ALJ/AN4/asf **PROPOSED DECISION** **Agenda ID #24309**
Ratesetting

Decision __________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application San Diego Gas & Electric Company (U902G) to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account from January 1, 2019 to December 31, 2023.	Application 25-02-012 (Filed February 27, 2025)

DECISION ADOPTING SETTLEMENT AGREEMENT AND AUTHORIZING RATE RECOVERY

Summary

This decision grants the Joint Motion by the Public Advocates Office at the California Public Utilities Commission and San Diego Gas & Electric Company for adoption of a settlement agreement, included with this decision as Attachment A.

This decision grants SDG&E $6,985,215 in recovered costs.

This proceeding is closed.

1. Procedural Background

On February 27, 2025, San Diego Gas & Electric Company (SDG&E, or Applicant) filed Application (A.) 25-02-012 to recover costs recorded in the Transmission Integrity Management Program Balancing Account (TIMPBA) from January 1, 2019, to December 31, 2023.

On April 4, 2025, the Public Advocates Office filed a protest. On April 29, 2025, the Commission held a telephonic prehearing conference. On May 2, 2025, the Applicant filed post-prehearing conference comments.

On June 30, 2025, the assigned Commissioner issued the Scoping Memo and Ruling for this proceeding, determining the schedule, need for hearing, and issues to be considered.

On September 18, 2025, the ALJ issued a ruling providing instructions on evidentiary hearing.

On September 24, 2025, the Applicant and the Public Advocates Office (Joint Parties) filed a Joint Status Conference Statement stating that they do not see a need for evidentiary hearings and providing a list of exhibits for which they would subsequently file a motion seeking admission into the record.

On October 5, 2025, the ALJ issued a Ruling Setting Deadline for Settlement Agreement and Providing Guidance on Briefs. The Ruling set a deadline of October 20, 2025, for the filing of a Motion to Adopt Proposed Settlement Agreement. The Ruling also provided instructions to parties on how to organize their opening and reply briefs.

On October 31, 2025, the Joint Parties filed a Joint Motion for the Extension of Time to deliberate on a Settlement Agreement and file briefs.

On November 24, 2025, SDG&E and the Public Advocates Office filed a Joint Motion to Admit Testimony and Enter Exhibits into Evidence. Specifically, SDG&E and the Public Advocates Office moved to admit Exhibits SDG&E-01, SDG&E-02, SDG&E-03, SDG&E-04, SDG&E-02-WP-A-P, SDG&E-02-WP-A-C,

SDG&E-03-WP, SDG&E-05, and CA-01. The same day, SDG&E and the Public Advocates Office filed a Joint Motion for Leave to File Under Seal Exhibit SDG&E-02-WP-A-C.

On December 22, 2025, the ALJ issued a ruling directing the filing of additional information. On January 16, 2026, the Joint Parties filed an Amended Joint Motion for Approval of Settlement Agreement (Motion).

On April 19, 2026, the ALJ issued a ruling directing the Public Advocates Office to serve data requests and associated responses.

On April 27, 2026, the Public Advocates Office filed Motion to Admit Exhibits into Evidence. Specifically, the Public Advocates Office requests to move Exhibit CA-01-WP into the evidentiary record. The Public Advocates Office's motion represents that SDG&E has no objections to the introduction of this exhibit into the record of this proceeding. No objections to the Public Advocates Office's motion were filed.

2. Submission Date

This matter was submitted on April 27, 2026, upon filing of the Public Advocates Office's Motion to Admit Exhibits Into Evidence.

3. Issues Before the Commission

The issues before the Commission, as presented in the Commissioner's Scoping Memo and Ruling, are as follows:

1. Whether SDG&E's TIMPBA expenditures and cost recovery request of $7.4 million are just and reasonable;

2. Whether SDG&E's revenue requirement associated with the costs presented in the Application and recorded in their TIMPBA are justified for rate recovery;
3. Whether SDG&E's TIMPBA recovery request complies with all applicable rules, decisions, statutes, and other requirements, including the tariff;
4. Whether SDG&E's TIMPBA recovery request is incremental to the cost recovery approved in AL 3257-G-A; and
5. Whether the cost allocation policies adopted in Decision (D.) 24-07-009 should apply to the TIMPBA under-collection requested in this Application.

4. Settlement Agreement

On January 16, 2026, San Diego Gas and Electric Company (SDG&E) and the Public Advocates Office (together, the Settling Parties) filed Amended Joint Motion for Settlement Agreement (Settlement Agreement). The Settlement Agreement resolves all issues in this proceeding.[1]

SDG&E requested approximately $7.4 million in recovery in the instant application.[2] The Settlement Agreement proposes a total recovery of approximately $7 million, or a reduction of approximately $0.4 million.[3] The difference consists of a $394,000 reduction to the requested Operations and Maintenance (O&M) Expenses and a $34,000 reduction in Interest expenses.[4]

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[1] *See* Settlement Agreement at 1.

[2] *See* Settlement Agreement at 4.

[3] *See* Settlement Agreement at 4.

[4] *See* Settlement Agreement at 4.

Settlements are governed by Article 12 of the Commission's Rules of Practice and Procedure. Rule 12.1(d) sets the requirements that must be met for the Commission to approve a settlement—namely, the settlement must: (1) be reasonable in light of the whole record, (2) consistent with the law, and (3) in the public interest.

The Settling Parties state that "a substantial record has been developed since SDG&E initiated this proceeding in February 2025."[5] According to the Settling Parties, the record includes SDG&E's testimony and accompanying workpapers and analysis by the Public Advocates Office. The Settling Parties jointly requested that the exhibits be moved into the evidentiary record.[6]

The Settling Parties further note that both parties are "represented by experienced counsel and believe that the terms of the Settlement Agreement comply with all applicable statutes and prior Commission decisions, and reasonable interpretations thereof."[7]

The Settling Parties argue that the Settlement Agreement is in the public interest because it "represents a reasonable compromise of their respective positions."[8] The Settling Parties note that they negotiated in good faith over an extended period of time and "applied their expertise and collective judgment to a

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[5] *See* Settlement Agreement at 6.

[6] *See* Settlement Agreement at 6 and November 24, 2025, Joint Motion to Admit Testimony and Exhibits into Evidence.

[7] *See* Settlement Agreement at 7.

[8] *See* Settlement Agreement at 7.

fulsome record."[9] The Settling Parties further note that by adopting the Settlement Agreement, the Commission avoids the cost of further litigation, and it allows the parties to focus time and resources on other proceedings.[10]

5. Reasonableness in Light of the Whole Record

In considering whether the Settlement Agreement is reasonable in light of the whole record, we briefly discuss each party's litigated position.

5.1. Public Advocates Office Litigated Position

The Public Advocates Office states that "[i]n D.19-05-051,[11] the Commission stated that SDG&E must be able to adequately explain and appropriately provide information regarding TIMPBA spending incurred."[12] states that if they cannot verify or "determine the reasonableness of, and/or the justification for, a particular cost" then they recommend the Commission reject the recovery of such cost.[13]

The Public Advocates Office's testimony recommends a $0.717 million reduction to SDG&E's requested recovery broken down as follows: (1) a downward adjustment of $0.445 million for Straight-Time Labor; (2) a downward

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[9] *See* Settlement Agreement at 8.

[10] *See* Settlement Agreement at 8.

[11] This appears to be a typo in the Public Advocates Testimony as there is no D.19-05-051. The footnote for this item cites to D.19-09-051, Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company.

[12] *See* D.19-09-051 at 195.

[13] *See* Exhibit CA-01 at 3.

adjustment of $0.105 million for vacation and sick leave; and (3) a downward adjustment of $0.167 million in intercompany O&M transactions.[14]

5.1.1. Straight-Time Labor

SDG&E requests a total of $445,000 in straight-time labor costs, of which $277,000 is categorized as Capital and $167,000 is categorized as O&M.[15] The Public Advocates Office recommends the Commission reject the request entirely, arguing that "SDG&E's GRC already authorized labor costs for SDG&E employees to be recovered in rates" and that the utility "did not provide any analysis to demonstrate that any new positions were created specifically for the activities in this Application."[16] The Public Advocates Office argues that rather than hiring new employees, SDG&E "redirected its employees, whose labor costs are already included in rates, to perform work activities associated with the costs requested for recovery in this Application."[17] The Public Advocates Office argues that SDG&E failed to provide documentation that verified the costs incurred for straight-time labor were incremental to those already authorized in the GRC.[18]

The Public Advocates Office cites D.23-02-017, where the Commission previously explained what it considers to be an incremental cost:

> Costs are incremental if, in addition to the planned work that underlies the authorized costs, the utility had to procure additional

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[14] *See* Exhibit CA-01 at 9.

[15] *See* Exhibit SDG&E-05 at 1.

[16] *See* Exhibit CA-01 at 13.

[17] *See* Exhibit CA-01 at 14.

[18] *See* Exhibit CA-01 at 14.

> resources, be it in labor or materials, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being "incremental."[19]

The Public Advocates Office argues that "SDG&E did not provide adequate supporting documentation to show that it created new positions and hired new staff to complete TIMP activities."[20]

5.1.2. Vacation and Sick Leave

The Public Advocates Office recommends the Commission deny SDG&E's request for $105,000 for vacation and sick leave.[21] The Public Advocates Office argues that "[i]f the underlying labor is not incremental, then the related vacation and sick leave costs also must not be incremental" and "SDG&E has not provided evidence that it hired new employees for the TIMP projects identified in this Application."[22]

5.1.3. Intercompany O&M Transactions

The Public Advocates Office recommends the Commission deny SDG&E's request for $167,000 in O&M for intercompany O&M transactions.[23] The Public Advocates Office argues "[f]or Public Liability/Property Damage (PLPD) and

[19] *See* D.23-02-017 at 27.

[20] *See* Exhibit CA-01 at 15.

[21] *See* Exhibit CA-01 at 16.

[22] *See* Exhibit CA-01 at 16.

[23] *See* Exhibit CA-01 at 16.

Purchasing overheads, it is unclear why these overhead costs were not charged to SCG in the first place and why they were instead included in SDG&E's Application, which covers a separate rate jurisdiction with different ratepayers."[24] The Public Advocates Office argues "[t]he remainder of intercompany O&M transfers are driven by employee base pay or hours worked" and argues because SDG&E did not demonstrate that it hired new employees for the TIMPBA projects in the instant application, the request should be denied.[25]

5.2. SDG&E Response

SDG&E argues that the Public Advocates Office's testimony incorrectly summarizes the amount of O&M and capital expenditures associated with the request.[26] SDG&E argues that "while authorized imputed capital and O&M expenditures, which are cumulative for the TY 2019 GRC cycle, may be used to determine the cost recovery thresholds, it cannot be used to determine the under-collected revenue requirement for this Application."[27]

SDG&E argues that its TIMP expenditures, including labor, are incremental for three reasons: (1) "[n]ew [Pipeline Hazardous Materials Safety Administration] mandates altered the regulatory landscape, requiring utilities to adapt rapidly to <u>new</u> requirements and at increased cost; (2) SDG&E's TIMP

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[24] *See* Exhibit CA-01 at 19.

[25] *See* Exhibit CA-01 at 19.

[26] *See* Exhibit SDG&E-05 at 4.

[27] *See* Exhibit SDG&E-05 at 4.

expenditures are authorized, recorded, and recovered through a separate TIMPBA, which isolates activities and costs from non-TIMP GRC funding; and (3) Resolution G-3611 explicitly found SDG&E's TIMP expenditures to be 'appropriately recorded' and 'reasonably incurred.'"[28]

SDG&E argues that the PHMSA's new requirements "drove an increase in activity during the period of 2019 through 2023, which was not forecasted in SDG&E's TY 2019 GRC" and that "[w]hen SDG&E's TY 2019 GRC was filed in October 2017, SDG&E's forecast was based on then-prescribed activities and activity scopes."[29] SDG&E argues that because the costs incurred were pursuant to new mandates and were not forecasted, the activities—and by extension the costs—are incremental. [30]

SDG&E states that in D.19-09-051 the Commission authorized SDG&E to establish a two-way balancing account for TIMP-related costs.[31] SDG&E argues that it recorded the TIMP-related costs in the appropriate balancing account and, "[i]n order to manage the separation of TIMPBA and other company funding, SDG&E records costs to dedicated TIMP work orders which are tagged with accounting mechanisms that enable the identification and sequestration of costs."[32]

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[28] *See* Exhibit SDG&E-05 at 6.

[29] *See* Exhibit SDG&E-05 at 6.

[30] *See* Exhibit SDG&E-05 at 7.

[31] *See* Exhibit SDG&E-05 at 7.

[32] *See* Exhibit SDG&E-05 at 8.

SDG&E argues that the Public Advocates Office's testimony asserts that "new positions need to be created for the TIMP projects included in SDG&E's application for these expenditures to be considered incremental"[33] and states this is not the correct analysis. Instead, SDG&E argues that amounts are incremental "because they are above the authorized amount for TIMPBA."[34]

SDG&E further argues that "Cal Advocates makes the flawed assumption that SDG&E's redirection of employee labor to the TIMP meant SDG&E did not then offset this reallocation by either hiring additional employees or leveraging external contractors or other non-labor means to complete other scopes of work."[35]

SDG&E goes on to argue that the Commission reviewed and approved the 2019 through 2023 Incremental TIMPBA costs it requested in Tier 3 Advice Letters 3257-G and 3257-G-A through Resolution G-3611.[36] SDG&E states that because Resolution G-3611 deemed the costs "appropriately recorded" and "reasonably incurred," they were deemed incremental.[37]

SDG&E further contends that "there is no requirement that a new position must be created in order to show incrementality" and that "Cal Advocates appears to require SDG&E to engage in the less cost-effective practice of hiring

[33] *See* Exhibit SDG&E-05 at 8.

[34] *See* Exhibit SDG&E-05 at 9.

[35] *See* Exhibit SDG&E-05 at 11.

[36] *See* Exhibit SDG&E-05 at 11-12.

[37] *See* Exhibit SDG&E-05 at 12, citing Resolution G-3611 at 7.

new employees simply to prove incrementality instead of leveraging the available experienced workforce and external contractors to increase efficiencies, where appropriate."[38] SDG&E also argues that the Public Advocates Office "arrived at this disallowance [amount] based on a review of expenditures from five sampled SDG&E TIMP projects performed during the TY 2019 GRC cycle," and proceeded to multiply the straight time labor costs from the sampled projects by an adjustment factor based on the proportion of sampled project total costs against SDG&E's total TY 2019 actual expenditures to determine the recommended disallowance.[39]

SDG&E adds that although the Public Advocates Office argues that SDG&E failed to provide verifiable and traceable documentation to justify its recovery request, the Public Advocates Office never requested such information.[40] SDG&E's arguments for vacation and sick expenditures, along with that of Intercompany O&M Transactions mirror their arguments for Straight Time Labor expenditures, just as the arguments and methodology the Public Advocates Office advances against these categories are linked and similar in nature.

6. Consistent with the Law

We find that the Settlement Agreement is consistent with the law and Commission decisions. The Settling Parties complied with the provisions of Rule

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[38] *See* Exhibit SDG&E-05 at 12.

[39] *See* Exhibit SDG&E-05 at 13, citing to Attachment B.

[40] *See* Exhibit SDG&E-05 at 14.

12. Furthermore, we find that there are no terms within the Settlement Agreement that would bind the Commission in the future or violate existing law. The Settling Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement Agreement. Further, the Settling Parties entered into the Settlement Agreement voluntarily and upon review and advice by their respective legal counsels and technical staff.

7. Public Interest

We find that the Settlement Agreement is in the public interest for the following reasons:

1. The Settling Parties represent both sides of this case: the utility and the ratepayers, and the Settlement Agreement balances those interests at stake;
2. The Settlement Agreement serves the public interest by resolving competing concerns in a collaborative and cooperative manner;
3. The Settlement Agreement minimizes the costs of evidentiary hearings and resources of the Commission, thus saving public and ratepayer funds to litigate the dispute;
4. The Settlement Agreement will provide efficient resolution of the contested issues, thus saving unnecessary litigation expenses and Commission resources; and
5. The Settlement Agreement is consistent with the Commission's long-standing policy favoring the settlement of disputes to avoid costly and protracted litigation.

Adoption of the Settlement Agreement is binding on all parties to the proceeding. However, pursuant to Rule 12.5, the Settlement Agreement does not bind or otherwise impose a precedent in this or any future proceeding. Parties should not presume that the Commission would deem the outcome adopted in this decision to automatically be reasonable in any subsequent application. Hence, future applications filed should fully justify every request and ratemaking proposal, as required by statute and Commission rule, and without reference to, or reliance on, the adoption of the Settlement Agreement.

8. Reasonableness in Light of the Record

In evaluating the reasonableness of the Settlement Agreement in light of the whole record, we find that it strikes a reasonable balance between the litigated positions. We are not entirely persuaded by the showing that the utility incurred incremental costs, nor are we entirely satisfied with the methodology utilized to come up with the recommended reduction. Therefore, some amount of reduction between the two litigated positions is warranted, and we find that the Settlement Agreement provides this.

We find that the Settlement Agreement is reasonable in light of the whole record. We have weighed each party's argument, noting that each party reasonably and mutually compromised on the issues resulting in compromises in the Settlement Agreement that lessen the burden on ratepayers relative to SDG&E's initial request in the instant application. We therefore find the terms of the Settlement Agreement mutually beneficial to both SDG&E and ratepayers.

9. 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.

Public comments reflect concerns with SDG&E's high rates and record profits. Comments emphasize that SDG&E's prices exceed average rates across the nation and urge the Commission to deny requests for rate increases.

10. Procedural Matters

We grant SDG&E's and the Public Advocates Office's Joint Motion, dated November 24, 2025, as well as the Public Advocates Office's Motion, dated April 27, 2026, to Admit Testimony and Enter Exhibits into evidence. Exhibits SDG&E-01, SDG&E-02, SDG&E-03, SDG&E-04, SDG&E-02-WP-A-P, SDG&E-02-WP-A-C, SDG&E-03-WP, SDG&E-05, CA-01, and CA-01-WP are moved into the evidentiary record.

After reviewing the confidential information, we find that sufficient cause exists to also grant SDG&E's and the Public Advocates Office's Joint Motion for Leave to File Under Seal Exhibit SDG&E-02-WP-A-C. This document is granted confidential treatment for a period of three years. During this three-year period, this information shall not be publicly disclosed except on further Commission order or ALJ ruling. If SDG&E believes that it is necessary for this information to remain under seal for longer than three years, SDG&E may file a motion showing good cause for extending this order by no later than 30 days before the expiration of the grant of confidentiality.

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

11. Exemption from Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

12. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Amin Nojan is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On February 27, 2025, SDG&E filed A.25-02-012 to recover costs recorded in the TIMPBA.
2. The TIMPBA was established to track expenditures for the maintenance and repair of gas transmission pipelines through D.13-05-010.
3. On April 4, 2025, the Public Advocates Office filed a Protest to the Application.
4. On January 16, 2026, SDG&E and the Public Advocates Office filed the Amended Joint Motion for Approval of Settlement Agreement that complies with Rule 12.1.
5. SDG&E requests a total of $7,413,215 in the instant application.

6. The Settlement Agreement recommends a $428,000 reduction to SDG&E's request.

7. The Settlement Agreement is reasonable in light of the record.

8. The Settlement Agreement is consistent with the law.

9. The Settlement Agreement balances utility and customer interests.

10. The Settlement Agreement serves the public interest by resolving competing interests in a collaborative and cooperative manner.

11. The Settlement Agreement is consistent with the Commission's long-standing policy favoring the settlement of disputes to avoid costly and protracted litigation.

12. There are no terms within the Settlement Agreement that would bind the Commission in the future or that would violate existing law.

Conclusions of Law

1. The Joint Motion for Adoption of Settlement Agreement, filed January 16, 2026, should be granted.

2. The Settlement Agreement, included with this decision as Attachment A, is reasonable in light of the record, consistent with existing law, and in the public interest, and should be approved and adopted.

3. It is reasonable to grant SDG&E's and the Public Advocates Office's November 24, 2025 Joint Motion to Admit Testimony and Enter Exhibits Into Evidence. Exhibits SDG&E-01, SDG&E-02, SDG&E-03, SDG&E-04, SDG&E-02-WP-A-P, SDG&E-02-WP-A-C, SDG&E-03-WP, SDG&E-05, and CA-01 are moved into the evidentiary record.

4. It is reasonable to grant SDG&E's and the Public Advocates Office's November 24, 2025 Joint Motion for Leave to File Under Seal. Exhibit SDG&E-02-WP-A-C should be given confidential treatment.

5. It is reasonable to grant the Public Advocates Office's April 27, 2026 Motion to Admit Exhibits Into Evidence. Exhibit CA-01-WP is admitted into the evidentiary record.

6. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ should be denied.

7. The proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to recover $6,985,215.

2. The January 16, 2026, Joint Motion for Settlement Agreement is granted.

3. The Settlement Agreement, included with this decision as Attachment A, is approved and adopted.

4. Exhibits SDG&E-01, SDG&E-02, SDG&E-03, SDG&E-04, SDG&E-02-WP-A-P, SDG&E-02-WP-A-C, SDG&E-03-WP, SDG&E-05, CA-01, and CA-01-WP are moved into the evidentiary record.

5. Exhibit SDG&E-02-WP-A-C is granted confidential treatment for a period of three years. During this three-year period, this information shall not be publicly disclosed except upon further Commission order or Administrative Law Judge ruling. If San Diego Gas & Electric Company (SDG&E) believes that it is

necessary for this information to remain under seal for longer than three years, SDG&E may file a motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

6. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed; and all motions not specifically addressed herein or previously denied by the assigned Commissioner or ALJ are denied.

7. Application 25-02-012 is closed.

This order is effective today.

Dated _____, at Fort Bragg, California

ATTACHMENT A

(Amended Joint Motion for Approval of Settlement Agreement)

(END OF ATTACHMENT A)