Decision 25-12-008 December 4, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U902-E) for Approval of its 2026 Electric Procurement Revenue Requirement Forecasts, 2026 Electric Sales Forecast, and GHG-Related Forecasts.	Application 25-05-012

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Summary

This decision approves San Diego Gas & Electric Company's (SDG&E) 2026 Electric Procurement Revenue Requirement Forecasts, 2026 Electric Sales Forecast, and Greenhouse Gas (GHG) Related Forecasts for inclusion in its retail rates effective January 1, 2026.

The decision adopts SDG&E's updated 2026 revenue requirement forecast of $824.1 million[1] which is $701.8 million higher than its currently effective revenue requirement of $122.3 million. The 2025 forecast revenue requirement authorized in Decision 24-12-040 is significantly lower primarily due to the application of investment tax credits and changes in market price benchmarks in comparison to the 2026 forecast.

[1] This total excludes franchise fees and uncollectibles.

SDG&E's 2026 Energy Resource Recovery Account (ERRA) forecast includes the revenue requirements for ERRA, the Portfolio Allocation Balancing Account, Competition Transition Charge, Local Generation, Modified Cost Allocation Methodology (MCAM) revenue requirement, San Diego Community Power's Disadvantaged Communities revenue requirement, Tree Mortality Non-Bypassable Charge, BioMat Nonbypassable Charge, and GHG allowance revenues and return allocations.[2]

The ERRA process allows SDG&E to recover its procurement costs, including expenses for fuel and purchased power, utility owned generation, California Independent System Operator related costs, and the costs of the residual net short procurement requirements necessary to serve bundled customers.

In total, the adopted revenue requirement is projected to result in an increase to the current system average bundled rate by approximately 3.7 cents per kilowatt hour (kWh), or 10.1 percent. Based on these numbers, and reflective of the ERRA-related portion of costs only, it is projected that a typical bundled non-California Alternate Rates for Energy (CARE) residential customer using 400 kWh per month can expect to see a monthly bill increase of approximately $23.0, or a 14.3 percent increase (from $163.0 to $186.). On the other hand, a typical bundled CARE residential customer using 400 kWh per month can expect

[2] Some of the ERRA components have 2026 revenue requirements forecasts of $0. Table 1 at Section 3.1 of the decision provides the 2026 revenue requirements for the different ERRA components.

to see a monthly bill increase of approximately $17.0 or a 19.1 percent increase (from $89 to $106.0).

For unbundled customers, a typical non-CARE residential customer using 400 kWh can expect to see a monthly bill increase of around $29.0 (30.1 percent increase) while a typical unbundled residential CARE customer using 400 kWh can expect to see a monthly bill increase of around $21.0 (44.2 percent increase).[3]

The decision also adopts SDG&E's Electric Sales Forecast for 2026, GHG Allowance Return Amounts, Power Charge Indifference Adjustment (PCIA) rates, rate components for the Green Tariff Shared Renewables Program, and MCAM rates.

This proceeding is closed.

1. Background

On May 15, 2025, San Diego Gas & Electric Company (SDG&E) filed Application (A.) 25-05-012 for approval of its 2026 Electric Procurement Revenue Requirement Forecasts, 2026 Electric Sales Forecast, and Greenhouse Gas (GHG) Related Forecasts

On the same day, SDG&E also filed a Motion for Leave to File Confidential Materials in the Application[4] under seal. This motion was granted in the administrative law judge (ALJ) ruling on August 8, 2025.

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[3] Illustrative bill impact figures for both bundled and unbundled customers include the California Climate Credit.

[4] The confidential materials pertain to certain limited GHG-related information and energy sales forecasts appearing in Template D-2 which is included in Attachment G of the Application.

Protests to the Application were filed on June 18, 2025 by the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), and jointly by San Diego Community Power (SDCP) and Clean Energy Alliance (CEA). Direct Access Customer Coalition (DACC) filed a Response also on June 18, 2025.

SDG&E filed a Reply to the protests and response on June 26, 2025.

A prehearing conference (PHC) was held on July 14, 2025. At the PHC, the issues, category, need for hearings, procedural schedule, and others procedural matters relating to the proceeding were discussed.

On July 21, 2025, the assigned Commissioner issued a Scoping Memorandum and Ruling (Scoping Memo) setting forth the scope and procedural schedule for the proceeding.

On September 19, 2025, a joint report was filed by all the active parties in the proceeding.

On September 23, 2025, a ruling was issued by the assigned ALJ cancelling the evidentiary hearing scheduled for September 26, 2025, pursuant to a request from parties.

On September 26, 2025, a joint motion to enter testimony and exhibits into the evidentiary record was filed by DACC, Cal Advocates, SDG&E, and SDCP and CEA (together, Joint CCAs). The motion was granted in the October 6, 2025 ALJ ruling.

Also on September 26, 2025, separate motions to seal the evidentiary record were filed by SDG&E, and the Joint CCAs. Both motions were granted in the ALJ ruling issued on October 6, 2025.

Opening Briefs were filed by Cal Advocates, SDG&E, and the Joint CCAs on October 3, 2025. A joint Reply Brief was filed by the Joint CCAs on October 10, 2025. SDG&E also filed a Reply Brief on October 10, 2025.

On October 14, 2025, SDG&E filed an update to the application. SDG&E also filed a motion for leave to file specified information in Attachment G of the update as confidential. The motion for leave to file confidential materials was granted in the ALJ ruling issued on October 16, 2025.

Opening Comments to the October update were filed on October 30, 2025, by the Joint CCAs. The Joint CCAs also filed a motion to file a confidential version of its Opening Comments. The motion was granted in the ALJ ruling on October 31, 2025.

Also on October 30, 2025, the Joint CCAs filed motions to enter additional testimony into the record and to seal evidentiary record. The two motions were granted on October 31, 2025.

Also on October 30, 2025, the Joint CCAs filed a motion to admit exhibits into the record. This motion was denied on November 4, 2025.

On November 6, 2025, SDG&E filed motions to enter testimony into the record and to seal evidentiary record. These two motions were granted in the ALJ ruling on November 10, 2025.

On November 7, 2025, the Joint CCAs filed a motion for interlocutory review of the ALJ ruling on November 4, 2025, denying a motion to admit exhibits relating to pre-2019 banked RECs. This motion is addressed in this decision.

On November 7, 2025, SDG&E filed Reply Comments concerning the October update. SDG&E also filed a motion to file a confidential version of its Reply Comments concerning the October update. This motion was granted in the ALJ ruling on November 10, 2025.

The proceeding is deemed submitted on November 7, 2025, upon the filing of SDG&E's Reply Comments concerning the October update to the application.

2. SDG&E's Energy Resource Recovery Account (ERRA)

SDG&E's ERRA was first authorized in Decision (D.) 02-10-062 pursuant to Public Utilities (Pub. Util.) Code Section 454.5. The ERRA regulatory process consists of: (a) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year; and (b) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account. There is also an update process for new information which is discussed in Section 3.1 of the decision.

The ERRA process allows SDG&E to recover its procurement costs, including expenses for fuel and purchased power, utility retained generation, California Independent System Operator (CAISO) related costs, and the costs of the residual net short procurement requirements necessary to serve bundled customers.

This proceeding concerns SDG&E's current annual ERRA forecast proceeding which allows the utility to adopt a forecast of the utility's electric procurement cost revenue requirement and electric sales for 2026. This proceeding also includes SDG&E's sales forecast for 2026 as required by D.22-03-003.[5]

SDG&E's 2026 ERRA forecast includes the following components:

1. ERRA revenue requirement and projected 2025 ERRA year-end balance;
2. Portfolio Allocation Balancing Account (PABA) revenue requirement and projected 2025 PABA year-end balance;
3. Competition Transition Charge (CTC) revenue requirement tracked in the Transition Cost Balancing Account (TCBA);
4. Local Generation (LG) revenue requirement tracked in the LG Balancing Account (LGBA) and projected 2025 year-end balance recorded in the LGBA;
5. Modified Cost Allocation Mechanism (MCAM) revenue requirement;
6. SDCP Disadvantaged Communities - Green Tariff (DAC-GT) revenue requirement;
7. Tree Mortality Non Bypassable Charge (TMNBC) revenue requirement;
8. Bioenergy Market Adjusting Tariff (BioMAT) Nonbypassable Charge Balancing Account (BNBCBA) revenue requirement; and
9. GHG allowance revenue return allocations.[6]

[5] D.22-03-003 directed SDG&E to file subsequent annual electric sales forecasts in its ERRA forecast applications.

[6] Application at 2 to 3.

PABA

SDG&E's PABA was authorized by D.18-10-019 to record costs and revenues associated with all generation resources that are eligible for cost recovery through Power Charge Indifference Adjustment (PCIA) rates. D.19-10-001 authorized any over/under collection in PABA subaccounts in a given year to be rolled into the next year's ERRA Forecast filing.

CTC

The CTC is from The Electric Utility Industry Restructuring Act found in Assembly Bill (AB) 1890[7] which made generation of electricity a competitive market in California. CTC is a ratemaking device to recover investments in electric generation facilities that would otherwise be stranded as excess capacity by the transition to a competitive market. The TCBA is designed to accrue all ongoing CTC revenues and recover all ongoing eligible CTC generation-related costs.

LG

SDG&E's LG was authorized in D.13-03-029 which allows it to recover new generation costs for local reliability that are deemed to be subject to the Cost Allocation Mechanism (CAM) policy adopted in D.06-07-029 and D.11-05-005. The LG is a per-kilowatt-hour non-bypassable charge to all benefiting customers including all bundled customers, Direct Access customers, and Community Choice Aggregation (CCA) customers. The LGBA is designed to record costs and

[7] AB 1890 became effective September 23, 1996.

revenues of LG where the Commission has determined that the generation resource is subject to CAM.

MCAM

The MCAM balancing account records the net costs related with SDG&E's procurement of energy resources incurred on behalf of certain load-serving entities (LSE) in the following circumstances: (a) opt-out procurement-related costs for LSE customers that have opted out of self-procurement; (b) backstop procurement-related costs for LSE customers that fail to provide the required capacity required by D.19-11-016 and D.21-06-035; and (c) opt-out LSEs that have left the market and no longer serve customers. Resolution E-5241 issued on January 12, 2023, approved SDG&E's cost recovery to implement MCAM.[8]

SDCP DAC-GT

Resolution E-5246 approved SDCP's Advice Letter 10-E to implement the DAC-GT.[9] The DAC-GT is a solar program offering discounts to qualified customers that are unable to install solar on their roof.

TMNBC

Recovery of the TMNBC was authorized in D.18-12-003. This is for recovery of net costs of tree mortality-related biomass energy procurement which is intended to address the state's tree mortality crisis.

BNBCBA

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[8] *See* Resolution E-5241, Ordering Paragraph (OP) 1.

[9] *See* Resolution E-5246 issued on March 16, 2023.

The BNBCBA is a two-way balancing account that records the net costs of SDG&E's BioMat procurement costs for the BioMat program. Pursuant to D.20-08-043, a non-bypassable charge is imposed on all customers in each investor-owned utility's service territory and the revenues from this charge and the net costs of the BioMat contracts are recorded in the BNBCBA.

GHG Allowance Revenues and Return Allocations

GHG allowance revenues and return allocations were authorized in D.14-10-033. Investor-owned utilities (IOU) are required by the Commission to distribute GHG allowance revenues eligible for return to customers.[10] This includes the California Climate Credit (CCC) for small business and residential customers and the CA Industry Assistance for customers who qualify as Emission-Intensive and Trade-Exposed (EITE).

Other Components

The ERRA forecast also includes a Power Charge Indifference Adjustment (PCIA) undercollection balancing account trigger, and rate components for the Green Tariff Shared Renewables (GTSR) Program.

PCIA

PCIA is a rate component intended to preserve bundled customer indifference to customers that migrate from bundled load by ensuring that departing load customers pay their share of cost responsibility associated with above-market-costs of the utilities' total procurement portfolio. The PCIA undercollection balancing account (CAPBA) tracks PCIA balances that accrued

[10] *See* D.12-12-033, OP 1; D.20-10-002, OP 1; and D.21-08-026, OP 6.

under the PCIA rate cap that the Commission established in D.18-10-019 and removed in D.21-05-030. SDG&E is requesting to transfer any remaining balances in the CAPBA subaccounts to the corresponding PABA vintage subaccounts and to close the CAPBA preliminary statement.

GTSR

The Commission required SDG&E to establish the GTSR program in D.15-01-051. The program is intended to promote renewable energy by expanding access to renewable energy resources for ratepayers who are currently unable to access the benefits of onsite generation such as residential customers who cannot install solar panels. The program has two features administered by the utilities: (a) an EcoChoice Green Tariff (GT) component which allows customers to purchase energy with a greater share of renewables procured by SDG&E; and (b) an Enhanced Community Renewables (ECR) component which allows customers to purchase renewable energy from community-based projects.

The GT program is suspended while the ECR program was closed on October 27, 2024.[11]

Sales Forecast

D.22-03-003 directed SDG&E to file subsequent sales forecasts in its ERRA forecast proceedings. The 2026 electric sales forecast is based on the California Energy Commission's (CEC) 2024 California Demand Update Forecast which was adopted by the CEC on January 21, 2025.

[11] *See* Advice Letter 4522-E which closed the ECR program.

3. Request

SDG&E's initial 2026 ERRA forecast is a total revenue requirement of $270.5 million.[12] This amount is approximately $148.2 million greater than its currently effective ERRA-revenue requirement of $122.3 million. As will be discussed in Section 3.2, the above amount is subject to adjustment from the October update which SDG&E filed on October 14, 2025.

As stated in Section 2, the 2026 ERRA forecast includes the revenue requirement forecasts for ERRA, PABA, CTC, LG, MCAM, the SDCP DAC-GT, BNBCBA and GHG allowance revenues, set-asides, and returns.[13]

SDG&E also seeks Commission approval of its proposed vintage PCIA rates, MCAM rates, and its 2026 Electric Sales Forecast.

3.1. October 2025 Update

The ERRA process allows SDG&E to update its application later during the year and so SDG&E filed an October update to the application. The October update has traditionally served to update testimony regarding the CTC Market Price Benchmark (MPB) and PCIA benchmarks. This information is provided to SDG&E by the Commission's Energy Division, which compiles and provides updated MPBs in October.

SDG&E also updated other information since approximately five months have passed since the filing of the May Application, and according to SDG&E, various input assumptions have changed. Some of these changes include updates

[12] Application at 2.

[13] The stated ERRA forecast does not include the TMNBC revenue requirement and franchise fees and uncollectibles due to confidentiality concerns regarding these amounts.

to projected 2025 ERRA and PABA account balances which have been revised to reflect actuals through August, 2025. SDG&E also made changes based on Commission decisions that require certain updates be included in the October update.

SDG&E's updated total forecast is a $824.1 million revenue requirement compared to $270.5 million in its initial application (an increase of $553.5 million). Table 1 below shows the updated revenue requirements for the various ERRA forecast components as well as the original amounts set forth in the initial application, and the currently effective revenue requirements.

Table 1. 2026 ERRA Forecast Revenue Requirements[14]
(values are in $000,000s)

Account	Currently Effective Revenue Req.	2026 Revenue Req. Application	2026 Revenue Req. October Update
ERRA	$459.0	$482.9	$382.0
2025 ERRA Balance	$127.0	($0.5)	($14.0)
PABA	($6.7)	($109.2)	$187.5
2025 PABA Balance	($319.6)	$14.2	$274.2
CTC	$2.3	$0.5	$0.5
LG	$192.1	$202.7	$247.1
2025 LGBA Balance	($82.5)	($155.1)	($101.0)
MCAM	$0.1	$0.1	$0.3
SDCP DAC-GT	$0	$0	$0
BioMAT	$0	$0	$0

[14] The 2026 ERRA Forecast Revenue Requirements exclude franchise fees and uncollectibles (except for GHG Revenues for Return) and the TMNBC revenue requirement due to confidentiality.

Account	Currently Effective Revenue Req.	2026 Revenue Req. Application	2026 Revenue Req. October Update
GHG Revenues for Return[15]	($249.4)	($165.2)	($152.7)
Total	**$122.3**	**$270.5**	**$824.1**

As shown in the above table, the increase in the total revenue requirement forecast is largely due to increases in the forecasts for the 2026 PABA and the 2025 PABA year-end balance. These two components account for $556.7 million or more than the entirety of the forecast increase from the May application. Other notable changes are the $100.9 million decrease in the ERRA forecast and the increases to the LG and LGBA year-end balance forecasts.

4. Issues Before the Commission

As set forth in the assigned Commissioner's Scoping Memo, the issues in this proceeding are as follows:

1. Whether the Commission should approve SDG&E's total 2026 forecast revenue requirement and the amount of the 2026 Tree Mortality Non-Bypassable Charge forecast revenue requirement, to become effective in rates on January 1, 2026.
2. Whether the Commission should approve SDG&E's revenue requirement forecasts for the following:
    a. 2026 ERRA revenue requirement and projected 2025 ERRA year-end balance;
    b. 2026 PABA revenue requirement and the projected 2025 PABA year-end balance;
    c. 2025 CTC revenue requirement;

[15] The GHG Revenues for Return figures include franchise fees and uncollectibles.

   d. 2025 LG revenue requirement and projected 2025 LGBA year-end balance;
   e. 2026 MCAM revenue requirement;
   f. 2026 TMNBC revenue requirement; and
   g. 2026 BioMat Non-Bypassable Charge Balancing Account revenue requirement.

3. Whether the Commission should approve SDG&E to recover SDCP's DAC-GT revenue requirement.
4. Whether the Commission should approve SDG&E's 2026 forecasts of GHG revenues, revenue set-asides and returns and administrative expenses, which include:
   a. Forecast GHG allowance revenues;
   b. Forecast set asides for clean energy/energy efficiency programs;
   c. Forecast revenue returns to emissions intensive trade-exposed retail customers;
   d. GHG administration, customer education, and outreach plan costs; and
   e. Forecast revenue returns to residential and small business customers via the California Climate Credit.
5. Whether the Commission should approve SDG&E's proposed vintage PCIA in rates.
6. Whether the Commission should approve SDG&E's proposed 2025 rate components for the GTSR Program.
7. Whether the Commission should approve SDG&E's 2026 Electric Sales Forecast.
8. Other related matters.

5. Comments from Intervenors

5.1. Cal Advocates

Cal Advocates states that SDG&E's October update should be based on the new benchmarks that were released by Energy Division on October 1, 2025, pursuant to D.25-06-049.

5.2. Joint CCAs

The Joint CCAs argue that the Commission's directive in D.25-06-049 to apply the new methodology to the Final 2025 Resource Adequacy (RA) MPB constitutes retroactive ratemaking and request that the Commission expeditiously grant the applications for rehearing of D.25-06-049.

The Joint CCAs also identified errors in the calculation of on and off-peak weighting percentages. These errors have been corrected in the October update. The Joint CCAs also raised issues concerning the use of pre-2019 banked renewable energy credits (RECs), noting in its Reply Brief that SDG&E initially indicated it does not need to use banked RECs to meet its 2026 RPS requirement in rebuttal testimony, and appears to have changed its position in its Opening Brief.

In comments to the October update, the Joint CCAs state that SDG&E should be required to credit the value of all banked RECs (including pre-2019 banked RECs) to the PCIA vintage corresponding to the year in which those banked RECs were originally generated.

6. Discussion

6.1. ERRA Costs and 2025 Balance

SDG&E's updated forecast for its 2026 ERRA revenue requirement is $382.0 million. By comparison, its current 2025 ERRA revenue requirement is

$459.0 million. The ERRA provides full recovery of SDG&E's procurement costs, as well as GHG costs, associated with serving its bundled customers. These include expenses associated with California Independent System Operator (CAISO) such as energy and ancillary services load charges, CAISO revenues from utility generation and supply contracts, contract costs, generation fuel costs, and hedging costs.[16]

SDG&E explains its updated ERRA forecast in Exhibit SDGE 10C. The 2026 ERRA forecast is based on SDG&E's sales forecast and the projected amount of energy that SDG&E's bundled load customers will require in 2026. SDG&E then calculates the amount of energy it can generate and then determines the various energy contracts it must enter into to meet its energy requirements.

SDG&E's initial forecast for ERRA was $482.9 million. This forecast was prepared earlier during the year and was adjusted to $382.0 million in the October update. According to SDG&E, the updated ERRA revenue requirement forecast decreased by approximately $100.9 million due to lower compliance costs resulting from the lower 2026 forecast RA and renewable portfolio standards (RPS) MPBs compared to the 2025 forecast MPBs used in the May application.

SDG&E also projects to incur an overcollection of $14.0 million to the 2025 year-end balance of the ERRA balancing account. This is slightly higher than the initial forecast during the May application as a result of the true-up of REC and RA market values to the 2025 final MPBs released in October 2025.

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[16] Exhibit SDG&E-03 at LF-2.

The Joint CCAs raised objections regarding the proposed use of pre-2019 banked RECs. Banked RECs impact the overall ERRA revenue requirement and is discussed in a later section of this decision.

Except for the above topic concerning use of pre-2019 banked RECs, parties do not oppose SDG&E's 2026 ERRA forecast component as well as the forecast 2025 ERRA year-end balance. We find that the evidence presented supports the forecasts and that SDG&E's ERRA and ERRA year-end balance are reasonable and should be authorized given the lower MPB values released in October 1, 2025.

6.2. PABA Costs and 2025 Balance

SDG&E's updated forecast for PABA is $187.5 million. By comparison, its currently authorized revenue requirement for PABA is ($6.7 million). A negative revenue requirement for PABA was authorized in SDG&E's 2025 ERRA forecast[17] proceeding as a result of higher sales revenues forecasted due to much higher MPBs applied in the 2025 October update.[18]

According to SDG&E, its updated PABA forecast increased significantly (by approximately $296.7 million) from its initial forecast in May as a result of higher above-market costs for PCIA-eligible resources due to the lower 2025 final MPBs released by the Commission's Energy Division on October, 2025. SDG&E adds that lower forecasted RA and REC sales revenues, and lower CAISO supply revenues also contributed to the increase in the PABA forecast.

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[17] A.24-05-010.

[18] *See* D.24-12-040 at 18.

The PABA records costs and revenues associated with all of SDG&E's generation resources that are eligible for cost recovery through PCIA rates. The PCIA charge is intended to ensure that any above-market costs of electric resources procured by SDG&E on behalf of its customers that later switch to another provider are not transferred to its remaining electric supply customers.

Costs recorded in each vintage subaccount typically include fuel, GHG costs, third party power purchase contract costs and the revenue requirement for generation assets owned by SDG&E including its generation power plants, and eligible costs recoverable through PCIA rates.

SDG&E also forecasts a 2025 year end undercollection of $274.2 million in the PABA. This forecast also increased significantly from the May application (by approximately $260 million) as a result of (a) decreased credits in PABA based on the true-up to the lower 2025 final MPBs, (b) decreased RPS voluntary allocation and MCAM RA sales revenues based on the true-up to the lower 2025 Final MPBs, and (c) lower than authorized customer revenues in 2025.

Exhibit SDGE-11C provides the updated breakdown of the PABA revenue requirement forecast for 2026.[19] The process of forecasting PCIA costs is provided in Exhibit SDGE-13. Meanwhile the updated breakdown of costs in the PABA 2025 year-end balance is shown in Attachment C of Exhibit SDGE-13C.

Overall, we find that the evidence SDG&E presented supports the PABA forecast and PABA year-end balance. The record supports that increases to the

[19] Exhibit SDGE-11C, Table 8, at LF-14.

2026 PABA and 2025 PABA year-end balance forecasts were in large part due to the lower Final 2025 MPBs and a true-up to said lower 2025 Final MPBs.

6.3. CTC Costs

SDG&E's updated forecast for CTC costs remains unchanged at $0.5 million. Its currently effective CTC revenue requirement is $2.3 million.

As discussed in Exhibit SDGE-2, CTC costs are based on dispatchable capacity or firm capacity contracts which include both energy and capacity payments.[20] Energy payments for contracts are derived using SDG&E's "short-run avoided cost" formula. According to SDG&E, ERRA expenses for CTC contracts are based on delivered energy multiplied by the MPB. Any costs greater than the MPB are recorded in the TCBA. Parties do not object to SDG&E's forecast for CTC costs.

We find SDG&E's methodology for forecasting CTC costs reasonable and find that the updated forecast of $0.5 million should be adopted. The forecast for CTC energy supply for 2025 is shown in Exhibit SDGE-10C (Elias) and the forecasted generation of plants is shown in Attachment B of said exhibit.

6.4. LG Costs and LGBA Balance

SDG&E's updated request for LG costs is $247.1 million, which is higher than its initial request of $202.7 million. By comparison, its currently effective LG revenue requirement is $192.1 million.

As stated earlier in the decision, LG costs are for the recovery of net costs associated with new generation resources that provide local RA for SDG&E's system and which are deemed to be subject to the CAM policy adopted in

[20] Exhibit SDGE-2 at JE-12.

D.06-07-029 and D.11-05-005. SDG&E has power plants and energy storage centers but also enters into contracts for generation resources. Attachment A of Exhibit SDGE-10A provides the updated breakdown of LG expenses and contract costs.

Parties do not challenge or object to the requested LG costs and we find that the LG forecast is adequately supported by the evidence submitted which presents a monthly breakdown of the different expenses.

SDG&E also presents a year-end balance of ($101.0) million in the 2025 LGBA. The LGBA records the LG costs and revenues received from SDG&E's LG rate and uses a sub-account for each generation resource. Resolution E-5217 requires SDG&E to update year-end balances for each of its regulatory accounts.

The LGBA compares the LG costs with revenues received on a monthly basis and SDG&E's projected year-end balance utilizes the most recent recorded costs and updated forecast for the remaining months in 2025 that do not yet have recorded costs.

There were no objections to the projected 2025 LGBA year-end balance and we find that the amounts are properly documented by the testimony submitted by SDG&E.

6.5. MCAM Costs

D.22-05-015 authorized the recovery of MCAM rates to ensure that net costs of electric resource procurement obligations mandated in D.19-11-016 and D.21-06-035 are recovered in a fair and economical manner. Resolution E-5241 approved SDG&E's implementation plan for cost recovery but required certain modifications which are addressed in advice letters 4151-E and 4151-E-A.

SDG&E's proposed MCAM rates are specified in Table 10 of Exhibit SDGE-9 and we find the updated forecast amount for 2026 of $0.3 million reasonable and should be authorized. The updated forecast is slightly higher than the currently effective revenue requirement of $0.1 million.

6.6. SDCP DAC-GT Costs

As stated previously, the DAC-GT is a solar program offering discounts to qualified customers that are unable to install solar on their roof. SDG&E adopted the program revenue requirement of $0 million for DAC-GT requested by SDCP in Advice Letter 32-E dated April 1, 2025.[21] Parties do not oppose the forecast which we find reasonable and is based on SDCP's requested amount.

6.7. BioMAT

There are currently no costs recorded in the BNBCBA, which records BioMAT program costs.[22] Thus, SDG&E has no forecasted costs for BioMAT.

6.8. TMNBC Costs

The TMNBC Balancing Account records tree mortality related procurement costs. SDG&E's updated TMNBC costs are presented in Table 5 of Exhibit SDGE-11C. These costs have been granted confidential treatment following past Commission practice. We find the forecast costs reasonable and supported by the evidence. Parties did not raise any issues with SDG&E's TMNBC forecast. We find that SDG&E's TMNBC forecast as set forth in the testimony of SDG&E's witness reasonable and should be adopted.

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[21] The exact funding request is $0.461 million but is subject to rounding as presented in Table 1.

[22] Exhibit SDGE-11C at LF-17.

Pursuant to D.18-12-003, these costs are to be recovered through the public purpose programs.

6.9. GHG Allowance Returns

SDG&E's updated forecast for GHG Allowance Returns is $(152.7) million. Its initial forecast in its May application was $(165.2) million. By comparison, its current revenue allowance return is $(249.4) million.

IOUs are required by the Commission to distribute GHG allowance revenues eligible for return to customers. The returns are to be made to emission intensive and trade-exposed (EITE) entities who will receive an annual fixed on-bill credit based on Commission calculations. The EITE distribution will follow the manner prescribed in D.20-10-002 (modified by D.21-08-026). The remaining allowance distributions shall be made equally to all qualifying Small Business and Residential customers via a twice annual California Climate Credit (CCC) of $49.36.[23] The projected CCC is lower than what is currently authorized ($81.38) because of lower forecast allowance proceeds due to market conditions and a negative balance rolling forward due to lower recorded allowance proceeds across 2025.

Parties do not contest SDG&E's calculations and we find that the updated proposed GHG Allowance Returns are supported by Table 6 of Exhibit SDGE-9 which shows the breakdown of allowable returns. We find the proposed GHG Allowance Returns for 2026 supported by the evidence and find that the forecast should be authorized.

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[23] *See* Exhibit SDGE-9 Table 7 at EW-14.

6.10. Electric Sales Forecast

D.22-03-003 directed SDG&E to include its 2026 Electric Sales Forecast in this application. The table below shows SDG&E's 2026 forecast and by comparison the approved forecast in SDG&E's 2025 ERRA (D.24-12-040).

Table 2. Annual Electric Net Sales (gigawatt hours)

Sector	Proposed 2026	Current Authorized 2025	Difference
Residential	5,529	6,059	-530
Small Commercial	2,442	2,428	+14
Medium & Large Com./Ind.	8,987	9,368	-381
Agricultural	391	355	+36
Lighting	82	80	+2
Total	**17,432**	**18,291**	**-859**

According to SDG&E, the 2026 Electric Sales Forecast is based on the California Energy Commission's (CEC) 2024 California Demand update forecast which was adopted by the CEC on January 21, 2025.[24]

The 2024 forecast uses the impacts of factors that the CEC's forecast considered such as the CEC's private supply, achievable energy efficiency, additional achievable fuel substitution, and additional achievable transportation electrification.

SDG&E held a sales forecast workshop on March 26, 2025, and provided materials to the parties. The workshop discussed the CEC's forecasting process, SDG&E's modifications to the forecast, and how the CEC's forecast is used to

[24] Exhibit SDGE-6 at JS-2.

establish the rate schedule level forecast. SDG&E considered input from attending stakeholders.

We reviewed SDG&E's forecast as well as the process for which SDG&E developed its forecast as described in Exhibit SDGE 6. We find SDG&E's 2026 Electric Sales Forecast reasonable and adequately supported by the evidence presented in this proceeding. Parties do not oppose SDG&E's forecast.

6.11. Other Issues

6.11.1. Use of 2025 Benchmarks

In D.25-06-049[25], the Commission directed the Commission's Energy Division to apply a revised methodology when calculating the RA MPBs utilized in calculating PCIA.[26] And as stated in Ordering Paragraph 2 of said decision, the new methodology took effect immediately.[27] Applications for rehearing of D.25-06-049 were filed on July 28, 2025[28] and the Joint CCAs argue in their Opening Brief that the revised methodology for calculating the PCIA should not be applied in this proceeding until those rehearing applications are resolved. However, after opening briefs were filed in this proceeding, the Commission issued an order denying the two applications for rehearing of D.25-06-049 on October 30, 2025, which renders the argument raised by the Joint CCAs on this matter as moot.

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[25] D.25-06-049 is an interim decision in R.25-02-005.

[26] D.25-06-049 OP 1 at 34 to 35.

[27] D.25-06-049 OP 2 at 35.

[28] Applications for rehearing were filed by California Community Choice Association and jointly by Ava Community Energy Authority and San Jose Clean Energy.

6.11.2. PCIA Rates

PCIA rates are based on applicable costs from SDG&E's total portfolio of resources. Pursuant to D.22-01-023, the Commission's Energy Division issues updated PCIA benchmarks in the beginning of October[29] which SDG&E utilizes in order to calculate its updated proposed vintage PCIA rates. The MPB calculates the market value of the three revenue streams in the IOU portfolio: the Energy Index; RPS Adder; and RA Adder.

The methodology for calculating PCIA rates as well as the 2026 forecast benchmarks are shown and explained in Exhibit SDGE-13. Parties do not object to SDG&E's proposed vintage PCIA in rates except for the Joint CCAs' objection to the use of pre-2019 banked RECs. Overall, we find that the evidence submitted supports SDG&E's PCIA forecasts for 2026. The issue concerning use of pre-2019 banked RECs is discussed below.

6.11.3. Use of Pre-2019 Banked RECs

In its Opening Brief, SDG&E forecasts that it will need to use banked RECs to meet its 2026 RPS requirement[30] despite initially anticipating that it would not need to use any banked RECs.[31]

The Joint CCAs object to SDG&E's potential use of pre-2019 banked RECs[32] and its proposal to value pre-2019 banked RECs at $0. An issue concerning pre-2019 banked RECs is how to value said RECs and whether the treatment of

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[29] The final 2025 benchmarks were issued by the Commission's Energy Division on October 1, 2025.

[30] SDG&E Opening Brief at 8.

[31] Exhibit SDGE-8 at SM-2.

[32] The issue raised by the Joint CCAs regarding pre-2019 Banked RECs

banked RECs set forth by the Commission D.19-10-001 applies to RECs generated prior to 2019.[33]

The Joint CCAs contend they agreed to waive evidentiary hearings and further discovery on the pre-2019 banked RECs issue based on SDG&E's assertions that it will not need to use any banked RECs in 2026.[34] The Joint CCAs argue they were not afforded an opportunity to fully litigate this issue in hearings and in their Opening Brief because SDG&E changed its RPS position and forecasted need to use banked RECs after evidentiary hearings had been canceled. In comments to the October update, the Joint CCAs add that SDG&E should be required to credit the value of all banked RECs (including pre-2019 banked RECs) to the PCIA vintage corresponding to the year in which those banked RECs were originally generated.

An examination of SDG&E's rebuttal testimony shows that while SDG&E specifically states that it has sufficient RECs to meet its 2026 RPS requirement, in a succeeding subsection, SDG&E mentions the possibility of using banked RECs:

> "In the event that SDG&E does need to use banked RECs to meet its 2026 RPS requirement, SDG&E should be permitted…"[35]

According to the Joint CCAs, SDG&E subsequently provided new information to them that confirmed SDG&E would not need to use any banked RECs in 2026. The Joint Report[36] also states that there were no factual issues

[33] D.18-10-019 and D.19-10-001 revised the methods for determining PCIA rates.

[34] Joint CCAs Reply Brief.

[35] Exhibit SDGE-8 at SM-3.

[36] Filed on September 19, 2025, which is subsequent to the serving of Exhibit SDGE-8.

being contested. The Joint CCAs also set forth in their Opening Brief that use of banked RECs is an uncontested issue.[37] SDG&E did not dispute this statement in its Reply Brief.

Based on the totality of the circumstances in this case, we find that the Joint CCAs were not able to fully litigate SDG&E's potential use of pre-2019 banked RECs. As a result, we find it reasonable to require SDG&E to first utilize post-2018 banked RECs to meet any RPS shortfall in 2026.

6.11.4. Use of Post 2018 Banked RECs

Use of post-2018 banked RECs is not a contested issue. SDG&E does not claim to have insufficient post-2018 banked RECs to fill its 2026 RPS requirement. Instead, SDG&E only seeks to have the flexibility to use pre-2019 banked RECs. We also note that as shown in Exhibit SDGE-13C, the projected number of banked RECs needed to address any shortfall is relatively small compared to the total number of RECs needed and what SDG&E projects it will have for RPS compliance.[38] In the event that SDG&E forecasts that it will need to use pre-2019 banked RECs in 2026, it shall file an application requesting Commission authorization to do so. Such an application shall include a valuation proposal.

6.11.5. Valuation of RECs Banked in 2019

Consistent with D.24-12-040, SDG&E shall calculate the incremental value of RECs banked in 2019 using the 2026 RPS MPB (difference between value of the 2026 RPS MPB less the value of the 2019 Adder MPB) and include the value as an

[37] Joint CCAs Opening Brief at 20.

[38] Exhibit SDGE-13C, Table 3 at SM-8.

expense to ERRA and credit to PABA vintages according to the same allocation used in the year the RECs were generated.[39] This exception applies only to RECs generated in 2019 due to SDG&E's valuation of unsold RECs in 2019. This exception applies indefinitely, and SDG&E should continue to value RECs banked in 2019 only using this methodology going forward. RECs generated in 2020 and onward shall be valued according to the methods of D.19-10-001.

6.11.6. GTSR Rate Components

The Commission required SDG&E to establish the Green Tariff Shared Renewables (GTSR) program in D.15-01-051 intended to promote renewable energy by expanding access to renewable energy resources for ratepayers who are currently unable to access the benefits of onsite generation such as residential customers who cannot install solar panels. SDG&E's GTSR program has two features administered by the utilities: (a) an EcoChoice Green Tariff (GT) component which allows customers to purchase energy with a greater share of renewables procured by SDG&E; and (b) an Enhanced Community Renewables (ECR) component which allows customers to purchase renewable energy from community-based projects.

The GT program was suspended in A.22-05-022[40] and members were disenrolled from the program. The ECR program was closed in Advice Letter

[39] Typically, unsold banked RECs are not valued until the year of use. But in SDG&E's case, its bundled customers have already paid the 2019 MPB of $16.44/REC for 2019 banked RECs and made a corresponding credit to the PABA. Thus, when SDG&E uses 2019 banked RECs for compliance in a future year it must account for the incremental difference in value between the 2019 MPB and current MPB as a credit to the PABA vintage and an expense to ERRA in proportion to the year the REC was generated to comply with the methodology in D.19-10-001.

[40] A.22-05-022 ALJ Ruling on August 25, 2022 Suspending GT Program.

4522-E. Accordingly, SDG&E does not propose to use any rate components for the GTSR program in this application.

6.11.7 Review of ALJ Ruling

On November 7, 2025, the Joint CCAs filed a motion for interlocutory review of the ALJ ruling on November 4, 2025, denying a motion to admit exhibits relating to pre-2019 banked RECs.

Upon review, we deny the Joint CCAs' motion. Section 6.11.3 of this decision explains that because the Joint CCAs were not able to fully litigate SDG&E's potential use of pre-2019 banked RECs to meet its 2026 RPS requirements, SDG&E is required to file an application if it seeks to use said RECs. If such an application is filed, the Joint CCAs will have the opportunity to have testimony and other evidence admitted in that proceeding.

7. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. In developing the schedule for the proceeding, parties stipulated to reduce the 30-day public review and comment period required by Pub. Util. Code Section 311 to seven days for Opening Comments and five days for Reply Comments.[41]

Comments were filed by the Joint CCAs and SDG&E on November 17, 2025. Reply comments were filed by the Joint CCAs and SDG&E on November 24, 2025.

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[41] The reduced comment period on the proposed decision is incorporated in the schedule adopted in the Scoping Memo.

The comments were reviewed and appropriate changes to the decision have been made. Some of the comments reiterate positions made in briefs that had already been considered in the proposed decision.

8. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner and Rafael Lirag is the assigned ALJ in this proceeding.

Findings of Fact

1. SDG&E's 2026 ERRA forecast is supported by the evidence presented.
2. The 2025 year-end forecast for the ERRA balancing account is supported by the evidence presented.
3. The 2026 ERRA revenue requirement and 2025 year-end balance forecasts changed due to the 2026 forecast RA and RPS MPBs released in October 2025 compared to the RA and RPS MPB values used in the May application.
4. The 2026 revenue requirement forecasts for PABA and the 2025 PABA year-end balance increased significantly in large part due a true-up to the lower 2025 Final MPBs.
5. The evidence SDG&E presented supports the 2026 PABA forecast and 2025 PABA year-end balance.
6. SDG&E's forecast for CTC costs in 2026 is reasonable.
7. Parties do not object to the requested LG costs and the LG forecast is adequately supported by the evidence submitted which presents a monthly breakdown of the different costs.
8. There were no objections to the projected 2025 LGBA year-end balance and the amounts are properly documented by the testimony submitted.

9. The updated forecast for MCAM costs is reasonable and should be authorized and is based on SDCP's requested funding amount for the program.

10. SDG&E's updated revenue requirement of $0 for DAC-GT is reasonable and is based on SDCP's requested funding.

11. The forecast costs for BioMAT is $0 million.

12. SDG&E's forecast for TMNBC costs as set forth in Exhibit SDGE-13C is reasonable and supported by the evidence.

13. GHG returns are to be made to qualifying EITE entities via CA Industry Assistance with the remaining allowance distributions to be made to all qualifying Small Business and Residential customers via a twice annual CCC.

14. SDG&E's proposed GHG Allowance Returns is supported by the evidence presented such as Table 6 of Exhibit SDGE-9 which shows the breakdown of allowable returns.

15. The 2026 Electric Sales Forecast was based on the CEC 2024 California Demand update forecast which was adopted by the CEC on January 21, 2025.

16. The new methodology to calculate RA MPBs in D.25-06-049 is effective immediately.

17. The evidence submitted supports SDG&E's PCIA forecasts for 2026.

18. Based on the totality of the circumstances in this proceeding, the Joint CCAs were not able to fully litigate SDG&E's potential use of pre-2019 banked RECs.

19. SDG&E does not propose to use rate components for the GTSR program in this application.

Conclusions of Law

1. SDG&E's 2026 ERRA forecast, as submitted in the initial Application and subsequent update, is reasonable and should be authorized.
2. SDG&E's forecast for the 2025 year-end balance in the ERRA balancing account is reasonable and should be authorized.
3. SDG&E's 2026 forecasts for the PABA and PABA 2025 year-end balance are supported by the record and should be authorized.
4. SDG&E's forecast amount for 2026 CTC costs is reasonable and should be authorized.
5. The LG forecast for 2026 and 2025 LGBA year-end balance are reasonable and should be authorized.
6. The forecast for 2026 MCAM costs is reasonable and should be authorized.
7. The 2026 forecast for SDCP's DAC-GT program is reasonable and should be authorized.
8. The 2026 forecast for BioMAT should be adopted.
9. SDG&E's 2026 forecast for TMNBC costs as set forth in Exhibit SDGE-11C is reasonable and should be adopted.
10. SDG&E's proposed GHG Allowance Returns for 2026 is supported by the evidence presented and should be authorized.
11. SDG&E's 2026 Electric Sales Forecast is reasonable and should be adopted.
12. SDG&E's PCIA forecasts for 2026 are reasonable and should be approved.
13. SDG&E should be required to first utilize post-2018 banked RECs to meet its 2026 RPS compliance.
14. SDG&E's forecast of $0 for the GTSR program should be adopted.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized a revenue requirement of $824.1 million for its 2026 Energy Resource Recovery Account (ERRA) Forecast effective January 1, 2026. Specifically, this decision adopts the following (negative balances are in parenthesis):

   a. 2026 ERRA revenue requirement of $382.0 million;

   b. 2025 ERRA year-end balance of ($14.0) million;

   c. Portfolio Allocation Balancing Account (PABA) revenue requirement of $187.5 million;

   d. 2025 PABA year-end balance of $274.2 million;

   e. Competition Transition Charge revenue requirement of $0.5 million;

   f. Local Generation (LG) revenue requirement of $247.1 million;

   g. 2025 LG Balancing Account balance of ($101.0) million;

   h. Modified Cost Allocation Mechanism revenue requirement of $0.3 million;

   i. San Diego Community Power Disadvantaged Communities - Green Tariff revenue requirement of $0;

   j. Bioenergy Market Adjusting Tariff Nonbypassable Charge revenue requirement of $0;

   k. Confidential Tree Mortality Non Bypassable Charge revenue requirement as specified in Exhibit SDGE-11C; and

   l. Green House Gas Revenues for Return of $(152.727) million composed of Small Business and Residential California Climate Credit Returns of

$149.109 million and Emissions-Intensive and Trade-Exposed costs of $3.618 million.

2. Within 30 days of the effective date of this decision, San Diego Gas & Electric Company shall file a Tier 1 Advice Letter with tariffs to implement the rates authorized by this decision. The tariffs shall become effective on or after the filing of the advice letter subject to review by the Commission's Energy Division.

3. San Diego Gas & Electric Company's 2026 Greenhouse Gas Amounts as provided in Exhibit SDGE-9 are adopted.

4. San Diego Gas & Electric Company's Power Charge Indifference Adjustment rates as provided in Exhibit SDGE-13C are adopted.

5. San Diego Gas & Electric Company's 2026 Electric Sales Forecast as described in Exhibit SDGE-6 is adopted.

6. Relative to this proceeding, San Diego Gas & Electric Company must utilize post-2018 banked renewable energy credits (REC) before pre-2019 banked RECs.

7. San Diego Gas and Electric Company shall calculate the incremental value of renewable energy credits (REC) banked in 2019 only using the 2026 renewable portfolio standards (RPS) market price benchmark (MPB) (difference between value of the 2026 RPS MPB less the value of the 2019 Adder MPB) and include the value as an expense to the Energy Resource Recovery Account and credit to Portfolio Allocation Balancing Account vintages according to the same allocation used in the year the RECs were generated. RECs generated in 2020 and onward shall be valued according to the methods of D.19-10-001.

8. In the event that San Diego Gas & Electric Company forecasts that it will need to use pre-2019 banked renewable energy credits in 2026, it shall file an application requesting Commission authorization to do so. Such an application shall include a valuation proposal.

9. The motion filed by San Diego Community Power and Clean Energy Alliance on November 7, 2025, for interlocutory review of the administrative law judge ruling on November 4, 2025, is denied.

10. Pursuant to Resolution E-5217, San Diego Gas and Electric Company is authorized to update its regulatory account balances and Power Charge Indifference Adjustment rates to reflect November 2025 actuals and December 2025 forecasts as part of the Tier 1 Advice Letter specified on Ordering Paragraph 2.

11. Application 25-05-012 is closed.

This order is effective today.

Dated December 4, 2025, at San Francisco, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER
Commissioners