG&E to calculate a separate Medium Commercial MCAM rate by splitting the Commission-approved 12-CP allocation factor.⁴⁴ SDG&E maintained that separating the combined Medium Commercial/Large C&I class would require a speculative reconstruction of historical customer classifications, risk shifting costs between the two classes, and depart from the Commission-approved methodology established in D.22-05-015, Resolution E-5241, and Advice Letter 4151-E/E-A.⁴⁵

After further discussions between the parties following the Rule 13.9 meet and confer, the SD CCAs agreed to accept SDG&E's combined Medium Commercial/Large C&I rate methodology. The SD CCAs' agreement followed a more complete understanding of the burdens of reconstructing the historical data, the difficulties in accessing prior customer-level data following a system upgrade, and the accuracy risks inherent in retroactively applying current class definitions to historical customers. This issue is therefore resolved and the Commission should approve SDG&E's proposed 2027 MCAM rates using the combined Medium Commercial/Large C&I class.

G. Scoping Issue No. 7: Whether the Commission Should Approve SDG&E's 2027 Electric Sales Forecast

No party raises a specific objection to SDG&E's 2027 Electric Sales Forecast.⁴⁶ The Commission should approve it.

H. Scoping Issue No. 8: Other Related Matters

No party raises any additional disputed matter under Scoping Issue 8.⁴⁷ The Commission should decline to impose unnecessary additional directives.

⁴⁴ Ex. CCA-01 at 31–34.

⁴⁵ Ex. SDGE-09 at MG-3-4 and Attachment A (SDG&E response to DR 4.06).

⁴⁶ Joint Rule 13.9 Report at 3.

⁴⁷ *Id.*

III. CONCLUSION

The Commission should approve SDG&E's 2027 forecasts and rates, subject to the October Update. The record supports SDG&E's use of current historical actuals to forecast RA sales and its classification of Forecast Retained RA based on expected compliance use rather than a temporary solicitation buffer. The SD CCAs' contrary proposals would substitute mechanical or unsupported assumptions for the most accurate information available, creating a heightened risk of undercollection and rate volatility. In particular, the SD CCAs' proposal to classify a temporary solicitation buffer as Forecast Retained RA would introduce a mismatch between forecasted and recorded results with no basis in D.19-10-001's three-category framework, and their percentage-based RA sales methodology would disregard the current market evidence in favor of a mechanical ratio that has already proven to overstate revenues. The MCAM rate methodology and the vintage-specific PCIA normalization adjustment are resolved. All remaining scoping issues are uncontested or resolved and should be approved as requested.

Respectfully submitted,

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