Application: A.25-04-XXX
Exhibit No.: SCG-01
Witness: T. Sera

Application of Southern California Gas Company (U 904 G) to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account from January 1, 2019 to December 31, 2023.	A.25-04-XXX

CHAPTER I

PREPARED DIRECT TESTIMONY OF

TRAVIS T. SERA

(TIMP DEVELOPMENT AND IMPLEMENTATION)

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

April 30, 2025

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CHAPTER I
PREPARED DIRECT TESTIMONY OF TRAVIS T. SERA
(TIMP Development and Implementation)

I. PURPOSE OF TESTIMONY

The purpose of my prepared direct testimony is to provide an overview of Southern California Gas Company's (SoCalGas) program development and implementation activities undertaken to execute the Transmission Integrity Management Program (TIMP), and to demonstrate that additions to the regulatory requirements that became effective between January 1, 2019 and December 31, 2023 required SoCalGas to perform more work in the TIMP program than originally forecasted in the Test Year (TY) 2019 General Rate Case (GRC). This application seeks to recover the under-collected revenue requirement in the TIMP Balancing Account (TIMPBA) of $173.8 million, which is associated with expenditures that are above 35% of the authorized TY 2019 GRC cycle operations and maintenance (O&M) and capital expenditure from October 1, 2022 to December 31, 2023.[1]

The increase in expenditures for TIMP from January 1, 2019 through December 31, 2023 were primarily due to: (1) the expansion of the TIMP regulatory requirements that increased the amount of threats categorized as active on SoCalGas pipelines, resulting in more assessment and remediation activity; and (2) the complexity of assessing desert region pipelines.

The changes to the TIMP regulatory requirements include but are not limited to:

- An increase in the number of pipe segments that required assessment for Manufacturing (M) and Construction (C) threats[2] due to an amendment of the Code of Federal Regulations (CFR) §192.917(e)(3).

[1] *See* Decision (D.) 19-09-051 at 694-695, which allowed SoCalGas to recover under-collections when actual expenditures exceed authorized O&M and capital expenditures by up to 35 percent via advice letter; and under-collections above 35 percent of authorized O&M and capital expenditures could be recovered through a separate proceeding. A $227.3 million under-collection (up to 35% above the TY 2019 GRC authorized revenue requirement) for expenditures during the period of January 1, 2019-September 30, 2022 was approved for recovery in Commission Resolution (Res.) G-3600, amortized over a 12-month period starting July 1, 2024.

[2] As described in ASME B31.8S, Section 2.2 and Appendix A.

- An advisory bulletin from the Pipeline Hazardous Materials Safety Administration (PHMSA) stating that the threat of Stress Corrosion Cracking (SCC) must be considered active.[3]
- Acceleration of assessments for newly identified threats, such as the M, C, and SCC threats prompted by a PHMSA interpretation of 49 CFR § 192.939[4] and confirmed by the California Public Utilities Commission (CPUC or Commission).
- An expansion of pipeline assessment requirements to include pipe segments located within Moderate Consequence Areas (MCAs) and additionally within Class 3 and 4 pipelines that are not within identified High Consequence Areas (HCAs), as mandated by additions to 49 CFR § 192.710.

While every change to the federal regulations required evaluation to determine its potential impact on TIMP and overall SoCalGas activities, the primary increase in expenditures resulted from the increased assessment work required to evaluate newly identified threats. Each newly identified threat requires more inspections and direct examinations of the pipelines and often resulted in remediation work which increases costs. Direct examination of pipelines is resource intensive and requires excavation of the pipeline to allow 360° access to assess the pipe's condition and to determine if any remediation work is required.

SoCalGas's continued efforts to manage pipelines in the desert region are made difficult by the high volume and complexity of corrosion. In addition, ILI tools have limitations in their ability to distinguish the characteristics of individual corrosion anomalies within areas of the pipe with extensive corrosion of varying depths. The high volume and complexity of corrosion, combined with the limitations of ILI tools, results in extensive direct examination work in the desert region to support tool validation and pipeline remediation.

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[3] Pipeline Safety: Deactivation of Threats, 82 Fed. Reg. 50,14106 (March 16, 2017), *available at:* https://www.phmsa.dot.gov/regulations/federal-register-documents/2017-05262.

[4] PHMSA, John A. Gale, Director of Office of Standards and Rulemaking at PHMSA Letter to Christine Cowsert VP, Gas Asset Mgmt. & System Operations at PG&E (June 23, 2021), *available at:* https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/standards-rulemaking/pipeline/interpretations/75361/pacific-gas-and-electric-company-pi-21-0004-06-24-2021-part-192939.pdf.

II. OVERVIEW OF TESTIMONY

My testimony will discuss the Commission regulatory history and oversight mechanisms applied to the TIMP, and the TIMP program cost components and how the new regulatory compliance activities and the complexity of assessing desert region pipelines impacted these cost components. These cost components provide the basis for the revenue requirements recorded in SoCalGas's TIMPBA. The technical project execution and management level detail is addressed in the Prepared Direct Testimony of Jordan A. Zeoli, Fidel Galvan, and Travis T. Sera, Technical Project Execution and Program Management, Chapter II, and the supporting workpapers.[5]

SoCalGas prudently executed its TIMP activities throughout 2019-2023 in efforts to reduce risk and enhance safety by: (1) complying with new or updated sections within 49 CFR Part 192 specifically related to TIMP as part of the Gas Transmission Safety Rule (GTSR), updated interpretations of existing regulations, and the federal Pipeline and Hazardous Materials Safety Administration (PHMSA) advisory bulletins that expanded the scope of the TIMP; and (2) executing SoCalGas's commitment to providing safe and reliable service at reasonable rates through a process of continual safety enhancement by proactively identifying, evaluating, and reducing pipeline integrity risks for transmission pipelines.

III. TIMP IMPLEMENTATION

A. TIMP Objective

SoCalGas is committed to providing safe and reliable service at reasonable rates through a process of continual safety enhancement by proactively identifying, evaluating, and reducing transmission pipeline integrity risk. This commitment requires SoCalGas to execute the TIMP in accordance with assessment activities as required by 49 CFR § 192, Subpart O[6], and later 49 CFR § 192.710. These activities include:

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[5] Workpapers were only prepared for ILI projects costing at least $1 million, Retrofit Projects and Direct Assessment projects that primarily incurred costs from January 1, 2019, to December 31, 2023, *see* Chapter II and accompanying Workpapers, Exhibit (Ex.) SCG-02-WP.

[6] Other subparts are incorporated, referenced or cited in Subpart O. On October 1, 2019, Pipeline and Hazardous Materials Safety Administration (PHMSA) issued the Pipeline Safety: Safety of Gas Transmission Pipelines: Maximum Allowable Operating Pressure (MAOP) Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments final rule as codified, in relevant part, in 49 CFR 192.710.

- maintaining and enhancing safety;
- maintaining consistency with local, state, and federal regulatory and legislative requirements;
- maintaining overall system integrity and reliability; and
- supporting SoCalGas's commitment to mitigate safety risks associated with customer/public safety, infrastructure integrity, and system reliability.[7]

Under Subpart O and 49 CFR § 192.710, SoCalGas is required to continually identify threats to its pipelines in HCAs, MCAs and Class 3 and 4 pipelines not in HCAs; determine the risk posed by these threats, schedule and track assessments to address threats, conduct assessments within prescribed timelines, collect information about the condition of the pipelines, take actions to minimize applicable threats and integrity concerns to reduce the risk of a pipeline failure, and report findings to regulators.

SoCalGas operates approximately 1,118 HCA miles out of 3,381 miles of transmission pipelines as defined by the United States Department of Transportation (DOT).[8] SoCalGas's service territory extends from the Mexican border to near Fresno, and from the Colorado River to the Pacific Ocean. It operates in desert, urban, suburban, agricultural, and coastal zones. The size and variety of locations in which SoCalGas operates has a direct and significant bearing on overall costs to comply with TIMP regulatory requirements.

B. TIMP Background

SoCalGas's TIMP implements the federal regulatory requirements set forth in 49 CFR 192 Subpart O and 49 CFR § 192.710.[9] These federal pipeline regulations were first adopted effective February 14, 2004, following the passage of the Pipeline Safety Improvement Act of 2002, to promote the continued safe and reliable operation of the country's natural gas infrastructure.

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[7] *See* A.17-10-008, Direct Testimony of Maria T. Martinez, Ex. SCG-14 (October 6, 2017) at MTM-1 to MTM-2, *available at:* https://www.socalgas.com/regulatory/documents/a-17-10-008/SCG-14%20Martinez%20Prepared%20Direct%20Testimony.pdf.

[8] 49 CFR § 192.3.

[9] Subpart O is incorporated into the Commission's General Order (GO) 112-F.

In 2011, the California Legislature passed Senate Bill (SB) 879, codified as Public Utilities Code (PUC) Section 969, which expressly requires that gas corporations "establish and maintain a balancing account" to recover TIMP expenses and related capital expenditures for the maintenance and repair of transmission pipelines. Accordingly, SoCalGas's TIMPBA was authorized through Decision (D.) 13-05-010, which approved SoCalGas's TY 2012 GRC. The TIMPBA was established to record actual O&M and capital-related costs associated with SoCalGas's TIMP and to track the difference between authorized and actual revenue requirement.[10] The TIMPBA has since been reauthorized in connection with SoCalGas's TY 2016 and TY 2019 GRC decisions.[11]

Pursuant to D.19-09-051, SoCalGas is authorized to submit a Tier 3 advice letter to seek recovery of any TIMP under-collections of revenue requirement when actual expenditures exceed the total authorized O&M and capital expenditures up to 35% for the entire cycle.[12] For any under-collections of revenue requirement resulting from actual expenditures greater than 35% of the total authorized O&M and capital expenditures, SoCalGas may seek recovery through a separate application.[13]

On November 23, 2022, SoCalGas submitted advice letter (AL) 6060-G requesting to recover its TIMPBA under-collected balance of $238.8 million as of September 30, 2022,[14] representing the cumulative incremental revenue requirement associated with reasonably incurred TIMP expenditures in excess of authorized TY 2019 GRC cycle O&M and capital expenditures up to 35%. On May 30, 2024, the Commission adopted Resolution G-3600, approving SoCalGas's request to recover the under-collection recorded in its TIMPBA for the

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[10] SoCalGas, *Preliminary Statement - Part V - Balancing Accounts – TIMPBA*, *available at:* *https://tariffsprd.socalgas.com/view/historical/?utilId=SCG&bookId=GAS&tarfKey=484&tarfYear=2020*.

[11] D.16-06-054 at 327 and D.19-09-051 at 777. The TIMPBA was most recently reauthorized for the four year cycle of SoCalGas's TY 2024 GRC through D.24-12-074, as a one-way balancing account.

[12] D.19-09-051 at 694-695 and 774 (Conclusion of Law (COL) 104); *see also* A.17-10-008, Direct Testimony of Rae Marie Q. Yu, Ex. SCG-42 (October 6, 2017) at RQY-15 and Appendix B at RQY-B-1, *available at:* https://www.socalgas.com/regulatory/documents/a-17-10-008/SCG-42%20Yu%20Prepared%20Direct%20Testimony.pdf.

[13] *Id.*

[14] SoCalGas filed supplemental 6060-G-A on January 13, 2023 replacing 6060-G in its entirety, to correct the electronic file format to a searchable format.

period of January 1, 2019 to September 30, 2022. Resolution G-3600 found that "[c]hanges in assessment methods, increased labor and non-labor expenses and continuing remediation activities initiated prior to 2019 increased SoCalGas's actual [TIMP] expenditures causing costs to be higher than forecast, and that examined TIMP expenses and expenditures were appropriately recorded and reasonably incurred."[15] Furthermore, in its approval, the Commission trued up the TIMPBA balance authorized for recovery to $227.3 million, to account for on-going capital revenue requirement and interest associated with the O&M and capital projects included in Advice Letter 6060-G and authorized revenue collected for the TIMP through December 31, 2023.[16]

Since October 1, 2022, SoCalGas has continued to record under-collections in its TIMPBA due to TIMP activities for the remainder of the TY 2019 GRC cycle. As of December 31, 2023, SoCalGas's TIMPBA in total exceeded the authorized TY 2019 GRC cycle O&M and capital expenditures as shown in Table TTS-1. This application seeks to recover $173.8 million of revenue requirement, which is the under-collections balance in the TIMPBA accumulated during the period of October 1, 2022 through December 31, 2023.

Table TTS-1
TIMP Expenditures (Authorized v. Actual, $000)

Authorized	O&M	Capital	Total
2019	$47,817	$62,233	$110,050
2020	49,080	55,190	104,270
2021	50,258	56,063	106,321
2022	51,231	56,724	107,955
2023	52,409	57,934	110,343
Subtotal	$250,795	$288,144	$538,938

[15] Res. G-3600 at 8 (Findings 8-9).

[16] *Id*. (Findings 10-12).

Actual	O&M	Capital	Total
2019	$75,952	$106,467	$182,419
2020	104,648	76,583	181,231
2021	103,839	112,503	216,342
2022	126,220	93,204	219,445
2023	121,233	135,109	256,322
2024*	(1,854)	(1,085)	(2,939)
Subtotal	$530,038	$522,782	$1,052,820

Over/ (Under) Authorized			
$	$279,243	$234,638	$513,882
%	211%	181%	195%

Note: Subtotals may include rounding differences.
*2024 only includes adjustments for TIMP expenditures through December 31, 2023.

C. TIMP Cost Categories

SoCalGas has generally separated TIMP O&M and TIMP capital expenditures into the following four categories for presenting and describing TIMP activities: (1) Assessments and Remediation; (2) Preventative and Mitigative (P&M) Measures; (3) Data and Geographic Information Systems (GIS); and (4) Program Management and Support/Risk and Threat. While assessments and remediations have represented the majority of SoCalGas's TIMP-related work during this GRC cycle as anticipated, actual expenditures for each of the four cost categories have been higher than forecasted for reasons explained below. The total TIMP costs are summarized in Table TTS-2.

Table TTS-2
TIMP O&M and Capital Expenditures by Category ($000)

Labor + Non-labor Recorded ($000)	2019	2020	2021	2022	2023	2024	Total
O&M							
Assessments and Remediation	$55,608	$81,815	$79,896	$95,960	$90,526		$403,805
Preventative and Mitigative (P&M) Measures	4,246	3,816	4,448	4,546	3,231		20,287
Data and Geographic Information Systems (GIS)	10,746	12,877	10,937	9,831	13,116		57,507
Program Management and Support/Risk and Threat	5,352	6,139	8,558	15,904	14,339		50,293
Adjustment						($1,854)	($1,854)
O&M - Subtotal	**$75,952**	**$104,648**	**$103,839**	**$126,241**	**$121,212**	**($1,854)**	**$530,038**
Capital Expenditures	$106,467	$76,583	$112,503	$93,204	$135,109		$523,867
Adjustment						($1,085)	($1,085)
Capital Expenditures - Subtotal	**$106,467**	**$76,583**	**$112,503**	**$93,204**	**$135,109**	**($1,085)**	**$522,782**
Total O&M and Capital	**$182,419**	**$181,231**	**$216,342**	**$219,445**	**$256,322**	**($2,939)**	**$1,052,820**

Note: Subtotals may include rounding differences.
*2024 only includes adjustments for TIMP expenditures through December 31, 2023.

In addition to the cost drivers discussed above, the approved methodology to calculate the authorized revenue requirement in the post-test years for these programs impacted the resulting TIMPBA under-collection. The TY 2019 GRC Decision (D.19-09-051) authorized a post-test year (PTY) mechanism for SoCalGas, including TIMP, whereby authorized O&M expenses in the

PTYs are derived through escalation of the authorized TY 2019 O&M expenses.[17] Authorized capital expenditures are imputed in the PTYs based on a seven-year average of historical and forecasted capital expenditures rather than project specific forecasts.[18] This PTY mechanism differs from the forecast of TIMP-related activities for the TY 2019 GRC cycle, therefore contributing to the under-collection. Additional details on the calculation of TIMP authorized expenditures associated with the TY 2019 GRC is provided in the Prepared Direct Testimony of Rae Marie Yu (Chapter III).

1. Assessments and Remediations

TIMP is built upon federal and state requirements that go above and beyond routine maintenance activities and mandate monitoring and remediation on the pipeline system with the goal of reducing overall risk. One of the ways TIMP manages risk is through the execution of assessments and remediation of anomalies discovered on transmission pipelines (which vary from project to project based on assessment findings).

SoCalGas utilizes In-Line Inspection (ILI), External Corrosion Direct Assessments (ECDA) and Stress Corrosion Cracking Direct Assessment (SCCDA) for the majority of the pipeline integrity assessments. Where feasible, ILI of pipeline segments is the preferred method of assessment. Further, during the TY 2019 GRC cycle, the requirement to identify additional threats prompted SoCalGas to take actions to expand the range of pipe segments inspectable by threat specific ILI tools. These efforts represent both best practice and a response to new federal regulations that included several new or updated sections within 49 CFR Part 192 as part of the Gas Transmission Safety Rule (GTSR)[19], updated interpretations of existing regulations, and

[17] D.19-09-051 at 776 (OP 4).

[18] *Id*.

[19] On October 1, 2019, Pipeline and Hazardous Materials Safety Administration (PHMSA) issued the Pipeline Safety: Safety of Gas Transmission Pipelines: Maximum Allowable Operating Pressure (MAOP) Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments final rule, which took effect July 1, 2020. On April 8, 2022, PHMSA issued the Pipeline Safety: Requirement of Valve Installation and Minimum Rupture Detection Standards final rule, which took effect October 5, 2022. On August 24, 2022, PHMSA issued the Pipeline Safety: Safety of Gas Transmission Pipelines: Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments final rule, which took effect May 24, 2023. The TIMPBA includes costs associated with the expansion of the TIMP requirements.

PHMSA advisory bulletins that expanded the scope of the TIMP. New and updated sections that impacted TIMP cost include but are not limited to:

- An enhanced requirement that resulted in previously stable M and C threats being newly categorized as active, prompting additional assessments and direct examinations. SoCalGas reviewed pipeline segment records to determine if any newly identified M and C threats would require inspection, data analysis, direct examination, and assessment under the new requirements in 49 CFR § 192.917(e)(3).
- A PHMSA advisory bulletin declaring the SCC threat to be considered "active" by default for all pipeline segments. Pipeline segments determined to have a susceptibility to the SCC threat had to be inspected for SCC using either ILI tools or SCCDA, which then required direct examinations to validate the results of the inspections for each assessment method.
- Accelerated assessments for newly identified threats. PHMSA interpretation of 49 CFR § 192.939 "What are the required reassessment intervals" declared that when a new threat is identified on a pipeline segment, that newly identified threat must be assessed by the deadline associated with the segment's existing assessment interval. For instance, where M, C, and/or SCC threats were previously categorized as inactive, the new requirements[20] prompted the use of applicable inspection methods for these threats within the current reassessment cycle even if that cycle was ending in the same year GTSR Part 1 took effect.
- A new assessment requirement for MCAs added to 49 CFR § 192.710. The SoCalGas pipeline system was evaluated to determine where new MCAs are present, and assessment scopes were to be expanded to include the new MCAs.

[20] GTSR Part 1 enhancement of 49 CFR § 192.917(e) and Pipeline Safety: Deactivation of Threats, 82 Fed. Reg. 50,14106 (March 16, 2017), *available at:* https://www.phmsa.dot.gov/regulations/federal-register-documents/2017-05262.

a) Assessment and Remediations – Cost Drivers

(1) New Threats Required Using Additional ILI Tools and in Some Cases Retrofits

In order to comply with the changes in threat assessment and associated timelines, new and/or additional inspection technologies had to be employed for segments with newly identified threats that were not previously anticipated prior to 2019-2023. The M and C threats can be assessed using ILI or Pressure Test (PT). SCC can be assessed by either ILI, PT, or SCCDA.[21] ILI tools utilized by SoCalGas to evaluate the SCC, M, and C threats include Axially oriented Magnetic Flux Leakage (MFL-A), Circumferentially oriented Magnetic Flux Leakage (MFL-C), and Electromagnetic Acoustic Transducer (EMAT).

Deployment of ILI tools in pipelines that have not been previously inspected using ILI require the installation of launchers and receivers necessary to enable ILI tool ingress and egress. There may also be a need for pipeline retrofits to remove ILI restrictions such as unbarred tees, valves that do not allow ILI tool passage, and abrupt changes in pipeline diameter and/or wall thickness. The use of new inspection tools such as EMAT necessitates the development of engineering processes to evaluate the inspection results and determine the appropriate response. The results from multiple inspections of the same pipe segment with new and different ILI tools requires integration of multiple data sets to identify potentially interacting anomalies, which in-tun necessitates additional training of integrity engineers, and requires additional process steps for reviewing the results of the inspection.

(2) New Active Threats Required Assessing More Miles

The identification of new active threats on SoCalGas pipeline segments and associated assessment timelines required SoCalGas to increase its use of ILI tools to inspect for crack and long seam defects. For example, 978 miles of SoCalGas pipeline were assessed using specialized crack or long seam defect detection ILI tools in the TY 2019 GRC cycle, compared to 130 miles during the TY 2016 GRC cycle. This increase in mileage coupled with the use of specialized smart tools such as EMAT was a substantial cost driver. SoCalGas estimates it spent

[21] SCC, M, and C threats cannot be assessed using the ECDA assessment method.

approximately $15M during the TY 2019 GRC cycle to use EMAT tools to inspect these pipelines, which does not include the cost to perform the required validation direct examinations and any resulting remediations. Additional information related to these inspections, excavations, and remediations are described in Chapter 2.

(3) Expansion of Assessment Scope Required More Direct Examinations

The new threat identification requirements expanded the assessment scope by adding threats to pipeline segments that were already managed in the TIMP program. This expansion of the assessment scope meant that pipelines with newly identified threats that had been previously assessed needed to be re-assessed for the newly identified additional threats during the TY 2019 GRC cycle. Every threat assessed on a pipeline typically has a unique set of inspection requirements, direct examinations, data analysis, and assessment. Dedicated direct examinations must be selected to validate the ECDA, ILI and SCCDA inspection results, which sometimes doubled or more the number of excavations required to complete the assessment of the pipeline segment.

(4) High Volume and Complexity of Corrosion on Desert Pipeline

The desert environment introduces additional difficulties in maintaining effective cathodic protection on pipelines typically related to cathodic protection shielding due to rocky soil and accelerated degradation of protective coal tar coating. Improvements to the ILI's ability to detect areas of shallow corrosion have increased the volume and complexity of corrosion. This improvement, when combined with the limitations of the ILI to characterize deeper individual corrosion anomalies led to an increase in the number of direct examinations on desert pipelines.

2. Preventative and Mitigative Measures

P&M measures are a fundamental aspect of the TIMP and are referenced throughout 49 CFR Part 192 and American Society of Mechanical Engineers (ASME) B31.8S. Preventative actions are those that can be taken to reduce or eliminate an integrity threat, such as applying protective coating and cathodic protection to a pipeline to reduce corrosion. Mitigative actions

reduce the impact of integrity threats that are already present on the pipeline, such as installing automatic shut off valves to lessen the consequence of pipeline failure.

The TIMP continues to use data obtained during assessments to inform when and where various P&M measures can be implemented or enhanced to reduce system risk by integrating the assessment data with existing operational data. P&M activities include but are not limited to damage prevention, corrosion control, and leak survey. For example, during the TY 2019 GRC cycle, the results of certain TIMP assessments identified opportunities to reduce system risk along the assessed segments by installing additional cathodic protection infrastructure. TIMP works with the operational groups responsible for cathodic protection to determine the appropriate scope and extent of the installation of additional cathodic protection infrastructure.

3. Data and Geographic Information Systems

The High-Pressure Pipeline Database (HPPD) houses and maintains the data collected for transmission pipelines during the pre-assessment process, various assessments, and remediation efforts completed as part of TIMP. Updates to the HPPD are required to continuously reflect changes in the pipeline system based on new construction, replacements, abandonments, or re-conditioning of pipelines for not only TIMP-related projects, but also for all company-wide projects to holistically analyze the entire transmission pipeline system. Various tool sets (applications) used within the HPPD allow for the analysis and identification of HCAs, risk evaluation of the transmission system, and the creation of Assessment Plans. The HPPD operates using proprietary software that requires licensing and subscription fees. In addition, ongoing best practices for digitizing records, updating databases, and improving the GIS system contributed to the expenses in this Application.

New and updated sections within 49 CFR Part 192 that took effect July 1, 2020 prompted changes to the process that the HPPD uses to determine whether a pipe segment is within the newly-defined MCA, as well as whether M and C threats related to cracking are present on pipeline segments. The additional assessments required to assess for more threats on pipeline segments generated more data and information, necessitating significantly more record reviews and follow-on GIS and HPPD updates than originally planned for in the TY 2019 GRC cycle.

4. Program Management and Support/Threat and Risk

Program Management and Support expenses include the salaries and expenses associated with developing and supporting updates to the integrity management program, data management, and risk management of the transmission pipelines. The activities prescribed by Subpart O and later 49 CFR § 192.710, are primarily implemented and managed by the TIMP team, which is comprised of engineers, project managers, technical advisors, project specialists, and other employees with varying degrees of responsibility for the proper functioning of a complex and integrated program.

Also included in this cost category are incremental efforts to support compliance with new federal regulations that began taking effect on July 1, 2020.[22] These activities included the development and implementation of new standard operating procedures and updating of existing standard operating procedures to promote consistent and safe processes that comply with expanded regulatory obligations. Company personnel and contracted consultants collaborated to evaluate requirements, analyze pipeline data, and provide guidance to implement process improvements for assessment projects, enhance data management tools, and identify compliance initiatives to be managed outside of the TIMP. These activities were incremental and were not forecasted at the time of the TY 2019 GRC.

The Threat and Risk team performs threat identification and risk assessment of transmission pipelines per Subpart O, and 49 CFR § 192.710. As described in the TY 2019 GRC, threat identification and risk assessment are considered the starting point in SoCalGas's TIMP implementation process.[23] SoCalGas uses a prescriptive approach for threat identification, which includes the nine threat categories described in ASME Standard B31.8S: External Corrosion; Internal Corrosion; Stress Corrosion Cracking; Manufacturing; Construction; Equipment; Mechanical; Incorrect Operations; and Weather Related and Outside Force. All pipelines operated in HCAs and segments defined in 49 CFR § 192.710 are evaluated for each threat category. A relative risk assessment is applied to identified threats in each HCA segment. The relative risk assessment integrates relevant threats, industry data, and Company experience

[22] 49 CFR 192.710.

[23] A.17-10-008, Ex. SCG-14 (Martinez) at MTM-14.

to prioritize HCA pipeline segments for integrity management actions including baseline assessments, integrity reassessments, and P&M activities.[24]

As an additional step of this threat identification and risk assessment process, SoCalGas has expanded the research involving construction threats and weather related/outside force threats. For example, to better understand the dynamics of certain construction threats, the Company has initiated a centralized effort to oversee the performance of destructive testing on wrinkle bends - an incremental activity starting in 2020 not accounted for in the TY 2019 GRC cycle. In addition, the Company has worked with technology suppliers to better evaluate the susceptibility of its system to geohazard threats. This additional information will provide valuable understanding and help guide strategies to prevent and mitigate this threat, and enhance pipeline safety and reliability.

IV. TIMP COST MANAGEMENT AND OVERSIGHT MEASURES

The TIMP activities are tracked following internal accounting guidelines. SoCalGas's TIMP cost management and oversight measures are supported by an accounting and finance team that evaluates capital and O&M costs, and who communicates and reports to management and teams responsible for project costs. The following describes the TIMP financial oversight processes that SoCalGas used throughout the course of the TY 2019 GRC cycle:

- TIMP-specific budget codes and work types are assigned to internal orders for each activity to track and allocate costs properly.
- Quarterly and annual budgets, outlooks and forecasts are established to monitor and track spending for the TIMP.
- Monthly cost reports are produced and distributed to allow for prudent review by program management personnel.
- Quarterly reviews of program costs are performed by the financial team to reclassify any non-program costs, if necessary.
- The project teams assist with the coding and accounting for costs as incurred, as well as reviewing posted transactions for validity and proper inclusion in the balancing account.

[24] *Id*.

- Quarterly confirmations are provided to the company's Regulatory Accounting group attesting to the material accuracy of the balancing account transactions.

V. CONCLUSION

SoCalGas's TIMP has continued to evolve and adapt to new regulatory changes, identify and assess risks, remediate conditions that present a potential threat to pipeline integrity, monitor program effectiveness, and promote safety and reliability to its customers. The under-collection requested in this application for TIMP is reasonable to support the activities that are required to meet federal and state requirements as described within our testimony and should be adopted by the Commission.

This concludes my prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Travis T. Sera. I am employed by SoCalGas as the Director of Integrity Management for SoCalGas and SDG&E. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011.

I joined SoCalGas as a full-time employee in 1995 and have held various positions of increasing responsibility within the Gas Engineering and System Integrity department. I left SoCalGas briefly, from 2003 to 2005, and during this time held the title of Senior Consulting Engineer for Structural Integrity Associates, an engineering consulting firm to the nuclear, petro-chemical, and pipeline industries.

I have been in my current position at SoCalGas since 2019. My responsibilities include oversight of the Transmission Integrity Management Program and the Distribution Integrity Management Program, in addition to the broad application of Integrity Management principles across various departments within SoCalGas and SDG&E. I have a Bachelor of Science degree in Materials Engineering from California Polytechnic State University - San Luis Obispo, I am a registered Professional Metallurgical Engineer in the State of California, and I hold a CP4 - Cathodic Protection Specialist certification from the Association of Materials Protection and Performance (AMPP).

I have previously testified before the Commission.