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

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 22-05-015, et al.:

This is the proposed decision of Administrative Law Judges John Larsen and Minh LeQuang. 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 December 3, 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 of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

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: asf
Attachment

Decision **PROPOSED DECISION OF ALJ LEQUANG and ALJ LARSEN (Mailed 10/29/2026)**

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, 2025	Application 22-05-015
And Related Matter.	Application 22-05-016

DECISION DENYING PETITION TO MODIFY DECISION 24-12-074 AS IT RELATES TO ONE-PART POST-TEST YEAR MECHANISM

Summary

This decision denies the December 17, 2025, petition to modify Decision (D.) 24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company* (the Decision), filed by San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (together, the Sempra Companies). The Sempra Companies request modification of the Decision to change the one-part post-test year mechanism adopted therein on the grounds that the Sempra Companies are being deprived of the ability to recover capital-related costs authorized in the Decision (Petition).

The Sempra Companies' request is denied because the Petition does not present new or changed facts and attempts to re-litigate issues decided by the Commission in the Decision.

This proceeding is closed.

1. Procedural Background

On December 17, 2025, the Sempra Companies jointly and timely filed a petition for modification of D.24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E)*. The Sempra Companies seek to change the one-part post-test year mechanism (one-part mechanism) (i.e., a single attrition rate applied to both capital-related costs and operations and maintenance (O&M)) adopted in the Decision to a two-part post-test year mechanism (two-part mechanism) (i.e., distinct attrition rates applied to capital costs and O&M) on the grounds that the one-part mechanism deprives the Sempra Companies from recovering the capital-related costs authorized in the Decision.

Responses to the Petition were filed on January 16, 2026, by The Protect Our Communities Foundation (PCF), jointly by the California State Pipe Trades Council, Coalition of California Utility Employees, and United Association Local Union 250 (together, Labor Parties), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), jointly by The Utility Reform Network and Southern California Generation Coalition (together, TURN/SCGC), and jointly by the Environmental Defense Fund and Indicated Shippers (together, EDF/IS). The Sempra Companies filed a joint reply in support of the Petition on January 26, 2026.

2. Relief Requested

The Decision adopted a one-part mechanism for 2025 through 2027.The Sempra Companies claim that the one-part mechanism does not allow them to recover authorized capital-related costs. The Sempra Companies argue that adoption of the one-part mechanism was based on three "misconceptions of fact":[1]

1. That a 3% escalation of revenue requirement would be sufficient to allow the Sempra Companies to cover their operating expenses, capital-related costs, and a reasonable return on their rate base;
2. That O&M and capital costs impact the revenue requirement in the same way and therefore can be addressed with a one-part mechanism;
3. That the Sempra Companies failed to demonstrate their capital additions exceeded depreciation.

The Sempra Companies already had an opportunity to present these arguments in the underlying proceeding, and they did so. The Sempra Companies again request adoption of a two-part, capital-based attrition mechanism. This argument was rejected in D.24-12-074. No new facts or circumstances have occurred that could not have been presented while the matters was being litigated.-.

3. Responses to Petition

PCF, Cal Advocates, TURN/SCGC, and EDF/IS oppose the Petition. SCE, PG&E, and Labor Parties support the Petition.

PCF, Cal Advocates, TURN/SCGC, and EDF/IS argue that the Petition is procedurally defective because it functions as an untimely Application for Rehearing given that the one-part mechanism was litigated extensively in the

[1] The Petition at 2.

Decision and the Sempra Companies are essentially making arguments of legal error.[2] Cal Advocates notes that the issue of Post-Test Year funding was litigated through testimony, evidentiary hearing, briefing, and comments on the proposed decision.[3]

Cal Advocates, PCF, and EDF/IS argue that there are no new or changed facts to warrant granting of the Petition.[4] Cal Advocates argues that, even if there were new facts, the Petition fails to show how the alleged new facts would change the Commission's decision on the seven-year average for capital additions.[5]

TURN/SCGC argue that the Sempra Companies fail to demonstrate a strong expectation that the Commission would have reached a different result based on the information provided in the Petition. TURN/SCGC note that the Commission has already considered and rejected the alternative Post-Test Year mechanism the Sempra Companies request in the Petition.[6]

Labor Parties argue in support of the Petition that the one-part mechanism fails to fund critical safety and reliability work, risks preventing SDG&E from implementing its wildfire mitigation plan, risks SoCalGas not having sufficient funds for pipeline safety, and risks Sempra's financial health.[7] PG&E and SCE support the Petition for many of the reasons that the Sempra Companies provide.

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[2] PCF's Response to the Petition at 5 – 6; TURN/SCGC's Response to the Petition at 5; Cal Advocates' Response to the Petition at 1; EDF/IS' Response to the Petition at 7.

[3] Cal Advocates' Response to the Petition at 1 – 2.

[4] Cal Advocates' Response to the Petition at 2 – 4; PCF's Response to the Petition at 2; and EDF/IS' Response to the Petition at 7 – 10.

[5] Cal Advocates' Response to the Petition at 3.

[6] TURN/SCGC's Response to the Petition at 10 – 11.

[7] Labor Parties' Response to the Petition.

In particular, PG&E and SCE agree that the adoption of a one-part mechanism using a 3% escalation of revenue requirement will significantly underfund capital additions,[8] that the adoption of the same escalation for capital-related revenue requirement and O&M expenses is inconsistent with established regulatory principles,[9] and that the Sempra Companies have demonstrated that forecasted capital additions exceed depreciation.[10]

The Sempra Companies, in their reply, note that no party disputes that Post-Test Year capital and O&M impact revenue requirement differently.[11] The Sempra Companies assert that the Petition presents factual support that Conclusion of Law (CoL) 307 of the Decision is based on a misunderstanding of Post-Yest Year capital versus Post-Test Year O&M. In particular, the Sempra Companies assert that the Commission directed the Sempra Companies to reduce their capital spending by over $1.2 billion each year in the post-test years, totaling over $3 billion in reduced spending. The Sempra Companies' position is that this result is either unintended (i.e., based on a misunderstanding of fact) or improper.[12]

In their reply, the Sempra Companies also argue that the Petition is procedurally appropriate. In particular, the Sempra Companies argue that the Petition is not a re-litigation of an issue already determined by the Commission because there was a misconception of fact in Conclusion of Law (CoL) 307 of the

[8] PG&E's Response to the Petition at 4 – 7; SCE's Response to the Petition at 3 – 6.

[9] PG&E's Response to the Petition at 7 – 8; SCE's Response to the Petition at 2 – 3.

[10] PG&E's Response to the Petition at 8; SCE's Response to the Petition at 4 – 5.

[11] Sempra Companies' Reply at 3 – 4.

[12] Sempra Companies' Reply at 4 – 5.

Decision.[13] Additionally, the Sempra Companies argue that they present both new facts and changed circumstances, that the crux of the Petition is a factual error, and, as such, a petition for modification is the appropriate vehicle.[14]

4. Discussion

Under §1708 of the Pub. Util. Code, the Commission may rescind, alter, or amend any of its prior orders or decisions after providing notice and an opportunity for parties to be heard. While the Commission has "ongoing jurisdiction to rescind, alter or amend its prior orders at any time,"[15] the Commission's authority to reopen a proceeding under §1708 is discretionary. The Commission has long recognized that this broad authority should be exercised with great care and justified only by extraordinary circumstances to protect parties from repeated litigation of issues already decided. Rule 16.4 also requires a party submitting a petition for modification to concisely state the justification for the requested relief.

We agree with the intervenor parties and find that the Sempra Companies have failed to justify their requested relief. The Sempra Companies have not presented new or changed facts that warrant modification of the Decision. While the Sempra Companies allege they have presented new facts and extraordinary circumstances, the Commission is not persuaded that their analysis, characterization of the record, or claims about economic certainty following the forecast period supports a reversal of the Decision's findings.

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[13] *Id*. at 6.

[14] *Id*. at 8.

[15] *Sale v. Railroad Commission* (1940) 15 Cal.2d 612, 616.

This conclusion is reinforced by the nature of ratemaking in general rate cases (GRCs), which rely on forecasts that are inherently uncertain and are updated on a four-year cycle under the Rate Case Plan.[16] The established ratemaking process cannot function effectively if forecast disputes from a concluded GRC are relitigated after a utility has already filed its next general rate case.[17] The inherently uncertain nature of ratemaking is further reinforced by the prohibition against retroactive ratemaking acknowledged by the parties in D.24-12-074.[18]

Another intrinsic aspect of GRC ratemaking is that the revenue requirement generated by the rate formula includes an authorized rate of return[19] which is not guaranteed,[20] as reflected in CoL 307.[21] Likewise, the standards governing forecasts of post-test year revenue requirements are not fixed[22] and permit additional consideration of other relevant factors. [23] In this context, the findings in the Decision are reasonable and must be understood in light of the issues and the overall balancing of interests in the GRC, including the increase in revenue requirement authorized for the Sempra Companies in D.24-12-074.

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[16] D.20-01-002 at 8.

[17] Application Proceeding A.26-06-014 and A.26-06-015.

[18] D.24-12-074 at 80, 504-505, 728.

[19] D.24-12-074 at 805.

[20] D.24-12-074 at 850, 891, 899; D.20-01-002 at 41.

[21] D.24-12-074 at 21-22, 1084.

[22] D.24-12-074 at 806. See also cases where a one-part or fixed attrition mechanism was applied in past GRCs, some of which were settlements: D.20-12-005, D.17-05-013, D.13-05-010, D.11-05-018, D.09-03-025, D.08-07-046.

[23] D.24-12-074 at 936.

Sempra Companies assert a misunderstanding or misconception of fact, citing CoL 307 in the Decision. The Commission considered the Sempra Companies' request for an increase in the attrition mechanism in D.24-12-074 and found that:

> "Sempra has not demonstrated how an attrition increase is necessary to account for capital additions in excess of depreciation in the PTY period in terms of changes in capital revenue requirement components (authorized returns on rate base, depreciation expense, and taxes)."[24]

The Sempra Companies' argue that CoL 307 reflects a misunderstanding of how a one-part versus a two-part attrition mechanism functions. However, the Commission previously granted a two-part mechanism in Sempra's 2019 GRC, yet in this case expressly found that Sempra had not demonstrated the need for one. Based on the information the Sempra Companies provided in this proceeding, the CoL was reasonable and supported by the record.

Further, the issues raised in the Petition were heavily litigated in the Decision through testimony, evidentiary hearing, briefing, and comments on the proposed decision. The Sempra Companies' have failed to meet their burden to demonstrate new or changed facts since the issuance of the Decision. The Sempra Companies' appeal should have been filed as an Application for Rehearing within 30 days of the Decision's issuance date of December 23, 2024. The Sempra Companies did not file an Application for Rehearing. Because the Sempra Companies have not justified modification of the Decision under §1708 or Rule 16.4, the Petition should be denied.

[24] D.24-12-074 at 898.

5. Summary of Public Comment

Rule 1.18 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. There are no public comments related to the Petition.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge John Larsen and Administrative Law Judge Minh LeQuang 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 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and John Larsen and Minh LeQuang are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. D.24-12-074 was issued on December 23, 2024.
2. Rule 16.1 and 16.4 set forth the formal procedural requirements for an application for rehearing and petition for modification, respectively.
3. The deadline to file an application for rehearing of D.24-12-074 was January 22, 2025.
4. The Sempra Companies did not file an application for rehearing.

5. The Sempra Companies filed their petition for modification on December 17, 2025.

6. The issues the Sempra Companies raise in their petition for modification were extensively litigated in D.24-12-074.

Conclusions of Law

1. The Sempra Companies' have failed to meet their burden to demonstrate new or changed facts.

2. The petition for modification should be denied because petitioners have failed to meet their burden to demonstrate new or changed facts in accordance with the Rules.

3. The Petition should be denied.

O R D E R

IT IS ORDERED that:

1. The December 17, 2025, Petition for Modification of Decision 24-12-074 filed by San Diego Gas & Electric Company and Southern California Gas Company, is denied.

2. Applications 22-05-015 and 22-05-016 are closed.

This order is effective today.

Dated _____, at Sacramento, California