

Company: Southern California Gas Company

Application: A.26~~5~~-03-018

Exhibit: SCG-01

PREPARED DIRECT TESTIMONY

ON BEHALF OF

SOUTHERN CALIFORNIA GAS COMPANY

EXHIBIT 1

(2028-2031 Portfolio Plan and 2032-2035 Business Plan)

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

March 16, 2026

(Revised Pages)

Commission declined to eliminate natural gas appliance incentives, citing legislative intent, the continued existence of gas savings goals, and the risk of disproportionate impacts on limited-income customers.^{28, 29} The Maryland Public Service Commission's findings emphasized that high-efficiency natural gas incentives continue to deliver emissions reductions while supporting customer affordability and program balance.³⁰ Subsequent analysis demonstrating materially higher costs, rate impacts, and reduced cost-effectiveness under a no-gas-incentive portfolio reinforced the conclusion that natural gas efficiency programs continue to be a viable strategy to meet decarbonization objectives.³¹

Taken together, energy efficiency's record is unambiguous. Across statute, the Commission's decisions, the long-standing assertions of environmental organizations, and decisions in other states with similar decarbonization goals, energy efficiency is consistently identified as the first, best, and lowest-cost resource for meeting California's energy needs, reducing emissions, and delivering measurable bill savings to customers. This conclusion has been applied across end uses and fuels, including natural gas, where efficiency programs have long provided some of the most immediate and cost-effective opportunities for customer savings and emissions reductions. The consistency of this framing over time and across perspectives reflects experience rather than ideology. It is the foundation upon which California's energy policy has been built, and it remains a resource that continues to deliver substantial value to customers and to the State. SoCalGas remains committed to its role as a resource delivering such substantial value to customers.

Affordability Natural gas efficiency programs remain highly effective, with the proposed portfolio estimated to provide approximately \$900 million in TSB resulting from \$600 million of EE spending during 2028 - 2031, with a forecasted cost-effectiveness of 1.8~~28~~. SoCalGas has a

²⁸ Maryland's EmPOWER threshold for "limited-income" as of January 2026 for a family of four is an annual income of \$104,200. *See*, Maryland.gov, EmPOWER Maryland Limited Income Energy Efficiency Program, available at: <https://dhcd.maryland.gov/Energy-Home-Repair/Pages/Homeowner-Grants/EmPOWER.aspx>.

²⁹ Order No.91461 on Revised 2024-2026 EmPOWER Plans, Semi-Annual Reports, and Work Group Reports, at 14-18. Case No. 9705 (ML 314502), available at: https://www.psc.state.md.us/wp-content/uploads/Order-No.-91461_2024O1O-9705.pdf

³⁰ *Id.* at 17.

³¹ Alternative EmPOWER Energy Efficiency and Conservation Plan. Case No 9705 (ML 321580), item no. 300, at 6-8, available at: [https://webpscxb.psc.state.md.us/DMS/case/9705](https://webpscxb.psc.state.md.us/DMS/case/9705/webpscxb.psc.state.md.us) [webpscxb.psc.state.md.us].

amounts collected on their behalf that are currently included in customer rates. If approved, those increases would more than offset the decrease proposed by SoCalGas.

C. Summary Of SoCalGas's 2028 And Beyond Proposed Energy Efficiency Portfolio

For the 2028-2031 program cycle, SoCalGas proposes budgets, with the estimated TSB and cost-effectiveness summarized in Table 4.1 below.⁴¹

TABLE 4.1 (\$ Millions)

Year	Budget	Forecasted TSB	TRC*
2028	\$150	\$211	1.78
2029	\$150	\$220	1.84
2030	\$150	\$232 ⁴	1.92
2031	\$150	\$242	2.00
Total	\$600	\$904	1.89 ⁸

* TRC reflects the Resource Acquisition segment cost-effectiveness.

To prepare the proposal, SoCalGas performed an assessment of its programs and found opportunities to simplify and streamline portfolio delivery, improve CX, and amplify the value delivered to customers and in environmental benefits.

Simplify and Streamline: During the current program cycle, SoCalGas evolved into a portfolio of 73 chosen, required, and market-responsive programs, which have provided participation opportunities for each customer segment through a variety of program delivery and engagement channels. See Graphic 4.1 for an illustration of SoCalGas's current portfolio composition.

⁴¹ Budgets for all PYs of the Business Plan (2028-2031) can be found in Exhibit 1, Chapter 2. More detailed information is available in Exhibit 4.

Graphic 4.1 – SoCalGas’s EE Program Types



While this approach has been successful toward meeting specific program as well as portfolio objectives, the requirements for administering this portfolio, with the additional complexity of ensuring 60 percent of the budget is dedicated to third-party implementers have been considerable. Recognizing one of the motivations for the third-party model was to deepen the pool of talent and ideas among energy efficiency program providers,⁴² SoCalGas has found that performing the Request for Proposals (“RFP”), third party onboarding, and program launching activities requires substantial time and resources to execute proficiently. To strike a better balance between program diversity and administrative efficiency, SoCalGas’s proposal consolidates programs within sectors, where possible, by program type, going from over 70 to 44 programs. SoCalGas proposes to continue serving each program sector but anticipates fewer administrative costs with the streamlined approach, greater ease communicating with customers, and improving upon the time it takes between Commission decisions and program launch. SoCalGas will leverage having a streamlined portfolio by striving to increase program-specific familiarity through communications and simplifying participation choices.

Amplify Value The Commission’s long-standing requirement for Investor Owned Utility (“IOU”) Portfolio Administrators is for the combination of energy efficiency programs to be cost-effective at the portfolio-level.⁴³ In concept, this supports having a well-rounded series of energy efficiency offerings, as some programs require time to mature and reach cost-effective outcomes, and others have meritorious objectives that are not financial or may be challenging to

⁴² D.16-08-019 at 70.

⁴³ *The Electric Utility Industry Restructuring*. AB 1890. California Legislature, 1996.

quantify. While SoCalGas continues to support this measurement standard, in preparing this proposal SoCalGas explored opportunities to increase the cost-effectiveness of each program to amplify the value delivered at a micro (i.e., program) and macro (i.e., portfolio) level.

In the first step of the portfolio development process, SoCalGas determined it was necessary to augment the TSB goal adopted in D.25-08-034.⁴⁴ Assuming that current practices for TSB goals will continue, SoCalGas needs to anticipate material changes to the P&G Study because the next iteration will be released in 2027, supersede the current study, and serve as the source to establish SoCalGas's energy efficiency goals at the onset of the next program cycle. SoCalGas observed in the current P&G study a substantial decline in TSB beginning in PY 2030 due to an assumption of regulations prohibiting the installation of new natural gas equipment, largely in residential and commercial water heating.⁴⁵ However, such regulations have not been adopted, and policy proposals in this area continue to evolve (See footnote 26, above). Accordingly, as described in Exhibit 1, Chapter 4, SoCalGas proposes a TSB goal for the 2028-2031 period based upon the P&G study that is adjusted to reflect the evolving circumstances. The proposed budget reflects the funding required to meet the adjusted TSB based on the information currently available.

In the next step, programs not meeting their objectives or no longer needed for a successful portfolio were eliminated. Then, program segments and sectors were consolidated where possible to reduce the administrative complexities of operating and reporting programs. Third, programs with similar or overlapping goals and customer outreach structures were consolidated into one larger program. Finally, within the new shorter list of programs, the forecasted measure mix was analyzed and the forecasts updated to reflect reasonable estimates of achievable potential, while maximizing cost effectiveness within programs. This exercise resulted in significant increases in cost effectiveness of the portfolio, with the resulting Total Resource Cost ("TRC") test ratio outcome 39 percent higher than the 2028-2031 forecast that was adopted in D.23-06-055, going from 1.33 to 1.89⁹⁸ in the Resource Acquisition segment.

While programs were eliminated, streamlined, and optimized for cost effectiveness and performance, not every proposed program has a TRC above 1.0. For example, during the process

⁴⁴ D.25-08-034 at 27 (OP 1).

⁴⁵ Guidehouse, 2025 Energy Efficiency Potential and Goals Study – Final (June 23, 2025) at xvii, available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/2025-potential-goals-study/2025-group-e-potential-goals-study-final-report-20250717.pdf>.

DIRECT TESTIMONY OF ANDREW STEINBERG

III. CHAPTER 1: EXECUTIVE SUMMARY

A. Application Overview and Intent

Pursuant to California Public Utilities Commission (Commission) Decision (D.) 21-05-031,⁴⁶ Southern California Gas Company (SoCalGas) submits this prepared testimony in support of the Energy Efficiency Business Plan Application (Application) for program years 2028-2035, including the associated four-year program budget and revenue requirement for 2028-2031.

SoCalGas requests the Commission to approve a budget cap for 2028 to 2035 of approximately \$1.25 billion, which includes two four-year portfolio cycles: 2028-2031 and 2032-2035. The first four-year portfolio cycle, as addressed further in SoCalGas's Application, covers 2028 to 2031 and includes SoCalGas's program budget of \$600 million. The second four-year portfolio cycle covers 2032 to 2035 and includes a SoCalGas's program budget of \$646 million. The numbers above do not include a budget request of approximately \$231 million for the four Regional Energy Networks (RENs) operating in SoCalGas service territory. The proposed energy efficiency portfolio is designed to deliver cost-effective Total System Benefit (TSB) and maintain a forecasted Resource Acquisition Total Resource Cost (TRC) ratio of 1.89⁴⁷ cumulatively for Program Years 2028-2031.

The intent of this Application is to present a streamlined, cost-effective, and performance-driven energy efficiency portfolio that advances affordability, reliability, decarbonization, and equity while supporting strengthened oversight and accountability measures consistent with Commission direction. The Application reflects a comprehensive reassessment of existing energy efficiency program structures and delivery mechanisms designed to deploy ratepayer funds prudently and continue to deliver measurable benefits to customers.

B. How the Application Intent was Determined

The direction of this Application was shaped by four primary factors:

- **Commission Direction:** Including D.21-05-031⁴⁷ and Rulemaking (R.)

⁴⁶ D.21-05-031 (OP 5).

⁴⁷ *Id.*

cost-effectiveness, and expected performance metrics across the four-year and eight-year planning horizons, using the tables below to present the key results in a concise and transparent format.

Table 1: 4-year Portfolio Budget Forecast Summary (2028-2031)					
4-year Portfolio Budget Forecast Summary (2028-2031) (\$000)					
	2028	2029	2030	2031	Total (4 years)
Total Budget	\$150,000	\$150,000	\$150,000	\$150,000	\$600,000
Resource Acquisition Segment	\$98,167	\$98,187	\$98,226	\$98,287	\$392,867
Market Support Segment	\$29,332	\$29,312	\$29,273	\$29,211	\$117,129
Equity Segment	\$14,520	\$14,521	\$14,521	\$14,521	\$58,083
Codes and Standards	\$1,809	\$1,809	\$1,809	\$1,809	\$7,237
EM&V	\$6,000	\$6,000	\$6,000	\$6,000	\$24,000
ED Portfolio Oversight	\$171	\$171	\$171	\$171	\$684

Table 2: 4-year Portfolio Forecast Summary (2028-2031)						
4-year Portfolio Forecast Summary (2028-2031)						
	2028	2029	2030	2031	Total 4-Year	
					RA Only	Total Portfolio
Total System Benefit (\$MM)	<u>\$211.0</u> ~~\$210.0~~	<u>\$219.8</u> ~~\$219.7~~	<u>\$231.6</u> ~~\$231.5~~	<u>\$241.7</u> ~~\$241.6~~	<u>\$844.6</u> ~~\$843.9~~	<u>\$904.1</u> ~~\$903.7~~
Total Resource Cost (TRC)	1.43	1.46	1.54	1.61	1.898	1.51
Program Administrator Cost (PAC)	2.812	2.74	2.81	2.88	2.18	2.81
Societal Cost Test (SCT) - Base	2.08	2.13	2.24	2.33	2.74	2.1920
Societal Cost Test (SCT) - High	2.10	2.14	2.24	2.33	2.75	2.20
Ratepayer Impact Measure (RIM)	0.55	0.58	0.61	0.63	0.81	0.59
Lifecycle GWh	36.75	35.60	36.16	36.16	92.9	143.7
First Year MW	1.87	1.87	1.87	1.87	4.5	7.5
Lifecycle MMTherms	420.7	400.1	397.5	392.3	498.2	1,610.6
Lifecycle Net Electric CO2 Metric Tons	4,861	4,677	4,622	4,570	11,507	18,730
Lifecycle Net Gas CO2 Metric Tons (MM)	2.234	2.125	2.111	2.083	2.645	8.552

Table 3: 4-year Portfolio Budget Forecast Summary (2032-2035)					
4-year Portfolio Budget Forecast Summary (2032-2035) (\$000)					
Portfolio Segment	2032	2033	2034	2035	Total (4 years)
Total Budget	\$154,434	~~\$159,062~~ ~~\$158,801~~	~~\$163,829~~ ~~\$162,658~~	~~\$168,738~~ ~~\$168,567~~	\$646,062
Resource Acquisition Segment	\$101,236	\$104,273	\$107,401	\$110,623	~~\$423,534~~ ~~\$424,524~~
Market Support Segment	\$30,088	\$30,991	\$31,921	\$32,878	\$125,878
Equity Segment	\$14,956	\$15,405	\$15,867	\$16,343	\$62,572
Codes and Standards	\$1,812	\$1,866	\$1,922	\$1,980	\$7,581
EM&V	\$6,171	\$6,356	\$6,546	\$6,743	\$25,815
ED Portfolio Oversight	\$171	\$171	\$171	\$171	\$684

Table 4: 4-year and 8-year IOUs Total System Benefit Forecast (w/out C&S) vs. Goals			
4-Year and 8-Year Total System Benefit Forecast vs. Goals			
Year	Total System Benefit Forecast	Total System Benefit Goals	Percent of TSB Goal
2028	~~\$210,966,732~~ ~~\$210,898,446~~	\$196,889,753	107%
2029	~~\$219,834,465~~ ~~\$219,720,866~~	\$201,796,085	109%
2030	~~\$231,621,772~~ ~~\$231,495,450~~	\$133,095,774	174%
2031	~~\$241,726,848~~ ~~\$241,626,261~~	\$136,524,840	177%
Total (4 years)	~~\$904,149,817~~ ~~\$902,741,023~~	\$668,306,452	135%
2032	~~\$252,133,616~~ ~~\$252,022,062~~	\$144,600,802	174%
2033	~~\$292,540,381~~ ~~\$262,417,866~~	\$152,670,798	172%
2034	~~\$272,947,147~~ ~~\$272,813,669~~	\$161,086,935	169%
2035	~~\$283,353,913~~ ~~\$282,200,472~~	\$173,476,885	163%
Total (4 years)	~~\$1,070,975,057~~ ~~\$1,070,463,071~~	\$631,835,420	~~170%~~ ~~169%~~
Cumulative (8 years)	~~\$1,975,124,874~~ ~~\$1,974,204,094~~	\$1,300,141,872	152%

Table 5: 4-Year and 8-Year Codes and Standards Forecast vs. Goals			
4-Year and 8-Year Codes and Standards Forecast vs. Goals			
Year	Energy Savings (MMtherms)	Goals (MMtherms)	Percent of Therm Goal
2028	18.6	9.0	207%
2029	17.1	8.5	201%
2030	16.9	8.3	204%
2031	16.6	8.1	205%
Total (4 years)	69.2	33.9	204%
2032	16.0	7.9	203%
2033	15.4	7.8	197%
2034	14.8	7.6	195%
Table 6: 4-Year and 8-Year Codes and Standards Forecast vs. Goals			
4-Year and 8-Year Codes and Standards Forecast vs. Goals			
Year	Energy Savings (MMtherms)	Goals (MMtherms)	Percent of Therm Goal
2035	14.2	7.4	192%
Total (4 years)	60.4	30.7	197%
Cumulative (8 years)	129.6	64.6	201%

Table 6: Portfolio Statewide and Third-Party Contribution Percentage Requirements					
Portfolio Statewide and Third-Party Contribution Percentage Requirements					
Time Period	Budget Component	Qualifying Budget	Cumulative Total Budget w/o OBF Loan Pool and ED Portfolio Oversight	Contribution Percentage	Minimum Threshold
2028-2031 (4-years)	Statewide ^[1]	\$66,917,913	\$599,316,336	11.2%	10%
2028-2035 (8-years)	Statewide ^[1]	\$138,825,520	\$1,244,695,090	11.2%	10%
2028-2031 (4-years)	Third-party ^[2]	\$363,317,913	\$599,316,336	60.6%	60%
2028-2035 (8-years)	Third-party ^[2]	\$754,532,484	\$1,244,695,090	60.6%	60%
¹ SW program definition per D.16-08-019, OP 24, OP 38, & OP 39.					
² Third-party program definition per D.16-08-019, OP 10, includes SW third-party budget.					

1 participation pathway that improves responsiveness and uptake.

- 2 • **Single Family Consolidation:** The resource acquisition and equity
3 components of the Residential Advanced Clean Energy Program (formerly
4 SCG3883 and SCG3935) are being merged into the Single Family Direct
5 Install Program under program code SCG4009. This aligns similar single-
6 family direct install efforts under consolidated program structures.
- 7 • **Multifamily Consolidation:** The Multifamily Whole Building Program
8 (formerly SCG3705 and SCG3938) will be merged with other overlapping
9 multifamily initiatives, specifically absorbing the scope of the former
10 SCG3938 program into a single, cohesive program under program code
11 SCG4005. Additionally, the resource acquisition and equity components of
12 the Multifamily Energy Alliance Program (formerly SCG3889 and
13 SCG3936) are being merged into the Multifamily Direct Install Program
14 under program code SCG4002. These consolidations eliminate duplicative
15 administrative costs and provide a unified interface for multifamily
16 properties and dwelling units, allowing for a more seamless customer
17 experience that delivers both equity and resource benefits through a single
18 channel.
- 19 • **Mobile Home Consolidation:** The Comprehensive Mobile Home Program
20 (formerly SCG3884) and the Residential Mobile Home Program (formerly
21 SCG3885) will be consolidated into a single Mobile Home Direct Install
22 Program under program code SCG4003. This unification streamlines service
23 delivery for this residential segment, providing consistent offerings and
24 simplified access to energy saving measures across the service territory.
- 25 • **Cross-Cutting SEM:** The distinct industrial and commercial SEM efforts,
26 including Strategic Energy Management (formerly SCG3714), Commercial
27 Strategic Energy Management (formerly SCG3939), and Innovations to
28 Industrials (i2i) SEM (formerly SCG3945) will be merged into a single cross-
29 cutting Strategic Energy Management Program under program code
30 SCG4014. This consolidated program will serve all eligible customers across
31 all nonresidential sectors, enabling a unified engagement model that
32 leverages best practices to drive operational efficiency.
- 33 • **Industrial Sector Streamlining:** Multiple distinct industrial programs which
34 were originally split by sub-sector (NAICS code) will be consolidated into one
35 comprehensive program. The Industrial Savings, Training, Assistance, and
36 Rebates (Industrial STAR) Program, Industrial Energy Partners (IEP)
37 Program, and Refinery Gas Energy Efficiency (RGEEP) Program (formerly
38 SCG3942, SCG3943, SCG3944) are being merged under the program code
39 SCG3998. These mergers simplify the customer journey, allowing industrial
40 customers easier access to energy efficiency.
- 41 • **Commercial Sector Streamlining:** Multiple distinct commercial offerings will
42 be consolidated into comprehensive programs. The resource acquisition and
43 equity components of the Small and Medium Commercial Energy Efficiency Program

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(formerly SCG3882 and SCG3937) and Commercial-BEST (formerly SCG3887 and SCG3940) are being merged into the Small and Medium Commercial Program under the program code SCG3996. Similarly, the Service RCx Large Commercial Program (formerly SCG3891) is being merged into the Large Commercial Energy Efficiency Program under the program code SCG3997 (formerly SCG3892). These mergers simplify the customer journey, allowing businesses to access rebates and services through fewer points of entry.

- **Municipality Partnership Program:** SoCalGas has an extensive network of partnership programs with electric utilities and water utilities and agencies Programs (formerly SCG3832, SCG3833, and SCG3834) are being merged throughout its service territory. In order to serve current and future partnerships in a streamlined manner, the Local Government Partnerships Programs (formerly SCG3832, SCG3833, and SCG3834) are being merged into a single Municipality Partnership Program under the program code SCG4017. This consolidation streamlines the engagement model for local governments, allowing for a more coordinated approach to supporting municipal climate action plans and energy efficiency goals across the service territory.

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2. Portfolio Segmentation and Budget Shifts:

- **Resource Acquisition (RA):** Midstream programs continue to hold a prominent role in the RA portfolio. Notably, the Statewide Midstream Commercial Water Heating Program (SCG_SW_MCWH) has been allocated a significant portion of the commercial budget (approximately 30% of the relevant sector funds), reflecting its verified high performance and future energy efficiency potential. Conversely, funding for lower-performing downstream rebate programs have been reduced to support these high-yield channels
- **Equity Segment:** The Equity portfolio has been refined to actively promote the deployment of "Exempt Measures" (building envelope, health/safety) consistent with D.23-04-035.107 Budget allocations for the Multifamily Whole Building Program (SCG4005), Residential Energy Efficiency Program (SCG4008), Small/Medium Commercial Program (SCG3996), Single Family Direct Install Program (SCG4009), Mobile Home Direct Install Program (SCG4003), and Multifamily Direct Install Program (SCG4002) have been adjusted to their dual capacity to deliver traditional resource benefits while expanding the adoption of equity-focused measures, consistent with the new cost-effectiveness exemptions
- **Market Support:** The market support budget activities have been refined to specifically target workforce gaps identified in the 2024-2027 cycle. This includes dedicated funding for WE&T Career Connections(SCG_SW_WET_CC), Workforce Readiness (SCG_SW_WET_Work), and local training work through the Integrated Energy Efficiency Training program (SCG4019) to support the transition to advanced gas technologies and proper refrigerant management.

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¹⁰⁷ D.23-04-035, OP 6.

3. Program Transitions and Regulatory Contingencies:

- Residential Behavioral Program (formerly SCG3824): The Residential Program continues to drive significant energy savings, helping customers reduce not only their energy usage but also their monthly costs. The program is expanding its reach while deepening its behavioral strategies and analytical capabilities, including the development of stronger propensity-modeling efforts that can disaggregate aggregated usage data, making insights more actionable and ultimately enabling customers to achieve greater affordability. Although the Nonresidential Program (formerly SCG3898) did not generate substantial savings in its initial launch, it demonstrates strong potential for future growth. Continued exploration of targeted strategies, new engagement approaches, and deeper analytical insights can position the Nonresidential Behavioral Program (formerly SCG3898) for greater impact in subsequent cycles. While the Nonresidential Behavioral Program has been identified for retirement in support of a unified cross-sector approach under program code SCG4011, opportunities for future exploration will continue.
- Statewide Upstream HVAC and Plug Load & Appliances Programs: The strategy for the Upstream HVAC Program is contingent on the outcome of the active Advice Letter protest regarding “All Electric” measures.¹⁰⁸ SoCalGas retains the flexibility to reframe this offering as local or regional programs to advance efficient HVAC systems as needed, pending the outcome of ongoing policy discussions. Regarding Plug Load & Appliances, SoCalGas actively seeks to recapture the authority to implement these measures at a local level. Accordingly, SoCalGas will integrate these offerings as a delivery channel under the existing Residential Energy Efficiency Program, maintaining continued customer access to appliance incentives within a stable, locally administered framework.

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b. List all closed programs in Table 7

Table 7 presents the consolidated 2028-2031 program portfolio, reflecting SoCalGas’s shift from narrowly defined programs to a more integrated delivery model. In prior cycles, the program portfolio was divided into programs organized by delivery channel or technology type, which resulted in multiple Implementation Plans and added administrative burden. For this cycle, SoCalGas has consolidated programs by customer sector and intervention type rather than

¹⁰⁸ SoCalGas Protest to Pacific Gas and Electric Company’s November 4, 2025, mid-cycle Tier 2 Advice Letter (AL) 5141-G/7752-E (November 24, 2025) at 4.

Commercial/Industrial	\$1.238	\$0.001	0.1%	\$0.003	0.3%
Gas AC	\$1.853	\$0.011	0.5%	\$0.028	1.5%
Core-Non CARE					
Residential	\$2.092	\$0.000	0.0%	\$0.001	0.0%
Commercial/Industrial	\$1.579	\$0.001	0.1%	\$0.003	0.2%
Gas AC	\$2.149	\$0.011	0.5%	\$0.028	1.3%
Gas Engine	\$0.893	\$0.002	0.2%	\$0.003	0.4%
Natural Gas Vehicle	\$0.951	\$0.000	0.0%	\$0.000	0.0%
Noncore					
Commercial/Industrial	\$0.254	\$0.000	0.0%	\$0.000	0.1%

1 If the request is approved, an average residential customer using 35 therms per month
2 would see a monthly bill increase of approximately \$0.03. This reflects the peak-year increase in
3 2031. The actual impact will vary according to usage levels, baseline territory, and other factors.

4 SoCalGas proposes to continue to use balancing accounts for the cost recovery of its
5 energy efficiency portfolio. SoCalGas's energy efficiency portfolio costs are recovered through
6 SoCalGas's Demand-Side Management Balancing Account (DSMBA)¹, which is funded
7 through the PPP Surcharge. The DSMBA is an interest-bearing balancing account recorded on
8 SoCalGas's financial statements. The primary purpose of the DSMBA is to record the difference
9 between actual energy efficiency program costs incurred and the corresponding actual PPP revenue
10 collections authorized in rates for SoCalGas's energy efficiency and other DSMBA programs. For
11 statewide programs, SoCalGas utilizes the Statewide Energy Efficiency

¹ SoCalGas, Preliminary Statement - Part V - Balancing Accounts – DSMBA, available at:
<https://tariffsprd.socalgas.com/view/tariff?utilId=SCG&bookId=GAS&tariffKey=343>.

1 Balancing Account (SWEESA)² for tracking and recording program costs. Funds in SWEESA
2 are sourced from participating IOU contributions to statewide programs led by
3 SoCalGas, with SoCalGas's contribution funded through the DSMBA.

4 **2. Funding sources and administration of unspent funds**

5 SoCalGas's current budget commitment process is developed in accordance with D.12-
6 11-015 and remains applicable to the four-year portfolio budget cycle.³ The four-
7 year framework provides structured flexibility to shift approved funds between years within
8 the portfolio period. At the end of each program cycle, SoCalGas determines budget commitments on a
9 per program basis that will need to be carried forward into future years. SoCalGas generally defines a
10 commitment as a program reservation made by a customer, a financial obligation made to a customer, or
11 a contractor through an executed contract. A commitment is released when a customer drops
12 participation in an energy efficiency program, or a contractual obligation is released. Consistent with
13 this process, SoCalGas will identify any carry forward committed funds from the current 2024-2027
14 program cycle and use them to fund the committed obligation when completed.

15 Consistent with D.12-11-015, approved funds that have neither been spent nor committed
16 at the end of the program cycle are returned to ratepayers by offsetting future revenue
17 requirements or are otherwise treated as directed by the Commission.⁴ For the current program
18 cycle, SoCalGas is including an estimated \$20 million in unspent funds in its revenue
19 requirement consistent with this process and as presented in its Mid-cycle Advice Letter
20 (MCAL) 6559-G filed on November 4, 2025, and plans to reconcile actual unspent funds through
21 a subsequent Tier 2 advice letter after the 2024-2027 program cycle ends.

² SoCalGas, Preliminary Statement - Part V - Balancing Accounts - SWEESA, available at:
<https://tarifford.socalgas.com/view/tariff?utilId=SCG&bookId=GAS&tariffKey=567>.

³ D.12-11-015 at 92-93; see also CPUC Energy Efficiency Policy Manual, Version 6 (March 2020), available at:
<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/eepolicymanualrevised-march-20-2020-b.pdf>.

⁴ *Ibid.*, Section 6.1, "Treatment of Unspent Funds from Prior Portfolio Cycles," pp. 92-96.