

Decision 26-03-011 March 19, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Gas Company (U904G) Regarding Year 31 (2024–2025) of Its Gas Cost Incentive Mechanism.

Application 25-06-012

DECISION APPROVING SOUTHERN CALIFORNIA GAS COMPANY'S SHAREHOLDER REWARD FOR YEAR 31 (2024–2025) OF THE GAS COST INCENTIVE MECHANISM

Summary

This decision approves Southern California Gas Company's (SoCalGas) request for a shareholder reward of \$8,374,056 for Year 31 (2024–2025) of the company's Gas Cost Incentive Mechanism performance. The Public Advocates Office at the California Public Utilities Commission verified that SoCalGas's recorded procurement annual actual costs were \$42,142,370 below the benchmark, which results in a reward of \$8,374,056 to SoCalGas's shareholders and a ratepayer savings benefit of \$33,768,315 in lower gas costs.

Application 25-06-012 is closed.

1. Procedural Background

On June 13, 2025, Southern California Gas Company (SoCalGas) filed Application (A.) 25-06-012 with the California Public Utilities Commission (Commission) requesting a shareholder reward of \$8,374,056 for its performance during Year 31 (April 1, 2024, through March 31, 2025) of the Gas Cost Incentive Mechanism (GCIM). SoCalGas included its Annual Report on the Gas Cost Incentive Mechanism as Attachment A to the application.

On July 17, 2025, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a response to the application.

On August 22, 2025, the Commission held a virtual prehearing conference.

On September 9, 2025, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo).

On October 15, 2025, Cal Advocates filed and served its Monitoring and Evaluation Report (M&E Report). Opening comments were due on November 7, 2025, and reply comments were due on November 21, 2025. No parties submitted comments on Cal Advocates' M&E Report.

On December 12, 2025, SoCalGas and Cal Advocates filed and served a Joint Case Management Statement indicating that SoCalGas agrees with the findings in the M&E Report, and that there are no facts or issues in dispute in this proceeding.

On December 22, 2025, Cal Advocates filed a Motion to Admit its M&E Report into the record of this proceeding. No party opposed the Motion to Admit.

2. Submission Date

This matter was submitted on November 21, 2025, upon the deadline to provide reply comments on Cal Advocates' M&E Report.

3. Jurisdiction and Legal Framework

The Commission has jurisdiction over this application pursuant to the California Constitution and the Public Utilities Code, including sections 451, 454, 701, and 728. SoCalGas is a regulated public utility under the Commission's jurisdiction.

The GCIM is designed to provide SoCalGas with a market-based financial incentive to purchase and transport gas for core ratepayers at a cost that is equal to or less than prevailing market prices. The GCIM was originally approved in Decision (D.) 94-03-076, and has been modified over time, including by D.97-06-061, D.98-12-057, D.02-06-023, and D.06-10-029.

The GCIM operates on a 12-month cycle that ends on March 31 of each calendar year. SoCalGas is required to file its GCIM application by June 15 of each year for the preceding GCIM year. The application must include a detailed report that summarizes procurement performance, identifies variances from the benchmark, and calculates any resulting shareholder reward or penalty. Cal Advocates is required to conduct an audit of SoCalGas's performance and file an M&E Report annually.

4. Issues Before the Commission

The Scoping Memo identified the following issues to be determined:

1. Has SoCalGas calculated its requested shareholder reward of \$8,374,056 in accordance with applicable Commission decisions and SoCalGas's GCIM tariff?

2. Should the Commission approve the requested shareholder reward of \$8,374,056 for GCIM Year 31?

5. Evaluation of SoCalGas's Year 31 GCIM Requests

As discussed below, SoCalGas calculated its requested shareholder reward of \$8,374,056 in accordance with applicable Commission decisions and SoCalGas's GCIM tariff. As such, this decision approves the requested shareholder reward of \$8,374,056 for GCIM Year 31.

5.1. Overview of SoCalGas's Year 31 GCIM Application

In its application, SoCalGas requests a shareholder reward of \$8,374,056 for GCIM. The GCIM compares SoCalGas's actual annual costs to its benchmark budget for purchased gas. The actual annual cost is the sum of: (1) actual gas commodity costs and transportation costs, (2) net gains or losses from certain gas hedging transactions, (3) net revenues from secondary market services (SMS), and (4) other revenues, expenses, and adjustments identified in SoCalGas's GCIM tariff.¹

The benchmark budget consists of monthly benchmark gas commodity costs, monthly benchmark commodity transportation costs, and monthly benchmark transportation reservation charges, as described in SoCalGas's GCIM tariff. These components, in turn, incorporate prices that reflect market conditions, using publicly available price indices approved by the Commission.²

¹ Southern California Gas Company (SoCalGas) Revised Cal. P.U.C. Sheet No. 45891-G (GCIM Tariff) at 2. The GCIM is implemented through SoCalGas's Preliminary Statement, Part VIII, of its Commission-approved tariff.

² GCIM Tariff at 2-3.

To determine the annual GCIM shareholder reward or penalty, SoCalGas compares its actual annual gas purchase costs to the benchmark budget. Core ratepayers are assigned all gains and losses within a defined “tolerance band.” Gains and losses outside of the tolerance band are shared between core ratepayers and shareholders according to an established formula described below.

The upper limit of the tolerance band is defined as the benchmark budget plus two percent of the annual Benchmark Gas Commodity Cost (BGCC). If SoCalGas’s actual annual costs exceed the upper two percent limit of the tolerance band, the excess costs (*i.e.*, losses) are shared equally between core ratepayers and shareholders.

Conversely, if actual annual costs fall below the benchmark budget, the first one percent of savings below the benchmark (the tolerance band) are allocated entirely to core ratepayers. Savings between one percent and five percent below the benchmark budget are shared, with 75 percent of the savings allocated to ratepayers and 25 percent allocated to shareholders. Savings greater than five percent below the benchmark budget are shared with 90 percent allocated to ratepayers and 10 percent allocated to shareholders. The shareholder reward is capped at 1.5 percent of SoCalGas’s actual annual gas commodity costs, consistent with D.02-06-023.³ Table 1, below, shows the GCIM sharing formula in tabular form:

³ Decision (D.) 02-06-023 adopted a settlement agreement among SoCalGas, The Utility Reform Network, and Cal Advocates (then called the Office of Ratepayer Advocates). The agreement extended the GCIM, modified the savings formula as presented herein to increase ratepayer

Footnote continued on next page.

**Table 1: GCIM Sharing Formula:
Actual Annual Cost vs. Benchmark Budget**

Actual Annual Cost > Benchmark Difference as a Percentage of BGCC	Ratepayers (Loss)	Shareholders (Penalty)
0 – 2% (tolerance band)	(100%)	0%
>2%	(50%)	(50%)
Benchmark > Actual Annual Cost Difference as a Percentage of BGCC	Ratepayers Gain	Shareholders Reward
0 – 1% (tolerance band)	100%	0%
1% – 5%	75%	25%
5% and above	90%	10%

benefits in case of savings below the benchmark, and capped shareholder benefits at 1.5 percent of actual annual gas commodity costs. (D.02-06-023, Attachment 1 at 1, 3.)

The current application is SoCalGas’s 31st annual application under the GCIM. The Commission issued D.25-06-050 and approved a \$13,865,089 shareholder reward for SoCalGas’s GCIM Year 30 application.

SoCalGas states that its Year 31 actual annual costs for all gas purchases subject to the GCIM totaled \$1,159,939,848 while its benchmark costs totaled \$1,202,082,218. Therefore, SoCalGas acquired gas at \$42,142,370 below the benchmark in Year 31.⁴ Pursuant to the GCIM revisions adopted in D.02-06-023, of the \$42,142,370 total savings, \$33,768,315 is allocated to core ratepayers, with the remaining \$8,374,056 allocated to shareholders.⁵

Tables 2 and 3, below, summarize SoCalGas’s Year 31 GCIM results and sharing calculations:

Table 2: SoCalGas’s Reported GCIM Year 31 Results⁶

Row	Cost Category	Benchmark (\$)	Actual Cost (\$)	Actual Over/(Under) Benchmark (\$)
1	Commodity	\$817,156,584	\$787,720,449	(\$29,436,135)
2	SMS Net Revenue	-	(\$20,079,592)	(\$20,079,592)
3	Off System Park and Loans	-	(\$837,500)	(\$837,500)
4	Hedging Costs	\$14,807,146	\$23,018,003	\$8,210,857
5	Total Commodity	\$831,963,730	\$789,821,359	(\$42,142,370)

⁴ Application (A.) 25-06-012, Application of Southern California Gas Company (U 904 G) Regarding Year 31 (2024–2025) of Its Gas Cost Incentive Mechanism at Attachment A, A-6 (A.25-06-012).

⁵ A.25-06-012, Attachment A at A-7.

⁶ A.25-06-012 at Attachment A, Table 2; Cal Advocates Monitoring and Evaluation Report at Table 2-1 (Cal Advocates M&E Report).

6	Transportation	\$370,118,488	\$370,118,488	-
7	Total	\$1,202,082,218	\$1,159,939,848	(\$42,142,370)

**Table 3: SoCalGas's
GCIM Year 31 Sharing Allocations**

	Total Amount	Ratepayer Share	Shareholder Share
Tolerance Band, 1% of BGCC, Table 2, Row 5	\$8,319,637	\$8,319,637	\$0
Amount Subject to 75%/25% Sharing (Between 1% and 5%)	\$33,278,549	\$24,958,912	\$8,319,637
Amount Subject to 90%/10% Sharing (5% and Above)	\$544,184	\$489,765	\$54,418
Excess of 1.5% Shareholder Cap	\$0	\$0	\$0
Total, Table 2, Row 7	\$42,142,370	\$33,768,315	\$8,374,056

In its GCIM Report, SoCalGas describes the weather and market conditions that impacted its GCIM Year 31 results. A mild 2023–2024 winter season led to a surplus in natural gas storage across the western United States and the lower 48 states, keeping prices low throughout the April–October 2024 injection season. Production decreased from February through May of 2024. Mild temperatures in the beginning of winter 2024–2025 kept demand down to a level slightly lower than that of the same period in the prior year.⁷

In January 2025, however, notable cold weather events impacted the eastern part of the country, including the January 18–21 cold weather event in

⁷ A.25-06-012 at Attachment A, A-1 through A-2.

the Midwest and Texas. Storage withdrawals increased to 29 percent above the five-year average in January and February 2025. While Pacific Region storage levels remained above average, by the end of the winter season, total inventory storage levels in the lower 48 states had decreased to below the five-year average.⁸ European storage also fell to just 34 percent of capacity, placing an upward pressure on global demand. Producers in the United States increased production in response, “signaling a measured return to production as the market rebalanced.”⁹

SoCalGas states that its Gas Acquisition Department, (its core procurement division), “effectively managed its gas procurement activities during GCIM Year 31 and provided reliable gas supplies at reasonable gas commodity costs for retail core customers given existing market conditions.”¹⁰

Table 4, below, provides a comparison of Year 30 and Year 31 benchmarks and actual annual costs.

**Table 4: Comparison of GCIM Year 30 and Year 31
Benchmark Budget and Actual Costs¹¹**

	Year 30	Year 31	Difference
Commodity Benchmark	\$1,287,677,197	\$831,963,730	(\$455,713,467)
Commodity Actual	\$1,113,360,461	\$787,720,449	(\$325,640,013)
SMS Net Revenue	(\$13,676,610)	(\$20,079,592)	(\$6,402,982)

⁸ A.25-06-012 at Attachment A, A-2 through A-3.

⁹ A.25-06-012 at Attachment A, A-3.

¹⁰ A.25-06-012 at Attachment A, A-9.

¹¹ A.25-06-012 at Attachment A at Table 3.

Off System Park and Loans	(\$899,800)	(\$837,500)	\$62,300
Hedging	\$114,626,117	\$23,018,003	(\$91,608,114)
Total Commodity	\$1,213,410,168	\$789,821,359	(\$423,588,809)
Benchmark Over/(Under)	(\$74,267,029)	(\$42,142,370)	\$32,124,659

5.2. Summary of Cal Advocates' M&E Report

Cal Advocates' M&E Report verified that SoCalGas's recorded gas procurement annual actual costs were \$42,142,370 below the GCIM benchmark for Year 31. Cal Advocates confirmed that, based on the GCIM formula adopted by the Commission, SoCalGas's recorded savings result in a shareholder reward of \$8,374,056 and a core ratepayer benefit of \$33,768,315.¹² Cal Advocates reviewed SoCalGas's actual purchase and sale volumes, reference prices, and the calculations underlying SoCalGas's benchmark budget and actual annual costs.¹³ Cal Advocates did not recommend any adjustments to SoCalGas's shareholder reward or to the overall reported savings for Year 31. Accordingly, Cal Advocates recommended that the Commission approve SoCalGas's request for a shareholder reward of \$8,374,056 for GCIM Year 31.¹⁴

5.3. Discussion

SoCalGas's GCIM benchmark and annual actual costs were calculated pursuant to the methodology set forth in D.94-03-076, as subsequently modified in D.97-06-061, D.98-12-057, D.02-06-023, and D.06-10-029. SoCalGas's GCIM

¹² Cal Advocates M&E Report at 2-2.

¹³ Cal Advocates M&E Report at 2-3 through 2-19.

¹⁴ Cal Advocates M&E Report at 1-1 through 1-2.

Year 31 results reflect actual gas procurement costs of \$1,159,939,848, compared to a benchmark of \$1,202,082,218, resulting in \$42,142,370 in savings.

Consistent with the established sharing formula, \$33,768,315 of those savings are allocated to core ratepayers and \$8,374,056 to SoCalGas shareholders. The proposed shareholder reward falls well below the 1.5 percent cap. SoCalGas notes that the requested shareholder reward in this application is not passed through to its customers as a cost of service, in accordance with Rule 3.2(a)(10) of the Commission's Rules of Practice and Procedure (Rules).¹⁵

Cal Advocates' M&E Report independently verified SoCalGas's reported costs and benchmark calculations and confirmed the accuracy of the shareholder reward and the ratepayer benefit. No adjustments were proposed to SoCalGas's recorded figures or the resulting shareholder reward. No party contested the reward calculation, and no evidence was presented that any adjustment or disallowance is warranted.

Based on the foregoing, we find that SoCalGas calculated its requested shareholder reward of \$8,374,056 for GCIM Year 31 in accordance with applicable Commission decisions and its GCIM tariff, and we approve the calculation. We further find that SoCalGas's requested shareholder reward of \$8,374,056 for GCIM Year 31 is reasonable and justified, and we approve the requested reward.

¹⁵ A.25-06-012 at 10.

6. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of issuance of this decision, ten public comments had been submitted in this proceeding.

Most commenters opposed the application and opposed allocating to shareholders any portion of the savings SoCalGas achieved in Year 31 of the GCIM. Some commenters stated that SoCalGas’s rates are already too high and that all the savings SoCalGas achieved as stated in the application should be used to lower customer rates. Most commenters stated that ratepayers should be favored over shareholders. One commenter stated that there was an error in the notice received from SoCalGas regarding the application that rendered the application “fraudulent,” and, for this reason, the commenter stated that the application should be denied.

7. Procedural Matters

As noted above, on December 22, 2025, Cal Advocates filed a motion requesting that its M&E Report be admitted into the administrative record of this proceeding. No party opposed Cal Advocates’ motion. Cal Advocates’ motion is granted.

This decision affirms all rulings made by the Administrative Law Judge (ALJ) and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

8. Comments on Proposed Decision

The proposed decision of ALJ Eileen Odell in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. No parties filed opening or reply comments on the proposed decision.

9. Assignment of Proceeding

Commissioner Matthew Baker is the assigned Commissioner and Eileen Odell is the assigned ALJ in this proceeding.

Findings of Fact

1. SoCalGas requests a shareholder reward of \$8,374,056 for GCIM Year 31 covering April 1, 2024, through March 31, 2025.

2. For GCIM Year 31, SoCalGas's benchmark cost was \$1,202,082,218, and its actual annual cost was \$1,159,939,848, resulting in savings of \$42,142,370.

3. Cal Advocates' M&E Report verified that SoCalGas's recorded gas procurement costs were \$42,142,370 below the benchmark, resulting in a shareholder reward of \$8,374,056 and a ratepayer benefit of \$33,768,315.

4. Cal Advocates confirmed that SoCalGas calculated its GCIM Year 31 shareholder reward and ratepayer benefit in accordance with applicable Commission decisions and SoCalGas's GCIM tariff.

Conclusions of Law

1. SoCalGas's proposed shareholder reward of \$8,374,056 for GCIM Year 31 should be approved.
2. SoCalGas should receive the approved shareholder reward by adjusting its Purchased Gas Account, but only to the extent that SoCalGas has not already recovered this reward pursuant to its GCIM tariff.
3. Cal Advocates' M&E Report should be admitted into the administrative record.
4. All rulings issued by the ALJ and assigned Commissioner in this proceeding should be affirmed.
5. All pending motions not expressly ruled on should be denied.
6. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized to receive a shareholder reward of \$8,374,056 for Year 31 of its Gas Cost Incentive Mechanism.
2. Southern California Gas Company (SoCalGas) is authorized to adjust its Purchased Gas Account to receive a shareholder reward of \$8,374,056 for Year 31 of its Gas Cost Incentive Mechanism (GCIM), but only to the extent that SoCalGas has not already recovered this reward pursuant to its GCIM tariff.
3. The motion of the Public Advocates Office at the California Public Utilities Commission to admit its Monitoring and Evaluation Report to the administrative record of this proceeding is granted.

4. All rulings issued by the Administrative Law Judge and assigned Commissioner in this proceeding are affirmed.

5. All pending motions not expressly ruled on are denied.

6. Application 25-06-012 is closed.

This order is effective today.

Dated March 20, 2026, at Sacramento, California.

JOHN REYNOLDS

President

DARCIE L. HOUCK

KAREN DOUGLAS

MATTHEW BAKER

CHRISTINE HARADA

Commissioners