

Application: A.25-04-020
Exhibit No.: SCG-05-E
Witness: T. Sera, J. Zeoli, F. Galvan, R. Yu

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.25-04-020
(Filed April 30, 2025)

PREPARED REBUTTAL TESTIMONY OF
TRAVIS T. SERA, JORDAN ZEOLI, FIDEL GALVAN, AND RAE MARIE YU
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

October 23, 2025
(Errata redlined dated November 21, 2025)

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ATTACHMENTS

ATTACHMENT A – SoCalGas’s Response to Cal Advocates Data Request PubAdv-SCG-002-EIC, Question 1, dated July 7, 2025
ATTACHMENT B – SoCalGas’s Response to Cal Advocates Data Request PubAdv-SCG-003-EIC, Question 3, dated August 6, 2025
ATTACHMENT C – SoCalGas’s Response to Cal Advocates Data Request PubAdv-SCG-003-EIC, Question 2, dated August 6, 2025
ATTACHMENT D – Cal Advocates’ Response to Data Request SCG-Cal Advocates-001, dated October 2, 2025 (Includes relevant tables from “A2504020 Public Advocates Office SCG Workpapers - Chow - CA-01-WP.xlsx”)
ATTACHMENT E – SoCalGas’s Amended Response to Question 3 of SBUA-SCG-001, dated September 5, 2025
ATTACHMENT F – SoCalGas’s Response to Cal Advocates Data Request PubAdv-SCG-005-EIC, Question 1, dated August 15, 2025
ATTACHMENT G – SoCalGas’s Response to Indicated Shippers Data Request IS-SCG-001, Question 15, dated September 9, 2025
ATTACHMENT H – TIMPBA Interest Comparison: 36-Month Amortization vs. 12-Month Amortization

**PREPARED REBUTTAL TESTIMONY OF
TRAVIS T. SERA, JORDAN ZEOLI, FIDEL GALVAN, AND RAE MARIE YU
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

I. PURPOSE AND OVERVIEW OF TESTIMONY

The purpose of this prepared rebuttal testimony on behalf of Southern California Gas Company (SoCalGas) is to address intervenor testimony from the Public Advocates Office (Cal Advocates) as submitted by witness Emily Chow, dated September 23, 2025 (Exhibit (Ex.) CA-01), the Small Business Utility Advocates (SBUA) as submitted by witness Matt Sheriff, dated September 23, 2025 (Ex. SBUA-01), and the Indicated Shippers as submitted by witness Brian C. Collins, dated September 23, 2025 (Ex. IS-01) regarding the Application to Recover Costs Recorded in the Transmission Integrity Management Program (TIMP) Balancing Account (TIMPBA) from January 1, 2019 to December 31, 2023 (Application).

This rebuttal testimony responds to parties' proposed disallowances and recommendations, which are not justified. These disallowances and recommendations consist of the following:

Cal Advocates

- \$6.004 million in capital and \$28.324 million in operation and maintenance (O&M) straight-time labor expenditures;¹
- \$1.178 million in capital and \$2.093 million in O&M vacation and sick expenditures;²
- \$40.697 million in capital and \$0.023 million in O&M costs related to Pipeline 235 West, Phase 1;³ and
- \$0.538 million in capital and \$0.155 million in O&M in contract costs for Vendor #11900.⁴

¹ Report on the Results of Operations for SoCalGas Transmission Integrity Management Program Balancing Account of witness Emily Chow on behalf of Cal Advocates (September 23, 2025) (Ex. CA-01) at 13.

² *Id.* at 17.

³ *Id.* at 19.

⁴ *Id.* at 21.

1 **Small Business Utility Advocates (SBUA)**

- 2 • SBUA recommends that the Commission deny SoCalGas's request in its entirety,
3 alleging that SoCalGas has failed to justify its costs on an activity-by-activity or
4 program-by-program level.⁵ Further, SBUA recommends that SoCalGas amends
5 its record through supplemental testimony to explain the reasonableness of its cost
6 expenditures.⁶

7 **Indicated Shippers**

- 8 • Indicated Shippers recommends that the Commission deny SoCalGas's request in
9 its entirety, based on the assumption that SoCalGas's over-expenditures on
10 assessment and remediation work on non-high consequence area (HCA) pipeline
11 miles are not justified.⁷ Indicated Shippers also recommends that if the
12 Commission does approve the Application, whether partially or in full, it should
13 be collected from ratepayers over a 36-month period.⁸

14 **II. RESPONSE TO CAL ADVOCATES' TESTIMONY**

15 **A. Summary of Cal Advocates' Testimony**

16 In their testimony, Cal Advocates contends that based upon their analysis, SoCalGas has
17 not justified reasonableness of costs associated with: 1) straight-time labor costs incurred for
18 SoCalGas employees who were newly hired for scopes of work that were not limited to the
19 TIMP;⁹ 2) vacation and sick (V&S) costs associated with those employees;¹⁰ 3) Pipeline 235
20 West, Phase 1;¹¹ and 4) Vendor #11900.¹² Cal Advocates' argues that SoCalGas has not proven
21 incrementality of its straight-time labor costs due to the lack of supporting documentation to
22 show that new positions were created specifically for the activities in this Application,¹³ and that

5 Ex. SBUA-01 (Sheriff) at 5-6.

6 *Id.* at 15.

7 Ex. IS-01 (Collins) at 5.

8 *Id.* at 6-7.

9 Ex. CA-01 (Chow) at 13-17.

10 *Id.* at 17-19.

11 *Id.* at 19-21.

12 *Id.* at 21-22.

13 *Id.* at 14.

1 SoCalGas had redirected employees whose labor costs and related V&S costs were already
2 included in rates.¹⁴ Additionally, Cal Advocates argues that the costs related to Pipeline 235
3 West, Phase 1 should be denied on the basis that SoCalGas did not comply with the requirements
4 to file a Tier 2 Advice Letter to recover costs for Line 235.¹⁵ Lastly, Cal Advocates argues that
5 the costs for Vendor #11900 should be denied on the basis that the costs booked to TIMP for the
6 vendor are out of scope and “instead correspond to unrelated natural gas pipeline activities
7 subject to different requirements under separate laws and regulations.”¹⁶

8 **B. Expenditures Associated with SoCalGas’s TIMPBA Under-Collection**
9 **Requested in this Application**

10 Tables TTS-1 and TTS-2 of Chapter 1 (Ex. SCG-01) presented balanced capital and
11 O&M expenditures for the Test Year (TY) 2019 General Rate Case (GRC) cycle of January 1,
12 2019 to December 31, 2023 in order to support the calculation of the percentage by which actual
13 expenditures exceeded authorized expenditures.¹⁷ The expenditures that contribute to the
14 revenue requirement requested in this Application are a subtotal of the expenditures presented in
15 Tables TTS-1 and TTS-2, limited to capital expenditures excluding Capital Work in Progress
16 (CWIP) and the O&M expenditures recorded during the Application time period of October 1,
17 2022 through December 31, 2023.¹⁸ In addition, SoCalGas’s Amended Workpapers Supporting
18 the Prepared Direct Testimony of Jordan A. Zeoli, Fidel Galvan, and Travis T. Sera (Ex. SCG-
19 02-WP-A) presented fully loaded costs for projects that met a cost threshold in order to provide
20 transparency of total project costs for the TY 2019 GRC cycle. Not all of those costs were
21 balanced in the TIMPBA and/or included for cost recovery in this Application.

22 Table SZGY-1 below presents the balanced capital and O&M expenditures contributing
23 to the under-collected revenue requirement requested in this Application. Table 2-3 of Cal

¹⁴ *Id.* at 14, 18-19.

¹⁵ *Id.* at 21.

¹⁶ *Id.* at 22.

¹⁷ Prepared Direct Testimony of Travis T. Sera (TIMP Development and Implementation) on behalf of SoCalGas, Chapter 1 (Ex. SCG-01) at TTS-6-8.

¹⁸ Application of SoCalGas to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account From January 1, 2019 to December 31, 2023 (April 30, 2025) (Application) at 1.

Advocate's testimony attempts to present this total but incorrectly includes regulatory account interest.¹⁹

Table SZGY-1
Expenditures Contributing to Requested Revenue
Requirement In this Application (in \$000s)

Capital	O&M	Total
\$155,547	\$150,255	\$305,802

Costs that contribute to the Timpba revenue requirement consist of direct costs²⁰ (e.g., company labor inclusive of vacation & sick, contract costs, materials, other direct charges). Indirect costs including SoCalGas's overheads, allowance for funds used during construction (AFUDC), and property taxes²¹ are part of base business or are subject to separate regulatory account mechanisms; as a result, they are not included in the Timpba.

C. SoCalGas's Timp Expenditures, Including Labor, Are Incremental and Should Be Approved

Cal Advocates' contention that a portion of SoCalGas's labor and related costs included in this cost recovery request has already been funded through the GRC and is therefore not incremental is not supported by the facts. In addition, Cal Advocates' testimony omits several critical facts when arguing why SoCalGas's request is not incremental, including but not limited to:

- New Pipeline and Hazardous Materials Safety Administration (PHMSA) mandates altered the regulatory landscape, requiring utilities to adapt rapidly to new requirements and at increased cost;

¹⁹ The regulatory account interest of \$18.5 million provided in response to Cal Advocates Data Request PubAdv-SCG-008-EIC, Question 2 was for the specific Application time period (October 1, 2022 through December 31, 2023) which SoCalGas stated as such. SoCalGas's Application included regulatory account interest of \$28.3 million, estimated through June 2025 and requests that upon Commission approval of this Application, the revenue requirement be trued-up through the date rates are implemented for recovery of Timp costs for regulatory account interest incurred. *See* Prepared Direct Testimony of Rae Marie Yu (Balancing Account and Revenue Requirement) on behalf of SoCalGas, Chapter 3 (Ex. SCG-03) at RMY-3-4.

²⁰ Ex. SCG-02-WP-A, Volume 1 at WP-9-10, 13-14, 18-19.

²¹ *Id.* at WP-10, 14, 19.

- SoCalGas’s TIMP expenditures are authorized, recorded, and recovered through a separate TIMPBA, which isolates activities and costs from non-TIMP GRC funding; and
- Resolution G-3600 reviewing SoCalGas’s TIMP expenditures from January 1, 2019 through September 30, 2022 explicitly found SoCalGas’s TIMP expenditures to be “appropriately recorded” and “reasonably incurred.”²²

1. New PHMSA Requirements That Were Not Included in SoCalGas’s TY 2019 GRC Expanded Activities and Increased Costs

As described in Chapter 1 (Ex. SCG-01),²³ PHMSA established new requirements which include the *Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Amendments* final rule (GTSR Part 1) effective July 1, 2020.²⁴ In addition, a PHMSA advisory bulletin²⁵ declared that the SCC (Stress Corrosion Cracking) 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 (In-Line Inspection) tools or SCCDA (Stress Corrosion Cracking Direct Assessment), which then required direct examinations to validate the results of the inspections for each assessment method. PHMSA’s changes drove an increase in activity during the period of 2019-2023, which was not forecasted in SoCalGas’s TY 2019 GRC. When SoCalGas’s TY 2019 GRC was filed in October 2017, SoCalGas’s forecast was based on then-prescribed activities and activity scopes, using unit and unit costs estimates to develop financial forecasts.²⁶ SoCalGas, stated ““Anticipated cost drivers that cannot currently be defined with specificity related to PHMSA’s issuance of the Notice of Proposed Rulemaking (NPRM) for Natural Gas Transmission Pipelines, which include but are not limited to, the Integrity Verification Process (IVP), the introduction of a ‘Moderate Consequence Area’ (MCAs), and enhancements to

²² Resolution G-3600 at 5-6, 8 (Finding 9).

²³ Ex. SCG-01 (Sera) at TTS-11-12.

²⁴ Also known as RIN 1.

²⁵ PHMSA, *Pipeline Safety: Deactivation of Threats*, 82 Fed. Reg. 50,14106 (March 16, 2017), available at: <https://www.phmsa.dot.gov/regulatory-compliance/phmsa-guidance/pipeline-safety-deactivation-threats>.

²⁶ A.17-10-008, Direct Testimony of Maria T. Martinez (Pipeline Integrity for Transmission and Distribution) on behalf of SoCalGas (Ex. SCG-14) at MTM-19.

1 records requirements.”²⁷ Since these proposals were still under review and had not been
2 codified, SoCalGas did not include costs associated with these potential changes in its GRC
3 forecast.

4 Further, in a response to PG&E requesting interpretation of 49 CFR § 192 regarding
5 when the assessment of a newly activated threat must be completed in an existing high
6 consequence area (HCA) if the threat is newly activated during the reassessment period provided
7 by 49 CFR § 192.939, PHMSA provided the following response:

8 PHMSA agrees with the CPUC’s assessment that 49 CFR § 192.939 does not
9 have an exception for newly discovered threats within existing HCAs if they are
10 discovered within an assessment cycle. Therefore, a pipeline operator must assess
11 a newly activated threat on a covered segment within the same assessment cycle
12 as other threats that were previously identified through risk assessment under 49
13 CFR § 192.917(a) regardless of when the threat becomes active.²⁸

14 As a result of these enhanced requirements that resulted in previously stable threats being newly
15 categorized as active, 13 inspection projects required additional threat assessments during the TY
16 2019 GRC cycle that were not previously anticipated.²⁹ Costs related to new federal mandates
17 that were not contemplated in SoCalGas’s TY 2019 GRC rates are indeed incremental and
18 consistent with the Commission’s findings in D.23-02-017.

19 **2. SoCalGas is Authorized Revenue Requirement for the TIMPBA** 20 **Separately from SoCalGas Base Funding**

21 In D.19-09-051, the Commission authorized revenue requirement for SoCalGas’s
22 TIMPBA that is separate and apart from non-TIMP GRC revenue requirement. D.19-09-051
23 authorized SoCalGas to establish a two-way balancing account for TIMP-related costs. The
24 purpose of the TIMPBA two-way balancing account is to record the difference between actual

²⁷ *Id.* (citation omitted).

²⁸ PHMSA, Letter from John A. Gale, Director of Office of Standards and Rulemaking at PHMSA to Christine Cowser 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>.

²⁹ *See* Ex. SCG-02-WP-A, Volume 1 at WP-117, 173; Ex. SCG-02-WP-A, Volume 3 at WP-992, 1077, 1113, 1173, 1208, 1225, 1247, 1301, 1346; Ex. SCG-02-WP-A, Volume 4 at WP-1641; Ex. SCG-02-WP-A, Volume 5 at WP-1980.

1 and authorized O&M and capital-related costs associated with SoCalGas's Timp.³⁰ This
2 Commission-approved structure of the TimpBA was designed so that only costs that exceed the
3 GRC-authorized amounts can be sought for recovery in a retrospective cost recovery. If total
4 actual TimpBA revenue requirement exceeds the total authorized TimpBA revenue requirement
5 for the period when the two-way TimpBA is approved, the excess costs are incremental and are
6 not embedded in (nor have been recovered through) existing rates.³¹ Conversely, if the actual
7 TimpBA revenue requirement is less than the authorized amount, that difference is returned in
8 rates to customers.³² In other words, Timp authorized amounts are, by design, not embedded in
9 non-Timp GRC rates.

10 In compliance with D.19-09-051, SoCalGas recorded actual expenditures in the TimpBA
11 on a sequential, chronological basis. In order to manage the separation of the TimpBA and other
12 company funding, SoCalGas records costs to dedicated Timp work orders which are tagged with
13 accounting codes that enable the identification and separation of costs (e.g., budget codes).

14 3. Incrementality Should Compare Costs Incurred to Those Previously 15 Authorized for Recovery for Similar Expenditures

16 Both the Timp authorized and recorded expenditures include Straight Time Labor (STL)
17 and Vacation and Sick (V&S) necessary to execute SoCalGas's Timp. Cal Advocates requires
18 SoCalGas to demonstrate that recorded costs for STL and V&S, "are incremental beyond what
19 was previously authorized in the GRC,"³³ asserting that new positions need to be created for the
20 Timp projects included in SoCalGas's Application for these expenditures to be considered
21 incremental. This is not the appropriate analysis. In D.23-02-017, citing D.21-08-024, the
22 Commission states, "the Commission has found that an incrementality analysis can compare

³⁰ SoCalGas's TimpBA effective for the TY 2019 GRC, *available at*:
<https://tariffsprd.socalgas.com/view/historical/?utilId=SCG&bookId=GAS&tarfKey=484&tarfYear=2020>.

³¹ *Id.* 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 for the entire cycle. For any under-collections of revenue requirement as a result
of actual expenditures greater than or equal to 35% of the total authorized O&M and capital
expenditures, SoCalGas is authorized to seek recovery through a separate application.

³² *Id.* For any unspent Timp funds at the end of the current GRC cycle, SoCalGas will propose in its
next GRC proceeding to return the unspent funds in rates to customers.

³³ Ex. CA-01 (Chow) at 15.

1 costs incurred to those previously ‘authorized for recovery for similar expenditures,’ and it is not
2 necessary to compare costs recorded in memorandum accounts against companywide authorized
3 expenses.”³⁴ Moreover, it would be inappropriate to use “costs recorded in a memorandum or
4 balancing account to offset forecast variances for unrelated budget categories” as it “would be
5 inconsistent with the prospective ratemaking principles [...] and undermine the purpose of
6 allowing utilities to establish memorandum and balancing accounts.”³⁵ Here, D.19-09-051
7 authorized an imputed revenue requirement of \$270.6 million for TIMP for the TY 2019 GRC
8 cycle.³⁶ Therefore, any TIMP revenue requirement above the authorized amount is incremental
9 to that approved in D.19-09-051. This Application only seeks recovery of revenue requirement
10 for TIMP that exceeded those authorized in D.19-09-051; therefore, the cost requested in the
11 Application is incremental.

12 Notwithstanding the separation of the TIMPBA and base business expenditures, even if
13 the Commission were to look at SoCalGas’s gas transmission expenditures for the TY 2019
14 GRC, SoCalGas’s 2023 Risk Spending Accountability Report (RSAR) demonstrates that the
15 increased TIMP activities are entirely incremental to the costs that were authorized in
16 SoCalGas’s TY 2019 GRC for their broader gas transmission safety, reliability, and maintenance
17 activities. The 2023 RSAR summarizes the total reportable expenditures for the period of 2019-
18 2023. Excluding balanced programs and activities such as the TIMP, SoCalGas exceeded total
19 authorized costs by approximately \$479 thousand to complete gas transmission safety, reliability,
20 and maintenance scopes of work as shown in Figure SZGY-2 below.³⁷ While SoCalGas
21 redirected resources to support its various gas transmission activities, including TIMP activities
22 included in this Application, Cal Advocates erroneously assumes that the redirected resources
23 were not covered by another resource(s). This is discussed in more detail in Section II.C.4.
24 below.

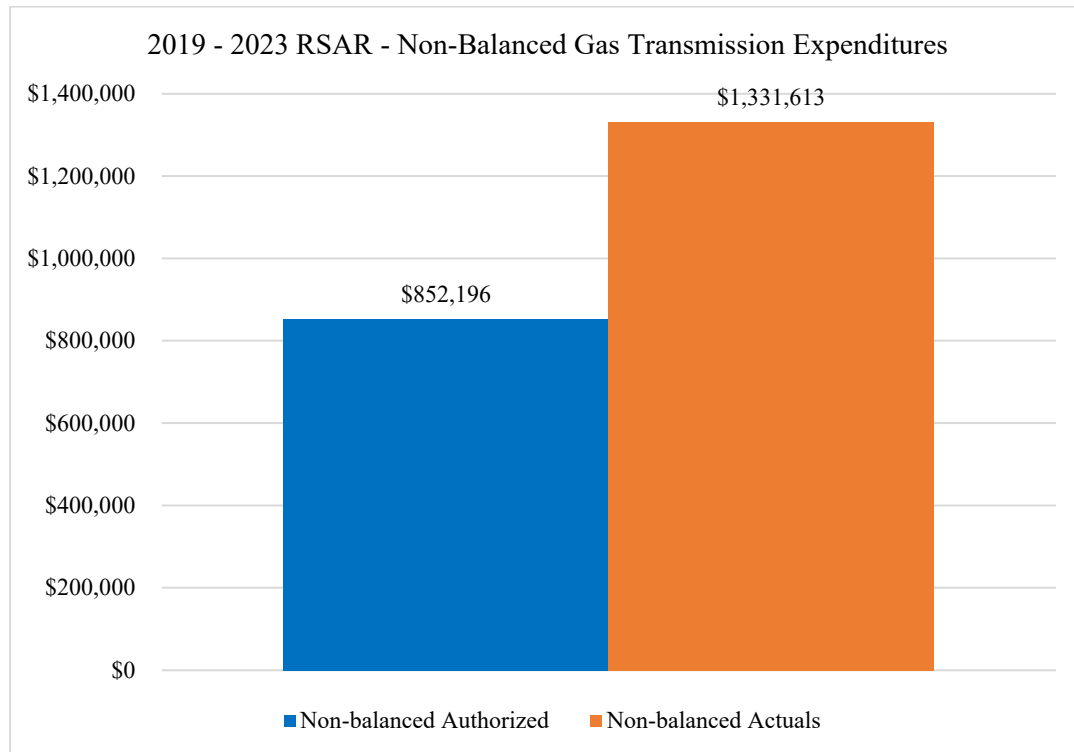
³⁴ D.23-02-017 at 26 (citing D.21-08-024 at 19-20).

³⁵ D.22-06-032 at 10.

³⁶ Ex. SCG-03 (Yu) at RMY-3.

³⁷ A.17-10-007 (cons.)/A.21-05-011 (cons.)/A.22-05-015 (cons.), Risk Spending Accountability Report of San Diego Gas & Electric Company (SDG&E) and SoCalGas for 2023 (April 30, 2024), *available at*: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/risk-spending-accountability-reports/sdge_socalgas-2023-rsar-report.pdf. Derived from information in Attachment B at B-106-120.

1

Figure SZGY-2

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4. Incrementality Can be Measured on an Activity-by-Activity Basis Consistent with Established Ratemaking Principles

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The Commission has held that incrementality can be demonstrated on an activity-by-activity basis: “Determining incrementality on an activity-by-activity basis is consistent with established prospective ratemaking principles and Commission-approved guidelines for determining incrementality.”³⁸

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SoCalGas’s TY 2019 GRC TIMP forecast was based on the number of assessments conducted each year³⁹ and did not specify whether the assessments would be completed by specific internal SoCalGas employees or external contractors. This activity-based approach to forecasting provides SoCalGas with the necessary flexibility to allocate internal and external resources efficiently to meet the prescriptive timelines required by 49 CFR § 192, Subpart O, and later 49 CFR § 192.710.

³⁸ D.22-06-032 at 108 (Conclusion of Law (COL) 5).

³⁹ A.17-10-008, Ex. SCG-14 (Martinez) at MTM-30.

1 SoCalGas manages its portfolios of work comprehensively, allocating and deploying
2 resources to prioritize safety, compliance, reliability, and other immediate needs. In response to
3 the new and updated regulations and interpretations from PHMSA that expanded the scope of
4 TIMP, which were published after the approval of SoCalGas TY 2019 GRC application,⁴⁰
5 SoCalGas necessarily redirected some of its workforce to the TIMP to address these incremental
6 safety and compliance requirements not previously planned/forecasted. This enables SoCalGas
7 to leverage existing experience and expertise and to optimize its workforce. Cal Advocates
8 asserts that “redirecting existing sources does not support the utilities’ incrementality claim and
9 the reasonableness of [SoCalGas] recovering straight-time labor costs from ratepayers.
10 [SoCalGas] did not provide verifiable support that straight-time labor costs were not already
11 recovered in the GRC because [SoCalGas] did not provide adequate supporting documentation to
12 show it created new positions and hired new staff beyond what was previously authorized in the
13 GRC to complete TIMP activities.”⁴¹ Cal Advocates makes the flawed assumption that
14 SoCalGas’s redirection of employee labor to the TIMP meant SoCalGas did not then offset this
15 reallocation by either hiring additional employees or leveraging external contractors or other
16 non-labor means to complete other scopes of work. Cal Advocates incorrectly argues that new
17 positions or new staff must be hired for the TIMP specifically for costs to be considered
18 incremental. This is not how SoCalGas manages its work across the company and perhaps more
19 concerning, appears to encourage the less cost-effective practice of hiring new employees for
20 incremental balanced scopes rather than leveraging and redirecting the experienced workforce
21 and external contractors, where appropriate, to increase efficiencies in executing incremental
22 work.

23 **5. The Commission Previously Reviewed and Approved 2019-2022** 24 **Incremental TIMPBA Costs**

25 On November 23, 2022, SoCalGas filed Advice Letter (AL) 6060-G requesting recovery
26 of the under-collection totaling \$238.8 million associated with reasonably incurred TIMP
27 expenditures as of September 30, 2022.⁴² On May 30, 2024, the Commission issued Resolution

⁴⁰ Ex. SCG-01 (Sera) at TTS-11-12.

⁴¹ Ex. CA-01 (Chow) at 16.

⁴² SoCalGas filed supplemental AL 6060-G-A on January 17, 2023 replacing AL 6060-G in its entirety, to correct the electronic file format to a searchable format.

1 G-3600 approving SoCalGas’s request to recover the under-collection recorded in its TIMPBA
2 for the period of January 1, 2019 to September 30, 2022, trued up for collected revenue
3 requirement and interest through December 31, 2023, authorizing SoCalGas to incorporate
4 \$227.3 million in rates over a 12-month period following the Resolution.⁴³ Resolution G-3600
5 specifically found that:

- 6 • TIMPBA costs are incurred in response to mandated federal pipeline safety
7 regulations including, but not limited to requirements associated with 49 CFR
8 192, Subpart O.
- 9 • Changes in assessment methods, increased labor and non-labor expenses and
10 continuing remediation activities initiated prior to 2019 increased SoCalGas’s
11 actual TIMP expenditures causing costs to be higher than forecast.
- 12 • Commission staff made an invoice level review of selected TIMP O&M and
13 capital expenditures included in the TIMPBA requested in AL 6060-G and found
14 that the examined expenses and expenditures were appropriately recorded and
15 reasonably incurred.⁴⁴

16 In Resolution G-3600, the Commission approved recovery of TIMPBA costs associated
17 with TIMP O&M and capital expenditures after determining that the “expenses and expenditures
18 were appropriately recorded to the TIMPBA and reasonable incurred” (*i.e.*, in excess of GRC
19 authorized expenditures and associated revenue requirement – in other words, incremental).⁴⁵

20 Additionally, The Utility Audits Branch (UAB) of the CPUC conducted a performance
21 audit of SoCalGas’s balancing accounts, including the TIMPBA, for the audit period of
22 January 1, 2023, through December 31, 2023.⁴⁶ The objective of the audit was to determine
23 whether, “1) transactions recorded in SoCalGas’s balancing accounts from January 1, 2023,
24 through December 31, 2023, were for allowable purposes and supported by appropriate
25 documentation; and 2) the balancing accounts were established and maintained as required by

⁴³ Res. G-3600 at 9 (OP 1-3).

⁴⁴ *Id.* at 8 (Findings 5, 8, 9).

⁴⁵ Res. G-3600 at 8 (Finding 9).

⁴⁶ CPUC – Utility Audits, Risk and Compliance Division, *Balancing Accounts Performance Audit, Southern California Gas Company* (February 19, 2025), available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2025/energy_2025-02-19_scg_ba.pdf.

1 the applicable Public Utilities (PU) Code sections, CPUC directives, orders, rules, and
2 regulations, and SoCalGas's policies and procedures."⁴⁷ SoCalGas received the audit report on
3 February 19, 2025 which verified that all TIMPBA expense amounts tested were allowable,
4 properly documented, and were in accordance with CPUC directives, orders, rules, regulations,
5 and SoCalGas policies and procedures.⁴⁸

6 **D. The Commission Should Reject Cal Advocates' Recommended Disallowances**

7 **1. Straight Time Labor**

8 Cal Advocates recommends disallowing \$34.328 million in straight-time labor costs on
9 the grounds that, "[SoCalGas] did not provide adequate support to demonstrate that it created
10 any new positions specifically for the activities in this Application."⁴⁹ As a result, Cal Advocates
11 argues that SoCalGas failed to demonstrate these costs were incremental and not already
12 included in rates authorized in SoCalGas's GRC.⁵⁰ There is no requirement that a new position
13 must be created in order to show incrementality. As discussed above, Cal Advocates appears to
14 require SoCalGas to engage in the less cost-effective practice of hiring new employees simply to
15 prove incrementality instead of leveraging the available experienced workforce and external
16 contractors to increase efficiencies, where appropriate.

17 In Cal Advocates' discovery to verify and determine the reasonableness of SoCalGas's
18 incremental TIMPBA costs, Cal Advocates requested the number of employees working on
19 TIMP projects and whether they were existing or newly recruited employees.⁵¹ For any newly
20 recruited employees, Cal Advocates requested the number of new employees, the date of hire for
21 new employees, whether the new employee was permanent or temporary, and documentation
22 that the employees were hired for TIMP projects.⁵²

23 In response, SoCalGas provided a list of 468 employees hired between January 1, 2019
24 through December 31, 2023 and billed time to TIMP, including sixty-two (62) employees which

⁴⁷ *Id.* at 1.

⁴⁸ *Id.* at 5-6.

⁴⁹ Ex. CA-01 (Chow) at 14.

⁵⁰ *Id.* at 14-16.

⁵¹ See Attachment A, SoCalGas's response to Cal Advocates Data Request PubAdv-SCG-002-EIC, Question 1, dated July 7, 2025.

⁵² *Id.*

1 SoCalGas identified were hired specifically for the Pipeline Integrity Execution (PI-Ex) and
2 High-Pressure Integrity Assessments (HPIA) teams dedicated to TIMP work.⁵³ SoCalGas
3 provided the employees' date of hire and whether they were hired as permanent or temporary
4 employees, as requested by Cal Advocates.⁵⁴ SoCalGas also provided Cal Advocates with the
5 average pay rates and total labor expenditures for the respective 468 employees.⁵⁵ Without
6 explanation, Cal Advocates seemingly dismisses this information as insufficient, and further
7 claimed that SoCalGas did not provide information regarding baseline staffing data or timesheet
8 copies,⁵⁶ neither of which were requested in Cal Advocates two data requests.

9 Cal Advocates' recommendation to disallow straight time labor costs fails to account for
10 the regulatory-driven expansion of TIMP activities and the corresponding labor needs described
11 in Section II.C, above. Furthermore, Cal Advocates wrongly presumed that SoCalGas's
12 reallocation of employees to respond to changes in TIMP requirements and activity levels meant
13 that the non-TIMP funding associated with those employees was unspent.⁵⁷ As evidenced by
14 SoCalGas's 2023 RSAR, SoCalGas did not simply reallocate spending from other gas
15 transmission safety, reliability, and maintenance activities; rather, the TIMP costs in question
16 were incrementally incurred to maintain safety and compliance in accordance with new and
17 updated regulations and interpretations from PHMSA that expanded the scope of TIMP.⁵⁸

18 **2. Vacation & Sick**

19 Cal Advocates recommends disallowing \$3.271 million in V&S expenditures; \$1.178
20 million in capital and \$2.093 million in O&M.⁵⁹ Cal Advocates justification for the disallowance

⁵³ See Attachments A and B; SoCalGas's response to Cal Advocates Data Request PubAdv-SCG-002-EIC, Question 1, dated July 7, 2025, and SoCalGas's response to Cal Advocates Data Request PubAdv-SCG-003-EIC, Question 3, dated August 6, 2025.

⁵⁴ See Attachment A, SoCalGas's response to Cal Advocates Data Request PubAdv-SCG-002-EIC, Question 1, dated July 7, 2025.

⁵⁵ See Attachment C, SoCalGas's response to Cal Advocates Data Request PubAdv-SCG-003-EIC, Question 2, dated August 6, 2025.

⁵⁶ Ex. CA-01 (Chow) at 15.

⁵⁷ Even if SoCalGas's reallocation of employees resulted in underspending in other areas that underspending will be reflected in its historical for the next GRC.

⁵⁸ Ex. SCG-01 (Sera) at TTS-1-2.

⁵⁹ Ex. CA-01 (Chow) at 17. While not discussed in Cal Advocates' testimony, SoCalGas determined based on Cal Advocates' response to data requests that Cal Advocates arrived at their disallowance

1 is that “[i]f the underlying labor is not incremental, then the related vacation and sick leave costs
2 also must not be incremental.”⁶⁰ V&S costs are applied as a factor to direct labor costs and are
3 included in balancing account recovery mechanisms. These costs are proportionally tied to the
4 incremental straight time labor. Therefore, for the same reasons that Cal Advocates requested
5 disallowance for SoCalGas’s labor fails, as explained in Section II.D.1, Cal Advocates requested
6 disallowance for V&S fails.

7 **3. Pipeline 235 West, Phase 1**

8 Cal Advocates recommends disallowing \$40.720 million in O&M and capital
9 expenditures for Line 235 West Phase 1 until SoCalGas files a Tier 2 Advice Letter detailing
10 Pipeline Safety Enhancement Plan (PSEP) and TIMP costs recorded in the Line 235
11 Memorandum Account (L235MA).⁶¹ This recommendation is procedurally inappropriate and is
12 based on incorrect understanding of accounting. To be clear, SoCalGas is not seeking recovery
13 of PSEP costs in this application. The costs in question are associated with TIMP-related work
14 for Line 235 West Phase 1, which are recorded in the TIMPBA, and are subject to refund before
15 a Tier 2 advice letter is approved at the conclusion of Line 235 PSEP work.⁶²

16 There are two projects for Line 235: (1) Line 235 West, Phase 1 (TIMP project); and
17 (2) Line 235 West, Section 1 & 2 (PSEP project). Line 235 West, Phase 1 (TIMP project) was
18 conducted in compliance with federal pipeline safety regulations under 49 CFR § 192 Subpart O.
19 The urgency of the work completed was driven by prior rupture and leak events, and the results
20 of integrity assessments identifying anomalies that required extensive remediation to support
21 reliability before the pipeline could be safely returned to service.⁶³

based on a review of expenditures from 29 sampled SoCalGas TIMP projects performed during the
TY 2019 GRC cycle. Vacation & Sick costs from these sampled projects were then multiplied by an
adjustment factor based on the proportion of the sampled projects costs against SoCalGas’s
expenditures that contributed to the revenue requirement requested in this Application to arrive at
their recommended disallowance. See Attachment D, Cal Advocates’ response to data request SCG-
Cal Advocates-001, dated October 2, 2025. SoCalGas has included relevant tables regarding Cal
Advocates’ multiplier and disallowance calculation from “A2504020 Public Advocates Office SCG
Workpapers - Chow - CA-01-WP.xlsx” in this attachment.

⁶⁰ Ex. CA-01 (Chow) at 18.

⁶¹ *Id.* at 19-21.

⁶² D.19-09-051 at 779 (OP 13).

⁶³ *Id.* at 206.

1 On the other hand, as explained in the testimony of Rick Phillips in the 2019 GRC, the
2 Line 235 West, Section 1 & 2 is PSEP work that was slated to take place to comply with D.11-
3 06-017 and Pub. Util. Code § 958.⁶⁴ The Line 235 West, Section 1 & 2 hydrotests were part of a
4 larger pool of projects that were proposed as part of Phase 2A, which comprises transmission
5 pipelines that do not have sufficient documentation of a pressure test to at least 1.25 MAOP and
6 are located in Class 1 and 2 non-high consequence areas.⁶⁵

7 The L235MA,⁶⁶ authorized under D.19-09-051 and established through SoCalGas AL
8 5531,⁶⁷ was required by the Commission because of the concern that ongoing TIMP work (Line
9 235 West, Phase 1) also fell within the scope of the PSEP project (Line 235 West, Section 1 & 2
10 hydrotests)⁶⁸ identified in A.17-10-008. The L235MA therefore includes two clearly delineated
11 subaccounts:

- 12 • PSEP Cost Subaccount: Records costs associated with pressure testing or replacement of
13 Line 235 West Sections 1 and 2, which are reflected on SoCalGas's financial statements.
- 14 • TIMP/Other Cost Subaccount: Tracks all other costs related to Line 235 that are not
15 associated with PSEP, which are not reflected on SoCalGas's financial statements.

16 As such, Line 235 West, Phase 1 (TIMP project) costs are tracked (not recorded) in the
17 L235MA. The costs for Line 235 West, Phase 1 (TIMP project) are recorded and recovered
18 through the TIMPBA and are subject to refund until the Commission approves the advice letter
19 for L235MA.

⁶⁴ A.17-10-008 (2019 GRC), Direct Testimony of Rick Phillips (Pipeline Safety Enhancement Plan) on behalf of SoCalGas (Ex. SCG-15-R) at RDP-A-2.

⁶⁵ *Id.* at RDP-A-7.

⁶⁶ SoCalGas L235MA Preliminary Statement, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=590>.

⁶⁷ See D.19-09-051 at 779 (OP 13 and 14) and SoCalGas AL 5531, *available at*:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=3674&flngId=5531&flngStatusCd=Approved>.

⁶⁸ Cal Advocates incorrectly claims that the PSEP project has not begun. The PSEP project for Line 235 West Sections 1 and 2 is currently in Preliminary Design & Option Selection phase, in accordance with CPUC directives (D.11-06-017 and Pub. Util. Code § 958) for pressure testing or replacing pipelines without sufficient records of a post-construction pressure test, with future project construction planned to commence in June 2031. See SoCalGas and SDG&E Monthly Pipeline Safety Plan Status Report – August 2025 (September 30, 2025) at 8, *available at*:
https://www.socalgas.com/sites/default/files/2025-10/SoCalGas_SDGE_Monthly_PSEP_Status_Report_August_2025_COV.pdf.

1 Cal Advocates' assertion that there is no delineation between PSEP and TIMP costs is
2 incorrect. SoCalGas's accounting practices and the L235MA tariff explicitly distinguishes
3 between these categories so that "[s]uch PSEP costs shall not be placed into rates for recovery,
4 and such TIMP costs shall be made subject to refund until the advice letter is approved."⁶⁹

5 SoCalGas executed Line 235 West, Phase 1 (TIMP project) in compliance with federal
6 safety mandates. Accordingly, Cal Advocates' proposed disallowance should be rejected. The
7 Commission should authorize recovery of the \$40.720 million in TIMP-related costs associated
8 with Line 235 West, Phase 1 as part of this Application, subject to future refund consistent with
9 the provisions of the L235MA.

10 **4. Vendor #11900**

11 Cal Advocates recommends disallowing \$0.538 million in capital and \$0.155 million in
12 O&M in contract costs associated with Vendor #11900 on the basis that one contract⁷⁰ "has a
13 scope of work unrelated to TIMP" and "instead correspond to unrelated natural gas pipeline
14 activities subject to different requirements under separate laws and regulations."⁷¹ Cal
15 Advocates misunderstands the purpose of the "contract" which is in actuality a release order.

16 Vendor #11900 is a non-destructive examination (NDE) vendor that provides essential
17 services to SoCalGas for projects that require non-destructive pipe examination, including TIMP
18 and PSEP. NDE is a vital component of pipeline integrity management under federal regulations
19 such as 49 CFR Parts 192 and 195, which mandate rigorous inspection and assessment protocols
20 to support the safety and reliability of pipelines, especially in HCAs. It is an essential part of the
21 tool validation process. For TIMP projects, after completion of the ILI and receipt of final
22 reports, the data is used to identify segments of the line that need additional assessments for
23 those anomalies. Once the pipeline is excavated and exposed to address the anomaly that was
24 identified by the inspection tool, NDE is utilized to validate the results as part of TIMP's four-
25 step Assessment process. NDE techniques—such as radiographic, ultrasonic, and magnetic
26 particle testing—enable operators to detect flaws in welds and materials without causing
27 damage, in compliance with baseline and continual assessment requirements. These inspections

⁶⁹ SoCalGas L235MA Preliminary Statement at 2.

⁷⁰ It is worth noting that Cal Advocates is seeking the disallowance of all of Vendor #11900's cost even though Cal Advocates is only challenging one release order.

⁷¹ Ex. CA-01 (Chow) at 21-22.

1 help identify potential threats, guide maintenance decisions, and support risk-based integrity
2 programs, ultimately reducing the likelihood of failures, environmental hazards, and regulatory
3 violations. This information is also utilized for post assessment analysis which supports long
4 term planning and mitigation of future risk.

5 While there are two separate release orders that were issued for Vendor #11900, the
6 existence of separate releases does not diminish the validity of the costs incurred. Release orders
7 are authorizations issued under a Master Service Agreement that define a scope of work,
8 maximum authorized compensation (not-to-exceed amount), and the performance period. Here,
9 both release orders were issued pursuant to a Master Service Agreement between SoCalGas and
10 Vendor #11900. The existence of separate release orders reflects administrative distinctions, not
11 applicability of services. Further, dollar amounts on the release order do not necessarily
12 represent how much SoCalGas will pay but only represents the maximum amount that may be
13 spent for the scope of work a vendor may perform. Instead, SoCalGas records costs to dedicated
14 work orders (which are different than release orders) that are tagged with accounting codes that
15 enable the identification and separation of costs (*e.g.*, budget codes). When Vendor #11900
16 supported TIMP projects under either release order, the costs incurred are recorded in the
17 TIMPBA through TIMP work orders.

18 Cal Advocates argues that “it is [SoCalGas’s] responsibility to provide clear and
19 complete support for its cost recovery requests. Because [SoCalGas] did not specify the
20 relationship between the two contracts or identify the specific dollar amount applicable to this
21 Application attributable to each contract, Cal Advocates cannot verify Vendor #11900 costs.”⁷²
22 SoCalGas has provided “clear and complete” support for its cost recovery requests. In its
23 Application, SoCalGas provided detailed cost information for 143 projects consisting of over
24 2628 pages of workpapers. SoCalGas, however, is not required to provide every contract or
25 explain the relationship between every contract to one another. To do so, would unnecessarily
26 burden the record with a massive amount of information. Intervenors, such as Cal Advocates,
27 may seek more specific or finite information through the discovery process. However, it is
28 incumbent on the intervening party to understand the information that it receives through
29 discovery, such as what is a release order and how they related to the Application. As SoCalGas

⁷² Ex. CA-01 (Chow) at 22.

explains above, Cal Advocates is mistaken as to the purpose of release orders. Release orders are not determinative of where costs are recorded for cost recovery purposes.

III. RESPONSE TO SMALL BUSINESS UTILITY ADVOCATES' TESTIMONY

A. Summary of Small Business Utility Advocates' Testimony

In their testimony, SBUA contends that SoCalGas has failed to support the prudence and reasonableness of its expenditures in its Application.⁷³ While citing to SoCalGas's discussion of an increase in inspection requirements as necessitating cost expenditures beyond what was previously authorized,⁷⁴ SBUA argues among other things that: SoCalGas failed to justify "these costs on an activity-by-activity or program-by-program level" as well as failed to complete an independent study to evaluate the reasonableness of costs incurred as ordered by the CPUC in D.24-12-074,⁷⁵ that SoCalGas did not provide sufficient qualitative analysis to explain the reinspection of certain pipelines,⁷⁶ and that SoCalGas failed to explain why the costs to do work in the desert were greater than anticipated in the 2019 GRC.⁷⁷ Additionally, SBUA argues that SoCalGas failed to provide justification for why the changes in federal rules, including the addition of 49 CFR § 192.710, increased the magnitude of work required to meet the TIMP requirements.⁷⁸ SBUA fails to understand the federal regulations which expanded the scope of SoCalGas's TIMP during the TY 2019 GRC cycle, and evidence presented in SoCalGas's prepared direct testimony and supporting workpapers (Ex. SCG-02-WP-A) that details the core activities performed by the program on a project-by-project basis.

B. Approval of SoCalGas's Application in Light of the Directive in D.24-12-074 is not Premature; SoCalGas has Conducted Cost Effective Practices as a Prudent Manager

SBUA and Indicated Shippers mischaracterize both the scope and timing of the Commission directive in D.24-12-074, and improperly attempt to retroactively apply the later

⁷³ Ex. SBUA-01 (Sheriff) at 5.

⁷⁴ *Id.*

⁷⁵ *Id.* at 5-6.

⁷⁶ *Id.* at 6.

⁷⁷ *Id.* at 13-14.

⁷⁸ *Id.* at 11-13.

1 ordered requirement to this Application.⁷⁹ The independent efficiency study of SoCalGas's
2 TIMP and Distribution Integrity Management Program (DIMP) that was ordered in D.24-12-074
3 was issued on December 23, 2024, approximately a year or more after the costs being requested
4 in this Application was incurred (October 1, 2022 through December 31, 2023).⁸⁰

5 In Ordering Paragraph 34 of D.24-12-074, the Commission directed:

6 SoCalGas shall perform an independent study of the efficiency of SoCalGas's
7 Transmission Integrity Management Program and Distribution Integrity
8 Management Program programs and related activities, including their
9 management, to determine how best to improve their effectiveness, efficiency,
10 and cost-effectiveness. *A report of the study's findings shall be filed with*
11 *SoCalGas's application in the next general rate case.*⁸¹

12 This requirement is unequivocally prospective. The Commission did not condition cost
13 recovery for prior activities upon the completion or submission of the study. Nor did it require
14 the study to be part of the evidentiary record in this proceeding. Rather, the study is intended to
15 inform SoCalGas's next GRC. SBUA erroneously asserts that the efficiency study is a
16 prerequisite for determining the reasonableness of SoCalGas's cost recovery in this proceeding.⁸²
17 That assertion is incorrect, D.24-12-074 does not support such a reading. The directive clearly
18 places the study in the context of SoCalGas's next GRC application. It is not a condition
19 precedent to cost recovery in the current proceeding, nor is it a basis for disallowance of
20 otherwise already incurred costs.

21 SoCalGas's cost recovery request in this Application is supported by evidence
22 demonstrating compliance with federal pipeline safety regulations, adherence to the
23 Commission's reasonable manager standard, and implementation of prudent operational
24 practices.⁸³ SoCalGas remains committed to executing TIMP projects in a cost-effective and
25 operationally efficient manner. This commitment is consistently demonstrated through

⁷⁹ Ex. SBUA-01 (Sheriff) at 5; Ex. IS-01 (Collins) at 19.

⁸⁰ SoCalGas addresses Indicated Shippers' mischaracterization in Section IV.B below.

⁸¹ D.24-12-074 at 1097 (OP 34) (emphasis added).

⁸² Ex. SBUA-01 (Sheriff) at 5.

⁸³ See Application of SoCalGas to Recovery Costs Recorded in the TIMPBA (April 30, 2025) (Application) at 3.

SoCalGas's direct testimony and supporting workpapers that detail the respective practices implemented throughout this Application period.

Key cost management strategies that SoCalGas employed include:⁸⁴

- **Strategic Alignment of Work:** TIMP assessments are coordinated with other workstreams to reduce mobilization and execution costs where work location and timing can be optimized.
- **Reuse of Temporary Assets:** Company-owned launcher and receiver (L&R) barrels and filter separators (FS) are reused across multiple assessments, significantly reducing reliance on rentals. Rental costs for these items can exceed \$50,000/month, depending on equipment diameter, making ownership a more cost-effective solution.
- **Contractor Pricing:** TIMP has established time-and-expense rate agreements with pipeline contractors, allowing it to maintain below-market rates despite industry-wide cost increases.
- **Invoice Oversight and Incentives:** All vendor invoices are reviewed for accuracy and contractual compliance. Additionally, efficiencies in the review process have enabled TIMP to capitalize on contractual incentives tied to payment terms.

Cost efficiency actions in individual projects include, but are not limited to, the bundling of projects, schedule coordination, shared land use, and enhancements to the project design. SoCalGas has presented specific cost efficiency actions that it took in its workpapers supporting the Prepared Direct Testimony of Jordan A. Zeoli, Fidel Galvan, and Travis T. Sera (Ex. SCG-02-WP-A). The following are specific examples of those actions:

- **Line 765 Phase I:** The Project Team coordinated with other active TIMP Projects to execute the sequenced ILI's for multiple phases of Line 765 utilizing the same construction contractor, providing efficiencies including minimized costs for mobilizations and excavations.⁸⁵
- **Line 765 Phase 4:** The Project utilized a validation spool which eliminated the need to perform additional direct examination excavations to validate the inspection data.

⁸⁴ Ex. SCG-02 (Zeoli/Galvan/Sera) at ZGS-3.

⁸⁵ See Ex. SCG-02-WP (Technical – Project Execution & Program Management), Volume 2, at WP-554.

1 Additionally, the project shared permit costs with two other Inspection projects on Line
2 765 and was scheduled and executed in sequence with other Inspections of Line 765,
3 resulting in efficiencies for completing project deliverables, shared excavations, and
4 utilizing the same construction contractor for mobilizations.⁸⁶

- 5 • **Line 1172 & 1177:** The Project Team utilized a shared laydown yard with a nearby
6 project which required only one Temporary Right of Entry agreement. Additionally, in
7 order to complete the Direct Examination Phase, the Project Team was able to collect a
8 sample cut of the pipeline from a recent project completed by another SoCalGas
9 department, which resulted in considerable savings as the Project Team no longer needed
10 to cut-out a pipeline segment during the Direct Examination soft pad repairs.⁸⁷
- 11 • **Line 1229:** The Project Team considered the project location and technology used for the
12 Inspection to strategically place facilities in a location that minimized project costs and
13 schedule delays. Additionally, the Project Team identified a long lead item early which
14 enabled securing the material in advance, minimizing project impacts.⁸⁸

15 These are some examples of practices that reflect a proactive and prudent approach to
16 cost management, while maintaining regulatory compliance.⁸⁹

17 In summary, the independent efficiency study was ordered after the costs in this
18 Application were incurred and is a forward-looking initiative intended to inform SoCalGas's
19 next GRC. It is not a condition precedent for recovery of costs already incurred in prior GRC
20 cycles.

21 **C. SBUA Mischaracterizes the Costs Presented in SoCalGas's Workpapers**

22 SBUA misrepresented SoCalGas's Application when it incorrectly asserted that 36% of
23 the costs recorded in TIMPBA—or by its account approximately \$49.3 million—are associated
24 with projects under \$1 million and lack supporting workpapers.⁹⁰ SBUA ignores the
25 explanations provided in SoCalGas's testimony Chapter 2 (Ex. SCG-02) and supporting

⁸⁶ *Id.* at WP-615.

⁸⁷ *Id.* at WP-921.

⁸⁸ *See* Ex. SCG-02-WP-A (Technical – Project Execution & Program Management), Volume 3, at WP-1074.

⁸⁹ Additional cost efficiency actions for projects are detailed in Ex. SCG-02-WP-A.

⁹⁰ Ex. SBUA-01 (Sheriff) at 14.

1 workpaper (Ex. SCG-02-A) which explains that the workpapers consist of more than just ILI
2 projects, specifically: (1) ILI projects costing at least \$1 million, (2) Retrofit Projects, and
3 (3) Direct Assessment projects that primarily incurred costs from January 1, 2019, to
4 December 31, 2023.⁹¹ The extensive nature of SoCalGas's workpapers⁹² which cover its TIMP
5 ILI, retrofit, and direct assessment projects support its showing that the inspections completed
6 during the TY 2019 GRC cycle to enhance pipeline safety and comply with federal and state
7 regulations while minimizing customer impacts and maximizing cost effectiveness.⁹³

8 Clarifying SBUA's reference regarding SoCalGas's Amended Response to Question 3 of
9 Data Request SBUA-SCG-001, SoCalGas stated that 64% of ILI (In-Line Inspection) project
10 expenditures were supported by workpapers.⁹⁴ This percentage applies solely to ILI projects and
11 does not represent the entirety of the expenditures presented in SoCalGas's workpapers. The
12 total portion of Application expenditures supported by workpapers—including ILI, Direct
13 Assessment (DA), and retrofit projects—represent 72% of the expenditures. Of the remaining
14 expenditures that contribute to the revenue requirement requested in this Application, 20% are
15 comprised of O&M and capital expenditures for: (1) Preventative and Mitigative Measures, (2)
16 Data and Geographic Information Systems (GIS), and (3) Program Management and
17 Support/Risk and Threat TIMP activities.⁹⁵ These types of expenditures do not lend themselves
18 to the type of workpapers prepared for ILI, Retrofit, and Direct Assessment projects that are at
19 the core of TIMP activities. Regardless, these costs are presented and explained in detail in the
20 direct testimony of Travis T. Sera, Chapter 1 (Ex. SCG-01).⁹⁶

⁹¹ See Ex. SCG-02 at ZGS-1 and SCG-02-WP-A at WP-1, 11, 15.

⁹² SoCalGas notes SBUA's position that "SCG's workpapers likely provide adequate detail for an accounting-level review". Ex. SBUA-01 (Sheriff) at 7 (citation omitted).

⁹³ Ex. SCG-02 (Zeoli/Galvan/Sera) at ZGS-1.

⁹⁴ See Attachment E, SoCalGas's amended response to Question 3 of SBUA-SCG-001, dated September 5, 2025.

⁹⁵ The remaining 8% are expenditures that relate to ILI projects that are under \$1 million in expenditures and Direct Assessment projects where the majority of the costs were incurred before January 1, 2019 or after December 31, 2023.

⁹⁶ Ex. SCG-01 (Sera) at TTS-7-8, 12-15.

1 **D. SBUA’s Misguided Arguments Around Redundancy/ Duplication and**
2 **Pipeline Reinspections**

3 SBUA asserts that the work completed by SoCalGas to comply with federal regulations
4 was duplicative of prior inspections.⁹⁷ SoCalGas executes the TIMP in accordance with
5 assessment activities as required by 49 CFR § 192, Subpart O. SBUA misunderstands the
6 regulation.⁹⁸

7 After completing a baseline assessment of a pipeline, an operator must continue to assess
8 the integrity of the pipeline at specified intervals and must conduct a periodic evaluation as
9 frequently as needed to assure the integrity of the segment as prescribed by 49 CFR § 192.937.
10 The periodic evaluation must be based on data integration and risk assessment at an interval
11 specified in 49 CFR § 192.939.⁹⁹ SoCalGas completes the baseline assessments of identified
12 threats with one or more of approved inspection methods within their corresponding timeline as
13 prescribed by 49 CFR § 192.921.¹⁰⁰ After completing the baseline integrity assessment,
14 SoCalGas must continue to assess the pipeline and associated threats at the established intervals
15 which cannot exceed those specified by 49 CFR §192.939 as dictated by the HCAs along the
16 pipeline and results of any integrity assessments.¹⁰¹ Because the sequence of assessment is a
17 cyclical and continuous process required by federal regulations, the work SBUA refers to as
18 “duplication” is, in fact, cyclical reassessment work that is built into the TIMP program and is
19 justified and reasonable.

⁹⁷ Ex. SBUA-01 (Sheriff) at 7-11.

⁹⁸ SBUA references a September 8, 2025 Meet and Confer with SoCalGas. SBUA states, “The parties agreed the cut-off date would be July 1, 2020, because SCG explained that capital projects started in 2019 closed after July 1, 2020.” Ex. SBUA-01 (Sheriff) at 8. While the parties did agree that July 1, 2020 date was the relevant date for SBUA’s data request related to a comparison between cost before and after regulation took effect, the reasoning that SoCalGas provided was that July 1, 2020 was the date that the PHMSA Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments final rule took effect.

⁹⁹ 49 CFR § 192.939 – What are the required reassessment intervals?, *available at*:
<https://www.ecfr.gov/current/title-49/subtitle-B/chapter-I/subchapter-D/part-192/subpart-O/section-192.939>.

¹⁰⁰ 49 CFR § 192.921 – How is the baseline assessment to be conducted?, *available at*:
<https://www.ecfr.gov/current/title-49/subtitle-B/chapter-I/subchapter-D/part-192/subpart-O/section-192.921>, <https://www.ecfr.gov/current/title-49/subtitle-B/chapter-I/subchapter-D/part-192/subpart-O/section-192.921>

¹⁰¹ 49 CFR § 192.939.

1 SBUA claims that SoCalGas's second TIMP inspection of Line 4000 Phase 1 (Line
2 4000) is duplicative of earlier work performed on the same pipeline.¹⁰² These two inspections
3 were not duplicative because the inspections were focused on detecting different anomaly
4 characteristics. A portion of Line 4000 runs parallel to Line 235 West Phase 1 (Line 235 W).
5 Line 235 W had a rupture in October 2017 and work to repair and restore Line 235 W included
6 inspections and repairs along segments parallel to portions of Line 4000.

7 Line 4000 was first inspected using an inspection tool designed to detect overall metal
8 loss as part of the TIMP assessment requirement. While the results of the Line 4000 inspection
9 were being reviewed and before SoCalGas began direct examinations, the post-repair re-
10 pressurization of Line 235 W resulted in the discovery of pinhole leaks along the pipeline. Since
11 Line 4000 operates in a similar environment with similar pipeline characteristics, the discovery
12 of leaks on Line 235 W prompted a second inspection of Line 4000 during the TY 2019 GRC
13 cycle using an inspection tool designed to detect pinholes. The results of the second inspection
14 were integrated with the results of the first inspection, as well as aboveground inspection results,
15 to identify areas of the pipe to excavate for validation of the inspection tool results and repairs.
16 The second inspection of Line 4000 was not a repeat of the first but an inspection using a
17 different inspection tool than the first TIMP project to detect a different set of anomalies based
18 on updated information and circumstances.

19 **E. Impact of Changes to Federal Rules on Magnitude of Work**

20 SBUA claims that SoCalGas's justification of the increase in magnitude of work due to
21 changes in Federal Rules is "insufficient."¹⁰³ SBUA cites the work papers that provide cost
22 information for each project¹⁰⁴ but seemingly ignores the Prepared Direct Testimony of Travis T.
23 Sera, Chapter 1 (TIMP Development and Implementation), which specifically described four
24 changes in Federal Rules that increased the cost required to meet the TIMP requirements. A
25 summary of the changes and their impact on the magnitude of work required to meet the
26 requirements of these changes are provided below:

¹⁰² Ex. SBUA-01 (Sheriff) at 8-9.

¹⁰³ *Id.* at 10-11.

¹⁰⁴ Ex. SBUA-01 (Sheriff) at 10.

- 1 • An increase in the number of pipe segments that required assessment for
2 Manufacturing (M) and Construction (C)¹⁰⁵ threats due to an amendment of the
3 Code of Federal Regulations (CFR) §192.917(e)(3) which changed the criteria
4 required to consider the M and C threats as ‘stable’ and not requiring
5 assessment.
 - 6 ○ To meet this new requirement, SoCalGas had to review its entire system
7 to identify how many new segments needed to be assessed for the M and
8 C threats. Some pipelines with newly identified M and C threats
9 required new inspection tools compared to the previous inspection. All
10 segments with newly active M and C threats required additional
11 excavations in order to validate the effectiveness of the assessment tool
12 to identify segments with anomalies related to the M and C threats.
- 13 • An advisory bulletin from PHMSA¹⁰⁶ stating that the threat of Stress SCC must
14 be considered active.¹⁰⁷
 - 15 ○ SoCalGas had to develop a threat evaluation algorithm to determine
16 which pipeline segments were susceptible to SCC. During the period
17 after the advisory bulletin was issued, SCC incidents at other pipeline
18 operators required the algorithm to be updated. Pipeline segments
19 determined to have a susceptibility to the SCC threat had to be inspected
20 for SCC using either ILI tools or SCCDA, which then required direct
21 examinations to validate the results of the inspections for each
22 assessment method.

¹⁰⁵ As described in American Society of Mechanical Engineers (ASME) B31.8S, Section 2.2 and Appendix A.

¹⁰⁶ PHMSA, *Pipeline Safety: Deactivation of Threats*, 82 Fed. Reg. 50,14106 (March 16, 2017), available at: <https://www.phmsa.dot.gov/regulatory-compliance/phmsa-guidance/pipeline-safety-deactivation-threats>.

¹⁰⁷ Ex. SCG-01 (Sera) at TTS-1.

- 1 • Acceleration of assessments for newly identified threats, such as the M, C, and
2 SCC threats prompted by a PHMSA interpretation of 49 CFR § 192.939¹⁰⁸ and
3 confirmed by the Commission.¹⁰⁹
 - 4 ○ PHMSA interpretation of 49 CFR § 192.939, “What are the required
5 reassessment intervals”, declared that when a new threat is identified on
6 a pipeline segment, that newly identified threat must be assessed by the
7 deadline associated with the segment’s existing assessment interval. For
8 instance, where M, C, and/or SCC threats were previously categorized as
9 inactive, the new requirements prompted the use of applicable inspection
10 methods for these threats within the current reassessment cycle even if
11 that cycle was ending in the same year as the change in threat evaluation
12 took place. This requirement required SoCalGas to add work activities
13 and assessments to projects to assess the newly identified threats before
14 the assessment deadlines passed, adding considerable cost to the overall
15 program expenditures.
- 16 • An expansion of pipeline assessment requirements to include pipe segments
17 located within Moderate Consequence Areas (MCAs) and additionally within
18 Class 3 and 4 pipelines that are not within identified High Consequence Areas
19 (HCAs), as mandated by additions to 49 CFR § 192.710.¹¹⁰
 - 20 ○ The costs associated with the new requirements of CFR 192.710 are
21 related to identifying additional qualifying segments that meet these
22 requirements and need to be added to the assessment plan.

23 In addition, the Prepared Direct Testimony of Travis T. Sera, Chapter 1 (TIMP
24 Development and Implementation)¹¹¹ discussed the impact of more excavations being required in

¹⁰⁸ PHMSA, Letter from John A. Gale, Director of Office of Standards and Rulemaking at PHMSA to Christine Cowser 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>.

¹⁰⁹ Ex. SCG-01 (Sera) at TTS-1.

¹¹⁰ *Id.* at TTS-1-2.

¹¹¹ *Id.* at TTS-10.

1 the desert region of the SoCalGas system. Although SoCalGas has experience in working in the
2 difficult conditions described in their testimony, the increase in the number of excavations due to
3 the changes in regulation and improvements in inspection technologies were not accounted for in
4 the TY 2019 GRC and required greater expenditures than anticipated.

5 **IV. RESPONSE TO INDICATED SHIPPERS' TESTIMONY**

6 **A. Summary of Indicated Shippers' Testimony**

7 In their testimony, Indicated Shippers contends that SoCalGas's request to recover
8 \$173.8 million in TIMP costs is excessive and unjustified.¹¹² They allege that SoCalGas failed to
9 provide adequate justification of its expenditures--particularly for non-HCA pipelines despite
10 CFR 192.710—and did not sufficiently evaluate or pursue more cost-effective assessment
11 methods.¹¹³ SoCalGas disagrees with Indicated Shippers' findings and recommendations as its
12 expenditures were prudent, compliant with the federal regulations governing SoCalGas's TIMP,
13 and necessary to enable the continued integrity and reliability of its transmission system.

14 **B. Delaying Approval of the Application Due to the Directive in D.24-12-074 is** 15 **Inappropriate**

16 As discussed in Section III.B above, both SBUA and Indicated Shippers mischaracterize
17 the purpose and timing of the efficiency study required by D.24-12-074¹¹⁴ and improperly
18 attempt to retroactively apply a forward-looking requirement to this Application.¹¹⁵ Indicated
19 Shippers argues that the "forthcoming efficiency study is long overdue"¹¹⁶ and suggests the
20 Commission would be "prudent and justified to consider deferral"¹¹⁷ of SoCalGas's request until
21 the efficiency study is completed. Indicated Shippers' recommendation to defer SoCalGas's
22 Application until the efficiency study is issued fails for the same reason SBUA fails.

23 Adjacent to this recommendation, Indicated Shippers raised a misplaced concern that
24 SoCalGas does not have a minimum level of benefit to customers for TIMP projects and has not
25 performed any cost benefit analysis. Indicated Shippers based this argument on a response to an

¹¹² Ex. IS-01 (Collins) at 5.

¹¹³ *Id.* at 4-7.

¹¹⁴ D.24-12-074 at 1097 (OP 34).

¹¹⁵ Ex. SBUA-01 (Sheriff) at 5, Ex. IS-01 (Collins) at 19.

¹¹⁶ Ex. IS-01 (Collins) at 19.

¹¹⁷ *Id.*

1 Indicated Shippers data request.¹¹⁸ SoCalGas’s TIMP is mandated by federal regulations, 49
2 CFR Part 192. While cost may be a consideration, it is not the deciding factor when safety and
3 compliance are required. For example, if inspections identify multiple locations where corrosion
4 may be occurring, such as with TIMP Line 2000 Phase 2,¹¹⁹ SoCalGas is required by regulation
5 to excavate and examine these locations in priority order from most to least severe, regardless of
6 efficiency. Furthermore, as discussed in Chapter 2 of Testimony (Ex. SCG-02 (Zeoli, Galvan,
7 Sera), the identification of immediate repair conditions or safety related conditions from an
8 assessment require an immediate response and expedited actions are required which impact
9 project costs including permitting, scheduling, and contractor and SoCalGas stakeholder support
10 to execute the required remediation(s).¹²⁰ Given the safety and compliance driven nature of
11 TIMP, Indicated Shippers’ reliance on cost benefit is misplaced.

12 **C. SoCalGas’s Non-HCA Pipeline Work Is Just and Reasonable**

13 In their testimony, Indicated Shippers claims “SoCalGas provided no data or information
14 in its Application demonstrating that SoCalGas took advantage of the flexibilities provided by 49
15 CFR 192.710, especially with regard to exclusion of pipeline segments operating below 30% of
16 SMYS.”¹²¹ Indicated Shippers is incorrect. SoCalGas excluded pipeline segments operating
17 under 30% SMYS when determining segments required to be assessed per 49 CFR § 192.710(a)
18 requirement. SoCalGas will utilize prior assessments, when applicable, to assess non-HCA
19 segments included in the requirements of 49 CFR § 192.710(b)(3).

20 Also in their testimony, Indicated Shippers incorrectly states that “Furthermore,
21 SoCalGas relies heavily on [49] CFR 192.710 to justify non-HCA pipeline work.”¹²² Indicated
22 Shipper further implies that 49 CFR § 192.710 is the only reason for non-HCA pipeline work
23 and that since 49 CFR § 192.710 allows for 10 years to meet its assessment requirement,
24 SoCalGas could have deferred non-HCA pipeline work through alternative solutions. Indicated

¹¹⁸ *Id.* at 19-20.

¹¹⁹ Ex. SCG-WP-2-A, Volume 3 at WP-1113.

¹²⁰ Ex. SCG-02 (Zeoli/Galvan/Sera) at ZGS-9, 15. *See also* Attachment F, SoCalGas’s response to Cal Advocates Data Request PubAdv-SCG-005-EIC, Question 1, dated August 15, 2025. 15% of the total capital and O&M expenditures contributing to the revenue requirement requested in this Application were driven by these conditions.

¹²¹ Ex. IS-01 (Collins) at 14.

¹²² *Id.* at 5.

1 Shipper is incorrect. 49 CFR § 192.710 is not the only reason for non-HCA pipeline work.¹²³
2 Indicated Shippers failed to provide any reference SoCalGas's response to Indicated Shipper
3 Data Request IS-SCG-001 Question 15 (e) regarding the assessment of non-HCA pipeline
4 segments,¹²⁴ SoCalGas explained:

5 There are pipelines in the SoCalGas system that have HCAs that require
6 assessment which contains segments of non-HCA pipe. For pipelines assessed by
7 ILI, it is operationally efficient, and in some cases operationally required, to insert
8 the ILI tool at one end of the pipeline and retrieve it at the other end: assessing
9 both HCA and non-HCA segments between the two ends of the pipeline. The
10 costs being requested in this application include both HCA and non-HCA because
11 the overall assessment was required by regulation to assess HCAs in the pipeline.

12 In addition, non-HCAs are also required to be assessed per the requirements of
13 192.917(e)(5) which states that "if an operator identifies corrosion on a covered
14 pipeline segment that could adversely affect the integrity of the line (conditions
15 specified in 193.933), the operator must evaluate and remediate, as necessary, all
16 pipeline segments (both covered and uncovered) with similar material coating and
17 environmental characteristics)." The costs associated with evaluating and
18 remediating non-HCA segments to meet this requirement are included in this
19 application.

20 Moreover, effective July 1, 2020, assessments outside of HCAs were newly
21 required by the Gas Transmission Safety Rule Part 1 (49 CFR § 192.710). This
22 new requirement introduced by PHMSA required pipelines in areas outside of
23 HCAs (*i.e.*, Moderate Consequence Areas (MCAs) and Class 3 and 4 locations) to
24 be assessed on a 10-year cycle at minimum.¹²⁵

25 There are circumstances where the assessment of non-HCA segments were operationally
26 efficient or required to assess an HCA segment. For example, one pipeline required the
27 assessment of 17 distinct HCAs. Instead of attempting to divide the pipeline into 17 individual
28 assessment projects requiring 34 launchers and receivers, SoCalGas performed the assessment as
29 one project to save time and money, and reduce construction activities that negatively impact
30 communities. Another example is where an HCA pipeline segment ends at the edge of a steep
31 hillside making it costly and unsafe install launching or receiving infrastructure at that location.

¹²³ Ex. SBUA-01 made similar arguments that were also incorrect.

¹²⁴ SoCalGas also discussed these reasons in its testimony. *See* Ex. SCG-01 (Sera) at TTS-8.

¹²⁵ *See* Attachment G, SoCalGas's response to Indicated Shippers Data Request IS-SCG-001, Question 15, dated September 9, 2025.

1 In both these cases, it is operationally efficient and/or required to assess non-HCA pipeline
2 segments along with HCA segments.

3 **D. Indicated Shippers Confuses Assessment Direct Examination with Direct**
4 **Assessment**

5 In their testimony, Indicated Shippers misunderstands the difference between an
6 assessment and an examination when it stated that SoCalGas chose to conduct Direct
7 Examinations, the most expensive of the seven approved assessment options.¹²⁶

8 SoCalGas's TIMP has a four-step Assessment and Remediation process that includes:
9 (1) Pre-Assessment; (2) Inspection; (3) Direct Examination; and (4) Post-Assessment.¹²⁷ As
10 previously stated in the Prepared Direct Testimony of Jordan A. Zeoli, Fidel Galvan, and Travis
11 T. Sera. In Step 1: Pre-Assessment, the Project Team evaluates pipeline operational data and
12 previous assessment results to determine project scope and the applicability of methods as
13 prescribed in 49 CFR §§ 192.921 and 192.937. The team also validates the threats on the
14 pipeline to be assessed, tool selection for inspection, and compliance timelines for each project.
15 In Step 2: Inspection, SoCalGas may use one of seven approved assessment methods, of which
16 SoCalGas primarily uses ILI or Direct Assessment methods such as ECDA or SCCDA.¹²⁸ After
17 the completion of Step 2: Inspection, SoCalGas will conduct Step 3: Direct Examination. During
18 Direct Examination, the pipeline is excavated to complete visual and non-destructive
19 examination to validate Inspection results, and to perform necessary repairs and/or
20 replacements.¹²⁹

21 When discussing the increase in expenditures due to Direct Examinations and that it "is
22 resource intensive and requires excavation of the pipeline to allow 360° access to assess the
23 pipe's condition and to determine if any remediation work is required,"¹³⁰ SoCalGas is referring
24 to Step 3 of the four-step Assessment and Remediation process, not Step 2. Indicated Shippers is
25 incorrect that SoCalGas selected the most expensive assessment method and with no analysis of
26 alternatives.

¹²⁶ Ex. IS-01 (Collins) at 16.

¹²⁷ Ex. SCG-02 (Zeoli/Galvan/Sera) at ZGS-2.

¹²⁸ *Id.* at ZGS-4-8.

¹²⁹ *Id.* at ZGS-8.

¹³⁰ *Id.* at ZGS-2.

1 **E. Mischaracterization of the Long-term Gas Planning Proceedings**

2 Indicated Shippers mischaracterizes the scope of the Long-Term Gas Planning
3 proceedings (Rulemaking (R.) 20-01-007 and R.24-09-012). Indicated Shippers claims that
4 SoCalGas’s application is contrary to the Commission’s efforts in these proceedings.¹³¹ TIMP is
5 not inconsistent with the Long-Term Gas Planning proceedings. To the contrary, TIMP supports
6 the Long-Term Gas Planning proceedings. While the Commission and parties consider the
7 future of the gas system, the safety and integrity of the existing gas system must still be
8 maintained and SoCalGas must continue to comply with federally mandated requirements.

9 The Long-Term Gas Planning proceedings consider infrastructure in the long-term.
10 According to the Scoping Memo in R.24-09-012, in Phase 2, Long-Term Gas Transition
11 Planning, the focus will be to develop a robust record to inform decision-making about the gas
12 system, and, in particular, to develop pertinent information related to the gas transition for
13 consideration in subsequent stage(s) of this proceeding or for reference in other proceedings.¹³²
14 Specifically, the Long-Term Planning and Scenario Development Track of the proceeding (Track
15 2 in R.24-09-012) is intended to develop an approach for how the Commission intends to address
16 long-term gas planning including how to support a long-term transition to facilitate
17 decarbonization and calls for considering potential sensitivities for gas and dual-fuel utilities.¹³³

18 Throughout these foundational planning proceedings for the gas system (which is thus
19 part of the planning for the State’s integrated and interdependent gas and electric grids), the
20 Commission has been clear on the importance of meeting state and federal safety regulations:

21 Transmission pipelines are critical to both the reliability of the gas and electric
22 systems. As a result, if a pipeline is needed to meet reliability standards it must
23 be maintained in accordance with state and federal safety standards.¹³⁴

24 Moreover, the critical need to meet safety regulation requirements in a timely manner led
25 the Commission to develop a specific exemption to GO 177 permitting requirements for such
26 activities like TIMP:

¹³¹ Ex. IS-01 (Collins) at 18.

¹³² R.24-09-012, Assigned Commissioner’s Scoping Memo and Ruling, (January 31, 2025) at 3.

¹³³ *Id.*

¹³⁴ D.23-12-003 at 11.

1 We concur with the IOUs that projects required by any regulatory agency for
2 safety reasons should be exempt from CPCN application requirements.
3 Exempting projects required by other agencies for safety reasons from permit
4 requirements helps ensure timely utility compliance with those regulations and the
5 accompanying public safety or reliability of gas supplies. This includes PSEP
6 projects previously approved by this Commission.¹³⁵

7 **F. Indicated Shippers Argument Concerning Risk-Based Decision-Making**
8 **Framework**

9 Indicated Shippers also mischaracterizes the scope of the Risk Assessment Mitigation
10 Phase (RAMP) filings by SoCalGas.¹³⁶ The scope of SoCalGas's RAMP work is forward-
11 looking and integrated into the utility's succeeding GRC presentation. The recovery being
12 sought in this application is for TIMP-related activities that the Commission already found to be
13 performed in compliance with regulatory requirements mandated by 49 CFR §192, Subpart O
14 and 49 CFR §192.710. The risk prioritization and mitigation efforts were presented in the
15 RAMP submitted in 2017 and subsequently incorporated into the TY 2019 GRC showing which
16 was ultimately approved by the Commission in D.19-09-051, whereby the Commission found
17 activities associated with TIMP and DIMP as well as the RAMP-related activities to be
18 necessary in promoting the safe provision of natural gas services.¹³⁷

19 **G. A 12-month Amortization of the TIMPBA Under-Collected Balance is**
20 **Appropriate**

21 SoCalGas disagrees with Indicated Shippers' recommendation to recover the under-
22 collected TIMPBA balance requested in this Application over a 36-month period.¹³⁸ This under-
23 collected balance of O&M expenses and capital-related revenue requirement (*i.e.* depreciation,
24 return, and taxes) were associated with costs incurred by SoCalGas to execute the TIMP in
25 accordance with 49 CFR § 192, Subpart O and 49 CFR § 192.710, supporting the enhancement
26 of customer/public safety, infrastructure integrity, and system reliability, and which are similar to
27 the cost for TIMP activities that were conducted and approved in Resolution G-3600.¹³⁹ It is not
28 reasonable to delay the recovery of the TIMP costs that, upon review in this proceeding, are

¹³⁵ D.22-12-021 at 49-50.

¹³⁶ Ex. IS-01 (Collins) at 20-21, n.37.

¹³⁷ D.19-09-051 at 189, 729 (Finding of Fact 38).

¹³⁸ Ex. IS-01 (Collins) at 27-30.

¹³⁹ Res. G-3600 at 6, 9 (OP 1).

1 deemed to be prudent and reasonable. An annual (12-month) amortization period is consistent
2 with the amortization of prior under-collected balances recorded in the TIMPBA,¹⁴⁰ as well as
3 with other integrity management program under-collected balances that have been approved for
4 recovery by the Commission.¹⁴¹

5 Further, Indicated Shippers appears to misunderstand the methodology for recovery of
6 capital revenue requirement, given its discussion regarding capital-related carrying charges and
7 depreciation.¹⁴² The cost of an asset is depreciated over its useful life once placed in service;
8 TIMP project costs are already being proposed for recovery over the asset's useful life,
9 consistent with standard ratemaking and cost recovery practices. Specifically, the capital
10 revenue requirement requested for recovery in this Application is not an acceleration and only
11 represents the costs (depreciation, return, and taxes) that have already been incurred. Indicated
12 Shippers' suggestion that capital-related revenue requirement requested in this Application also
13 be amortized over a period beyond 12 months is inappropriate.

14 Adopting an annual amortization period for recovery of the TIMPBA under-collected
15 balance also avoids further compounding of regulatory account interest charged to customers.¹⁴³
16 Contrary to the efforts to promote affordability, Indicated Shippers' proposal to extend recovery
17 to 36-months would incur approximately \$9 million in additional interest when compared to an
18 annual amortization period.¹⁴⁴ To promote affordability in a manner that can directly benefit
19 customers through reduced interest costs, the Commission should amortize recovery over the
20 normal 12 month period.

21 In addition, the Commission should also approve SoCalGas's Motion for Interim Rate
22 Recovery of the under-collected balance in the TIMPBA as soon as possible. Authorizing
23 interim rate recovery can avoid interest costs by putting a portion of the under-collection into

¹⁴⁰ Res. G-3499 at 15 (OP 2); Res. G-3528 at 8 (OP 2); Res. G-3600 at 9 (OP 4).

¹⁴¹ Res. G-3544 at 7 (OP 2); Res. G-3610 at 9 (OP 2).

¹⁴² Ex. IS-01 (Collins) at 28-29.

¹⁴³ See SoCalGas Preliminary Statement Part I at Section J, *available at*:
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=1>. TIMPBA accrues
interest at the 3-month commercial paper rate.

¹⁴⁴ See Attachment H, TIMPBA Interest Comparison: 36-Month Amortization vs. 12-Month
Amortization.

1 rates prior to a final decision on the Application,¹⁴⁵ and comes at limited risk to customers as
2 such recovery would be subject to refund, with interest, in the event the Commission authorizes,
3 in the final decision of the Application, an amount less than what had already been collected.¹⁴⁶

4 This concludes our prepared rebuttal testimony.

¹⁴⁵ Motion of Southern California Gas Company for Interim Rate Recovery of Costs Recorded in the Transmission Integrity Management Program Balancing Account (May 1, 2025) at 9-10.

¹⁴⁶ *Id.* at 2, 9.