

Decision **PROPOSED DECISION OF ALJ DUGOWSON** (Mailed 9/8/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas &
Electric Company (U902E) for
Authority to Establish a Ratemaking
Mechanism for Energization Projects
Pursuant to Senate Bill 410.

Application 25-04-015

**DECISION AUTHORIZING A RATEMAKING MECHANISM FOR
ENERGIZATION PROJECTS PURSUANT TO SENATE BILL 410**

TABLE OF CONTENTS

Title	Page
DECISION AUTHORIZING A RATEMAKING MECHANISM FOR ENERGIZATION PROJECTS PURSUANT TO SENATE BILL 410	1
Summary	2
1. Background	3
1.1. Submission Date	5
2. Issues Before the Commission	5
3. Overview of San Diego Gas & Electric Company's Application.....	7
4. Threshold Issues	8
4.1. Whether San Diego Gas & Electric Company's Application Merits Denial Due to Lack of Supporting Evidence.....	8
4.2. Whether San Diego Gas & Electric Company's Current Energization Performance Disqualifies It from Seeking to Record Additional Capital Spend.....	9
4.3. Whether SDG&E's Application Merits Denial Due to Its Historical Underspend Relative to Its GRC-Authorized Spend on Electric Distribution Capital	11
5. Costs Eligible to Be Recorded in a Senate Bill 410 Ratemaking Mechanism.....	13
5.1. Costs Incurred After January 1, 2024, But Before San Diego Gas & Electric Company Filed the Instant Application.....	13
5.2. Costs for Projects Not Placed in Service Before January 1, 2027	14
6. Cost Categories' Contributions to Cap.....	16
6.1. Summary of Cost Categories' Contributions to Cost Cap.....	16
6.2. Capacity/Expansion	17
6.2.1. Category Overview and Drivers of Incremental Need.....	17
6.2.2. Capacity/Expansion Costs Authorized by San Diego Gas & Electric Company's 2024 General Rate Case	18
6.2.3. Forecast Methodology for Capacity/Expansion Costs.....	19
6.2.4. Reactive Small Capital Projects' Contribution to Cap	20
6.2.5. East Gate C1154's and Sampson C369's Contributions to Cap.....	21
6.2.6. Planned Investments' Contribution to Cap.....	22
6.2.7. Future Capacity Projects' Contribution to Cap.....	24

6.2.8.	Substation Land Acquisitions' Contribution to Cap.....	26
6.3.	New Business	29
6.3.1.	Category Overview and Drivers of Incremental Need.....	29
6.3.2.	New Business Subcategories That Are Energization- Related	30
6.3.3.	Forecast Methodology	33
6.3.4.	New Business's Contribution to Cap	36
6.4.	Materials (Transformers).....	37
6.4.1.	Category Overview and Drivers of Incremental Need.....	37
6.4.2.	Materials (Transformer) Costs Authorized by San Diego Gas & Electric Company's 2024 General Rate Case	37
6.4.3.	Forecast Methodology	38
6.4.4.	Transformer Purchases' Contribution to Cap	41
6.5.	Information Technology System Enhancements	42
6.5.1.	Category Overview and Drivers of Incremental Need.....	42
6.5.2.	Threshold Demonstration of Need for Information Technology Enhancements	42
6.5.3.	Nexus Digital Application	43
6.5.4.	Builder Services Portal Modernization	45
6.5.5.	Cloud Data Foundation.....	46
6.5.6.	Geographic Information System Enhancement.....	46
6.5.7.	Automated Utility Design Enhancement.....	47
6.5.8.	Automated Intelligence	47
6.5.9.	Threshold Evidence to Support Cost Forecasts	48
6.5.10.	Information Technology Enhancements' Contribution to Cap	50
6.6.	Miscellaneous Cost to Comply with Senate Bill 410 and Related Decisions	51
6.7.	Contingency	51
7.	Ratemaking Mechanism	53
7.1.	Electric Energization Memorandum Account.....	53
7.2.	Annual Caps.....	54
7.3.	Incremental Spending Calculations	54
7.4.	"Rolling Over" Unspent Funds	56
7.5.	Procedural Mechanism for San Diego Gas & Electric Company to Request to Increase the Cap	56

8. Reasonableness Demonstrations in Future General Rate Cases.....	59
9. Auditor Selection and Performance Requirements	60
10. Summary of Public Comment	60
11. Conclusion	61
12. Procedural Matters	61
13. Comments on Proposed Decision	63
14. Assignment of Proceeding	70
Findings of Fact.....	70
Conclusions of Law	77
ORDER	80

**DECISION AUTHORIZING A RATEMAKING MECHANISM FOR
ENERGIZATION PROJECTS PURSUANT TO SENATE BILL 410****Summary**

This decision authorizes San Diego Gas & Electric Company (SDG&E) to establish a new Electric Energization Memorandum Account (EEMA) to record energization costs that are incremental to the energization costs approved in SDG&E's 2024 General Rate Case (GRC). SDG&E is authorized to record a total of \$51.188 million of incremental costs to the EEMA: \$10.561 million in 2024, \$20.793 million in 2025, and \$19.834 million in 2026. This represents an 83 percent reduction of SDG&E's requested cap of \$310.127 million from 2024 to 2026. SDG&E's initial request would have more than doubled the amount of money it is authorized to spend on energization-related projects by its 2024 GRC; this decision authorizes no more than an 18 percent increase. SDG&E is authorized to annually transfer eligible costs to the Electric Distribution Fixed Cost Account for recovery from customers. This decision provides guidance for SDG&E to request any revisions to the cap via petition for modification.

This decision authorizes SDG&E to, on an annual basis, begin recovering from customers eligible costs recorded to the EEMA. In its next GRC application, SDG&E shall demonstrate that the costs recorded to the EEMA were just and reasonable. Any costs the California Public Utilities Commission does not find to be just and reasonable will be refunded to customers. Pursuant to SB 410, SDG&E shall retain a Commission-selected, third-party auditor to review SDG&E's energization activities. This decision provides guidance for the content and timing of the auditor's reports.

The table below provides a high-level summary of the cost forecasts this decision used to set the spending caps:

Cost Category	SDG&E Requested Contribution to Cap (\$, Millions, 2024-2026)	Authorized Contribution to Cap (\$, Millions, 2024-2026)
Capacity/Expansion	\$101.308	\$13.422
New Business	\$58.534	\$27.306
Materials (Transformers)	\$26.032	\$10.460
Information Technology System Enhancements	\$52.682	\$0
Contingency	\$71.571	\$0
Total	\$310.127	\$51.188

1. Background

On September 14, 2023, the Powering Up Californians Act (Senate Bill (SB) 410 (Becker), Stats. 2023, Ch. 394) was passed by the Legislature and was subsequently approved by Governor Gavin Newsom on October 7, 2023. On September 12, 2024, the Commission issued Decision (D.) 24-09-020 that, among other things, set target energization timelines for Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE).

On April 25, 2025, SDG&E filed and served its Application of San Diego Gas & Electric Company (U 902-E) for Authority to Establish a Ratemaking Mechanism for Energization Projects Pursuant to Senate Bill 410 (Application). In its Application, SDG&E seeks authorization to establish a new memorandum account to record and recover approximately \$310.127 million in capital costs to

support the energization of new load. SDG&E further requests for the California Public Utilities Commission (Commission) to adopt an expedited schedule to review the Application as required by Public Utilities (Pub. Util.) Code Section 937(b). On May 22, 2025, the assigned Administrative Law Judge (ALJ) issued an email ruling scheduling a prehearing conference (PHC) for June 2, 2025. On May 29, 2025, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Utility Consumers' Action Network (UCAN), and The Utility Reform Network (TURN) filed and served protests to the Application; on the same date, the Coalition of California Utility Employees (CUE) filed a response broadly in support of the Application. On June 2, 2025, the PHC was held to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. At the PHC, Small Business Utility Advocates (SBUA) sought and were granted party status. On June 19, 2025, the assigned ALJ issued an Email Ruling Ordering SDG&E to Provide Additional Information (ALJ Ruling). On June 25, 2025, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) outlining the proceeding's scope and schedule.

On June 30, 2025, Cal Advocates, SBUA, TURN, and UCAN served Intervenor Testimony. On July 7, 2025, Southern California Edison Company (SCE) filed and served a Motion for Party Status. On July 11, 2025, SDG&E filed its response to the ALJ Ruling; per direction from the Commission's Energy Division, SDG&E's response also included a recommendation that the Commission authorize SDG&E to select KPMG to perform the auditing duties required by Pub. Util. Code Section 938(b). (SB 410.) On July 14, 2025, SDG&E

served its Rebuttal Testimony; on the same day, Cal Advocates filed a response opposing SCE's motion for party status. On July 17, 2025, the assigned ALJ granted party status to SCE. On July 18, 2025, all parties but SCE filed and served a Joint Case Management Statement in which the parties agreed there was no need for an Evidentiary Hearing. On August 1, 2025, all parties but SCE filed a joint motion to enter testimony and exhibits into the evidentiary record; on the same day, Cal Advocates filed a motion to seal portions of the record. On August 8, 2025, Cal Advocates, CUE, SBUA, SCE, SDG&E, TURN, and UCAN filed Opening Briefs. On August 15, 2025, SBUA filed a motion to late file its Opening Brief, as its August 8, 2025, was filing was submitted two minutes after the 5:00 p.m. deadline. On August 19, 2025, the assigned ALJ issued a ruling granting SBUA permission to late file its Opening Briefs. On August 22, 2025, CUE, SDG&E, SBUA, SCE, TURN, and UCAN filed Reply Briefs.

1.1. Submission Date

This matter was submitted on August 22, 2025 upon filing of reply briefs.

2. Issues Before the Commission

The Scoping Memo set forth the following issues for consideration in this proceeding:

1. Does SDG&E's request for a ratemaking mechanism meet the requirements of SB 410 (Stats. 2023, Ch. 394) and Pub. Util. Code Sections 937(b)-(c)?
2. Do the cost categories for which SDG&E seeks funding support energization as defined by Pub. Util. Code Section 931(b)?
 - a. Which cost categories exclusively support energization?

- b. Which cost categories support other goals in addition to energization? For those cost categories, could SDG&E reduce the proposed scope and still achieve the energization objectives?
- 3. Should the Commission authorize SDG&E's requested ratemaking mechanism or another mechanism for energization projects consistent with Pub. Util. Code Sections 937(b)-(c)?
 - a. If the Commission authorizes a ratemaking mechanism, what is the appropriate method for SDG&E to incorporate the recorded costs into electric rates?
- 4. What should be the annual caps on the amount that SDG&E can recover within the ratemaking mechanism established by Pub. Util. Code Section 937(b)(2)? How should they be determined?
 - a. Does Pub. Util. Code Section 937(b)(1) permit SDG&E to record spend toward projects that may not be completed or placed in service before January 1, 2027?
 - b. Are SDG&E's forecasts and assumptions that inform its cost cap calculations adequately justified?
 - c. If SDG&E spends less than its annual cap in 2025, should the Commission allow SDG&E to add the unspent funds from 2025 to its 2026 cap?
- 5. How should the Commission address the auditor requirements in Pub. Util. Code Section 938? Does SDG&E's proposed auditor meet the statutory requirements?
- 6. Should the Commission require SDG&E to gather and report certain information about its SB 410 spend in support of future reasonableness reviews in SDG&E's next General Rate Case (GRC)?
- 7. If this application is granted in part or in full, under what circumstances, if any, should the Commission allow

SDG&E to request adjustments to the authorized cost caps?
 What information should such a request contain? If
 allowed, what process should be used to request such
 adjustments?

3. **Overview of San Diego Gas & Electric Company's Application**

SDG&E's application requested that the Commission authorize SDG&E to:

- Create a new Electric Energization Memorandum Account (EEMA).
- Record to the EEMA energization-related costs that are incremental to the energization-related costs authorized by SDG&E's 2024 Test Year General Rate Case (2024 GRC), subject to the following caps:

Year	Cap Amount (in millions)
2024	\$20.864
2025	\$144.631
2026	\$144.631

- "Roll over" unspent any funds from 2025 to 2026.
- Annually transfer eligible costs from the EEMA to the existing Electric Distribution Fixed Cost Account (EDFCA) for recovery from customers.
- Retain a Commission-selected, third-party auditor to review SDG&E's energization activities.

Pursuant to SB 410, costs are only eligible for recovery from customers once the associated project was placed in service.¹ SDG&E would include, as part of its next GRC application, a demonstration that the costs SDG&E recorded to

¹ Pub. Util. Code Section 937(b)(1).

the EEMA were just and reasonable.² Any costs the Commission does not find to be just and reasonable would be subject to refund.³

SDG&E explained its requested cost caps by submitting cost forecasts that fell into four categories: Capacity/Expansion, New Business, Materials, and Information Technology Enhancements. SDG&E's cap requests also include a contingency to provide "headroom" in case actual capital needs exceed the forecasted amounts. As SB 410 only permits a utility to record costs that are incremental to the amounts authorized by its most recent GRC,⁴ the cost cap calculations are affected by changes in the assumptions about SDG&E's total actual spend as well as changes in the methodology used to calculate how the 2024 GRC authorized SDG&E to spend on energization-related projects. Similarly, if any cost categories or subcategories are found not to qualify as "energization-related," that would affect the total cap. These topics are discussed in more detail in the following sections.

4. Threshold Issues

4.1. Whether San Diego Gas & Electric Company's Application Merits Denial Due to Lack of Supporting Evidence

Cal Advocates, SBUA, TURN, and UCAN all contend that SDG&E did not provide sufficient evidence or explanation to support its requests, as outlined in Section 3.1.⁵ Cal Advocates and TURN argue that the deficiencies are so severe

² Pub. Util. Code Section 937(b)(3).

³ Pub. Util. Code Section 937(b)(3).

⁴ Pub. Util. Code Section 937(b)(1).

⁵ Exhibit CA-01 at 3, Exhibit SBUA-01 at 4, Exhibit TURN-01 at 20, Exhibit UCAN-01 at 7.

that the Commission should deny the application outright.⁶ CUE and SDG&E disagree and contend that the application meets the requirements laid out by statute and contains sufficient evidence and justification for the Commission to grant SDG&E's request in full.⁷

This decision agrees with CUE and SDG&E that the instant application meets the minimum requirements laid out by statute. This decision does not deny SDG&E's application outright but instead evaluates each cost forecast individually.⁸ Where SDG&E presents reasonable and justified cost forecasts, this decision allows the cost forecasts to count toward the cap. Allowing SDG&E to record such costs advances the State's goals to promptly energize new customers and upgrade service when requested.⁹ Where SDG&E does not sufficiently justify or explain its cost forecasts, this decision does not allow those forecasts to count toward the overall cap.

4.2. Whether San Diego Gas & Electric Company's Current Energization Performance Disqualifies It from Seeking to Record Additional Capital Spend

TURN argues that SDG&E has not demonstrated any need for additional funds over the amounts it received in its GRC to meet customer energization demands.¹⁰ TURN notes that in November 2024, SDG&E reported that it

⁶ Exhibit CA-01 at 3, Exhibit TURN-01 at 20.

⁷ CUE Opening Brief at 5 to 6, SDG&E Opening Brief at 3 to 7.

⁸ This is consistent with Pub. Util. Code Section 937(b) which states that "before establishing the cap, the [Commission] shall review all information submitted by the electrical corporation."

⁹ Pub. Util. Code Sections 933(c) and 933(d)

¹⁰ Exhibit TURN-01 at 10.

significantly outperformed the energization timeline requirements adopted by the Commission.¹¹ TURN also notes that in March 2025, “SDG&E stated that it considered it an ‘unlikely event’ that the utility would be ‘unable to accommodate the full load amount requested by the customer because of an upstream capacity constraint.’”¹² TURN adds that SDG&E has expressed such confidence in its ability to energize new loads that SDG&E objected to establishing a project prioritization mechanism because it would not be used (*i.e.*, SDG&E saw no need to triage or prioritize its energization projects because it would be able to complete all of them.¹³

SDG&E argues that it currently meets its energization targets on average and in aggregate, but this statistic hides the fact that while SDG&E outperforms for extending service from distribution lines to a customer meter (requests under tariff Rule 16), it underperforms in the five remaining categories.¹⁴ Furthermore, SDG&E argues that the Commission requires SDG&E to meet all its energization

¹¹ Exhibit TURN-01 at 15 to 16, citing to Response of San Diego Gas & Electric Company (U 902-E) to Administrative Law Judge’s Ruling Providing Direction for Large Electric Investor-Owned Utilities to Comply With Ordering Paragraph 8 of Decision 24-09-020 (November 27, 2024) at 4-5 (<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M547/K538/547538411.PDF>).

¹² Exhibit TURN-01 at 16, citing to San Diego Gas & Electric Company’s (U 902-E) Opening Comments on Next Steps for Flexible Service Connections, Modifying Phase 2 Schedule (March 13, 2025) at 3 (<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M558/K405/558405944.PDF>).

¹³ Exhibit TURN-01 at 16, citing to San Diego Gas & Electric Company’s (U 902 E) Reply to Comments on Proposed Decision Adopting Improvements to Distribution Planning and Project Execution Process, Distribution Resource Planning Data Portals, and Integration Capacity Analysis Maps (October 8, 2024) at 4 (<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M542/K247/542247710.PDF>).

¹⁴ Exhibit SDGE-03 at 5.

targets individually, not in aggregate. SDG&E argues that it will use the funds it seeks in this application to improve its performance for more types of energizations than just Rule 16, including extending lines to new developments (tariff Rule 15), electric vehicle charging infrastructure (tariff Rule 45), and more.¹⁵ In the future, SDG&E expects energization demand to increase, and the requested funding will help it maintain its good performance in the future.¹⁶ This is consistent with the intent of SB 410, SDG&E argues, as it aims to prevent future backlogs.¹⁷

Considering the weight of both arguments, this decision does not summarily deny SDG&E's application even though SDG&E's average time-to-energize meets the 125-day target set by D.24-09-020 because SB 410 does not restrict the ratemaking mechanism only to utilities that are out of compliance with some or all of the requirements set by D.24-09-020.

4.3. Whether SDG&E's Application Merits Denial Due to Its Historical Underspend Relative to Its GRC-Authorized Spend on Electric Distribution Capital

TURN notes that SDG&E has spent less than its GRC-authorized amount of electric distribution capital in 2024 and in five of the past six years.¹⁸ While the electric distribution capital category contains non-energization activities, TURN questions SDG&E's choice to record additional funding when SDG&E has

¹⁵ Exhibit SDGE-03 at 4 to 5.

¹⁶ Exhibit SDGE-03 at 6.

¹⁷ Exhibit SDGE-03 at 3.

¹⁸ Exhibit TURN-01 at 19.

consistently elected not to reallocate funds within the electric distribution capital category to pay for energization activities. TURN argues the Commission should not authorize SDG&E to “simultaneously underspend on distribution capital relative to its GRC forecast and receive interim rate recovery for ‘incremental’ spending on selected energization categories,” given that energization costs are a subset of the distribution capital bucket.¹⁹ Accordingly, TURN recommends the Commission not authorize any incremental energization spending in 2024, 2025, or 2026, and prohibit costs recorded to the EEMA from being transferred to the Electric Distribution Fixed Cost Account (EDFCA) if the forecasted total distribution capital spending is below the GRC forecast.²⁰

SDG&E disagrees and claims that “[it] is not credible to argue that SDG&E should be prohibited from recovering costs incurred to energize customers because SDG&E spent less than was authorized for non-energization related activities. So long as SDG&E’s energization-related expenditures are just and reasonable and do not exceed the cap adopted by the Commission, they should be recoverable from ratepayers.”²¹

Considering these arguments, this decision finds that SB 410 does not indicate that SDG&E must spend up to the GRC-authorized amount on electric distribution capital before requesting a memorandum account to track costs pursuant to SB 410. Accordingly, this decision does not adopt TURN’s recommendation to deny this application due to SDG&E’s historic underspend in

¹⁹ Exhibit TURN-01 at 19.

²⁰ Exhibit TURN-01 at 19.

²¹ Exhibit SDGE-03 at 8.

the electric distribution capital category. Additionally, any costs recorded to the EEMA that are not found to be incremental to the GRC-authorized amounts would be returned to customers.

5. Costs Eligible to Be Recorded in a Senate Bill 410 Ratemaking Mechanism

5.1. Costs Incurred After January 1, 2024, But Before San Diego Gas & Electric Company Filed the Instant Application

SDG&E seeks to record approximately \$21 million in costs for expenditures in 2024. Cal Advocates argues that SB 410 prohibits recovery of costs from 2024, noting that Pub. Util. Code Section 937(b)(2) requires the Commission to set an “up-front annual cap” and therefore (1) does not allow recovery of costs SDG&E incurred as part of its normal operations and (2) “indicates that the cap must be known and set...prior to the relevant cost being incurred,” rendering 2024 costs ineligible to be recorded and recovered.²² SDG&E disagrees, claiming that the 2024 actual energization expenditures are “precisely the type of costs SB 410 was designed to address.”²³ SDG&E states that Pub. Util. Code Section 937 “expressly authorizes recovery of incremental costs associated with energization,” and to exclude those costs would “create a gap in the very cost recovery framework SB 410 was intended to fill.”²⁴ SDG&E argues that the “term ‘up-front annual cap’ in Pub. Util. Code § 937(b)(2) refers to the structure of the ratemaking mechanism — it ensures that recovery is limited to a defined

²² Exhibit CA-01 at 3-18, Cal Advocates Opening Brief at 16.

²³ Exhibit SDGE-3 at 21.

²⁴ Exhibit SDGE-3 at 21.

amount each year. It does not imply that only prospective costs are eligible.”²⁵ Further, “[given] the timing of the GRC decision, it was not practical for SDG&E to file its SB 410 in the beginning of 2024 in order to prospectively capture all incremental costs for 2024.”²⁶

This decision does not categorically prohibit SDG&E from recording costs incurred before the instant application was filed. Instead, this decision evaluates SDG&E’s cost forecasts on a case-by-case basis, so long as those costs were incurred on or after January 1, 2024. Parties’ arguments hinge around the proper way to interpret the intent of the phrase, “up-front annual cap;” this decision finds that the phrase is ambiguous. Accordingly, this decision does not categorically prohibit SDG&E from recording costs incurred before the instant application was filed.

5.2. Costs for Projects Not Placed in Service Before January 1, 2027

SDG&E requests authority to place the cost of certain assets (transformers, meters, and land) into rates immediately upon purchase, rather than waiting until those assets are placed in service.²⁷ SDG&E justifies this request by pointing to the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA), which provides guidance certain companies must follow when reporting their financials.²⁸ For example, SDG&E points to the FERC

²⁵ Exhibit SDGE-4 at 10.

²⁶ Exhibit SDGE-4 at 10 to 11.

²⁷ Exhibit SDGE-2 at 3.

²⁸ Exhibit SDGE-2 at 3 to 4.

USOA's guidance for Line Transformers, which states "this account shall include the cost of... transformers... whether actually in service or held in reserve."²⁹

Cal Advocates and TURN argue that, under SB 410, the Commission may only authorize interim rate recovery for energization projects placed in service after January 1, 2024, and the statutory authority for rate recovery under SB 410 expires on January 1, 2027.³⁰ Cal Advocates and TURN note that the Commission adopted the same interpretation of SB 410 in D.24-07-008.³¹ Cal Advocates notes that SDG&E has not provided any evidence that the USOA applies to or preempts SB 410 ratemaking.³²

SDG&E argues that statute does not explicitly limit cost recovery to projects in service before 2027.³³ SDG&E notes Commission's decision in D.24-07-008 to allow PG&E only to recover costs for projects placed in service before 2027 does not preclude SDG&E from recovering projects placed in service in 2027 or later.³⁴ PG&E is on a different GRC cycle, SDG&E argues, and the intent of SB 410 is to provide a stopgap between GRCs.³⁵ SDG&E further argues that the

²⁹ Exhibit SDGE-2 at 4, citing to 18 C.F.R. Part 101 (1960) at account 368, Line Transformers.

³⁰ Exhibit CA-01 at 3-16; Exhibit TURN-01 at 21 to 22, citing to Pub. Util. Code § 938(b)(1) and § 938(e).

³¹ Exhibit CA-01 at 3-16; Exhibit TURN-01 at 22.

³² Exhibit CA-01 at 3-17.

³³ Exhibit SDGE-4 at 5 to 6.

³⁴ Exhibit SDGE-4 at 6.

³⁵ Exhibit SDGE-4 at 6 to 7.

Commission could, on its own authority, allow SDG&E to recover costs for projects placed in service after 2026.³⁶ SCE agrees.³⁷

Finally, of its own volition, in response to a TURN data request, SDG&E asserted that it did not intend to record costs for New Business projects not placed in service before 2027.³⁸

This decision does not address the question of whether costs for projects placed in service after 2026 are eligible to be recorded because the question is moot, as this decision (1) only authorizes SDG&E to recover costs for transformers placed in service before 2027, and (2) does not authorize any land acquisition. Separately, this decision reaffirms that SDG&E may only recover costs for projects once those projects are placed in service; there is no special exemption for transformers, land, or any other equipment. FERC USOA has no bearing on SB 410, which states in plain language that SDG&E may “track costs for projects placed in service.”

6. Cost Categories’ Contributions to Cap

6.1. Summary of Cost Categories’ Contributions to Cost Cap

This decision allows the following funds to count toward the cost cap:

Cost Category	2024 Cap (\$, millions)	2025 Cap (\$, millions)	2026 Cap (\$, millions)	Total Cap (\$, millions)
Capacity/Expansion	\$1.899	\$8.356	\$3.166	\$13.422

³⁶ Exhibit SDGE-4 at 8.

³⁷ SCE Opening Brief at 6 to 10.

³⁸ Exhibit TURN-2, SDG&E response to TURN DR4, Q7.

• Reactive Small Capital Expansion	\$1.389	\$1.916	\$0.105	\$3.410
• East Gate C1154	\$0	\$2.843	\$0	\$2.843
• Sampson C369	\$0.069	\$0.588	\$0	\$0.657
• Planned Investments	(\$2.518)	\$0	\$0	(\$2.518)
• Future Capacity Projects	\$2.959	\$3.009	\$3.061	\$9.030
New Business	\$5.227	\$8.949	\$13.130	\$27.306
Materials (Transformers)	\$3.435	\$3.487	\$3.538	\$10.460
IT System Enhancements	\$0	\$0	\$0	\$0
Contingency	\$0	\$0	\$0	\$0
Total	\$10.561	\$20.793	\$19.834	\$51.188

6.2. Capacity/Expansion

6.2.1. Category Overview and Drivers of Incremental Need

SDG&E describes the Capacity/Expansion category as primarily consisting of “load transfers, reconductors, circuit extensions, new circuits, and other new distribution infrastructure” that are needed to address deficiencies identified by SDG&E’s annual Distribution Planning Process (DPP).³⁹ SDG&E’s 2024 GRC relied on data from SDG&E’s 2021 DPP, which in turn relied on the California Energy Commission’s 2019 Integrated Energy Policy Report (IEPR).⁴⁰

SDG&E argues that the Capacity/Expansion costs authorized in its 2024 GRC reflect outdated assumptions that do not represent current expectations of

³⁹ Exhibit SDGE-1 at 9.

⁴⁰ Exhibit SDGE-1 at 9 to 10.

load growth driven by Transportation Electrification (TE) or Building Electrification (BE).⁴¹ For example, SDG&E notes that the 2023 IEPR forecasts more TE and BE load than the 2019 IEPR; specifically, the 2023 IEPR's forecast for BE and TE load in SDG&E's service territory for 2026 exceeds the 2019 IEPR's forecast by 217 megawatts (MW).⁴² SDG&E expects this incremental load to drive the need for new circuits and substations.⁴³

**6.2.2. Capacity/Expansion Costs Authorized
by San Diego Gas & Electric Company's
2024 General Rate Case**

TURN asserts that SDG&E understated the amount of money the GRC authorized SDG&E to spend on Capacity/Expansion projects by excluding an additional thirteen workpapers authorized in the 2024 GRC that should have been counted toward the Capacity/Expansion total.⁴⁴ TURN argues that SDG&E thereby overstates the amount that 2024 actual spend exceeded authorized GRC expenditures; TURN calculates that if SDG&E's assessment included costs for the Distribution System Capacity Improvements subcategory, it would not have any overspend in 2024.⁴⁵ SDG&E disputes TURN's characterization, stating that eight of the thirteen activities support projects placed in service prior to 2024, and the remaining five activities are not related to energization.⁴⁶ These thirteen

⁴¹ Exhibit SDGE-1 at 11.

⁴² Exhibit SDGE-1 at 11. The 217 MW figure reflects the sum of incremental TE load (148 MW) and incremental BE load (69 MW).

⁴³ Exhibit SDGE-1 at 11.

⁴⁴ Exhibit TURN-01 at 26.

⁴⁵ Exhibit TURN-01 at 26 to 27.

⁴⁶ Exhibit SDGE-3 at 17.

activities, SDG&E argues, should therefore be excluded from any SB 410 cap calculations.

This decision does not add the budget from the thirteen workpapers identified by TURN to the cost cap. SDG&E's description of the thirteen activities indicates they are either not energization-related or not relevant to the cap calculation because the costs were incurred before 2024.

6.2.3. Forecast Methodology for Capacity/Expansion Costs

SDG&E developed its cost estimates for the capacity/expansion category for 2025 and 2026 by "considering the specific capacity upgrades that have been identified, land needs for future substation needs based on the 2023 IEPR, then subtracting those amounts from the authorized amounts in the 2024 GRC."⁴⁷ SDG&E states that results from the 2024 DPP informed the cost estimates it developed for its application. SDG&E's estimates also include "preliminary results from the currently in progress" 2025 DPP cycle for additional upgrades.⁴⁸ Recognizing the timelines imposed by SB 410, "SDG&E also made best guest estimates [sic] to determine which upgrades can be reasonably in service by December 31, 2026."⁴⁹

This decision finds that SDG&E does not sufficiently explain how it developed the cost forecasts in this category. SDG&E gives a broad overview of its methodology but does not provide any specifics, so the Commission is unable

⁴⁷ Exhibit SDGE-1 at 13

⁴⁸ SDG&E Response to ALJ Ruling at 11.

⁴⁹ Exhibit SDGE-1 at 13.

to understand and evaluate SDG&E's process. For example, SDG&E asserts that it used the 2024 DPP to identify its land needs for future substations. For the Commission to evaluate claims like this, it would be helpful for SDG&E to describe the criteria it uses to determine where and when system upgrades are required, provide outputs from its DPP demonstrating that those criteria were met (e.g., specific distribution project types and a description of their capabilities), provide a description of how SDG&E develops cost forecasts for those areas, then explain how the outputs from the DPP were used to develop those cost forecasts. SDG&E did not provide this information. Consequently, it is unclear whether or how the DPP was used to develop the cost forecasts in this category. The Planned Investments and Future Capacity Projects cost forecasts were developed by escalating actual expenditures, the East Gate and Sampson cost forecasts came from a previous GRC, and the Substation Land Acquisitions cost forecast is unexplained. This decision discusses those subcategories in more detail below.

6.2.4. Reactive Small Capital Projects' Contribution to Cap

SDG&E requests authority to record incremental costs of \$1.389 million in 2024, \$1.916 million in 2025 and \$0.105 million in 2026 for Reactive Small Capital Projects.⁵⁰ SDG&E describes these costs as funding "small-scale system reconfigurations without upgrades that are triggered by customer energization projects."⁵¹

⁵⁰ Exhibit SDGE-1 at 14.

⁵¹ Exhibit SDGE-1 at 7.

This decision allows the 2024, 2025 and 2026 cost forecasts for Reactive Small Capital Projects to count toward the cap, as no party specifically opposed these cost forecasts.

6.2.5. East Gate C1154's and Sampson C369's Contributions to Cap

SDG&E requests authority to record incremental costs of \$2.843 million in 2025 for the East Gate C1154 project and costs of \$0.069 million in 2024 and \$0.588 million in 2025 for the Sampson C369 project as a subcomponent of the capacity/expansion category.⁵² SDG&E describes the East Gate C1154 and Sampson C3669 projects as new 12 kilovolt distribution circuits that relieve overloading on existing circuits and “now require funding through 2025.”⁵³

Cal Advocates and TURN argue both projects should be removed from SDG&E's forecast because SDG&E already received funding for these projects in the 2024 GRC but chose to delay the start of construction.⁵⁴ SDG&E chose to delay the projects because the load growth they were meant to address took longer than anticipated to materialize; however, SDG&E does not indicate that the projects have changed in scope or projected cost since they were approved in the GRC.⁵⁵ SDG&E argues that the delay was due to customer timeline changes that were outside its control. Since the projects “have not yet been completed and SDG&E intends to incur additional costs to complete these projects, and because

⁵² Exhibit SDGE-1 at 14.

⁵³ Exhibit SDGE-1 at 7 to 8 and 14.

⁵⁴ Exhibit CA-01 at 4-3.

⁵⁵ Exhibit TURN-01 at 24.

the cost forecasts included in the SB 410 Application reflects costs incurred during the 2024 through 2026 period, it is appropriate to use them to inform the annual caps.”⁵⁶

This decision allows the 2024, 2025 and 2026 cost forecasts for East Gate and Sampson Capital Projects to count toward the cap. SDG&E submitted clear and reasonable cost forecasts that demonstrate these projects will energize new electric load. SDG&E also clarifies that the cost forecasts for East Gate and Sampson are incremental to any funds SDG&E already spent on these projects.⁵⁷ SDG&E’s cost forecasts are clear and reasonable and, because SDG&E did not complete those projects already, funds spent to bring those energization projects online may be counted toward energization spend. In other words, SDG&E is not double counting this expenditure. SB 410 does not categorically prohibit SDG&E from recovering costs for activities that were authorized in a previous GRC.

6.2.6. Planned Investments’ Contribution to Cap

SDG&E records an underspend of \$2.518 million in 2024 and requests authority to record incremental costs of \$2.221 million in 2025 and \$5.433 million in 2026 for Planned Investments.⁵⁸ SDG&E indicates it would use this funding for “planned small capacity-driven distribution upgrades... identified in the annual DPP.”⁵⁹

⁵⁶ Exhibit SDGE-03 at 26.

⁵⁷ SDG&E Reply Brief at 44.

⁵⁸ Exhibit SDGE-1 at 14.

⁵⁹ Exhibit SDGE-1 at 8.

TURN flags a large rise in costs from “Planned Investments” category. TURN notes that while SDG&E recorded \$1.903 million in actual costs for 2024 — underspending its GRC authorized amount by \$2.518 million — SDG&E forecasts spending \$6.787 million in 2025 and \$10.136 million in 2026.⁶⁰ TURN notes that “[these] values represent a 256% cost increase between 2024-2025 and a 48% increase between 2025-2026,”⁶¹ but SDG&E’s testimony only describes the type of projects this category includes but does not explain the dramatic rise in costs.⁶² TURN further notes that SDG&E’s workpapers provide no breakdown of these costs, no explanation of the methodology SDG&E used, and include “hardcoded” values (*i.e.*, values without specific justification) for 2025 and 2026.⁶³ As such, TURN recommends the Commission either exclude this cost category from the cap or apply an escalation value to SDG&E’s actual 2024 expenditures that results in more reasonable and justifiable percentage cost increases.⁶⁴

SDG&E acknowledges that its “workpapers include hardcoded values” but asserts those numbers are “intended to serve as indicative estimates” and are “grounded in internal planning processes and reflect the best available information at this stage.”⁶⁵ SDG&E claims that TURN’s objection “[fails] to

⁶⁰ Exhibit TURN-01 at 33, citing to SDG&E’s workpapers.

⁶¹ Exhibit TURN-01 at 33.

⁶² Exhibit SDGE-1 at 8.

⁶³ Exhibit TURN-01 at 33.

⁶⁴ Exhibit TURN-01 at 34.

⁶⁵ Exhibit SDGE-3 at 16.

recognize the real-world drivers of these increases... [including] localized distribution upgrades to support new customer load and electrification trends.”⁶⁶

This decision does not allow any Planned Investment cost forecasts to count toward the cap. SDG&E’s response does not address the core issue of TURN’s critique, which is that SDG&E’s testimony and workpapers do not provide the Commission any information or context to determine whether SDG&E’s forecast is reasonably developed from justifiable assumptions. SDG&E asserts the forecast is grounded in “internal planning processes” and “reflect[s] the best available information” but does not explain those planning processes, provide the “best available information,” or even the identities or roles of the individuals consulted in the development of these estimates.

SDG&E states that the 2024 GRC authorized spending of \$4.433 million in 2024, \$4.566 million in 2025, and \$4.703 million in 2026 in the Planned Investments Category. SDG&E’s 2024 actual spend, however, was only \$1.9 million — less than half of its authorized funds. For SDG&E to incur incremental costs in this subcategory, its spending would need to increase by more than 100 percent in 2025, and SDG&E provides no support for such a dramatic increase. Accordingly, the record does not justify including in the cap any incremental expenditures in this category.

6.2.7. Future Capacity Projects’ Contribution to Cap

SDG&E requests authority to record incremental costs of \$2.959 million in 2024, \$13.245 million in 2025 and \$16.474 million in 2026 for Future Capacity

⁶⁶ Exhibit SDGE-3 at 16.

Projects.⁶⁷ SDG&E describes this funding as supporting “future large-scale distribution system capacity improvement projects identified within DPPs conducted after SDG&E’s TY 2024 GRC.”⁶⁸ SDG&E describes this category as funding projects as “large-scale... capacity improvement projects” but also describes this category as similar in nature to “Planned Investments,” which SDG&E states support “small... capacity-driven” projects.⁶⁹

TURN argues that SDG&E does not adequately support spending increases in this category. As with the “Planned Investments” category, TURN notes that SDG&E forecasted large increases in capital expenditures that were not justified in testimony and relied on hardcoded values in workpapers presented without justification.⁷⁰ As with the Planned Investments category, TURN recommends the Commission either entirely remove this subcategory from the cap or apply an escalator to the 2024 actual values.⁷¹ SDG&E responds that the forecasts are based on “known project needs, historical trends, and load forecasts” and references one of its workpapers but provides no further detail on how the workpaper supports SDG&E’s claims. This decision finds that the workpaper does not support for SDG&E’s figures.

This decision adopts TURN’s recommendation to apply an escalator to SDG&E’s 2024 actual spend in this category and calculate the contributions to the

⁶⁷ Exhibit SDGE-1 at 14.

⁶⁸ Exhibit SDGE-1 at 8.

⁶⁹ Exhibit SDGE-1 at 8.

⁷⁰ Exhibit TURN-01 at 34.

⁷¹ Exhibit TURN-01 at 34.

cap based on that number. SDG&E fails to justify its steeply-increasing cost forecasts, referencing “known project needs, historical trends, and load forecasts” without discussing those factors or how they shaped SDG&E’s load forecast. This decision escalates SDG&E’s 2024 actual spend at the Consumer Price Index for Urban Customers (CPI-U), as recommended by TURN.⁷² The most recent CPI-U data is from July, 2025, and the change in CPI-U for the year ending July, 2025, is 2.7%.⁷³ Accordingly, this decision recognizes SDG&E’s actual spend of \$12.611 million in 2024 and adopts cost forecasts of \$12.951 million in 2025 and \$13.301 million in 2026 on Future Capacity Projects for energization-related purposes.⁷⁴ As SDG&E estimates that the 2024 GRC authorized SDG&E to spend \$9.652 million in 2024, \$9.942 million in 2025 and \$10.240 million in 2026 on Future Capacity Projects, this decision allows incremental spend of \$2.959 million in 2024, \$3.009 million in 2025 and \$3.061 million in 2026 on Future Capacity Projects to count toward the caps.

6.2.8. Substation Land Acquisitions’ Contribution to Cap

SDG&E requests authority to record incremental costs of \$7.935 million in 2025 and \$48.649 million in 2026 to acquire land for future substations.⁷⁵ SDG&E states that “[based] on the 2023 IEPR, [SDG&E] forecasts that four new

⁷² TURN Opening Brief at 49.

⁷³ These numbers figured were obtained from the Bureau of Labor Statistics’ website, available at: <https://www.bls.gov/news.release/cpi.t01.htm>. Accessed September 1, 2025.

⁷⁴ \$12.611 million increased by 2.7% is \$12.951 million, and \$12.951 million increased by 2.7% is 13.301 million.

⁷⁵ Exhibit SDGE-1 at 14.

substations will need to be built and energized prior to 2035 in SDG&E's territory." SDG&E argues that the years-long process to scope and build substations obligates SDG&E to acquire land before 2026 and SDG&E acknowledges that none of those substations will be in service prior to January 1, 2027.⁷⁶ SDG&E explains that the projected locations of the four new substations correspond to areas where "projected load growth may exceed the capacities of the existing substations."⁷⁷

Cal Advocates and TURN recommend that no land acquisition costs should be included in the cap. TURN argues that SDG&E's recent land purchase history demonstrates no urgent need for parcels for substations; that SDG&E's forecast of the locations and costs of the parcels is underdeveloped and that SDG&E was unable to explain or justify the underlying assumptions; that SDG&E has demonstrated it can construct substations within six years of land acquisition, leaving sufficient buffer time; and that purchases now run the risk of stranded costs.⁷⁸ Furthermore, none of the potential substations that might be sited on these parcels would be in service before January 1, 2027.⁷⁹ In addition, TURN highlights that the Commission determined that land purchases by PG&E are ineligible for recovery until the substation is actually serving load in PG&E's case.⁸⁰ Consistent with that conclusion, TURN asserts, SDG&E's request should

⁷⁶ Exhibit SDGE-1 at 12, SDG&E Response to ALJ Ruling at 5.

⁷⁷ Exhibit SDGE-1 at 12, SDG&E Response to ALJ Ruling at 11.

⁷⁸ Exhibit TURN-01 at 38 to 39.

⁷⁹ Exhibit TURN-01 at 39.

⁸⁰ Exhibit TURN-01 at 23.

be denied. Accordingly, TURN recommends not authorizing any funds to be allocated to land purchases, and for the Commission to direct SDG&E to “include any forecast for substation land purchases in its next GRC and provide more supporting information to allow the Commission to evaluate this spending.”⁸¹ Cal Advocates agrees.⁸²

SDG&E disagrees with Cal Advocates’ and TURN’s positions, arguing that the full lifecycle of substation construction, from land acquisition to energization, is complicated and can involve highly variable timelines.⁸³ SDG&E argues that substations in urban areas can take longer than the average substation to permit and construct, and that TURN’s example of substation construction taking six years is based off only two data points.⁸⁴ SDG&E, however, does not state whether the land it proposes to acquire is in urban areas, and does not provide any empirical evidence in support of its arguments. SDG&E does not address why this case is different from PG&E’s SB 410 decision which only allowed land costs for substations placed in service before January 1, 2027.

This decision does not allow any Substation Land Acquisition cost forecasts to count toward the cap. SDG&E’s need determination methodology is unclear and its cost estimates are poorly justified, so the Commission is unable to evaluate the cost forecast. SDG&E does not tie its substation need forecasts to DPP outputs and SDG&E does not provide a description of how it developed its

⁸¹ Exhibit TURN-01 at 39.

⁸² Exhibit CA-01 at 3-16.

⁸³ Exhibit SDGE-03 at 22 to 23.

⁸⁴ Exhibit SDGE-03 at 22 to 23.

land acquisition cost forecasts or what inputs went into that calculation. SDG&E critiques TURN for estimating construction timelines using only two data points, but SDG&E does not provide any historical data to justify its claims.

Additionally, SDG&E gives no firm estimate of when the substations might come online, and no indication of the specific or general location in which those substations might be located; the only estimate SDG&E provides is that the substations would not come online before December 31, 2026. SDG&E's land acquisition forecasts neither meet the requirements of SB 410 nor provide evidence to justify their inclusion in the caps.

6.3. New Business

6.3.1. Category Overview and Drivers of Incremental Need

SDG&E describes the New Business category as costs “directly related to customer requests for service.”⁸⁵ SDG&E notes that some of these costs will be partially funded by customers and clarifies that its capital requests are net of any expected revenues from customers.⁸⁶ SDG&E identifies California's zero-emission goals as the main driver for an increase in customer demand for energization.⁸⁷ SDG&E also anticipates that an uptick in new housing developments coupled with statewide requirements for all--electric appliances in new construction will drive up demand for energization services.⁸⁸ In support of this claim, SDG&E notes that housing approvals in the city of San Diego grew

⁸⁵ Exhibit SDGE-1 at 15.

⁸⁶ Exhibit SDGE-1 at 15.

⁸⁷ Exhibit SDGE-1 at 19.

⁸⁸ Exhibit SDGE-1 at 21.

substantially from 2022 to 2023. SDG&E also cites a report published in July 2024 by the Boston Consulting Group (BCG) stating that “electrification of the economy will drive a 75% increase in electricity demand, with half the load growth from 2020 to 2045 coming from the increase in [Zero Emission Vehicle] stock alone.”⁸⁹ SDG&E later cites this report to support claims of higher transformer prices. Cal Advocates argues the BCG report does not justify SDG&E’s requests, as the report is high-level, focused on the state as a whole, and does not provide the detailed information necessary to justify SDG&E’s specific assertions.⁹⁰

SDG&E explains that the forecast of New Business capital requirements in its 2024 GRC was based on three-year average historical spend, but actual spend has exceeded that allotment.⁹¹ SDG&E claims that incremental, unanticipated need for energization services has driven SDG&E to spend more on New Business energization than was allotted by recent GRCs: SDG&E’s actual New Business Spend exceeded its GRC-authorized totals by one percent in 2022, 12 percent in 2023, and 16 percent in 2024.⁹²

6.3.2. New Business Subcategories That Are Energization-Related

The New Business category contains fourteen subcategories (i.e., workpapers); SDG&E identifies nine of these subcategories as energization-

⁸⁹ Exhibit SDGE-1 at 20, citing to BCG’s *Unlocking California’s Climate Ambition*.

⁹⁰ Exhibit CA-01 at 5-3.

⁹¹ Exhibit SDGE-1 at 22 to 23.

⁹² Exhibit SDGE-1 at 22.

related and uses those nine subcategories as the basis for its costs forecasts and calculations of GRC-authorized costs for 2024 through 2026.⁹³ TURN argues that SDG&E was inconsistent in how it determined which subcategories of the New Business were energization-related; if the logic that SDG&E claims it used were applied consistently to all the subcategories within New Business, TURN argues, SDG&E's forecasted incremental need (i.e., the size of the cap) would be reduced.⁹⁴ SDG&E stated that it did not consider subcategories to be energization-related if they included conversion work, TURN argues, but two of the subcategories SDG&E deemed to be energization-related (Electric Distribution Easements and Customer Requested Upgrades & Services) included conversions, rearrangements, or removals of equipment. TURN argues that, to ensure SDG&E's logic is applied consistently, those subcategories should not be counted toward any cap.⁹⁵ TURN first raised this issue in its Intervenor Testimony, but SDG&E did not address this issue in its Rebuttal Testimony. TURN reiterated its argument in its Opening Brief and explicitly noted that SDG&E had not addressed this issue in its Rebuttal Testimony, but SDG&E again chose not to respond in its Reply Brief.

TURN argues that SDG&E did not consistently apply the same logic when deciding whether to exclude a given subcategory. In essence, TURN argues that even though SDG&E stated it did not consider subcategories with conversion work to be energization-related, SDG&E included two subcategories with

⁹³ Exhibit SDGE-1 at 16.

⁹⁴ Exhibit TURN-01 at 27.

⁹⁵ Exhibit TURN-01 at 26.

conversion work in its request.⁹⁶ SDG&E, in remaining silent in response to TURN's arguments, did not present any alternative framework that would justify including the Electric Distribution Easements and Customer Requested Upgrades & Services subcategories even though they include conversions, rearrangements, or removals of equipment. These activities generally modify existing services and are not directly tied to energizing new or upgraded customer connections. Accordingly, this decision adopts TURN's proposal to apply SDG&E's proposed criteria to the Electric Distribution Easements and Customer Requested Upgrades & Services subcategories and therefore exclude them when calculating the New Business Category's contribution to the cap. SDG&E's cost cap forecasts, which included those two subcategories, were for \$10.837 million in 2024, \$19.094 million in 2025, and \$28.603 million in 2026. Together, the cost forecasts for Electric Distribution Easements and Customer Requested Upgrades & Services subcategories were \$5.610 million in 2024, \$8.346 million in 2025, and \$11.430 million in 2026. TURN's unrefuted assumption is that those two subcategories should be removed from SDG&E's forecast; accordingly, from this point forward, this decision considers SDG&E to have recorded \$5.227 million of actual spend in 2024 and have incremental cost forecasts of \$8.949 million in 2025 and \$13.130 million in 2026 for the New Business Category. By the same methodology, SDG&E's total actual spend in 2024 is revised to \$53.242 million, and its cost forecasts for 2025 and 2026 are revised to \$60.205 million and \$68.115 million, respectively; similarly, its

⁹⁶ Exhibit TURN-01 at 27.

calculation of GRC-authorized spend in the New Business Category is reduced to \$48.015 million in 2024, \$49.457 million in 2025, and \$50.942 million in 2026.

6.3.3. Forecast Methodology

SDG&E's direct testimony asserts that SDG&E developed its New Business cost forecast by using actual spend for 2024, then escalating those costs by 10 percent each year for 2025 and 2026.⁹⁷ SDG&E's direct testimony's only explanation of this escalation rate is that it is "based on increased customer demand for energization, as well as a continued increase in the costs for labor and materials."⁹⁸ SDG&E later clarified that it actually escalated the costs by approximately 13 percent per year, though this fact was not stated in its direct testimony; SDG&E chose 13 percent by adding its 10 percent forecasted "real growth rate" to a 3 percent general inflation adder.⁹⁹ SDG&E states it chose the 3 percent inflation adder for consistency with its 2024 GRC.¹⁰⁰

SDG&E states that it set the growth rate at 13 percent by considering two trends: first, the actual expenditures on New Business projects grew by an average of 15 percent per year from 2020 to 2023; second, SDG&E's actual expenditures on New Business projects exceeded the GRC-authorized amounts by one percent in 2022, 12 percent in 2023, and 16 percent in 2024.¹⁰¹ SDG&E does not explain how it chose three percent for inflation adder; furthermore, SDG&E

⁹⁷ Exhibit SDGE-1 at 23.

⁹⁸ Exhibit SDGE-1 at 23.

⁹⁹ SDG&E Response to ALJ Ruling at 8.

¹⁰⁰ SDG&E Reply Brief at 39.

¹⁰¹ SDG&E Response to ALJ Ruling at 8-9.

did not explain why the 10 percent cost increase represented real costs (as opposed to nominal costs that include inflation) when they were derived from nominal expenditures.

Cal Advocates and TURN argue that SDG&E's escalation calculation is flawed and should not be adopted. SDG&E's calculation of 15 percent average year-over-year growth in actual spend includes 2020-2021, a highly anomalous year due to the COVID pandemic.¹⁰² If the calculation is narrowed to 2021--2024, the average annual change drops to 9.7 percent. Accordingly, TURN recommends the Commission adopt an escalation rate no higher than 9.7 percent per year.¹⁰³ The actual energization requests and backlogs are stable since 2022 (2,505 completed in 2024 versus 2,535 in 2022) contradicting claims of growth pressure and the backlog of energization declined by 1.5 percent (4,011 applications in 2023 versus 3,951 applications in 2024).¹⁰⁴ TURN further notes that customers have been deferring their energization requests at an increasing rate, another factor arguing for lower growth rates.¹⁰⁵ Cal Advocates also takes issue with the 13 percent escalator and notes that SDG&E's 2024 GRC escalated costs in 2025 and 2026 based on a CPI inflation index.¹⁰⁶ Cal Advocates further notes that the 13 percent escalator is applied uniformly to each category, showing that the 13 percent is not adjusted for the specific circumstances of each

¹⁰² Exhibit TURN-01 at 31.

¹⁰³ Exhibit TURN-01 at 31 to 32.

¹⁰⁴ Exhibit TURN-01 at 10.

¹⁰⁵ Exhibit TURN-01 at 32.

¹⁰⁶ Exhibit CA-01 at 5-2.

type of work.¹⁰⁷ SDG&E disagrees with Cal Advocates' and TURN's conclusions and provides evidence that from 2020-2024 the average number of New Business Projects has increased each year at 19 percent, an even higher rate.¹⁰⁸

This decision adopts TURN's recommendation to escalate costs at 9.7 percent based on historical growth in actual costs from 2021-2024. SDG&E does not provide convincing evidence or justification to adopt a 13 percent cost escalator.

SDG&E provides information on the annual trends in actual spend on New Business projects, "New Business Variance," and the number of New Business Projects. These data points are less useful than the historical information on actual spend SDG&E provided.

The trend in "New Business Variance" is not applicable because it calculates variance from 2022 and 2023, which were outputs from the 2021 GRC which (by SDG&E's description) were developed when energization trends and forecasts were different from today. Accordingly, trends in actual spend are more straightforward and relevant. The number of New Business Projects alone is not sufficient for decision making because SDG&E does not provide any information on the average cost per project, so the Commission cannot use this information to estimate cost trends. Additionally, SDG&E does not specify how it uses the term "New Business Projects," and this ambiguity makes the information difficult to interpret. For example, if SDG&E's numbers include not

¹⁰⁷ Exhibit CA-01 at 5-7.

¹⁰⁸ Exhibit SDGE-03 at 19 to 20.

just completed projects, but also customer energization requests that never move beyond the initial inquiry phase, or projects that begin in one year but finish in another, the numbers would overstate the total number of new projects.

Even though the annual growth in actual expenditures has varied significantly year over year, this decision adopts the 9.7 percent average annual growth rate because the growth rate in actual spend has been positive for the last two years. This 9.7% growth rate is specific to the New Business cost category, only in the context of preparing for incremental energization spend. This section should not be read as endorsing a 9.7% growth rate assumption for any other category or in any other context. Accordingly, this decision reduces SDG&E's total cost forecasts for 2025 and 2026 to \$58.406 million and \$64.072 million, respectively.¹⁰⁹

6.3.4. New Business's Contribution to Cap

This decision allows New Business actual costs of \$5.227 million in 2024 and incremental cost forecasts of \$8.949 million in 2025 and \$13.130 million in 2026 to count toward the cap. These numbers are based on GRC-authorized amounts of \$48.015 million in 2024, \$49.457 million in 2025, and \$50.942 million in 2026 subtracted from actual costs of \$53.242 million in 2024 and total forecasted costs of \$58.406 million in 2025 and \$64.072 million in 2026.

¹⁰⁹ 2024 actual costs were revised to \$53.242 million in Section 3.3.3.2, and \$53.242 million escalated at 9.7 percent is \$58.406 million; \$58.406 million escalated at 9.7 percent is \$64.072 million.

6.4. Materials (Transformers)

6.4.1. Category Overview and Drivers of Incremental Need

SDG&E describes the Materials category as containing only one sub-category, Transformers. The costs in this subcategory represent SDG&E's forecasted need to purchase new and replacement transformers to support energization projects.¹¹⁰ SDG&E explains that incremental costs are driven by greater demand for transformers and rises in the cost of materials and labor. SDG&E asserts that "the average cost of a service transformer has increased at a rate far exceeding industry indices in recent years."¹¹¹

6.4.2. Materials (Transformer) Costs Authorized by San Diego Gas & Electric Company's 2024 General Rate Case

SDG&E estimates the amount of money that the 2024 GRC authorized for transformers to support energization by reviewing the number of transformers purchased from 2019 to 2021, counting the portion that were used on energization projects, then applying that percentage (32.1 percent) to the 2024 GRC's authorized costs for transformers.¹¹² TURN argues that 2019-2021 is an arbitrary window to use as a reference period, and proposes instead to base the calculation on the more recent time period of 2021-2023.¹¹³ Using this range, the percentage of transformer purchases attributable to energization increases to

¹¹⁰ Exhibit SDGE-1 at 24.

¹¹¹ Exhibit SDGE-1 at 24 to 25.

¹¹² Exhibit SDGE-1 at 25.

¹¹³ Exhibit TURN-01 at 35 to 36.

41.8 percent. TURN's recalculation raises the baseline GRC-authorized energization amounts for transformers from \$10.649 million in 2024, \$10.968 million in 2025, and \$11.297 million in 2026 to \$13.867 million in 2024, \$14.282 million in 2025 and \$14.711 million in 2026, and therefore lowers the amounts allowable under the SB 410 cost cap. SDG&E counters that it selected the 2019-2021 period because it "aligns with the cost data used in SDG&E's most recent GRC for this workpaper," which "ensures consistency with the underlying assumptions of the GRC."¹¹⁴

This decision adopts TURN's recommendation to use 2021-2023 as the reference period instead of SDG&E's proposal to use 2019-2021 as the reference period. All else equal, it is best practice to use the most recent data available. SDG&E's argument that the Commission should "ensures consistency with" earlier GRCs conflicts with SDG&E argument that the assumptions and calculations developed in the 2019-2021 time period do not reflect current trends. Accordingly, this decision considers the 2024 GRC to have authorized SDG&E to spend \$13.867 million in 2024, \$14.282 million in 2025, and \$14.711 million in 2026 on transformers for energization-related purposes.

6.4.3. Forecast Methodology

SDG&E explains that it forecasted 2025 and 2026 spend on transformers by escalating its actual spend at 13 percent per year.¹¹⁵ SDG&E justifies the 13 percent escalator for materials costs because "energization-related service transformer needs closely track the growth in energization-related New Business

¹¹⁴ Exhibit SDGE-03 at 25.

¹¹⁵ SDG&E Response to ALJ Ruling at 9.

activity” and SDG&E already used a 13 percent escalator in the New Business Category.¹¹⁶ TURN opposes the use of the 13 percent escalator and proposes to adjust the 2024 actual spend by historical changes in transformer prices.¹¹⁷ Cal Advocates notes that SDG&E’s only support for claims about transformer prices was to cite a study on general metal prices but did not link it to actual transformer costs or show sustained price increases.¹¹⁸ TURN notes that “new business transformer costs declined by 28% between 2023 and 2024 and rose a total of 6% between 2022 and 2024, or approximately 3% per year.” TURN recommends limiting inflation adjustment to 2.4 percent, representing the change in the CPI-U for the year ending May 2025, instead of SDG&E’s blanket three percent inflation assumption.¹¹⁹

This decision adopts TURN’s recommendation to forecast forecasts 2025 and 2026 spend on transformers by escalating 2024 actual spend using CPI-U. SDG&E does not provide evidence to support its argument that changes in transformer spend closely track changes in New Business spend, and does not address the more fundamental question of why it chose not to separately forecast future spend on transformers for energization purposes. Cal Advocates is correct that SDG&E provides no quantitative evidence that could be used to directly estimate changes in transformer prices or the volume of transformers SDG&E will need for energization purposes. Accordingly, this decision allows SDG&E to

¹¹⁶ SDG&E Response to ALJ Ruling at 9.

¹¹⁷ Exhibit TURN-01 at 36.

¹¹⁸ Exhibit CA-01 at 4-3.

¹¹⁹ Exhibit TURN-01 at 37.

record its actual spend of \$17.302 million for 2024 and forecasts that SDG&E will spend \$17.769 million in 2025 and \$18.248 million in 2026 on transformers for energization-related purposes.

Separately, Cal Advocates argues that SDG&E does not have immediate need for new transformers, and any new transformer purchases are unlikely to be placed into service by the end of 2026.¹²⁰ Cal Advocates notes that SDG&E has approximately 5,700 transformers on hand, providing sufficient to meet customer energization requests through the end of 2026.¹²¹ Accordingly, Cal Advocates recommends the Commission not allow SDG&E to record any costs for transformer purchases.¹²² SDG&E disagrees and clarifies that the “5,700 transformers in inventory span a wide range of material codes and are intended to support multiple operational needs across the organization, including emergency response, maintenance, and system upgrades — not solely energization. The estimated costs included in SDG&E’s SB 410 Application are specific to transformers procured for New Business-related energization work and will be tracked separately to ensure compliance with the statute’s requirements.”¹²³

This decision does not adopt Cal Advocates’ recommendation to categorically exclude transformer costs from the cost cap. It is appropriate for SDG&E to maintain an inventory of transformers and Cal Advocates does not

¹²⁰ Exhibit CA-01 at 3-17.

¹²¹ Exhibit CA-01 at 3-17.

¹²² Exhibit CA-01 at 3-18.

¹²³ Exhibit SDGE-03 at 24 to 25.

demonstrate that SDG&E's current inventory is large enough that the Commission should fully exclude transformer purchases from the cap. SDG&E, however, does not demonstrate that it needs to increase the number of unused transformers it keeps in supply and therefore may not record costs for purchases that simply increase its stock of transformers. As SDG&E's transformer cost forecast only extended to 2026, it may only record transformer costs for projects placed in service before 2027.

6.4.4. Transformer Purchases' Contribution to Cap

SDG&E requests authority to record actual incremental costs of \$6.653 million in 2024 and incremental costs of \$8.583 million in 2025 and \$10.796 million in 2026 for transformer purchases based on the assumptions described above.¹²⁴

This decision allows actual costs of \$3.435 million in 2024 and forecasted costs of \$3.487 million in 2025 and \$3.538 million in 2026 for transformers to count toward the cap. As described in earlier sections, these figures are calculated by subtracting GRC-authorized spend of \$13.867 million in 2024, \$14.282 million in 2025, and \$14.711 million in 2026 from actual spend of \$17.302 million for 2024 and forecasted spend of \$17.769 million in 2025 and \$18.249 million in 2026.

¹²⁴ Exhibit SDGE-1 at 26.

6.5. Information Technology System Enhancements

6.5.1. Category Overview and Drivers of Incremental Need

SDG&E requests authorization to record costs for IT projects, explaining the projects are necessary for SDG&E to “fully and accurately comply” with the Commission’s energization timelines decision, D.24-09-020.¹²⁵ SDG&E does not argue its forecasted IT costs meet the statutory definition of energization. Instead, SDG&E argues, “the IT system enhancements [are] necessary to facilitate accelerating timelines, communicate with customers, and provide the Commission with the information needed to verify compliance with the target deadlines and the reporting required by the Commission’s implementation of [SB 410] and as set forth in D.24-09-020.”

6.5.2. Threshold Demonstration of Need for Information Technology Enhancements

Cal Advocates argues that SDG&E has not sufficiently demonstrated that its existing IT infrastructure and workflow have — or will have — any material problems that the proposed projects would solve. It follows, Cal Advocates argues, that SDG&E does not adequately demonstrate that its IT projects are necessary to meet the requirements set forth in the energization decision and should on that basis be denied.¹²⁶ Specifically, Cal Advocates notes that SDG&E provides no evidence that any materials problems currently exist: no description of current timelines; no descriptions of weaknesses in the existing processes and

¹²⁵ Exhibit SDGE-1 at 26.

¹²⁶ Exhibit CA-01 at 6-1.

examples of the consequences of those weaknesses; no empirical evidence, at all. Cal Advocates argues that “[without] a clear diagnostic assessment of delay points within the end-to-end energization workflow, and without clear demonstration of how the IT enhancements and associated cost estimates will aid in the energization timeline, SDG&E has not justified the need for such enhancements.”¹²⁷ SDG&E disagrees and argue that Cal Advocates mischaracterizes the level of detail SDG&E provided in its testimony.¹²⁸

This decision broadly agrees with Cal Advocates’ assessment that SDG&E has not explained its current problems with sufficient specificity and provides no evidence supporting those claims. With limited exception, SDG&E does not explain which requirements from D.24-09-020 it cannot meet (whether for timing or capability reasons), why its current tools are insufficient, the consequences of delaying those upgrades, or the specific capabilities its proposed projects will provide. Furthermore, as SDG&E’s energization reports indicate that it “has already made significant strides in enhancing the customer experience and accelerating energization timelines. SDG&E will continue to address implementation opportunities and system limitations to meet the requirements of [D.24-09-020].”¹²⁹

6.5.3. Nexus Digital Application

SDG&E requests authority to record incremental costs of \$1.176 million in 2024, \$8.681 million in 2025 and \$9.104 million in 2026 for its Nexus Digital

¹²⁷ Exhibit CA-01 at 6-4.

¹²⁸ Exhibit SDGE-03 at 29 to 32.

¹²⁹ SDG&E Biannual Energization Report at 14.

Application (Nexus).¹³⁰ SDG&E describes Nexus as project management software that will improve SDG&E's existing project management system that currently "prevents holistic visibility across project stages, complicates data consistency and accuracy maintenance, limits ability to identify and address process bottlenecks, and hinders effective cross-departmental collaboration."¹³¹ SDG&E asserts that "[without] Nexus, SDG&E's ability to be fully in compliance with D.24-09-020 is at risk."¹³²

It is unclear from SDG&E's application and direct testimony how developed SDG&E's plans for Nexus are. SDG&E acknowledges that "not all detailed requirements for Nexus have been developed at this time," but SDG&E plans for Nexus to be a "core platform for reducing timelines, enhancing the customer experience, and collecting and reporting data to meet the requirements of D.24-09-020."¹³³ Cal Advocates notes that "SDG&E does not present analysis showing that its current requirements to meet energization timelines suffer without such a tool. Nor does SDG&E provide data, such as data from pilots or internal assessments, demonstrating that Nexus will materially reduce energization timelines. SDG&E states that it 'conducted market research and completed an assessment in regards to' Nexus; however, SDG&E fails to provide any results or findings."¹³⁴

¹³⁰ Exhibit SDGE-1 at 28.

¹³¹ Exhibit SDGE-1 at 28.

¹³² Exhibit SDGE-1 at 29.

¹³³ Exhibit SDGE-1 at 29.

¹³⁴ Exhibit CA-01 at 6-2.

6.5.4. Builder Services Portal Modernization

SDG&E requests authority to record incremental costs of \$2.591 million in 2025 and \$4.746 million in 2026 for its Builder Services Portal Modernization.¹³⁵ SDG&E currently offers customers an online self-service application called the Builder Services Portal (BSP). The BSP allows customers to request various services from SDG&E, provide documentation, and track the project's progress.¹³⁶ SDG&E claims that its existing IT systems cannot track or report the "granular timelines and additional project information required by D.24-09-020," and that SDG&E must update its BSP in various manners to comply.¹³⁷

Cal Advocates argues that while SDG&E states that BSP upgrades are necessary to meet Energization Timeline Requirements, "SDG&E fails to provide an explanation to demonstrate that its existing BSP is incapable of meeting the Energization Timeline Decision's other requirements. SDG&E fails to explain how upgrades to BSP will enable SDG&E to meet the Energization Timeline Decision requirements... [and] does not provide system functionality details, or clear operational paths and other details to demonstrate that the BSP upgrades are needed, and how they will be used, to meet all the tasks that SDG&E claims the BSP upgrades will accomplish."¹³⁸

¹³⁵ Exhibit SDGE-1 at 28.

¹³⁶ Exhibit SDGE-1 at 29.

¹³⁷ Exhibit SDGE-1 at 30.

¹³⁸ Exhibit CA-01 at 6-2 to 6-3.

6.5.5. Cloud Data Foundation

SDG&E requests authority to record incremental costs of \$1.258 million in 2025 and \$3.495 million in 2026 for Cloud Data Foundation.¹³⁹ SDG&E argues that it requires a “centralized data foundation in the cloud” to meet requirements from D.24-09-020.¹⁴⁰

Cal Advocates notes that SDG&E “fails to discuss which specific reporting requirements the Cloud Data Foundation will address. There is no data, details, linkage to specific requirements, or even a simple narrative to explain why SDG&E needs to the Cloud Data Foundation to comply with the Energization Timeline Decision.”¹⁴¹ TURN adds that while the 2024 GRC authorized SDG&E to spend money on Cloud Foundations, SDG&E spent \$0.9 million less than it was authorized.

6.5.6. Geographic Information System Enhancement

SDG&E requests authority to record incremental costs of \$1.533 million in 2025 and \$5.652 million in 2026 for Geographic Information System Enhancement.¹⁴² SDG&E expects these upgrades to provide better service on faster timelines, thereby supporting compliance with D.24-09-020.¹⁴³

¹³⁹ Exhibit SDGE-1 at 28.

¹⁴⁰ Exhibit SDGE-1 at 30.

¹⁴¹ Exhibit CA-1 at 6-3.

¹⁴² Exhibit SDGE-1 at 28.

¹⁴³ Exhibit SDGE-1 at 30 to 31.

6.5.7. Automated Utility Design Enhancement

SDG&E requests authority to record incremental costs of \$1.512 million in 2025 and \$7.335 million in 2026 for Automated Utility Design (AUD) Enhancement.¹⁴⁴ SDG&E claims that its AUD currently supports certain projects for new businesses, enhancements are necessary to automate manual processes, serve new project types, and allow external parties to access the software.¹⁴⁵ SDG&E claims the AUD Enhancement will “directly support compliance with D.24-09-020” by implementing improvements that “create critical efficiencies in the design phase, enabling SDG&E to meet accelerated energization timelines while maintaining design quality and accuracy.”¹⁴⁶

6.5.8. Automated Intelligence

SDG&E requests authority to record incremental costs of \$0.299 million in 2024, \$1.061 million in 2025 and \$4.239 million in 2026 for Automated Intelligence (AI).¹⁴⁷ SDG&E proposes implementing four separate AI projects to automate various manual processes that are part of project development.¹⁴⁸ SDG&E asserts that AI directly addresses the core compliance requirements of D.24-09-020 by “transforming existing project execution capabilities” in ways that automate repeated tasks, collect data, and “provide real-time insights.”¹⁴⁹

¹⁴⁴ Exhibit SDGE-1 at 28.

¹⁴⁵ Exhibit SDGE-1 at 31 to 32.

¹⁴⁶ Exhibit SDGE-1 at 32.

¹⁴⁷ Exhibit SDGE-1 at 28.

¹⁴⁸ Exhibit SDGE-1 at 32.

¹⁴⁹ Exhibit SDGE-1 at 33 to 34.

Cal Advocates describes the AI projects as “speculative and exploratory” and argues that SDG&E “fails to show the connection between its proposals and SB 410 or the requirements of the Energization Timeline Decision. SDG&E offers no pilot results, user testing, or performance benchmarks to demonstrate that these tools will meaningfully improve energization timelines or customer transparency.”¹⁵⁰

6.5.9. Threshold Evidence to Support Cost Forecasts

Cal Advocates, SBUA, and TURN argue that SDG&E’s proposed IT projects, both individually and in totality, are underdeveloped to the point where the Commission cannot reasonably understand what these projects would accomplish, how they would do so, and what they would cost.

TURN argues that SDG&E’s IT cost forecasts are highly speculative and underdeveloped. SDG&E states that the BSP modernization project “has not been fully scoped or formally started,”¹⁵¹ that “not all detailed requirements for [the Nexus Digital Application project] have been developed,”¹⁵² and cost breakdowns and project timelines are not available for four of the six proposed projects.¹⁵³ Relatedly, Cal Advocates that the IT projects, many of which have not been fully scoped, appear to have overlapping functionalities — some for energization and others for other aspects of SDG&E’s business.¹⁵⁴ Cal Advocates

¹⁵⁰ Exhibit CA-01 at 6-4.

¹⁵¹ Exhibit TURN-01 at 30.

¹⁵² Exhibit SDGE-1 at 29.

¹⁵³ Exhibit TURN-01 at 30.

¹⁵⁴ Exhibit CA-01 at 6-5.

notes that three of the platforms “[appear] to perform some version of project visibility, coordination, or milestone tracking, yet SDG&E fails to clearly delineate the distinct roles and responsibilities of each system.”¹⁵⁵ Cal Advocates explains that “without a functional separation of duties or explanation of how these systems will work together, as opposed to duplicating efforts, it is unclear whether ratepayers are being asked to fund multiple platforms that serve similar or the same purposes.”¹⁵⁶ Cal Advocates further argues that SDG&E provides no explanation of how the new IT projects will coordinate with (or replace) existing programs and processes, nor any description of how the new projects will work together.¹⁵⁷

SBUA argues that SDG&E’s IT requests are underdeveloped and are a “black box.”¹⁵⁸ SBUA alleges that when SDG&E states that “not all detailed requirements for Nexus have been developed at this time,” the Commission is required to extend trust to SDG&E that whatever product SDG&E ultimately purchases or develops will be useful, support energization, and otherwise appropriate to include in the SB 410 cap.¹⁵⁹

UCAN recommends that the Commission reduce SDG&E’s budget for IT Enhancements by 20 percent to encourage SDG&E to be cost conscious.¹⁶⁰ UCAN

¹⁵⁵ Exhibit CA-01 at 6-6.

¹⁵⁶ Exhibit CA-01 at 6-6.

¹⁵⁷ Exhibit CA-01 at 6-6.

¹⁵⁸ Exhibit UCAN-01 at 13.

¹⁵⁹ Exhibit UCAN-01 at 14.

¹⁶⁰ Exhibit UCAN-01 at 14.

does not explain how it arrived at its recommendation of a 20 percent reduction. UCAN also argues “the Commission should require any expenditure in excess of \$5 million built to meet SB 410 mandates should be independently reported as part of SDG&E’s next pending GRC. In addition, if a given SB 410 project is proving to be 10% higher than the level it has been budgeted for it should be identified for the next GRC.”¹⁶¹

In rebuttal, SDG&E argues that Cal Advocates, SBUA, TURN, and UCAN mischaracterize the level of detail SDG&E provided in its testimony.¹⁶²

This decision finds that SDG&E’s proposed projects are described at such a high level — and, in many cases, are in such early stages of conceptualization and planning — that the projects’ capabilities and timelines are unclear and their cost forecasts largely speculative.

6.5.10. Information Technology Enhancements’ Contribution to Cap

This decision does not allow any IT Enhancement cost forecasts to count toward the cap. As described above, SDG&E: has not described in sufficient detail the specific compliance requirements from the energization timelines decision it currently cannot meet, along with the deadline to meet those requirements; has not provided evidence supporting those claims; has not described how the proposed IT Enhancements allow SDG&E to meet those compliance requirements; has not described how its proposed IT Enhancements would coordinate (and avoid duplication or redundancy) among themselves and

¹⁶¹ Exhibit UCAN-01 at 21.

¹⁶² Exhibit SDGE-03 at 29 to 32.

other existing and planned IT projects; has not described those projects at a reasonable level of detail, including estimates of when the new capabilities would come online; has not tied those description to cost forecasts; and has, not explained how it developed those cost forecasts. On this basis, this decision does not allow any IT Enhancement costs to count toward the cap.

6.6. Miscellaneous Cost to Comply with Senate Bill 410 and Related Decisions

SDG&E's direct testimony includes a footnote that states, "SDG&E notes that its proposed ratemaking mechanism includes flexibility to recover additional miscellaneous compliance costs that may be needed to comply with SB 410 and D.24--09--020."¹⁶³ SDG&E does not explain, estimate, or justify these costs. This decision does not allow any miscellaneous costs to count toward the cap and there is insufficient record support for any activities that SDG&E claims fall into this category.

6.7. Contingency

SDG&E requests the Commission increase the annual caps to account for "significant forecast uncertainty."¹⁶⁴ While SDG&E forecasts needing to spend \$73.061 million in 2025 and \$144.631 million on direct energization costs, SDG&E requests the Commission set the 2025 cap at \$144.631 million (*i.e.*, the forecast for 2026) and allow any unspent funds in 2025 to be added to the 2026 cap.¹⁶⁵ TURN opposes and asserts the Commission should reject SDG&E's request, arguing

¹⁶³ Exhibit SDGE-01 at 27.

¹⁶⁴ Exhibit SDGE-02 at 7.

¹⁶⁵ Exhibit SDGE-2 at 7.

“there is no basis for authorizing interim recovery of costs that have not been forecast and do not have any reasonable probability of occurring.”¹⁶⁶

Cal Advocates argues that SDG&E’s approach renders the statutory cost cap meaningless, undermining a key safeguard intended to protect ratepayers from overspending. SB 410 includes cost caps to provide clear limits and accountability, not as placeholders for uncertain future needs. Granting SDG&E’s request would set a precedent that ignores the legislative intent behind the cap. The Commission has previously rejected similar headroom requests from PG&E due to a lack of justification and should do the same here. The proposed 2025 headroom (\$71.6 million) should therefore be denied.¹⁶⁷

This decision does not allow any contingency or “headroom” costs to count toward the cap. SDG&E’s only explanation of how it decided to ask for a buffer of \$71 million — a 30 percent increase in its overall request — was to point to a set of “forecast uncertainties.” SDG&E further acknowledged that “the proposed cap [was] not intended to reflect expected expenditures.”¹⁶⁸ This is consistent with D.24-07-008, which denied PG&E’s request for a 2.5 percent “buffer.”¹⁶⁹ Accordingly, the cap set by this decision does not include any buffer or headroom.

¹⁶⁶ Exhibit TURN-01 at 18.

¹⁶⁷ Exhibit CA-01 at 3-19 to 3-20.

¹⁶⁸ SDG&E Response to ALJ Ruling at 14.

¹⁶⁹ D.24-07-008 at 49.

7. Ratemaking Mechanism

7.1. Electric Energization Memorandum Account

SDG&E requests authority to establish a new memorandum account, the EEMA, to record the revenue requirement for (1) incremental energization costs beyond the amounts authorized in its 2024 GRC, and (2) costs SDG&E incurs to comply with “SB 410 and related CPUC directives.”¹⁷⁰ SDG&E proposes that, on an annual basis, it will transfer costs recorded in the EEMA to the existing EDFCA for recovery from customers. SDG&E will report this amount in its annual Regulatory Account Update Filing, which it will consolidate with its Annual Electric True Up (AET) advice letter for rates effective January 1.¹⁷¹ SDG&E argues that while the Commission may approve a cost cap for the EEMA based on assumptions about spending in different cost categories, SB 410 does not require SDG&E only to record costs that match those cost categories and spending levels.¹⁷² So long as the costs are energization-related and incremental to GRC-authorized spend, SDG&E argues, SB 410 permits SDG&E to record those costs to the EEMA.

This decision authorizes SDG&E to create a new memorandum account, called the EEMA, to which it may record the revenue requirement to necessary recover energization costs that are (1) incremental to the amounts authorized in the 2024 GRC, and (2) for projects placed in service after January 1, 2024, and

¹⁷⁰ Exhibit SDGE-2 at 1.

¹⁷¹ Exhibit SDGE-2 at 1 to 2.

¹⁷² Exhibit SDGE-02 at 6.

before January 1, 2027. SDG&E is not authorized to record any other costs to the EEMA.

SDG&E is authorized to annually transfer any costs in the EEMA for projects placed in service before January 1, 2027, to the existing Electric Distribution Fixed Cost Account (EDFCA) for recovery from customers.¹⁷³ SDG&E must report in its Annual Electric True Up advice letter the amount it transferred from the EEMA to the EDFCA.

7.2. Annual Caps

This decision sets the following annual caps on the capital costs that SDG&E may record to the EEMA:

Cost Category	2024 Cap (\$, millions)	2025 Cap (\$, millions)	2026 Cap (\$, millions)
Capacity/Expansion	\$1.899	\$8.356	\$3.166
New Business	\$5.227	\$8.949	\$13.130
Materials (Transformers)	\$3.435	\$3.487	\$3.538
IT System Enhancements	\$0	\$0	\$0
Contingency	\$0	\$0	\$0
Total	\$10.561	\$20.793	\$19.834

7.3. Incremental Spending Calculations

This decision requires SDG&E to determine incremental spending at the subcategory level and allows incremental spending to count against the total annual cap. To illustrate this requirement, consider the following example:

¹⁷³ In other words, SDG&E may record all incremental energization costs to the EEMA, but may only transfer costs from the EEMA to the EDFCA (i.e., recover the costs) once the projects are placed in service.

	2026 GRC Authorization	2026 Actual Spend	2026 Incremental Spend	2026 Subcategory's Contribution to Cap	Spend Eligible to be Recorded to EEMA
	[A]	[B]	[C = greater of zero and B-A]	[D]	[E = C, if C < D; E = D if C > D]
Category 1					
Subcategory A	5	30	25	10	25
Subcategory B	5	10	5	10	5
Subcategory C	5	4	0	5	0
Category 2					
Subcategory X	5	17	12	10	12
Subcategory Y	5	8	3	10	3
Subcategory Z	5	4	0	10	0
TOTAL	\$30	\$73	\$45	\$55	\$45

In the example above, Subcategories A, B, X, and Y all saw actual spend greater than their 2026 GRC authorization. Accordingly, each of those categories has incremental spend in 2026. Notably, for Subcategory X, 2026 incremental spend was \$12 but that Subcategory only added \$10 to the total cap. The full \$12, however, would still be eligible for recording to the EEMA (so long as the total incremental spend does not exceed the global cap). The total incremental spend is \$45, which is less than the global cap of \$55, so all \$45 would be eligible for recording to the EEMA in 2026.

As required by Pub. Util. Code Section 937(b)(4), SDG&E must record costs using the same categories it used in its 2024 GRC. As this decision only approves cost caps for the Capacity/Expansion, New Business, and Materials

(transformers) categories, SDG&E may only record costs that fall within those categories. Furthermore, for the purposes of these incrementality calculations, SDG&E shall not modify, add, or remove the type of projects and activities included in any given category or subcategory.

7.4. “Rolling Over” Unspent Funds

SDG&E requested authority to allow “roll over” unspent funds from 2025; that is, to add any underspend relative to its 2025 cap to its 2026 cap. SBUA disagrees and argues that the Commission should not allow SDG&E to carry over any unused funds from the 2025 cap to the 2026 cap, as SB 410 clearly states the caps should be set annually.¹⁷⁴

This decision allows SDG&E to add any unspent funds from 2025 to the 2026 cap; however, unspent funds from 2025 may only be added to the 2026 cap for the same category of costs. For example, if in 2025, SDG&E records \$1 million less to the Materials than it is authorized, it may only add that “extra” \$1 million to the 2026 cap for the Materials category.

Permitting SDG&E to roll over unspent funds is consistent with D.24-07-008 and allows greater flexibility to prudently deploy funds as the opportunities arise and removes the incentive to spend funds simply to meet the 2025 cutoff.

7.5. Procedural Mechanism for San Diego Gas & Electric Company to Request to Increase the Cap

D.24-07-008, which established an SB 410 ratemaking mechanism in response to a motion from PG&E, recognized that “[both] the demand for and

¹⁷⁴ SBUA-01 at 10.

the rate at which PG&E is delivering energization of load is rapidly evolving” and therefore authorized PG&E to file a motion for the Commission to revisit (*i.e.*, increase) its cost cap with additional evidence that supports accelerating energization.

Should SDG&E wish to ask the Commission to revisit this decision, the appropriate procedural mechanism would be to file a petition for modification (PFM). Recognizing that this PD authorizes a cap significantly lower than SDG&E’s request, the Commission provides guidance on the type of information and level of reasoning that would support the Commission’s review of a PFM requesting a modification of the cap:¹⁷⁵

1. Any PFM should explain the methodology used to develop its cost forecasts, provide copies of the cost forecasts, and identify which key assumptions drove those outcomes. This information should be provided down to the subcategory/workpaper level. Challenges in the instant application include:

- a. SDG&E seeks to record \$57 million to acquire land for substations. SDG&E asserts that it used the outputs from its 2024 Distribution Planning Process (DPP) to identify its land needs for future substations but does not indicate which outputs from the DPP led SDG&E to conclude that it that additional needs substations are needed.
- b. SDG&E developed its New Business cost forecasts at the “category” level, which is a much lower level of

¹⁷⁵ This guidance is not a prescriptive list of all the elements than any future SB 410 filing should contain and does not guarantee that the Commission will approve all or any of a future request for a cap increase. Instead, SDG&E should treat these observations as guidance that describe ways in which SDG&E could improve future filings to expedite the review process.

granularity than the rest of its application, which presented forecasts at the “subcategory” level, which corresponds to the workpaper level in SDG&E’s GRC. This is inconsistent with the level of detail that Pacific Gas and Electric (PG&E) provided — and the Commission relied upon — to support Decision (D.) 24-07-008.

- c. SDG&E requests to increase its overall cap by approximately \$72 million so that SDG&E has enough “headroom” in case energization needs are higher than expected due to “significant forecast uncertainty.”¹⁷⁶ SDG&E’s direct testimony includes only two sentences justifying this large increase and did not explain the methodology used to determine the \$72 million. In response to an ALJ ruling ordering SDG&E to explain how it arrived at the \$72 million request, SDG&E produced no additional information and reiterated the contents of its direct testimony.
2. **SDG&E should provide supporting analyses (e.g., Excel worksheets with formulas and any other relevant workpapers) with their initial filing and provide complete responses to rulings and data requests.** The ALJ Ruling issued June 19, 2025 directed SDG&E to, among other things, “[describe] how SDG&E arrived at its recommendation” to request to add approximately \$72 million in “headroom” (i.e., contingency) to its cap. SDG&E’s response largely reiterated its direct testimony . Relatedly, SDG&E did not include Excel worksheets with its initial application.¹⁷⁷ The spreadsheets provided by SDG&E included hardcoded values that could have been supported with formulas and/or more robust descriptions;

¹⁷⁶ Exhibit TURN-01 at 20.

¹⁷⁷ Exhibit TURN-01 at 20.

it was insufficient to state that the numbers were developed by experts.

These examples and instructions are not exhaustive and do not guarantee that the Commission will approve any or all of any future SB 410 requests, and the Rule 16.4(b) remains the governing authority for PFMs.

8. Reasonableness Demonstrations in Future General Rate Cases

Pub. Util. Code Section 937(b)(3) requires SDG&E to demonstrate in its next GRC that any costs recorded to the EEMA were just and reasonable and provides that SDG&E must refund any costs the Commission does not find just and reasonable. Pub. Util. Code Section 937(b)(4) “[r]equires only costs associated with energization to be included in the mechanism and requires costs to be tracked using the same cost categories as used by the electrical corporation in its [GRC].”

Pub. Util. Code Section 463(b) requires each utility “to prepare or maintain records sufficient to enable the [C]ommission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense relating to the planning, construction, or operation of the corporation’s plant.” For any costs recorded to the EEMA then transferred to the AET, SDG&E’s future reasonableness demonstrations shall at minimum:

- Identify the GRC category and subcategory (i.e., workpaper) for those costs.
- For the project associated with the recorded spending:
- Report the current status of the project (*e.g.*, completed, in progress, cancelled).
- Report the date the project was placed in service.

- Report the average cost for comparable projects SDG&E completed in the last four years.

9. Auditor Selection and Performance Requirements

On July 11, 2025, SDG&E filed its response to the ALJ Ruling, which included a recommendation that the Commission authorize SDG&E to select KPMG to perform the auditing duties required by Pub. Util. Code Section 938(b). On September 28 2025, the assigned ALJ issued a ruling authorizing SDG&E to retain KPMG, subject to certain conditions. This decision ratifies that selection.

Pursuant to Pub. Util. Code Section 938(a)(5), SDG&E shall cause the third-party auditor to provide a report to the Commission on March 1, 2026, and every six months thereafter until March 1, 2028 that contains the specific information outlined in Pub. Util. Code Section 938(a)(3). SDG&E shall serve the auditor's reports to the service list for Rulemaking 24-01-018, the *Order Instituting Rulemaking to Establish Energization Timelines*. SDG&E shall include its auditor's reports in its next GRC application.

The Commission will post the reports of the third-party auditor to be posted on the Commission's internet website and reported to policy committees of the Legislature as required by statute.

10. 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(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Four members of the public submitted comments to the docket card. All four comments requested that the Commission deny SDG&E's request in its entirety and express concern about SDG&E's rates.

11. Conclusion

This decision authorizes SDG&E to establish a new EEMA to record energization costs that are incremental to the energization costs approved in SDG&E's 2024 GRC. SDG&E is authorized to record to the EEMA incremental costs totaling \$10.561 million in 2024, \$20.793 million in 2025, and \$19.834 million in 2026. This represents an 83 percent reduction of SDG&E's requested cap of \$310.127 million from 2024 to 2026. SDG&E is authorized to annually transfer the costs associated with projects placed in service to the EDFCA for recovery from customers.

As part of its next GRC, SDG&E shall demonstrate that the costs recorded to the EEMA were just and reasonable. Any costs the Commission does not find to be just and reasonable will be refunded to customers.

12. Procedural Matters

On August 1, 2025, Cal Advocates, CUE, SDG&E, SBUA, TURN, and UCAN filed and served a *Joint Motion to Enter Testimony and Exhibits into the Evidentiary Record*. This motion is granted and the following documents are marked, identified, and admitted:

Exhibit	Witness	Description
SDGE-1	Belden/Bruner	Prepared Direct Testimony of Matt Belden and Nathan Bruner on Behalf of San Diego Gas & Electric Company (April 25, 2025)

Exhibit	Witness	Description
SDGE-2	Dalton	Prepared Direct Testimony of Eric Dalton on Behalf of San Diego Gas & Electric Company (April 25, 2025)
SDGE-3	Belden/Bruner	Prepared Rebuttal Testimony of Matt Belden and Nathan Bruner on Behalf of SDG&E (July 14, 2025)
SDGE-4	Dalton	Prepared Rebuttal Testimony of Eric Dalton on Behalf of SDG&E (July 14, 2025)
SDGE-5	Belden/Bruner	SDG&E Workpaper — Incremental Costs Forecast
SDGE-6	Belden/Bruner	SDG&E Workpaper — IT Enhancements Forecast
SDGE-7	Belden/Bruner	SDG&E Workpaper — Transformer Costs
SDGE-8	NA	TY 2024 GRC Workpaper — Ex. SDG&E-11-CWP-R (Revised Capital Workpapers to Prepared Direct Testimony of Olivia L. Reyes on Behalf of San Diego Gas & Electric Company August 2023)
CA-01	Various	Prepared Testimony on the Application of SDG&E to Establish a Ratemaking Mechanism for Energization Projects Pursuant to SB 410 (June 30, 2025) PUBLIC VERSION
CA-01C	Various	Prepared Testimony on the Application of SDG&E to Establish a Ratemaking Mechanism for Energization Projects Pursuant to SB 410 (June 30, 2025) CONFIDENTIAL VERSION
TURN-01	Freedman/ Ashford	Prepared Testimony of Matthew Freedman and Sylvie Ashford Addressing SDG&E Application to Establish a Ratemaking Mechanism for Energization Projects Pursuant to SB 410 (June 30, 2025)
TURN-02	Freedman/ Ashford	Attachments to the Prepared Testimony of Matthew Freedman and Sylvie Ashford Addressing SDG&E Application to Establish a Ratemaking Mechanism for Energization Projects Pursuant to SB 410 (June 30, 2025)

Exhibit	Witness	Description
TURN-03	Freedman/ Ashford	SDG&E Responses to TURN Data Request No. 6
UCAN-01	Zeller	Direct Testimony of Jason Zeller on Behalf of UCAN Regarding the Accelerated Energization Application of SDG&E (June 30, 2025)
UCAN-02	Zeller/Lopez	SDG&E Responses to UCAN Data Request No. 1
UCAN-03	Zeller/Lopez	SDG&E Responses to UCAN Data Request No. 2
SBUA-01	Sherriff	Prepared Testimony of Matt Sherriff on Behalf of SBUA (June 30, 2025)

On August 1, 2025, Cal Advocates also filed a *Motion of the Public Advocates Office to Seal Portions of the Evidentiary Record*. This motion is granted. All motions not ruled on are deemed denied.

This decision affirms all rulings made by the assigned ALJ and assigned Commissioner in this proceeding.

13. Comments on Proposed Decision

The proposed decision (PD) of ALJ Andrew Dugowson in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on September 29, 2025 by Cal Advocates, CUE, SBUA, SDG&E, TURN, and UCAN, and reply comments were filed on October 6, 2025 by Cal Advocates, CUE, SBUA, SDG&E, TURN, and UCAN.

Cal Advocates asks the Commission to exclude 2024 costs from the cap. Cal Advocates' argues that (1) the PD states the Commission will review SDG&E's cost forecasts on a case-by-case basis, but the recorded 2024 costs are not forecasts and therefore do not fit into the framework the PD laid out, and

(2) the PD errs in its determination that SB 410's use of the phrase "up-front annual cap" is ambiguous. Cal Advocates' arguments are not persuasive: the first argument is about terminology and has been addressed by changes in word choice to this PD; the second argument only reflects a difference in statutory interpretation between the PD and Cal Advocates.

Cal Advocates argues that the PD errs because it requires SDG&E only to seek cost recovery for projects once they are placed in service but does not set a cut-off date by which those projects must be placed in service.

SDG&E argues that it is "arbitrary and capricious" for the PD only to record costs placed in service on or before December 31, 2026, but this argument is inapposite because (1) the PD denied post-2026 costs for lack of justification, not based on the date alone, and (2) SDG&E committed to not recording post-2026 costs by its own volition in its response to a data request.¹⁷⁸ SDG&E further requests for the Commission to only require reports from the third-party auditor through March 1, 2027, instead of March 1, 2028.¹⁷⁹ As SDG&E may seek cost recovery for post-2026 costs in a future filing (PFM or otherwise), the PD does not adopt that change.

SDG&E disagrees with the PD's reductions individually (discussed below), but also collectively. SDG&E claims that the PD only authorizes SDG&E to record costs for which it can demonstrate a need "beyond doubt," only approving costs for which SDG&E can demonstrate a "dire need...with absolute

¹⁷⁸ Exhibit TURN-2, SDG&E response to TURN DR4, Q7.

¹⁷⁹ SDG&E Opening Comments on Proposed Decision at v.

certainty.”¹⁸⁰ SDG&E is incorrect: this PD authorizes a smaller cap because SDG&E failed to make the de minimis showing that it needed cap space for much of its request. SB 410 does not require the Commission to allow SDG&E to record costs for which the utility offered insufficient evidence: Section 973(b)(2) requires the Commission to review all the information submitted by a utility, and, SBUA notes, it is appropriate to apply *some* level of scrutiny to SDG&E’s application.¹⁸¹

SDG&E argues that the PD, in stating that SDG&E did not sufficiently describe the compliance requirements that its IT enhancements were designed to meet, mischaracterizes the record.¹⁸² SDG&E then presents a table and narrative description that identify some of the compliance requirements that some of its proposed IT Enhancements would meet.¹⁸³ However, the PD’s conclusions are not premised on the assertion that SDG&E did not provide information, but rather that SDG&E provided *insufficient and unconvincing* information. Additionally, some of the information SDG&E presents that describes how the IT Enhancements will allow SDG&E to comply with Commission requirements is not found in the record of the proceeding. Opening comments on a PD may not

¹⁸⁰ SDG&E Opening Comments on Proposed Decision at 2.

¹⁸¹ SBUA Opening Comments on Proposed Decision at 2 to 3.

¹⁸² SDG&E Opening Comments on Proposed Decision at 3 to 4.

¹⁸³ SDG&E Opening Comments on Proposed Decision at 4.

introduce new evidence into the record, so we do not consider the new material.¹⁸⁴

SDG&E further argues that the PD, by prohibiting SDG&E from recording IT Enhancement costs, is inconsistent with D.24-09-020, the decision that set the energization timeline targets and reporting requirements.¹⁸⁵ SDG&E may seek funding for general IT upgrades in its GRC, but it did not make any showing that the IT at issue is only for energization. In addition, SDG&E does not argue that its IT Enhancements meet the definition of “energization project” which the SB 410 ratemaking mechanism was designed to record.

SDG&E argues that the PD improperly does not allow two subcategories in the New Business category to count toward the New Business cost cap because SDG&E did not respond to TURN’s argument on the items.¹⁸⁶ However, the PD agrees with TURN’s argument that SDG&E was inconsistent in how it determined which subcategories in the New Business category were energization-related. The logic that SDG&E relied upon to exclude five subcategories equally applied to two subcategories that SDG&E counted toward the cap (Electric Distribution Easements and Customer Requested Upgrades & Service). Because SDG&E failed to explain why those subcategories were treated

¹⁸⁴ Rule 14(c) states, “Comments shall focus on factual, legal or technical errors in the proposed or alternate decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight.”

¹⁸⁵ SDG&E Opening Comments on Proposed Decision at 6 to 7.

¹⁸⁶ SDG&E Opening Comments on Proposed Decision at 8 to 10.

differently, the PD concludes they should not count toward the cap. Minor changes in the text of the PD are made on this issue.

SDG&E disagrees with the PD's conclusion that SDG&E's land acquisition methodology is unclear, claiming that the PD "overlooks the detailed information provided in both testimony and data request responses."¹⁸⁷

SDG&E's justification was not persuasive: SDG&E claims that it identified future substation needs by "[conducting] a comprehensive analysis of each load pocket within its service territory to identify areas where projected load growth may exceed the capacity of fully-built out substations," but SDG&E did not provide supporting evidence that demonstrate the need for these new substations (e.g., SDG&E did not show how its updated forecasts changed the results of its Distribution Planning Process and SDG&E did not explain the criteria it uses to determine when a new substation is needed).¹⁸⁸ SDG&E briefly mentions the need to maintain the confidentiality of the specific locations, but does not acknowledge that it could request to file any information under seal. The supporting information should be readily available and could have been provided after the issuance of the ALJ ruling that expressed concerns that SDG&E had not met the de minimis threshold of support for its requests.

CUE argues that the PD errs by not approving land acquisition costs for projects placed in service after December 31, 2026.¹⁸⁹ This comment is inapposite,

¹⁸⁷ SDG&E Opening Comments on Proposed Decision at 12.

¹⁸⁸ SDG&E Opening Comments on Proposed Decision at 12.

¹⁸⁹ CUE Opening Comments on Proposed Decision at 4.

though, because the PD excluded those costs for a different reason; namely, that SDG&E failed to provide sufficient information about its cost and need forecasts.

The PD required SDG&E to determine incremental spending at the subcategory level and set caps at the category level. TURN supports the PD's direction to calculate incremental spending at the category level but argues that the PD errs in how it treats subcategories. TURN argues that the PD's method does not net overspending and underspending across subcategory, which can inflate recoverable costs. TURN states that the PD would allow SDG&E to record an incremental \$7 in spending at the subcategory level even though the category only overspent by \$6. This occurs because the PD treats underspending in a given subcategory as zero, preventing it from offsetting overspending within the same category, which increases the recoverable amount.¹⁹⁰ SDG&E asserts the per-category incrementality calculation is too restrictive, arguing that D.24-07-008 explicitly granted PG&E the authority to calculate incrementality at the *cap* level SDG&E, thus, requests the same treatment in this PD.¹⁹¹ This decision adopts the same approach as applied in D.24-07-008, as requested by SDG&E. In D.24-07-008, the annual revenue cap was the sum of all the incremental costs forecast at the subcategory level (i.e., Maintenance Activity Type or MAT) for costs that the Commission found eligible to be recorded as energization costs. For PG&E, the amounts apportioned to each category and subcategory (MAT) are based on PG&E's forecast of incremental spending and used for computing the

¹⁹⁰ TURN Opening Comments on Proposed Decision at 4 to 6.

¹⁹¹ SDG&E Opening Comments on Proposed Decision at 14 to 15.

overall annual cap amount. However, neither the category nor subcategory caps limit the amount of incremental spending in subcategories (MATs) or categories (MWC). If spending is “incremental” to previously authorized subcategory amounts (i.e., MAT), then the incremental spending is counted against the annual cap, not the cap of any particular category or subcategory. Similarly, the amounts apportioned to each category for computing the overall cap do not limit the annual amount that can be applied to any particular category as long as the total does not exceed the annual cap.

TURN opposes the PD’s statement that SDG&E may file a PFM if SDG&E later discovers a need for more funding.¹⁹² TURN errs because SDG&E would have the right to file a PFM under Rule 16.4(b) of the Commission’s Rules of Practice and Procedure (Rules); this is not a “do-over,” as TURN suggests. SDG&E requests the Commission allow SDG&E to seek modifications to the cap via motion, as was granted to PG&E by D.24-07-008. A PFM offers SDG&E the same opportunity to seek modification of the cap that would be allowed by a motion. Accordingly, the Commission does not change this provision.

UCAN asks the Commission to include more affirmative findings on the amount and type of load growth SDG&E should forecast in its service territory in the near term. However, SDG&E’s application did not establish a link between its projected load growth and its energization cost forecasts, so this decision does not rely on and the record would not be improved by the information that UCAN seeks. CUE recommends several changes to the PD based on the

¹⁹² TURN Opening Comments on Proposed Decision at 2 to 3.

Commission's inherent authority to authorize costs for projects placed in service after December 31, 2026, but those recommendations reflect policy preferences, are not alleging legal error, and are therefore not appropriate for consideration. SDG&E similarly reargues several points; pursuant to Rule 14.3(c), those arguments are afforded no weight.

Finally, this PD corrects a few typographical errors identified in comments.

14. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Andrew Dugowson is the assigned ALJ in this proceeding.

Findings of Fact

1. Senate Bill (SB) 410 (Becker, 2023), among other things, requires the Commission to approve an electrical corporation's request for a ratemaking mechanism "to track the costs for energization projects placed in service after January 1, 2024, that exceed the costs included in the electrical corporation's annual authorized revenue requirement for energization, as established in the electrical corporation's general rate case or any other proceeding." SB 410 also requires the Commission to set a cap on the amount the electrical corporation can recover via that mechanism.

2. On April 25, 2025, SDG&E filed an application to establish a ratemaking mechanism pursuant to SB 410. SDG&E requested the Commission set annual caps of \$20.864 million in 2024, \$144.631 million in 2025, and \$144.631 million in 2026. These caps represent the sum of SDG&E's incremental cost forecasts for multiple categories and subcategories of energization-related spend.

3. SDG&E's application meets the requirements set by SB 410 for the application to be considered complete.

4. SDG&E currently meets its energization targets set by D.24-09-020 on average and in aggregate. This is the average, however, of six categories of expansion (i.e., service extensions pursuant to tariff Rule 16 and five others). SDG&E's performance is driven by the fact that SDG&E outperforms for requests under tariff Rule 16; however, SDG&E underperforms in the five remaining categories.

5. SB 410 does not restrict its ratemaking mechanism only to utilities that are out of compliance with D.24-09-020.

6. SDG&E has spent less than its GRC-authorized amount of electric distribution capital in 2024 and in five of the past six years; SB 410, however, does not restrict its ratemaking mechanism only to utilities that have spent met or exceeded the GRC-authorized amounts on electric distribution capital.

7. It is ambiguous whether SB 410 intended for the Commission to authorize utilities to recover incremental costs incurred before the utilities filed their application.

8. The Federal Energy Regulatory Commission's Uniform System of Accounts (FERC USOA), which provides guidance certain companies must follow when reporting their financials, indicates that utilities may include certain assets (e.g., transformers) in their calculation of total plant in service even if those assets are currently held in reserve. That said, the FERC USOA has no bearing on Pub. Util. Code Section 937(b)(1), which states in plain language that SDG&E may "track costs for projects placed in service."

9. It is consistent with SB 410 for the Commission to authorize SDG&E to create a new memorandum account titled the Electric Energization Memorandum Account (EEMA) and to record to the EEMA the revenue requirement necessary to recover energization costs that are incurred in 2024, 2025, 2026 and are incremental to the energization costs authorized by D.24-12-074, the *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*.

10. It is consistent with SB 410 for the Commission to require SDG&E to calculate incremental spending for individual cost subcategories, rather than for its entire portfolio of energization-related costs.

11. It is consistent with SB 410 for the Commission to require SDG&E, for the purposes of these incremental spending calculations, not to modify, add, or remove the type of projects and activities included in any given category or subcategory.

12. SDG&E did not justify its request to record to the EEMA eligible costs of no more than \$20.864 million in 2024, \$144.631 million in 2025, and \$144.631 million in 2026, SDG&E did not justify these numbers. Instead, it is more appropriate to set caps of \$10.561 million in 2024, \$20.793 million in 2025, and \$19.834 million in 2026 as described in subsequent Findings of Fact.

13. SDG&E has justified its forecasted incremental costs of \$1.389 million in 2024, \$1.916 million in 2025, and \$0.105 million in 2026 for Reactive Small Capital Projects.

14. SDG&E's 2021 GRC authorized SDG&E to construct the East Gate and Sampson projects, but SDG&E delayed the projects because expected load

growth did not materialize. As the instant application's cost forecasts for those projects are in addition to any funds SDG&E has already spent on the projects, authorizing SDG&E to record those costs to the EEMA would not constitute double counting.

15. SDG&E has justified its forecasted incremental costs of \$2.843 million in 2025 for the East Gate C1154 project and costs of \$0.069 million in 2024 and \$0.588 million in 2025 for the Sampson C369 project.

16. The United States' Bureau of Labor Statistics regularly calculates and makes public its Consumer Price Index for All Urban Consumers (CPI-U), and the change in the CPI-U is a reasonable proxy for changes in costs of electric distribution equipment. The CPI-U rose by 2.7 percent in the year ending July 2025.

17. SDG&E did not explain how it developed its forecasted incremental costs of negative \$2.518 million in 2024, \$2.221 million in 2025, and \$5.433 million in 2026 for Planned Investments. Accordingly, SDG&E has not justified adopting a cost forecast with such sudden, sharp increases. Instead, it is more appropriate to forecast that Planned Investment costs will increase at CPI-U, or 2.7 percent per year. Under that assumption, SDG&E's actual costs never exceed the amounts authorized by Commission Decision 24-12-074 on SDG&E's 2024 Test Year General Rate Case (2024 GRC). Consequently, the forecast does not show a need to record incremental costs in the Planned Investments category.

18. SDG&E did not explain how it developed its forecasted incremental costs of \$2.959 million in 2024, \$13.245 million in 2025, and \$16.474 million in 2026 for Future Capacity Projects. Accordingly, SDG&E has not justified adopting a cost

forecast with such sudden, sharp increases. Instead, it is more appropriate to forecast that Planned Investment costs will increase at CPI-U, or 2.7 percent per year. Under that assumption, SDG&E's incremental costs are forecasted at \$2.959 million in 2024, \$3.009 million in 2025, and \$3.061 million in 2026.

19. SDG&E did not justify its forecasted incremental costs of \$7.935 million in 2025 and \$48.649 million in 2026 to acquire land for future substations. SDG&E did not provide sufficient information describing how SDG&E identified the locations that needed new or upgraded substations, where it planned to construct those substations, how it developed its cost forecasts, or the approximate in-service date for any of the substations. SDG&E also did not convey the level of uncertainty associated with its cost forecasts. Accordingly, the Commission does not have enough information to evaluate whether any of SDG&E's assumptions were justified.

20. SDG&E erroneously designated two subcategories within the New Business category (Electric Distribution Easements and Customer Requested Upgrades & Services) as energization-related. With those subcategories removed, SDG&E's 2024 actual incremental spend on energization-related projects in the New Business category drops to \$5.227 million.

21. SDG&E did not justify its assumption that New Business costs would increase at 13% per year. This assumption was informed by SDG&E's historical spend from 2020 to 2023. 2020, however, was an anomalous year due to the COVID pandemic. It is more reasonable to consider the time window of 2021 to 2023, during which SDG&E's New Business spend increased by approximately 9.7 percent per year.

22. SDG&E did not justify its forecasted incremental costs of \$10.837 million in 2024, \$19.094 million in 2025, and \$28.603 million in 2026 in the New Business category. Instead, it is more appropriate to adopt incremental cost forecasts of \$5.227 million in 2024, \$8.949 million in 2025 and \$13.130 million 2026.

23. SDG&E did not present evidence to support its assumption that transformer spend would grow at the same rate at which the New Business costs grow (*i.e.*, by 13 percent per year). It is more appropriate to assume that transformer spend grows at the rate of CPI-U (*i.e.*, 2.7 percent per year).

24. SDG&E used data from 2019-2021 to estimate the amount of money the 2024 GRC authorized SDG&E to spend on transformers for energization purposes. It is more appropriate to use data more recent data from 2021-2023.

25. SDG&E did not justify its forecasted incremental costs of \$6.653 million in 2024, \$8.583 million in 2025, and \$10.796 million in 2026 for transformer purchases. Instead, it is more appropriate to adopt incremental cost forecasts of \$3.435 million in 2024, \$3.487 million in 2025, and \$3.538 million in 2026.

26. SDG&E did not justify its forecasted incremental costs of \$1.475 million in 2024, \$16.636 million in 2025, and \$34.571 million in costs across 2025 and 2026 for Information Technology Enhancements to comply with requirements from Commission Decision 24-09-020 because SDG&E has not sufficiently described the specific compliance requirements from the energization timelines decision it currently cannot meet, along with the deadline to meet those requirements; has not provided evidence supporting those claims; has not described how the proposed IT Enhancements allow SDG&E to meet those compliance requirements; has not described how its proposed IT Enhancements would

coordinate (and avoid duplication or redundancy) among themselves and other existing and planned IT projects; has not described those projects at a reasonable level of detail, including estimates of when the new capabilities would come online; has not tied those description to cost forecasts; and has not explained how it developed those cost forecasts.

27. SDG&E did not justify its recommendation to increase the cap by \$71.571 million in 2025 as a contingency to account for forecast uncertainty and to provide a buffer in case energization demand greatly exceeds forecasts, did not explain its methodology to calculate or estimate the need for contingency funds and did not explain the assumptions that went into the amount it requested.

28. SDG&E did not justify its intent to recover “additional miscellaneous compliance costs that may be needed to comply with SB 410 and D.24-09-020” because SDG&E did not explain, estimate, or justify these costs.

29. SDG&E justified its request for authority to “roll over” unspent funds from 2025; that is, to add any underspend relative to its 2025 cap to its 2026 cap. Permitting SDG&E to roll over unspent funds allows greater flexibility to prudently deploy capital as opportunities arise and removes the incentive to spend funds simply to meet the 2025 cutoff. It is consistent with SB 410, however, to require that unspent fund from 2025 must only be added to the 2026 cap for the same cost category.

30. It is consistent with SB 410 for the Commission to authorize SDG&E to, on an annual basis, transfer eligible costs from the EEMA to the existing Electric Distribution Fixed Cost Account (EDFCA) for recovery of those costs from

customers. Costs would be eligible for transfer, pursuant to SB 410, once the project associated with those costs is placed into service.

Conclusions of Law

1. It is reasonable for the Commission not to deny the instant application for lack of evidence, and to instead review each of SDG&E's cost forecasts individually.

2. It is reasonable for the Commission not to deny the instant application even though SDG&E's average time-to-energize meets the targets set by D.24-09-020.

3. It is reasonable for the Commission not to deny the instant application due to SDG&E's historic underspend in the electric distribution capital category.

4. It is reasonable for the Commission not to categorically prohibit SDG&E from recovering costs incurred in 2024 and instead review each cost forecast individually.

5. It is reasonable for the Commission to direct SDG&E to only seek cost recovery for projects once those projects are placed in service. Additionally, it is reasonable for the Commission not to provide a special exemption for transformers, land, or any other equipment.

6. It is reasonable for the Commission to authorize SDG&E to create a new memorandum account titled the Electric Energization Memorandum Account.

7. It is reasonable for the Commission to authorize SDG&E to record to the EEMA the revenue requirement necessary to recover energization costs that are incurred in 2024, 2025, 2026 and are incremental to the energization costs

authorized by D.24-12-074, the *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*.

8. It is reasonable for the Commission to require SDG&E to calculate incremental spending for individual subcategories, rather than for its entire portfolio of energization related costs.

9. It is reasonable for the Commission not to cap the amount of incremental spend SDG&E can record in any individual subcategory so long as the total recorded incremental spend not exceed the annual cap.

10. It is reasonable for the Commission to direct SDG&E, for the purposes of these incremental spending calculations, not to modify, add, or remove the type of projects and activities included in any given category or subcategory.

11. It is reasonable for the Commission to authorize SDG&E to record to the EEMA eligible costs of no more than \$10.561 million in 2024, \$20.793 million in 2025, and \$19.834 million in 2026 as described in subsequent Conclusions of Law.

12. It is reasonable for the Commission to count costs of \$1.389 million in 2024, \$1.916 million in 2025 and \$0.105 million in 2026 for Reactive Small Capital Projects toward the caps.

13. It is reasonable for the Commission to count costs of \$2.843 million in 2025 for the East Gate C1154 project and costs of \$0.069 million in 2024 and \$0.588 million in 2025 for the Sampson C369 project toward the caps.

14. It is reasonable for the Commission not to count any Planned Investment costs toward the caps.

15. It is reasonable for the Commission to count costs of \$2.959 million in 2024, \$3.009 million in 2025 and \$3.061 million in 2026 for Future Capacity Projects toward the caps.

16. It is reasonable for the Commission not to count any costs for Substation Land Acquisition should toward the caps.

17. It is reasonable for the Commission to count costs of \$5.227 million in 2024, \$8.949 million in 2025, and \$13.130 million in 2026 within the New Business category toward the caps.

18. It is reasonable for the Commission to count costs of \$3.435 million in 2024, \$3.487 million in 2025, and \$3.538 million in 2026 for transformers purchases toward the caps.

19. It is reasonable for the Commission not to count IT Enhancement costs toward the caps.

20. It is reasonable for the Commission not to count Contingency cost forecasts toward the caps.

21. It is reasonable for the Commission not to count any “miscellaneous costs” toward the cap.

22. It is reasonable for the Commission to authorize SDG&E to add any unspent funds from 2025 to the 2026 cap, and to require that unspent funds from 2025 must only be added to the 2026 cap for the same category of costs.

23. It is reasonable for the Commission to authorize SDG&E to, on an annual basis, to transfer eligible costs from the EEMA to the EDFCA for recovery of those costs from customers. Costs would be eligible for transfer, pursuant to SB 410, once the project associated with those costs is placed into service.

24. The Commission should approve the selection of the third-party auditor in the September 27, 2027 ALJ ruling to perform and fulfill the requirements of SB 410.

25. It is reasonable to close the instant proceeding.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to file a Tier 1 Advice letter to establish an Electric Energization Memorandum Account within 30 days of the issuance date of this decision.

2. San Diego Gas & Electric Company is authorized to record to its Electric Energization Memorandum Account costs of no more than \$10.561 million in 2024, \$20.793 million in 2025, and \$19.834 million in 2026.

3. San Diego Gas & Electric Company is authorized to file a Tier 1 Advice Letter to add any unspent funds from 2025 to the 2026 cap. Unspent funds from 2025 must only be added to the 2026 cap for the same category of costs.

4. In its next General Rate Case Application, San Diego Gas & Electric Company (SDG&E) shall include the following information for any costs recorded to the Electric Energization Memorandum Account:

- a. The General Rate Case category and subcategory (i.e., workpaper) for those costs.
- b. For the project associated with the recorded spending: the current status of the project (*e.g.*, completed, in progress, cancelled); the date the project was placed in service; and, the average cost for comparable projects SDG&E completed in the last four years.

5. SDG&E shall report the amount of costs transferred from the Electric Energization Memorandum Account to the Electric Distribution Fixed Cost Account in its annual Regulatory Account Update Filing, which it shall consolidate with its Annual Electric True Up advice letter for rates effective January 1.

6. The selection of the third-party auditor in the September 27, 2025 Administrative Law Judge's ruling as the third-party auditor to perform and fulfill the requirements of Senate Bill 410 (Becker), Stats. 2023, ch. 394, is approved.

7. SDG&E shall cause its Commission-approved auditor, retained pursuant to Public Utilities Code Section 938(a)(1), to provide a report to the California Public Utilities Commission on March 1, 2026, and every six months thereafter until March 1, 2028.

8. Application 25-04-015 is closed.

This order is effective today.

Dated _____, at Sacramento, California.