SoCalGas and SDG&E 2024 (Sempra) General Rate Case (A.22-05-015 / 016)
Dec. 19, 2024

On Dec. 19, 2024, the California Public Utilities Commission (CPUC) adopted a decision on Sempra's General Rate Case (GRC). The decision authorizes revenue requirements[1] for Southern California Gas Company (SoCalGas) and San Diego Gas & Electric (SDG&E) service operations for years 2024 through 2027. Though this proceeding is not the venue for authorizing energy procurement, it is a key package of investments in the context of California's clean energy journey.

The decision adopts a 2024 Test Year[2] revenue requirement of $3.806 billion for **SoCalGas**, which is $628.7 million lower than the $4.434 billion that SoCalGas had requested. The adopted revenue requirement represents an increase of $323.6 million, or a 9.3 percent increase, over the 2023 current revenue requirement of $3.482 billion.

The decision adopts a 2024 Test Year revenue requirement of $2.699 billion for **SDG&E's** combined operations ($2.193 billion for electric and $506 million for natural gas operations), which is $308.3 million lower than the $3.007 billion that SDG&E had requested. The adopted combined operations' revenue requirement represents an increase of $188.6 million, or a 7.5 percent increase, over 2023 current combined revenue requirement of $2.510 billion.

Table 1: Bill Impact Estimates[3]

SoCalGas Typical Residential Gas Bill Impact- TY2024 GRC Decision				
Average Residential Bill $/month	**Current (10/1/2024)**	**Proposed**	**Difference ($)**	**Difference (%)**
Non-CARE Customers 37 therms/month	$71.10	$73.58	$ 2.48	3.5%
CARE Customers 27 therms/month	$39.71	$41.11	$ 1.40	3.5%
SDG&E Typical Residential Gas Bill Impact- TY2024 GRC Decision				
Average Residential Bill $/month	**Current (10/1/2024)**	**Proposed**	**Difference ($)**	**Difference (%)**
Non-CARE Customers 25 therms/month	$57.91	$58.93	$1.02	1.8%
CARE Customers 22 therms/month	$39.38	$40.09	$0.71	1.8%
SDG&E Typical Residential Electric Bill Impact[4]- TY2024 GRC Decision				

[1] Revenue requirement is the total amount of money a utility collects from its customers through rates in a given period to cover the utility's operating expenses and provide a return to investors.

[2] A Test Year is the first year of a GRC cycle when the CPUC adopts a budget for utility operations. The CPUC reviews cost data, which are based on forecasts. The Test Year budget is then adjusted to determine revenue requirements for the post-Test Year or attrition years following the Test Year, based on inflation and other factors.

[3] The decision authorizes SoCalGas and SDG&E to implement the 2024 revenue requirement in rates with the new rates February 1, 2025. In consideration of the bill impact of rate increases on customers, the CPUC finds it reasonable to amortize the 2024 under-collected revenues for 18 months. These bill impact estimates do not include the amortization of the under-collected revenues in 2024. Due to the late implementation of the GRC decision, there will be an additional increase from the amortized 2024 shortfall. For a typical residential non-CARE customer this amounts to approximately $80 per month for SoCalGas gas customers (using 37 therms); $64 per month for SDG&E gas customer (using 25 therms), and $180 per month for SDG&E electric customers (using 400 kwh).

[4] Assumptions 1. Inland and Coastal average, Non-NEM bundled customer using 400kwh or 700kwh. There are four electric climate zones: Coastal, Inland, Desert, and Mountain. Coastal and Inland together make up approximately 98% of customers.2. The residential default rate TOU-DR1 is used for bill calculation.

Average Residential Bill $/month		Current (10/1/2024)	Proposed	Difference ($)	Difference (%)
400kwh	Non-CARE	$166.41	$170.79	$ 4.38	2.6%
	CARE	$107.18	$110.02	$ 2.85	2.7%
700kwh	Non-CARE	$320.36	$328.79	$ 8.44	2.6%
	CARE	$207.45	$212.93	$ 5.48	2.6%

Overview of the Decision

SoCalGas:

- The decision approves funding for 2024 totaling $3.806 billion with increases of $323.6 million, or 9.3%, for 2024; an increase of $190.2 million, or 5%, in 2025; an increase of $116.4 million, or 2.91%, in 2026; and an increase of $119.9 million, or 2.92%, in 2027.[5]

SDG&E:

- The decision approves combined electric and natural gas operations funding for 2024 totaling $2.699 billion with increases of $188.6 million, or 7.5 %, for 2024; an increase of $ 147.0 million, or 5.45%, in 2025; an increase of $118.6 million, or 4.17%, in 2026; and an increase of $121.7 million, or 4.11%, in 2027.[6]

The following table shows total revenues for operations and capital:

Table 2: SoCalGas and SD&E GRC 2024-2027 Annual Revenues

Total Operating Revenues ($ billion)				
	2024	**2025**	**2026**	**2027**
SoCalGas	$3.81	$4.0	$4.11	$4.23
SDG&E	$2.7	$2.85	$2.97	$3.09

Investing in Safety and Reliability:

The decision authorizes funding so that SoCalGas and SDG&E can maintain the safety, reliability, and efficiency of their natural gas transmission, distribution, and storage systems and electric distribution and generation systems. While Sempra did not receive the full revenue requirement they requested, the decision balances between maintaining safety, reliability, and investments in clean energy infrastructure and ensuring rates remain affordable for customers.

- *Aging Infrastructure:* The largest driver of rate increases is for the maintenance and replacement of aging pipeline infrastructure and monitoring equipment as part of the integrity management programs required to meet federal and state safety requirements.

[5] SoCalGas' total requested revenue requirement over the four-year rate case cycle (2024-2027) would have been $19.5 billion if the request had been approved in full, the decision approves $16.2 billion.
[6] SDG&E's total requested revenue requirement over the four-year rate case cycle (2024-2027) would have been $14.03 billion if the request had been approved in full, the decision approves $11.6 billion.

- The decision authorizes the modernization of SoCalGas's Honor Rancho and SDG&E's Moreno compressor stations[7] to comply with regulatory requirements and support natural gas reliability.
- The decision authorizes 99% of SDG&E's investments to modernize and maintain the electric grid and upgrade and construct substations to provide safe and reliable services.

- *System Hardening and Modernization*: Another significant driver of the rate increase is to underground additional miles of electric lines, but not to the degree requested by SDG&E. The decision also authorizes investments in covered conductors. SDG&E requested a four-year budget of $1.9 billion to underground 605 miles and install covered conductors on 180 miles of electric lines. The decision authorizes an annual budget of $154.5 million to underground 35 miles and install covered conductors on 100 miles of electric lines. The funding also allows SDG&E to continue to harden its grid and reduce wildfire risks.

- *Innovation*: The decision authorizes clean energy innovations that the utilities demonstrated would benefit ratepayers and be cost-effective, but not other innovations, such as using hydrogen, that have not been demonstrated to be directly related to its core function of providing safe and reliable natural gas service. Clean energy innovations include the use and increased adoption of clean fuels like renewable natural gas and bio-synthetic natural gas and carbon management strategies.
  - The CPUC has a longstanding and successful commitment to the environment. In working with the utilities for example, as part of clean energy goals, SDG&E exceeded its 2023 annual Renewables Portfolio Standard (RPS) target, procuring over 48 percent of its retail sales from RPS-eligible energy resources. In addition, in 2023 California retail sellers procured over 40 percent of their electricity from RPS-eligible energy resources and are on track to meet the 2021-2024 Compliance Period Requirements.

- *Post Test Year (PTY) Savings*:
  - The PTY revenue requirement gives Sempra a 3% to 4% year over year increase, sufficient funding for safety-related work. For SoCalGas, the decision adopts a 3% annual increase, resulting in a total revenue requirement from $4.06 billion in 2024 to $4.43 billion in 2027. This is lower than SoCalGas' proposed increase from $4.4 billion in 2024 to $5.37 billion in 2027. For SDG&E, the decision adopts a 3% annual increase plus 1% additional capital exceptions for wildfire mitigation work, bringing the total from $2.88 billion in 2024 to $3.22 billion in 2027. This is also lower than SDG&E's proposed increase from $3 billion in 2024 to $3.99 billion in 2027.
  - The decision authorizes a capital exception budget of approximately $168 million per year to allow SDG&E to continue installing covered conductors and underground its overhead lines at the adopted level.
  - Sempra should be able to meet Pipeline and Hazardous Materials Safety Administration (PHMSA) regulatory requirements with the funding provided. If additional funding is needed, they have the option to request recovery through regulatory accounts. Specifically, regarding SDG&E's PTY exception request for natural gas integrity management programs, while the CPUC did not grant guaranteed funding, SDG&E can continue tracking its expenditures and seek recovery later.

[7] Compressor station upgrades will not be reflected in rates until SDG&E and SoCalGas file Advice Letters for costs capped at $409.7 million for the Moreno Station and $525.2 million for the Honor Rancho Station after each station's in-service dates (June 2026 and January 2027, respectively).

- *Tax Benefits*: Sempra elected the tax accounting method change related to natural gas repairs in Internal Revenue Service Revenue Procedure 2023-15. This will result in a reduction to the revenue requirement, benefiting ratepayers. Based on the revenue requirement, the decision adopts a tax expense forecast of $230.968 million for SoCalGas and $265.667 million for SDG&E.

- *Future Customer Savings*: The decision adopts a process that allows the utilities to pass through as soon as possible, any rate reductions that result from the income tax election made on the utilities' natural gas repairs costs. The decision also adopts a Settlement Agreement for Insurance, allowing for utility self-insurance and premiums to provide savings for ratepayers.

- *Improved Customer Service*: The decision adopts a Settlement Agreement for Customer Services – Information that pertains to customer programs and business services, including a research effort for small business customers that addresses issues of affordability, payment options, and customer savings options.

Affordability:

- The CPUC adopted a decision in May 2024[8] to implement a flat rate that reduces electricity prices and accelerates electrification. The flat rate lowers overall electricity bills on average for lower income households and those living in regions most impacted by extreme heat events.
- The revenue requirements approved in this decision will go into effect in February for natural gas and electric ratepayers along with revenue requirements approved in other proceedings and administrative filings taking effect at the beginning of 2025. The approved test year 2024 revenue requirement is effective January 1, 2024,[9] and the PTY 2025 revenue requirement is effective January 1, 2025. The implementation of the 2024 and 2025 revenue requirements into rates will occur on February 1, 2025. The CPUC will have more information on the overall bill impact of all these actions at the end of January.
- The CPUC has directed SDG&E and SoCalGas to apply for federal grants and tax credits from the Inflation Reduction Act and Bipartisan Infrastructure Law to leverage non-ratepayer sources of funding.
    - SDG&E has eight energy storage and microgrid projects that were eligible for production tax credits and SDG&E will provide the benefits of the tax credits to customers totaling almost $200 million. SDG&E will apply the final tax credits toward lowering customer rates over a two-year period starting in 2025 separate from this General Rate Case.
- This decision is distinct from the decision adopted on October 17, 2024 ordering SoCalGas to refund $3,989,777 to ratepayers for expenditures on unallowed energy efficiency codes and standards activities.

[8] D.24-05-014
[9] In D.23-05-012, the CPUC allowed Sempra to establish a GRC Memorandum Account (GRCMA) to record 2024 Test Year GRC revenue requirements effective January 1, 2024.

Background:

- On May 16, 2022, SoCalGas and SDG&E filed applications seeking CPUC authorization to approve rate increases for electric and natural gas customers. SoCalGas and SDG&E modified their requests in July 2023.
- The CPUC held four Public Forums for Sempra customers (two for each utility) remotely on March 6, 2023 and March 15, 2023, and two in-person Public Forums for SDG&E customers on March 23, 2023.
- More than 21 days of Evidentiary Hearings were conducted starting on August 15, 2022, and 17 intervenors actively participated in Track 1 of the proceeding by submitting exhibits, cross-examining hearing witnesses, and filing motions and briefs.
- SDG&E's request to recover approximately $775 million of incremental cost recorded in the Wildfire Mitigation Plan Memo Account (WMPMA) from May 2019 through the end of 2022 is being addressed in Track 2 of the current proceeding.
- The Proposed Decision (PD) was published on October 18, 2024. 18 parties submitted opening comments, and 16 parties provided reply comments on the PD.

Next Steps:

- The decision authorizes Sempra to file Tier 1 Advice Letters with the CPUC to implement the authorized revenue requirements within 30 days to be effective February 1, 2025.