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Witness: J. Guidi and T. Elliott

REBUTTAL TESTIMONY OF

JACK GUIDI AND TERENCE ELLIOTT

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER 10

(ACCOUNTING & COST RECOVERY)



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 20, 2026

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REBUTTAL TESTIMONY OF JACK GUIDI AND TERENCE ELLIOTT CHAPTER 10 (ACCOUNTING & COST RECOVERY)

I. INTRODUCTION

This rebuttal testimony (1) adopts the prepared direct testimony of Casey W. Butler regarding finance and rates,[1] and (2) addresses arguments and recommendations regarding cost-recovery, accounting, and allocation offered by intervenors in the following testimony:

- Prepared Testimony of the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) dated September 25, 2026
- Prepared Testimony of Matt Sheriff on behalf of The Utility Reform Network and Small Business Utility Advocates (TURN/SBUA) dated September 25, 2026
- Prepared Direct Testimony of Samuel Golding on behalf of Utility Consumers Action Network (UCAN) dated September 25, 2026

SDG&E notes as a threshold matter that the absence of a response in this rebuttal testimony to any particular issue raised or statement or proposal made by any party to this proceeding does not imply or constitute agreement by SDG&E with the proposal or contention made by such part(ies).

Specifically, this testimony addresses: (1) the structure of the proposed Advanced Metering Infrastructure Balancing Account (AMIBA); (2) the accounting treatment of prepaid software and connectivity costs; (3) depreciation lives; (4) the accounting treatment of retired Smart Meter 1.0 assets, offsets, and customer credits; (5) the allocation of costs between gas and electric customers; and (6) UCAN's request for a revised revenue requirement.

SDG&E continues to stand behind the SM 2.0 forecast as a reasonable and appropriately developed estimate of the costs necessary to implement the proposed program. As discussed in the rebuttal testimony of David H. Thai, the forecast is supported by defined program scope, component specific estimating methodologies, procurement-informed pricing, and other information appropriate to the nature and maturity of the underlying work.[2] The Commission is

[1] (Exhibit (Ex.) SDG&E-06, Prepared Direct Testimony of Casey W. Butler, Chapter 6 (December 18, 2025) (Ex.) SDG&E-06 (Butler Direct)).

[2] Ex. SDG&E-09, Rebuttal Testimony of David H. Thai, Chapter 9 (November 20, 2026) (Ex. SDG&E-09 (Thai Rebuttal)) at 12.

being asked in this proceeding to review and authorize the SM 2.0 program and the associated forecast. The proposed AMIBA does not substitute for that review, nor does the proposed two-way mechanism suggest that SDG&E views the forecast as merely provisional. Rather, AMIBA provides the accounting mechanism for recording authorized revenues and reconciling those revenues with the revenue requirement associated with implementation of the SM 2.0 program authorized by the Commission.[3]

The intervenors' concerns regarding transparency, accountability, and oversight are appropriately addressed through targeted reporting, documentation, and defined regulatory account boundaries without subjecting costs already authorized in this proceeding to a duplicative review process. The intervenors' proposed mechanisms, particularly annual or category-specific limitations, would unnecessarily constrain implementation flexibility and do not appropriately account for the integrated nature of the program. Additionally, the Commission should reject proposals that would impose SM 2.0-specific accounting, depreciation, or cost-allocation treatment inconsistent with SDG&E's existing Commission-authorized practices or standard utility accounting. Broader concerns with those practices should be addressed in the General Rate Case (GRC), or other proceedings established to review them, rather than through project-specific exceptions in this proceeding.

SDG&E therefore recommends approval of its proposed two-way AMIBA, through which the revenue requirement associated with the costs within the scope and program authorization approved by the Commission would be recorded and reconciled. If the Commission determines that additional protections are warranted for material expenditures above the approved program level, those protections should be tailored to such expenditures and preserve reasonable flexibility within the Commission-authorized program, rather than impose rigid annual or category-specific limitations.

[3] Ex. SDG&E-06 (Butler Direct) at 2 and 10 – 11.

II. THE COMMISSION SHOULD APPROVE SDG&E'S PROPOSED AMIBA AND REJECT INTERVENOR PROPOSALS TO IMPOSE A ONE-WAY, CAPPED COST RECOVERY MECHANISM

A. UCAN, TURN/SBUA, and Cal Advocates Propose Unnecessary Restrictions on Smart Meter 2.0 Cost Recovery

UCAN recommends replacing the proposed two-way AMIBA with a one-way account containing authorized amounts by cost category and year. UCAN proposes requiring SDG&E to file an application to recover costs exceeding authorized amounts, imposing shareholder cost sharing for certain Phase 2 overruns, requiring annual reporting, amortizing the memorandum account balance over three years, and excluding recurring charges incurred after the authorized period from balancing account treatment.[4]

TURN/SBUA recommend that any authorized AMIBA be one-way, capped at the authorized amount, and limited to costs actually incurred and found reasonable.[5] Cal Advocates similarly recommends that any balancing account be one-way, capped at the authorized amount, and limited to specific SM 2.0 costs approved in this proceeding.[6] TURN/SBUA also recommend requiring executed vendor agreements before recording costs in certain categories exceeding $25 million, and requiring an application for any amount above the authorization.[7]

Although the intervenors propose somewhat different mechanisms, their recommendations generally seek to address implementation-cost risk by imposing predetermined limitations on cost recovery at the program, cost-category, or annual level. SDG&E agrees that appropriate cost accountability and regulatory oversight should apply to SM 2.0. The issue is whether those objectives require rigid recovery limitations that could constrain implementation of the Commission-authorized program. As discussed below, they do not. The proposed AMIBA provides a mechanism to reconcile authorized revenues with the actual incremental revenue requirement associated with implementation, while more targeted safeguards can address

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[4] UCAN's Public Version Prepared Direct Testimony of Samuel Golding (September 25, 2026) (Ex. UCAN-01 (Golding Direct)) at 82 – 84.

[5] TURN/SBUA's Public Prepared Testimony of Matt Sheriff, Addressing the Smart Meter 2.0 Alternatives Evaluation, Failure Forecast, Cost Estimate, and Contingency (September 25, 2026) (Ex. TURN-SBUA-01 (Sheriff)) at 55 – 56.

[6] Cal Advocates' Prepared Testimony on the Application of SDG&E for Approval of Smart Meter 2.0 Proposal (Public) (September 25, 2026) (Ex. CA-01) at 8-5.

[7] Ex. TURN-SBUA-01 (Sheriff) at 55 – 56.

concerns regarding material expenditures above the Commission-authorized program amount without imposing annual or category-specific caps on costs already reviewed and authorized in this proceeding.

B. SDG&E's Proposed Two-Way AMIBA Appropriately Reconciles Authorized Revenues with the Actual Revenue Requirement for the SM 2.0 Program

SDG&E continues to recommend that the Commission approve the proposed two-way, interest-bearing AMIBA. AMIBA is designed to: (1) record authorized revenues; and (2) reconcile those revenues with the actual incremental revenue requirement associated with Smart Meter 2.0 implementation.[8] That revenue requirement includes capital-related costs (depreciation, return, and taxes), O&M expenses, and regulatory interest.[9]

The intervenors' recommendations generally reflect concerns regarding oversight of implementation costs, the risk of cost overruns and the timing and scope of Commission review. SDG&E agrees that Smart Meter 2.0 should be subject to appropriate transparency, accountability and regulatory oversight. However, those concerns do not warrant rejection of the proposed two-way balancing account.

As discussed in the rebuttal testimony of David H. Thai, the forecast is supported by defined scope, estimating methodologies, procurement informed pricing, and other information appropriate to the nature and maturity of the underlying work.[10] The purpose of the AMIBA is to provide an accounting mechanism for implementation of the Commission-authorized SM 2.0 program costs; it is not a substitute for the Commission's review and authorization of the forecast in this proceeding.

The proposed AMIBA's function is to reconcile Commission-authorized revenues with the actual incremental revenue requirement associated with implementing the Smart Meter 2.0 program.[11] Authorization of a two-way balancing account does not itself expand the scope of costs authorized by the Commission, which is an important distinction. Costs must remain within the scope of the Commission's authorization and be appropriately recorded before they can be reflected through the AMIBA.

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[8] Ex. SDG&E-06 (Butler Direct) at 2 and 10 – 11.

[9] *Id.* at 5 – 7.

[10] Ex. SDG&E-09 (Thai Rebuttal) at 12.

[11] Ex. SDG&E-06 (Butler Direct) at 11 – 12.

A two-way regulatory account mechanism protects customers from differences between authorized revenues and the revenue requirement resulting from actual implementation. If actual implementation produces a lower revenue requirement than the authorized amount, the difference is returned to customers.[12] Conversely, if implementation timing or actual costs differ from authorized levels, AMIBA provides a transparent accounting record through which those differences can be identified and treated consistently with the mechanism authorized by the Commission.

C. SDG&E's Proposed Cost Recovery Framework Maintains Cost Accountability While Preserving the Flexibility Necessary to Efficiently Implement Smart Meter 2.0

Cal Advocates and other intervenors have suggested that two-way balancing accounts can reduce incentives for cost discipline.[13] SDG&E disagrees. SDG&E's proposed AMIBA is not intended to expand the costs authorized in this proceeding or limit the Commission's oversight of these projects. The existence of a regulatory account does not reduce or eliminate SDG&E's responsibility to prudently complete CPUC-authorized work. Nor does the AMIBA guarantee recovery of all recorded costs materially exceeding the Commission-authorized amounts. Because the proposed two-way AMIBA reconciles actual costs and revenues, customers would benefit directly from potential cost underruns and implementation efficiencies. Accordingly, AMIBA provides transparent tracking of implementation costs and associated revenue requirements while preserving SDG&E's cost-management responsibilities.

Cal Advocates also conflates the annual Tier 2 advice letter process with the treatment of program-level expenditures above the Commission-authorized amount.[14] As described in direct testimony of Casey W. Butler, the advice letter process would reconcile *annual* differences between authorized revenues and the actual revenue requirement, including returning overcollections to customers or recovering undercollections.[15] That reconciliation process does not itself determine the regulatory treatment of expenditures materially exceeding the Commission-authorized program amount. If the Commission determines that additional review

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[12] *Id.* at 11.

[13] Ex. CA-01 at 8-2 – 8-3.

[14] *Id.* at 8-4, and n.331.

[15] Ex. SDG&E-06 (Butler Direct) at 10 – 11.

is appropriate for such expenditures, that review should focus on the incremental amount above the authorized program level rather than reopening costs within the scope and amount reviewed and approved in this proceeding.

Cal Advocates relies on the Commission's statement in Decision (D.) 24-12-074 that "liberal use of two-way balancing accounts, which often ensure cost recovery from ratepayers with limited reasonableness reviews," can weaken cost-control incentives.[16] That general concern does not warrant rejection of AMIBA here. The proposed AMIBA is a program-specific account for a defined investment whose scope, forecast, and cost categories are subject to review in this proceeding. The Commission's full review of the SM 2.0 forecast occurs in this proceeding, and the AMIBA simply reconciles revenues to the actual costs of the program the Commission approves.

Cal Advocates also cites SDG&E's Tree Trimming Balancing Account (TTBA) Applications to support its concerns regarding balancing account treatment.[17] Those proceedings are instructive, but not in the way Cal Advocates suggests. As Cal Advocates acknowledges, the Commission authorized recovery of the TTBA amounts in both cases and addressed tracking concerns by adopting additional tracking requirements.[18] The TTBA proceedings therefore support the approach SDG&E proposes here: enhanced documentation of each recorded cost by category, work order, and offset, rather than elimination of balancing-account treatment.

D. The Commission Should Reject Intervenor Proposals for Annual and Cost-Category Caps That Would Unnecessarily Constrain Management of an Integrated, Multi-Year Program

SDG&E disagrees with UCAN's proposed one-way structure, particularly its use of separate limitations by cost category and year. UCAN's proposal evaluates individual implementation phases in isolation, even though Smart Meter 2.0 is a single, integrated program consisting of interdependent technology, communications, meter deployment, systems integration, and customer-support workstreams.[19] As explained in the direct testimony of David

[16] Ex. CA-01 at 1-3, and n.33.

[17] *Id.* at 8-3 – 8-4.

[18] Ex. CA-01 at 8-3 – 8-4.

[19] *See* Prepared Direct Testimony of David H. Thai and Bradley M. Baugh on Behalf of SDG&E, Chapter 3 (Redacted Public Version) (December 18, 2025) Ex. SDG&E-03 (Thai/Baugh) at 2 – 4 and 14 – 24.

H. Thai and Bradley M. Baugh, such costs may shift among phases due to schedule changes, vendor sequencing, implementation efficiencies, scope optimization, or deployment conditions without affecting overall program economics or customer benefits.[20] Evaluating individual phases independently could result in recovery limitations even where total program costs remain reasonable and consistent with Commission objectives. Phase-specific limitations therefore risk creating arbitrary recovery outcomes that do not reflect the performance of the entire program.

For the same reason, Cal Advocates recommends that SDG&E be prohibited from "shift[ing] funds across approved and unapproved components, or to use underspending in one area to fund overruns in another."[21] This premise should also be rejected. As discussed in the rebuttal testimony of David H. Thai, the SM 2.0 forecast consists of individual cost components that collectively support implementation of the overall program.[22] For cost recovery purposes, the important distinction is between maintaining accountability for the overall scope and amount authorized by the Commission and converting individual forecast categories into separate recovery caps. The latter approach would effectively create fixed regulatory sub-limits and constrain SDG&E's ability to respond to implementation conditions even where the overall program remains within scope and the amount authorized by the Commission. A program-level framework instead preserves reasonable implementation flexibility while maintaining a clear overall cost boundary established by the Commission's authorization.

SDG&E agrees that customers should not fund SM 2.0 costs that are not incurred or costs outside the scope authorized by the Commission. SDG&E's proposed two-way AMIBA addresses that principle by reconciling authorized revenues with the revenue requirement associated with the actual implementation of the Commission authorized program. The disagreement with TURN/SBUA is therefore not whether appropriate cost controls should apply, but whether their proposed mechanism provides an appropriate balance between overall program cost accountability and the flexibility necessary to implement an integrated, multi-year program. SDG&E continues to recommend the proposed two-way AMIBA because it provides that balance.

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[20] *Id.* at 23.

[21] Ex. CA-01 at 8-5.

[22] Ex. SDG&E-09 (Thai Rebuttal) at 5.

TURN/SBUA's recommendations also raise questions regarding cost visibility and Commission review. Those concerns can be addressed directly through reporting requirements, documentation standards, and, if necessary, appropriately tailored review of material expenditures above the authorized program amount, without imposing annual or category-specific limitations on costs already authorized by the Commission.

TURN/SBUA's contingency recommendation illustrates why the two-way AMIBA already protects customers. TURN/SBUA argue that "[r]atepayers should fund contingency that is spent, not contingency that is forecast."[23] That argument fails to distinguish between including a reasonable contingency allowance in a prospective forecast and recovering revenue associated with costs actually incurred in implementing the authorized program. As explained in the rebuttal testimony of David H. Thai, SDG&E's forecast appropriately includes contingency to account for identified uncertainty in implementing the authorized scope.[24] Under the proposed AMIBA, however, inclusion of contingency in the authorized forecast would not, by itself, result in recovery of contingency amounts that are not ultimately reflected in eligible implementation costs.

SDG&E does not believe it is necessary to prescribe a three-year amortization period here. The appropriate disposition and amortization of authorized balances should be determined consistent with applicable ratemaking considerations when the balance is incorporated into rates.

E. Enhanced Reporting and Accounting Controls Address Intervenor Transparency Concerns Without the Need to Eliminate Two-Way Balancing

The annual advice letter process provides a recurring mechanism for reporting and reconciling the AMIBA balance.[25] To enhance transparency, SDG&E intends to maintain documentation sufficient to identify:

1. the nature and amount of each recorded cost;
2. the applicable Smart Meter 2.0 cost category or workstream;
3. whether the expenditure is capital or O&M;
4. the applicable project, work order, or cost object;

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[23] Ex. TURN-SBUA-01 (Sheriff) at 64.

[24] Ex. SDG&E-09 (Thai Rebuttal) at 10.

[25] Ex. SDG&E-06 (Butler Direct) at 11.

5. any warranty recovery, vendor credit, refund, settlement, insurance recovery, salvage value, or other offset; and

6. the basis for concluding that the cost is within the scope authorized by the Commission.

These requirements directly address the transparency concerns raised by UCAN, TURN/SBUA, and Cal Advocates while preserving the benefits of a two-way balancing account.[26]

Similarly, concerns regarding the overlap among AMIBA, Smart Meter 2.0 Memorandum Account (SM2MA), and future Smart Meter 1.0 recovery can be addressed by establishing clear account boundaries rather than elimination of AMIBA. The distinction between the two accounts (e.g., AMIBA, SM2MA) reflects different procedural mechanisms for underlying costs.

Cal Advocates argues that SDG&E should close the SM2MA and provide for a reasonableness review of the costs recorded in that account.[27] Cal Advocates' recommendation is impractical for several reasons. First, and as noted in the Motion of San Diego Gas & Electric Company to Continue Smart Meter 2.0 Memorandum Account (Motion), dated December 19, 2025, SDG&E will continue to incur SM 1.0 costs after the date the Application was filed, and, indeed, even after a Commission decision on the Application, and will continue to incur SM 2.0-related costs through the date of a Commission decision on the Application.[28] Thus, continuation of the SM2MA is necessary to ensure SDG&E's ability to recover reasonably incurred costs related to SM 1.0 maintenance and SM 2.0 deployment.[29] SDG&E notes that the Motion is pending.

Second, SDG&E intends to address recovery of eligible SM 1.0 costs separately. In the meantime, SDG&E requires that the SM2MA remain open through completion of the AMI Program to separately track eligible Smart Meter 1.0 costs incurred after the Smart Meter 2.0

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[26] Ex. UCAN-01 (Golding Direct) at 82–84; TURN/SBUA's Confidential Prepared Testimony of Matt Sheriff, Addressing the Smart Meter 2.0 Alternatives Evaluation, Failure Forecast, Cost Estimate, and Contingency (September 25, 2026) (Ex. TURN-SBUA-01 (Sheriff)) at 57–58; Ex. CA-01 at 8-1 – 8-5.

[27] Ex. CA-01 at 6; *see also* Ch. 1 at 1-9.

[28] Motion of San Diego Gas & Electric Company to Continue Smart Meter 2.0 Memorandum Account (December 19, 2025) at 1.

[29] *Id.*

application filing date. As stated in the direct testimony of Casey Butler,[30] SDG&E will present a future application for recovery of the SM 1.0 costs in the SM2MA subject to review for cost reasonableness and prudency of expenditures. This proposal is consistent with the Commission's direction in D.24-12-074[31] and with the establishment of the SM2MA in SDG&E Advice Letter 4605-E/3401-G.[32]

By contrast, SM 2.0 costs are the subject of the present application and are being reviewed and approved in this proceeding. AMIBA should not be characterized as a substitute for, or means of avoiding, Commission review of SM 2.0. Rather, AMIBA is the accounting mechanism proposed to record and reconcile the authorized revenue requirement associated with the SM 2.0 program authorized in this proceeding.

With respect to eligible SM 2.0 costs recorded before the establishment of AMIBA, SDG&E is requesting authorization for those costs as part of the SM 2.0 program being reviewed in this proceeding.[33] Upon establishment of AMIBA, eligible SM 2.0 costs previously recorded in the applicable memorandum account would be transferred to AMIBA, consistent with the Commission's authorization in this proceeding.[34] The transfer itself would not expand the scope of costs authorized for recovery. Only costs determined to fall within the scope of the SM 2.0 program authorized in this proceeding would be eligible to transfer.[35]

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30 Ex. SDG&E-06 (Butler Direct) at 10.

31 D.24-12-074, Ordering Paragraph 51 at 1100 ("San Diego Gas & Electric Company (SDG&E) shall file an application for cost recovery of its Smart Meter 2.0 replacement project and Smart Meter system upgrade. SDG&E is authorized to maintain a Memorandum (Memo) Account as an interim means to record costs to deploy meter and module replacement or to service existing equipment from January 1, 2024, to the date of its Smart Meter 2.0 replacement project application. Costs in this Memo Account shall be reviewed for reasonableness in SDG&E's application for cost recovery. SDG&E shall file a Tier 2 Advice Letter to establish the Memo Account.").

32 SDG&E Advice Letter 4605-E/3401-G, Establishment of a Smart Meter 2.0 Memorandum Account Pursuant to General Rate Case Decision 24-12-074, approved May 6, 2025 and effective May 2, 2025.

33 Ex. SDG&E-06 (Butler Direct) at 10 – 11.

34 *Id.* at 11 ("SDG&E requests upon final approval of SM 2.0, all recorded SM 2.0 costs be transferred to an authorized balancing account.").

35 *Id.*, (explaining that AMIBA would track actual costs against an amount authorized for recovery by the Commission and would remain in place until program costs are incorporated into SDG&E's base business and addressed in a future GRC).

The regulatory accounts therefore serve different purposes: SM2MA records costs pending applicable Commission cost recovery treatment, whereas AMIBA would record and reconcile the revenue requirement associated with the SM 2.0 program reviewed and authorized in this proceeding.[36] Maintaining appropriate account boundaries promotes transparency and avoids conflating costs subject to different Commission authorization and recovery processes.

AMIBA should record only authorized Smart Meter 2.0 program costs.[37] SM2MA should remain limited to eligible Smart Meter 1.0 activities authorized for memorandum-account treatment, with recovery subject to the applicable Commission review. Costs recovered through base rates, a general rate case, another regulatory account, or another authorization should not be recorded to AMIBA.

UCAN's suggestion that AMIBA could serve as a vehicle for recovering ongoing costs after implementation of the Smart Meter 2.0 project is misplaced.[38] Costs recorded in AMIBA would be limited to the scope of work authorized by the Commission in this proceeding and incurred to implement and place the authorized project into service. As discussed in the rebuttal testimony of David H. Thai, once the project is in service, ongoing maintenance and operational costs would be expenses associated with operating the completed project, rather than costs incurred to implement and place it into service.[39] Accordingly, such costs would not be eligible for recording in AMIBA and, to the extent recovery is sought, would be addressed through a future General Rate Case or other applicable Commission-authorized process, where their reasonableness and appropriate recovery could be considered. Thus, AMIBA would not provide authorization to recover costs outside the project scope approved in this proceeding or ongoing operating expenses incurred after the project is placed in service. However, once the assets are placed into service, the ongoing capital related costs (depreciation, return and taxes) related to those capital expenditures would continue to be booked to the account until the underlying assets are rolled into a future GRC.

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[36] *See id.* at 1 – 2 and 10 – 11.

[37] Including eligible Smart Meter 2.0 costs transferred from the applicable memorandum account following Commission authorization.

[38] Ex. UCAN-01 (Golding Direct) at 84 – 85.

[39] Ex. SDG&E-09 (Thai Rebuttal) at 4 – 5.

Cal Advocates raises further concerns that separate recovery of SM 2.0 costs could overlap with costs recovered through the GRC or other authorized programs.[40] This concern does not justify rejecting separate regulatory treatment for SM 2.0 because SDG&E's existing accounting framework includes controls designed to prevent duplicate recovery. Distinct project codes, supporting accounting records, internal controls, and a prohibition against duplicate recovery provide mechanisms for preventing overlap among accounts without eliminating the proposed AMIBA.

With respect to tracking costs in the SM2MA, SDG&E's existing accounting framework allows it to separately identify and track SM 1.0 costs, SM 2.0 implementation costs, and costs incurred after SM 2.0 is placed in service that will be subject to recovery through future GRC proceedings. SDG&E distinguishes among these costs through accounting cost centers, budget codes, internal order designations, and other designated cost objects. These controls support the appropriate recording of expenditures and the separate identification, tracking, and reporting of SM 2.0 costs within SDG&E's accounting framework.

Accordingly, activities authorized and funded through a GRC are recorded only to the applicable GRC accounts, while applicable SM 2.0 implementation activities are charged exclusively to designated SM 2.0 cost objects. These accounting practices are supported by SDG&E's broader accounting framework, including established accounting policies and procedures, periodic finance and program level reviews, reconciliations, and other internal accounting and financial reporting controls. Together, these accounting and review controls support the appropriate assignment, separate tracking, review, and reporting of costs and help prevent costs recovered through another Commission-authorized mechanism from being recovered through AMIBA.

F. Any Additional Cost-Recovery Safeguards Should Apply at the Program Level and Focus Review on Material Expenditures Above the Commission-Authorized Amount

SDG&E continues to stand behind its SM 2.0 forecast as a reasonable and appropriately developed estimate of the costs necessary to implement the proposed program. Accordingly, SDG&E maintains that the proposed two-way AMIBA is appropriate. If the Commission nevertheless concludes that additional safeguards are warranted for material expenditures above

[40] *See* Ex. CA-01 at 1-9.

the authorized Smart Meter 2.0 forecast, it need not eliminate two-way balancing to provide those protections.

As an alternative to the one-way balancing accounts proposed by TURN/SBUA and Cal Advocates, the Commission could retain two-way balancing while adopting a review framework based on the program forecast approved in this proceeding. SDG&E offers the following alternative solely to address intervenor concerns if the Commission determines that protections beyond the proposed AMIBA are warranted; it should not be understood as a concession that the proposed two-way AMIBA is inadequate. Under such a framework, costs within the Commission-authorized scope and program-level amount would remain subject to recovery through the AMIBA as authorized in this proceeding, while any heightened review would be focused on material expenditures above the authorized program amount. Any additional review would focus on the incremental amount exceeding the Commission-authorized program amount rather than subjecting costs incurred within the approved scope and amount to a duplicative reasonableness review. The specific review thresholds and procedures could be established as part of the cost-recovery framework ultimately adopted by the Commission.

Any such safeguards should be applied at the overall program level rather than through cost-category or annual caps, as UCAN and Cal Advocates recommend. SM 2.0 is an integrated, multi-year implementation involving interdependent workstreams. During implementation, costs may reasonably shift among workstreams or years because of vendor sequencing, schedule changes, deployment conditions, implementation efficiencies, or scope optimization. Category-specific or annual caps could unnecessarily constrain SDG&E's ability to manage those interdependencies efficiently, even when total program costs remain within the amount approved by the Commission. A program-level threshold would preserve the flexibility necessary to manage the authorized program while maintaining a clear boundary for additional Commission oversight.

This alternative directly addresses intervenor concerns regarding potential cost overruns without eliminating the customer protections and ratemaking benefits of two-way reconciliation. Customers would continue to receive the benefit of any program-level underspending, while material costs above the authorized program amount would receive heightened review under the adopted framework. The result would preserve reconciliation of authorized revenues with actual implementation costs, avoid another review of costs already examined and authorized in this

proceeding, and provide procedural safeguards for expenditures materially exceeding the Commission-approved forecast.

If the Commission adopts a one-way account or cost cap, it should include a reasonable program-level buffer within which SDG&E may manage implementation costs without a duplicative reasonableness review. Any additional review should apply only to the incremental amount of material expenditures above that threshold.

III. THE COMMISSION SHOULD APPLY SDG&E'S EXISTING ACCOUNTING FRAMEWORK AND REJECT INTERVENOR PROPOSALS

Intervenors raise several accounting issues concerning SDG&E's SM 2.0 proposal. UCAN challenges SDG&E's accounting for certain software, connectivity, and prepaid technology costs and recommends a longer depreciation life for SM 2.0 meters and modules. Cal Advocates separately proposes customer credits related to the early retirement of SM 1.0 assets and identifies warranty recoveries, vendor credits, salvage, recycling proceeds, and other potential offsets.

As discussed below, these recommendations either misapply existing accounting treatment or conflate distinct accounting concepts. SDG&E's proposed treatment applies the accounting and depreciation methodologies applicable to these costs and assets. The fact that the expenditures arise in connection with SM 2.0 does not, by itself, provide a basis to establish a different accounting methodology.

A. The Commission Should Apply Existing Accounting Treatment for Prepaid Technology

UCAN challenges SDG&E's accounting treatment of certain SM 2.0 software-related costs and recommends that recurring software, connectivity, and subscription costs be expensed rather than capitalized.[41] UCAN also distinguishes prepaid connectivity from prepaid software costs in challenging SDG&E's proposed treatment.[42] UCAN has not demonstrated why prepaid software and connectivity costs included within the SM 2.0 technology arrangement should be subject to a different accounting treatment from the Commission-authorized treatment applicable to prepaid technology arrangements.

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[41] Ex. UCAN-01 (Golding Direct) at 9 and 87 – 89.

[42] *Id*. at 89 and n.307.

UCAN correctly recognizes that SDG&E relies upon Commission-authorized accounting treatment for prepaid technology arrangements in determining the appropriate accounting treatment for the prepaid costs included in this Application.[43] This treatment is consistent with the accounting framework applicable to regulated utilities, including Accounting Standards Codification (ASC) 980, which recognizes Commission-authorized ratemaking and accounting treatment. UCAN's disagreement therefore centers on whether that treatment should apply to the particular SM 2.0 arrangement.

UCAN's proposed distinction does not appropriately reflect the nature of that arrangement. SM 2.0 connectivity is acquired as an integrated component of the technology arrangement that enables the software platform and applications to communicate with meters and modules and perform their intended functions. The prepaid connectivity therefore should not be evaluated in isolation merely because connectivity represents a separately identifiable service.

Importantly, SDG&E is not proposing to capitalize these costs merely because connectivity is necessary for SM 2.0. The accounting treatment is based on the nature of the prepaid technology arrangement and the period over which the related services are provided. This distinction is important because the timing of a payment does not, by itself, determine the period in which the entire cost should be recognized.

SDG&E is therefore not seeking to establish a new accounting policy for SM 2.0. Rather, SDG&E is applying a previously adopted accounting methodology for prepaid agreement costs associated with software and computer hardware to the costs presented in this Application. In D.24-12-074, the Commission identified SDG&E's capitalization of prepaid agreement costs associated with software and computer hardware, including cloud Software-as-a-Service license arrangements, reserved cloud capacity, and new software and hardware maintenance costs, as an uncontested rate-base methodology, found the methodology reasonable, and adopted it.[44] UCAN has not demonstrated why a different accounting treatment should apply merely because a portion of the integrated arrangement relates to connectivity. Accordingly, there is no accounting basis to adopt UCAN's proposed expense treatment.

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[43] *Id.* at 88 – 89 and n.307.

[44] D.24-12-074 at 803 – 804.

B. SDG&E Appropriately Allocates Software Costs Based on Their Underlying Use

UCAN also challenges aspects of the allocation of SM 2.0 software costs between electric and gas customers.[45]

SDG&E's proposed treatment follows the underlying use of the software. Foundational software that supports both electric and gas smart metering operations is appropriately treated as shared software, while software or functionality used exclusively to support either electric or gas operations is assigned to the applicable utility function.

This approach aligns the accounting treatment with the underlying functionality supported by the investment and appropriately distinguishes shared technology from costs attributable to a specific utility function.

C. The Commission Should Reject UCAN's Proposed 20-Year Depreciation Life and Retain SDG&E's Authorized 15-Year Depreciation Treatment

UCAN recommends a 20-year depreciation life for SM 2.0 meters and modules based on manufacturer design life, warranty considerations, and the period used to evaluate project benefits.[46] That recommendation conflates these distinct concepts with regulatory depreciation life. Because they serve different purposes, none establishes that SDG&E's currently authorized 15-year depreciation treatment is inappropriate.

UCAN's recommendation also conflates manufacturer design life, the period used to evaluate project benefits, and depreciation life for regulatory accounting purposes. These measures serve different purposes and are not interchangeable.

A manufacturer's design life reflects the period over which equipment is designed to operate. The period used to evaluate project benefits is an analytical assumption used to assess project economics. By contrast, a regulatory depreciation life reflects the period over which utility plant is expected to provide service for accounting and ratemaking purposes.

SDG&E proposes a 15-year useful life for applicable meter assets because that treatment is consistent with SDG&E's currently authorized depreciation parameters.[47] A 15-year life is

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[45] Ex. UCAN-01 (Golding Direct) at 9.

[46] *Id*. at 9.

[47] *See* Ex. SDG&E-06 (Butler Direct) at 6, Table 6-3.

also supported by the depreciation study included in SDG&E's 2028 General Rate Case,[48] which recommends retaining the currently authorized lives for these asset classes.

Accordingly, the fact that SM 2.0 equipment may have a stated 20-year design life does not establish that 20 years is the appropriate regulatory depreciation period. Nor does using a particular period to evaluate project benefits establish the appropriate depreciation life.

Depreciation lives are established and periodically reviewed through the Commission's GRC process. If future operating experience demonstrates that a different service life is appropriate, that information can be considered through those established processes. UCAN has not established a sufficient basis here to replace SDG&E's currently authorized 15-year life with its proposed 20-year depreciation period.

For these reasons, the Commission should reject UCAN's proposed 20-year depreciation life.

D. The Commission Should Reject Cal Advocates' Proposed Customer Credit and Continue to Apply Group Depreciation to Smart Meter 1.0 Retirements

Cal Advocates proposes that SDG&E track SM 1.0 assets retired before the end of their depreciation lives and provide customers a credit associated with the remaining accounting value of those assets.[49] This proposed credit for early retirements is inconsistent with the group-accounting treatment applicable to mass assets. The remaining accounting value of an individual retired asset does not represent an amount automatically owed back to customers.

SM 1.0 meters and modules are accounted for on a group basis under SDG&E's Average Life Group (ALG) depreciation methodology.[50] Under group depreciation, depreciation is established for the asset group as a whole, recognizing that individual assets will not all have identical service lives.[51] Some assets retire before the group's average service life, while others remain in service beyond that period.

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[48] A.26-06-015 (cons), Ex. SDGE-29.1, Revised Prepared Direct Testimony of Dane A. Watson (September 2026) (Ex. SDGE-29.1 (Dane Revised Direct)) at 4.

[49] Ex. CA-01 at 8-5.

[50] *See* Ex. SDGE-29.1 (Dane Revised Direct) at Section III, Average Life Group Depreciation section (explaining that SDG&E's ALG depreciation procedure groups assets within each account and uses the selected average service life and dispersion to estimate the portion of surviving investment of each vintage expected to retire).

[51] *Id*.

Cal Advocates' proposal effectively disregards this group-accounting framework by isolating the assets that retire early and creating an individual customer credit based upon their remaining accounting value. That approach considers only one side of group depreciation. It does not similarly recognize the benefit customers receive from assets that remain in service beyond the group's average depreciable life.

Cal Advocates' proposed credit also incorrectly assumes that the remaining accounting value of an asset represents an amount customers have already paid. SDG&E recovers depreciable plant costs over the applicable Commission-authorized depreciation period. Thus, an asset retired before it is fully depreciated may have an unrecovered accounting balance.

The remaining accounting value of an individual retired asset therefore should not be treated as an amount automatically owed back to customers. Doing so would effectively replace group depreciation for these mass assets with individual meter-by-meter accounting.

For these reasons, Cal Advocates' proposed credit should be rejected. The retirement of SM 1.0 assets should continue to be accounted for consistent with the applicable mass-asset and depreciation methodology rather than through an asset-specific customer credit.

E. Actual Recoveries and Offsets Should Benefit Customers but Do Not Support Cal Advocates' Proposed Credit for Undepreciated Asset Value

Cal Advocates also references warranty recoveries, salvage value, resale proceeds, and other potential offsets. Those items should not be conflated with Cal Advocates' proposed credit for the remaining accounting value of an individual mass asset. To the extent SDG&E actually realizes such offsets in connection with Smart Meter implementation, the applicable amounts will be reflected consistent with SDG&E's accounting practices and Commission-authorized ratemaking treatment. The possibility of such recoveries does not justify creating a separate credit equal to the undepreciated accounting balance of each meter or module retired before the group's average service life.

The two concepts are fundamentally different. The remaining accounting value of an asset results from the applicable depreciation and retirement accounting. A warranty recovery, vendor credit, salvage payment, or recycling proceeds represents an actual economic recovery associated with the asset or underlying arrangement.

SDG&E agrees that customers should receive the benefit of applicable warranty recoveries, vendor credits, refunds, salvage or recycling proceeds, and other offsets actually

realized in connection with Smart Meter implementation, consistent with applicable accounting and Commission-authorized ratemaking treatment.

The possibility of such recoveries, however, does not justify creating a separate credit equal to the undepreciated accounting balance of each meter or module retired before the group's average service life. An asset's remaining accounting value does not establish either the existence or amount of a future warranty, vendor, salvage, or recycling recovery.

Accordingly, SDG&E will appropriately account for applicable recoveries and offsets actually realized. This treatment provides customers the benefit of those recoveries without improperly converting the remaining accounting value of individual mass assets into a separate customer credit.

Cal Advocates' proposal would also impose an administratively impractical device-level ratemaking process.[52] With approximately 1.6 million electric meters and 950,000 gas modules expected to be replaced over several years, SDG&E would effectively be required to identify individual asset retirements, determine the associated remaining accounting value, and continuously reflect those retirements through rate base and customer bill adjustments. This would effectively replace group accounting with an ongoing device-by-device ratemaking exercise, despite these assets being accounted for and depreciated collectively as mass assets.

F. Shared Platform Costs Should Follow SDG&E's Existing Allocation Methodology, While NextGen Costs Should Be Directly Assigned to Electric Customers

UCAN's allocation proposal[53] has two components that should be evaluated separately. First, shared SM 2.0 foundational platform costs should continue to be allocated using SDG&E's existing, labor-ratio methodology. UCAN has not demonstrated that its proposed endpoint-based allocator better reflects cost causation for shared SM 2.0 foundational platform costs or warrants departure from SDG&E's established allocation methodology.

Second, SDG&E agrees that costs associated with the NextGen capabilities should be assigned to electric customers consistent with the accounting framework established by FERC Order No. 898. This direct assignment does not affect the allocation methodology applied to shared foundational platform costs.

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[52] Ex. CA-01 at 8-6.

[53] Ex. UCAN-01 (Golding Direct) at 95 – 97.

1. The Commission Should Reject UCAN's Endpoint-Based Allocator and Continue to Apply SDG&E's Established Allocation Methodology to Shared Foundational Platform Costs

UCAN proposes "a benefit-based allocation built on direct assignment, with the shared platform allocated by a metering-specific key rather than a payroll ratio." UCAN states that replacing SDG&E's payroll-based allocator with an endpoint-count key reduces the gas share of the SM 2.0 revenue requirement from 31.7 percent to 26.7 percent.[54] The Commission should not adopt UCAN's endpoint-based allocator for shared costs.

Under SDG&E's established accounting and allocation practices, costs directly attributable to electric-only or gas-only functions are assigned directly, while costs supporting shared utility functions are allocated using SDG&E's existing percentage-allocation methodology, which the Commission reviewed in SDG&E's 2024 General Rate Case.[55] That methodology derives its shared-cost factors from an annual labor ratio study based on payroll data reported in FERC Form 1 and is the same Direct Allocation / Percentage Allocation framework presented in the shared-services testimony filed in A.22-05-015/-016 (cons.).[56]

UCAN has not demonstrated that SM 2.0 warrants a departure from that methodology or that endpoint count better reflects cost causation for a shared platform. UCAN's proposal rests primarily on the fact that certain vendor charges, such as head-end software fees and eSIM activation, are priced on a per-endpoint basis.[57] However, the vendor's pricing unit does not necessarily establish the appropriate allocation methodology for the broader shared-platform cost pool. The shared foundational platform costs also include network hardware, decommissioning costs, implementation services, and program labor that are not necessarily driven by endpoint count. Accordingly, applying an endpoint-based allocator to the broader shared cost pool would substitute the pricing conversion used for selected vendor charges for an allocation methodology that reflects the shared nature of the platform and SDG&E's established cost allocation practices.

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[54] *Id.* at 94 – 96, Table 4.

[55] *See* A.22-05-015/-016 (cons.), Ex. SCG-30-R/SDG&E-34-R, Prepared Direct Testimony of Angel N. Le and Paul D. Malin (August 2022); *see also* D.24-12-074 at Conclusion of Law 275.

[56] *Id.*

[57] *See* Ex. UCAN-01 (Golding Direct) at 95 – 96.

In addition to the lack of a demonstrated cost-causation basis for UCAN's proposed endpoint allocator, adopting a separate allocation methodology for SM 2.0 would also require project-specific cost tracking and reconciliation against SDG&E's established allocation practices. Such a project-specific methodology is not warranted absent a showing that the existing methodology fails to reasonably allocate the shared costs at issue.

For these reasons, SDG&E recommends that the Commission continue to apply SDG&E's existing labor-ratio allocation methodology to shared SM 2.0 foundational platform costs. SDG&E's established accounting and allocation practices already properly distinguish between costs that can be directly assigned to a particular utility function and costs associated with infrastructure that supports broader utility functions, including functions that ultimately benefit both gas and electric customers. Similar to SDG&E's proposed depreciable lives, authorized allocation methodologies remain subject to periodic review in future proceedings and General Rate Cases should operating experience indicate that revisions are warranted.

2. SDG&E Agrees That Identifiable Electric-Only NextGen Costs Should Be Directly Assigned to Electric Customers

UCAN argues that the NextGen capabilities provide no benefit to gas ratepayers and that "for NextGen the benefit to gas is zero and the apportionment should be zero." UCAN notes that SDG&E itself describes these as "NextGen Enhanced Electric Capabilities" and has not quantified any gas-side benefit, while gas customers are nonetheless allocated a share of NextGen capital and O&M costs under the current labor-ratio factors.[58] SDG&E agrees that costs associated with the NextGen capabilities should be directly assigned to electric customers.

FERC Order No. 898, effective January 1, 2025, established new electric-specific plant accounts for computer hardware, computer software, and communication equipment that previously may have been recorded to common plant accounts and allocated between gas and electric. Under this framework, identifiable NextGen costs can be separated from the shared foundational platform and recorded directly to the applicable electric-specific accounts based on the nature of the expenditures.

The NextGen capabilities provide electric-only functionality that operates on, but is separable from, the shared foundational platform. Accordingly, discrete NextGen costs,

[58] Ex. UCAN-01 (Golding Direct) at 95 – 97.

including software and subscription costs, can be separately identified and directly assigned to electric customers. For example, qualifying electric-only software costs may be recorded in FERC Account 363.2, Computer Software, rather than to the common plant account subject to allocation between electric and gas. This treatment is consistent with the direct assignment of electric meter capital and with the cost causation discussed above: identifiable utility-specific costs are directly assigned, while shared costs are allocated.

Direct assignment of NextGen costs does not change the treatment of the shared foundational platform. The platform continues to support both gas and electric operations and should be allocated under SDG&E's established labor-ratio methodology.

IV. SDG&E'S UPDATED ILLUSTRATIVE REVENUE REQUIREMENT ADDRESSES UCAN'S CONCERNS AND WILL BE FINALIZED TO IMPLEMENT THE COMMISSION'S DECISION

UCAN argues that "the Commission is being asked to adopt an allocation that the applicant's own stated method does not produce, and SDG&E's offer to explain individual components does not substitute for the model."[59] On that basis, UCAN recommends the Commission direct SDG&E to "serve corrected revenue-requirement tables (Tables 6-4 through 6-6) reflecting the allocation factors it disclosed, so that the record contains an allocation that matches the applicant's stated method."[60]

SDG&E generally does not agree that the revenue requirement should be rerun solely to incorporate revised allocation factors that have a negligible effect on the overall forecast and would produce only a preliminary shift between jurisdictions. The revenue requirement included in the Application is illustrative and will necessarily be updated after the Commission issues its decision to reflect the costs and treatment the Commission authorizes, together with the financial and accounting assumptions then in effect. The revenue requirement is an illustrative calculation based on the SM 2.0 cost forecast and the financial, accounting, and allocation assumptions applicable when the calculation is prepared. Certain parameters may be updated throughout the regulatory process. For example, authorized rates of return may change through separate cost-of-capital proceedings, or applicable accounting treatment may be updated to reflect new Commission or FERC decisions and accounting guidance. Such updates do not indicate that the

[59] Ex. UCAN (Golding Direct) at 95 (citation omitted).

[60] *Id.* at 98.

underlying SM 2.0 cost forecast is unreliable; rather they reflect the application of updated financial, accounting, or allocation parameters to that forecast. Updating one assumption in isolation would therefore provide only a point-in-time result and may require further adjustment when the final Commission decision is implemented.

Nevertheless, because SDG&E was already rerunning scenario analyses in connection with its Appendix B supplemental testimony, SDG&E also revisited the analysis supporting the original Application. Through that review, SDG&E identified certain necessary updates and incorporated them, while also updating assumptions to reflect the latest available information. The updated revenue requirement reflects the latest available allocation factors,[61] direct assignment of identifiable NextGen costs to electric customers under FERC Order No. 898,[62] and updated assumptions regarding SDG&E's applicable cost of capital,[63] property tax, and FF&U rates.

Additionally, certain costs have been reclassified from foundational IT to hardware and program management. These reclassifications do not change overall program costs, but change the applicable FERC account assignments and result in corresponding changes to the revenue requirement. SDG&E intends to serve errata testimony outlining these changes and it is forthcoming. The updated results and variance from the Application are presented in Table 10-1 below.

[61] The allocation factors used in SDG&E's original application forecast, and the revised allocations identified in response to DR002, were based on SDG&E's established 2025 labor-ratio methodology. SDG&E has now incorporated the available 2026 labor-ratio study into its latest analysis.

[62] NextGen costs previously classified in common asset account C-303 have been updated to reflect the appropriate electric-only asset accounts, including E-370.21, E-363.25, and E-363.2, as applicable.

[63] Includes rate of return impacts for both forecasted ratebase and AFUDC. For forecast purposes, CPUC AFUDC was estimated using SDG&E's 2026 CPUC-authorized rate of return of 7.41%. This rate was held constant throughout the forecast period, while prior-year estimates reflect the CPUC-authorized rates applicable in those years: 7.55% in 2022, 7.18% in 2023, and 7.67% in 2024. AFUDC associated with FERC-jurisdictional costs was similarly estimated using a FERC-specific rate of return of 7.61%. These rates are modeling assumptions and may differ from the AFUDC ultimately recorded. Actual CPUC and FERC AFUDC rates are calculated separately under the FERC-prescribed formula using the actual capital structure, applicable authorized cost of equity, embedded cost of debt, and other applicable financing inputs for each jurisdiction during the period.

TABLE 10-1
Revenue Requirement Comparison

Rebuttal Testimony

SM 2.0	2024	2025	2026	2027	2028	2029	2030	2031	2032-2071	Total
CPUC - Gas	($1.9)	$1.8	($3.0)	$10.0	$24.3	$38.6	$46.6	$41.9	$273.0	$431.3
CPUC - Electric	(3.6)	3.0	(5.6)	23.2	40.9	66.8	88.0	97.2	628.7	938.6
FERC	(0.9)	0.0	(1.6)	3.1	5.1	4.8	4.9	4.7	1.4	21.5
Total	**($6.4)**	**$4.8**	**($10.2)**	**$36.3**	**$70.3**	**$110.2**	**$139.5**	**$143.8**	**$903.1**	**$1,391.4**

Original Application

SM 2.0	2024	2025	2026	2027	2028	2029	2030	2031	2032-2071	Total
CPUC - Gas	($1.6)	$1.2	($2.7)	$9.6	$20.3	$33.1	$42.9	$44.1	$273.5	$420.4
CPUC - Electric	(3.8)	2.9	(6.2)	21.1	43.9	69.5	88.1	90.0	561.1	866.6
FERC	(0.9)	0.7	(1.5)	3.9	6.5	7.9	8.4	8.3	5.2	38.5
Total	**($6.3)**	**$4.8**	**($10.4)**	**$34.6**	**$70.7**	**$110.5**	**$139.4**	**$142.4**	**$839.8**	**$1,325.5**

Variance

SM 2.0	2024	2025	2026	2027	2028	2029	2030	2031	2032-2071	Total
CPUC - Gas	($0.3)	$0.6	($0.3)	$0.4	$4.0	$5.5	$3.7	($2.2)	($0.5)	$10.9
CPUC - Electric	0.2	0.1	0.6	2.1	(3.0)	(2.7)	(0.1)	7.2	67.6	72.0
FERC	0.0	(0.7)	(0.1)	(0.8)	(1.4)	(3.1)	(3.5)	(3.6)	(3.8)	(17.0)
Total	**($0.1)**	**$0.0**	**$0.2**	**$1.7**	**($0.4)**	**($0.3)**	**$0.1**	**$1.4**	**$63.3**	**$65.9**

As stated in direct testimony of Casey W. Butler, "[t]he above revenue requirement is illustrative and is based on the forecasted costs provided in this application. SDG&E will determine the actual capital and O&M costs of SM 2.0 as it is completed and will calculate the actual revenue requirements associated with those costs for recovery in rates."[64] The updated results remain illustrative. After the Commission issues its decision, SDG&E will update the revenue-requirement calculation as necessary to reflect the Commission-approved program costs and treatment using the applicable financial, accounting, and allocation parameters. This approach will provide the appropriate basis for establishing authorized revenues, which would then be reconciled under the proposed AMIBA with the actual incremental revenue requirement associated with the SM 2.0 implementation. As SM 2.0 is implemented, the applicable regulatory account mechanism will operate in accordance with the cost recovery framework ultimately authorized by the Commission.

[64] Ex. SDG&E-06 (Butler Direct) at 7.

V. CONCLUSION

The intervenors identify legitimate interests in cost transparency, accountability, and protection against recovery outside the scope authorized by the Commission. Those concerns do not call into question the reasonableness of SDG&E's SM 2.0 forecast, which, as demonstrated in the direct testimony of Casey W. Butler, and rebuttal testimony of David H. Thai, provides an appropriately developed basis for Commission authorization, nor do they require granular annual or category specific cost limitations.

SDG&E continues to recommend approval of the proposed two-way interest-bearing AMIBA because it provides transparent reconciliation of authorized revenues and the revenue requirement associated with implementation while allowing customers to receive the benefit of cost underruns and implementation efficiencies. The Commission is reviewing the reasonableness of the SM 2.0 forecast in this proceeding, and AMIBA should not be characterized as a substitute for that review or as requiring a duplicative subsequent review of costs within the authorized scope and program amount.

If the Commission determines that additional cost protections are warranted, those protections should be structured at the overall program level and preserve reasonable implementation flexibility within the Commission-authorized scope and program amount. Reporting, documentation, and appropriately tailored review of material expenditures above the authorized program level can provide additional oversight without imposing rigid category-specific or annual limitations. Accordingly, SDG&E recommends approval of AMIBA as proposed, or alternatively, with a program level cost control framework that recognizes the reasonableness of the approved forecast while providing appropriate Commission oversight of material expenditures above the authorized program amount.

This concludes our prepared rebuttal testimony.

VI. WITNESS QUALIFICATIONS

Jack Guidi

My name is Jack Guidi. My business address is 8680 Balboa Avenue, San Diego, California 92123. I am employed by SDG&E as the Director of Accounting Operations. My principal responsibilities include oversight of Asset & Project Accounting, Affiliate Billing and Costing, Financial Systems Client Support, and Accounts Payable. During my tenure, I have held various management positions in Accounting, Strategic Planning, Financial Reporting, SOX Compliance, and Accounting Operations, including Asset & Project Accounting Manager and Financial and Strategic Analysis Manager at SDG&E. I have been employed by SDG&E and/or Sempra since July 2007.

Prior to joining Sempra, I was employed by PricewaterhouseCoopers LLP as an external auditor, where I held various audit positions, including Audit Manager. I received a Bachelor of Science in Business Administration degree, with an emphasis in Accounting, from San Diego State University in December 1999.

I am a Certified Public Accountant licensed in the State of California and maintain an active license by fulfilling applicable continuing professional education requirements.

I have previously testified before the Commission.

Terence Elliott

My name is Terence Elliott. My business address is 8326 Century Park Court, San Diego, California 92123. I am employed by SDG&E as Manager of Financial & Strategic Analysis. In this role, I lead financial and strategic analyses supporting the Company's financial planning, operational planning, and regulatory activities. My responsibilities include overseeing financial forecasts, evaluating the financial and revenue requirement impacts of capital and operating expenditures, and providing financial analysis to support business plans, investments, regulatory proposals, and strategic decisions. I have held this position since May 2026. Previously, I held positions of increasing responsibility in SDG&E Central Planning and served in analyst roles supporting Sempra Central Planning, Financial Analysis, Major Project Controls, and Enterprise Risk Management. I have been employed by SDG&E and/or Sempra since May 2015.

I earned a Master of Business Administration from San Diego State University and a Bachelor of Arts in Finance from the University of San Diego.

I have not previously testified before the Commission.