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

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]

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[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.

Small Business Utility Advocates (SBUA)

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

Indicated Shippers

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

II. RESPONSE TO CAL ADVOCATES' TESTIMONY

A. Summary of Cal Advocates' Testimony

In their testimony, Cal Advocates contends that based upon their analysis, SoCalGas has not justified reasonableness of costs associated with: 1) straight-time labor costs incurred for SoCalGas employees who were newly hired for scopes of work that were not limited to the TIMP;[9] 2) vacation and sick (V&S) costs associated with those employees;[10] 3) Pipeline 235 West, Phase 1;[11] and 4) Vendor #11900.[12] Cal Advocates' argues that SoCalGas has not proven incrementality of its straight-time labor costs due to the lack of supporting documentation to show that new positions were created specifically for the activities in this Application,[13] and that

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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.

SoCalGas had redirected employees whose labor costs and related V&S costs were already included in rates.[14] Additionally, Cal Advocates argues that the costs related to Pipeline 235 West, Phase 1 should be denied on the basis that SoCalGas did not comply with the requirements to file a Tier 2 Advice Letter to recover costs for Line 235.[15] Lastly, Cal Advocates argues that the costs for Vendor #11900 should be denied on the basis that the costs booked to TIMP for the vendor are out of scope and "instead correspond to unrelated natural gas pipeline activities subject to different requirements under separate laws and regulations."[16]

B. Expenditures Associated with SoCalGas's TIMPBA Under-Collection Requested in this Application

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

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

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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 costs[20] (*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 taxes[21] 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 <u>new</u> requirements and at increased cost;

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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 bulletin[25] 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

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[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. Marinez (Pipeline Integrity for Transmission and Distribution) on behalf of SoCalGas (Ex. SCG-14) at MTM-19.

records requirements.'"[27] Since these proposals were still under review and had not been codified, SoCalGas did not include costs associated with these potential changes in its GRC forecast.

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

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

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

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

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

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[27] *Id.* (citation omitted).

[28] PHMSA, Letter from John A. Gale, Director of Office of Standards and Rulemaking at PHMSA 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.

[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.

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

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

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

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

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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.

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

Notwithstanding the separation of the TIMPBA and base business expenditures, even if the Commission were to look at SoCalGas's gas transmission expenditures for the TY 2019 GRC, SoCalGas's 2023 Risk Spending Accountability Report (RSAR) demonstrates that the increased TIMP activities are entirely incremental to the costs that were authorized in SoCalGas's TY 2019 GRC for their broader gas transmission safety, reliability, and maintenance activities. The 2023 RSAR summarizes the total reportable expenditures for the period of 2019-2023. Excluding balanced programs and activities such as the TIMP, SoCalGas exceeded total authorized costs by approximately $479 ~~880~~ thousand to complete gas transmission safety, reliability, and maintenance scopes of work as shown in Figure SZGY-2 below.[37] While SoCalGas redirected resources to support its various gas transmission activities, including TIMP activities included in this Application, Cal Advocates erroneously assumes that the redirected resources were not covered by another resource(s). This is discussed in more detail in Section II.C.4. below.

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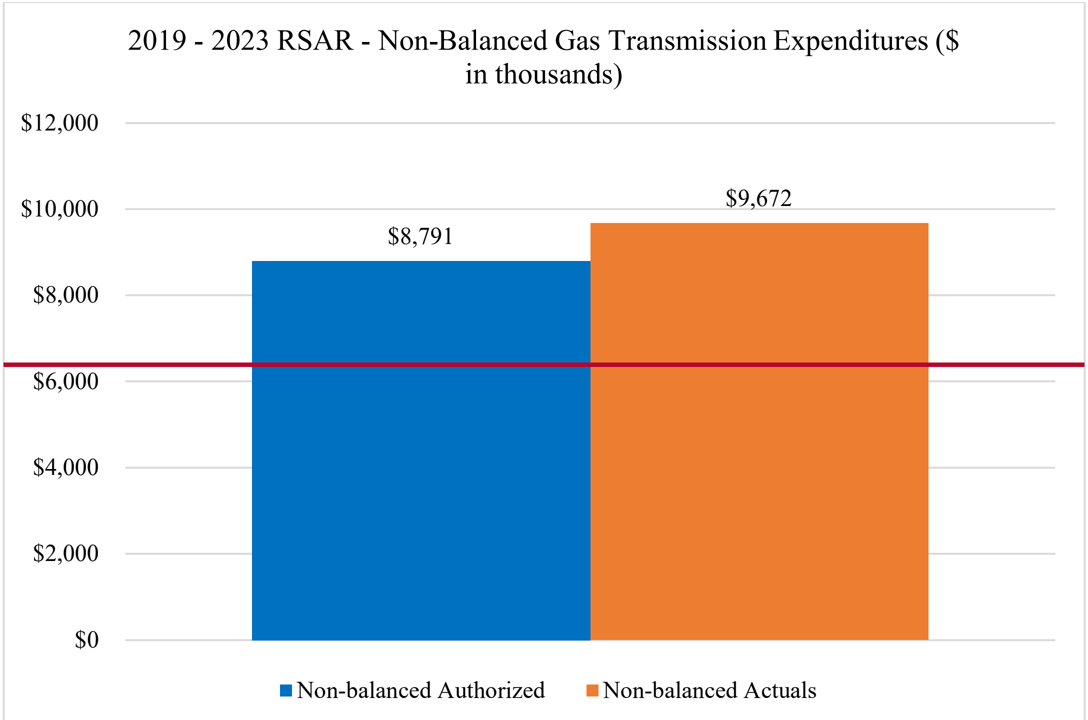
[34] D.23-02-017 at 26 (citing D.21-08-024 at 19-20).

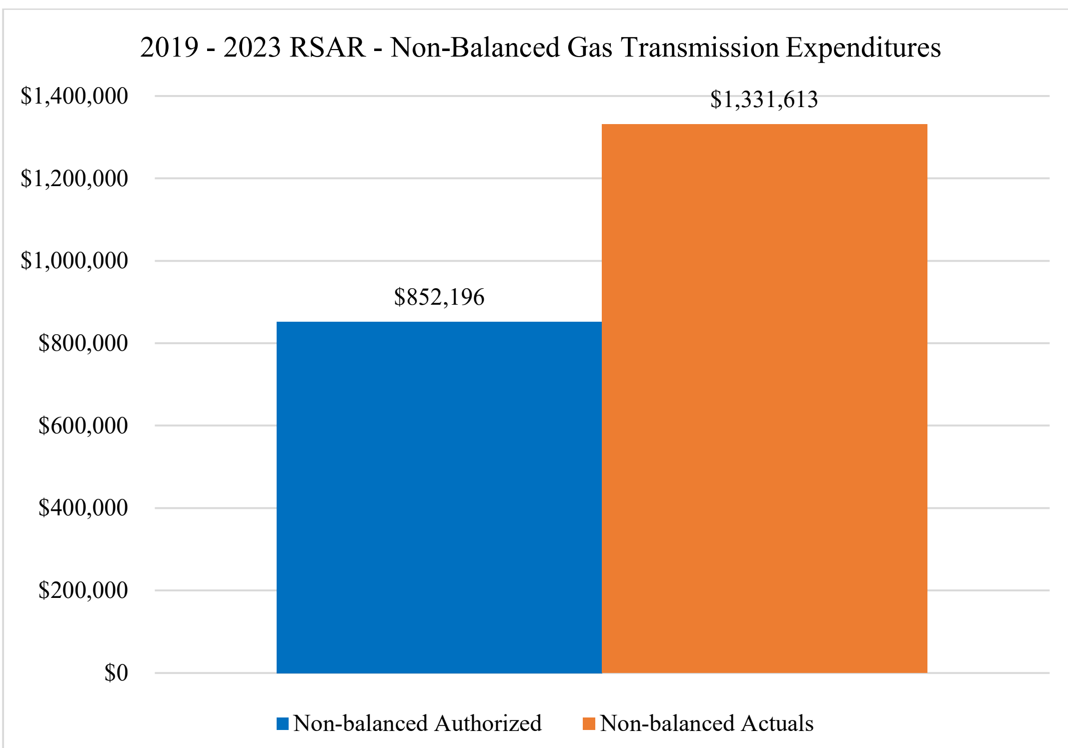
[35] D.22-06-032 at 10.

[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.

Figure SZGY-2





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

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]

SoCalGas's TY 2019 GRC TIMP forecast was based on the number of assessments conducted each year[39] 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.

SoCalGas manages its portfolios of work comprehensively, allocating and deploying resources to prioritize safety, compliance, reliability, and other immediate needs. In response to the new and updated regulations and interpretations from PHMSA that expanded the scope of TIMP, which were published after the approval of SoCalGas TY 2019 GRC application,[40] SoCalGas necessarily redirected some of its workforce to the TIMP to address these incremental safety and compliance requirements not previously planned/forecasted. This enables SoCalGas to leverage existing experience and expertise and to optimize its workforce. Cal Advocates asserts that "redirecting existing sources does not support the utilities' incrementality claim and the reasonableness of [SoCalGas] recovering straight-time labor costs from ratepayers. [SoCalGas] did not provide verifiable support that straight-time labor costs were not already recovered in the GRC because [SoCalGas] did not provide adequate supporting documentation to show it created new positions and hired new staff beyond what was previously authorized in the GRC to complete TIMP activities."[41] Cal Advocates makes the flawed assumption that SoCalGas's redirection of employee labor to the TIMP meant SoCalGas did not then offset this reallocation by either hiring additional employees or leveraging external contractors or other

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

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

40 Ex. SCG-01 (Sera) at TTS-11-12.

41 Ex. CA-01 (Chow) at 16.

non-labor means to complete other scopes of work. Cal Advocates incorrectly argues that new positions or new staff must be hired for the TIMP specifically for costs to be considered incremental. This is not how SoCalGas manages its work across the company and perhaps more concerning, appears to encourage the less cost-effective practice of hiring new employees for incremental balanced scopes rather than leveraging and redirecting the experienced workforce and external contractors, where appropriate, to increase efficiencies in executing incremental work.

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

On November 23, 2022, SoCalGas filed Advice Letter (AL) 6060-G requesting recovery of the under-collection totaling $238.8 million associated with reasonably incurred TIMP expenditures as of September 30, 2022.[42] On May 30, 2024, the Commission issued Resolution G-3600 approving SoCalGas's request to recover the under-collection recorded in its TIMPBA for the period of January 1, 2019 to September 30, 2022, trued up for collected revenue requirement and interest through December 31, 2023, authorizing SoCalGas to incorporate $227.3 million in rates over a 12-month period following the Resolution.[43] Resolution G-3600 specifically found that:

- TIMPBA costs are incurred in response to mandated federal pipeline safety regulations including, but not limited to requirements associated with 49 CFR 192, Subpart O.
- Changes 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.
- Commission staff made an invoice level review of selected TIMP O&M and capital expenditures included in the TIMPBA requested in AL 6060-G and found that the examined expenses and expenditures were appropriately recorded and reasonably incurred.[44]

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[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.

[43] Res. G-3600 at 9 (OP 1-3).

[44] *Id*. at 8 (Findings 5, 8, 9).

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

Additionally, The Utility Audits Branch (UAB) of the CPUC conducted a performance audit of SoCalGas's balancing accounts, including the TIMPBA, for the audit period of January 1, 2023, through December 31, 2023.[46] The objective of the audit was to determine whether, "1) transactions recorded in SoCalGas's balancing accounts from January 1, 2023, through December 31, 2023, were for allowable purposes and supported by appropriate documentation; and 2) the balancing accounts were established and maintained as required by the applicable Public Utilities (PU) Code sections, CPUC directives, orders, rules, and regulations, and SoCalGas's policies and procedures."[47] SoCalGas received the audit report on February 19, 2025 which verified that all TIMPBA expense amounts tested were allowable, properly documented, and were in accordance with CPUC directives, orders, rules, regulations, and SoCalGas policies and procedures.[48]

D. The Commission Should Reject Cal Advocates' Recommended Disallowances

1. Straight Time Labor

Cal Advocates recommends disallowing $34.328 million in straight-time labor costs on the grounds that, "[SoCalGas] did not provide adequate support to demonstrate that it created any new positions specifically for the activities in this Application."[49] As a result, Cal Advocates argues that SoCalGas failed to demonstrate these costs were incremental and not already included in rates authorized in SoCalGas's GRC.[50] There is no requirement that a new position must be created in order to show incrementality. As discussed above, Cal Advocates appears to

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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.

47 *Id.* at 1.

48 *Id.* at 5-6.

49 Ex. CA-01 (Chow) at 14.

50 *Id.* at 14-16.

require SoCalGas to engage in the less cost-effective practice of hiring new employees simply to prove incrementality instead of leveraging the available experienced workforce and external contractors to increase efficiencies, where appropriate.

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

In response, SoCalGas provided a list of 468 employees hired between January 1, 2019 through December 31, 2023 and billed time to TIMP, including sixty-two (62) employees which SoCalGas identified were hired specifically for the Pipeline Integrity Execution (PI-Ex) and High-Pressure Integrity Assessments (HPIA) teams dedicated to TIMP work.[53] SoCalGas provided the employees' date of hire and whether they were hired as permanent or temporary employees, as requested by Cal Advocates.[54] SoCalGas also provided Cal Advocates with the average pay rates and total labor expenditures for the respective 468 employees.[55] Without explanation, Cal Advocates seemingly dismisses this information as insufficient, and further claimed that SoCalGas did not provide information regarding baseline staffing data or timesheet copies,[56] neither of which were requested in Cal Advocates two data requests.

Cal Advocates' recommendation to disallow straight time labor costs fails to account for the regulatory-driven expansion of TIMP activities and the corresponding labor needs described in Section II.C, above. Furthermore, Cal Advocates wrongly presumed that SoCalGas's

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

[52] *Id.*

[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.

reallocation of employees to respond to changes in TIMP requirements and activity levels meant that the non-TIMP funding associated with those employees was unspent.[57] As evidenced by SoCalGas's 2023 RSAR, SoCalGas did not simply reallocate spending from other gas transmission safety, reliability, and maintenance activities; rather, the TIMP costs in question were incrementally incurred to maintain safety and compliance in accordance with new and updated regulations and interpretations from PHMSA that expanded the scope of TIMP.[58]

2. Vacation & Sick

Cal Advocates recommends disallowing $3.271 million in V&S expenditures; $1.178 million in capital and $2.093 million in O&M.[59] Cal Advocates justification for the disallowance is that "[i]f the underlying labor is not incremental, then the related vacation and sick leave costs also must not be incremental."[60] V&S costs are applied as a factor to direct labor costs and are included in balancing account recovery mechanisms. These costs are proportionally tied to the incremental straight time labor. Therefore, for the same reasons that Cal Advocates requested disallowance for SoCalGas's labor fails, as explained in Section II.D.1, Cal Advocates requested disallowance for V&S fails.

3. Pipeline 235 West, Phase 1

Cal Advocates recommends disallowing $40.720 million in O&M and capital expenditures for Line 235 West Phase 1 until SoCalGas files a Tier 2 Advice Letter detailing Pipeline Safety Enhancement Plan (PSEP) and TIMP costs recorded in the Line 235

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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 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.

Memorandum Account (L235MA).[61] This recommendation is procedurally inappropriate and is based on incorrect understanding of accounting. To be clear, SoCalGas is not seeking recovery of PSEP costs in this application. The costs in question are associated with TIMP-related work for Line 235 West Phase 1, which are recorded in the TIMPBA, and are subject to refund before a Tier 2 advice letter is approved at the conclusion of Line 235 PSEP work.[62]

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

On the other hand, as explained in the testimony of Rick Phillips in the 2019 GRC, the Line 235 West, Section 1 & 2 is PSEP work that was slated to take place to comply with D.11-06-017 and Pub. Util. Code § 958.[64] The Line 235 West, Section 1 & 2 hydrotests were part of a larger pool of projects that were proposed as part of Phase 2A, which comprises transmission pipelines that do not have sufficient documentation of a pressure test to at least 1.25 MAOP and are located in Class 1 and 2 non-high consequence areas.[65]

The L235MA,[66] authorized under D.19-09-051 and established through SoCalGas AL 5531,[67] was required by the Commission because of the concern that ongoing TIMP work (Line 235 West, Phase 1) also fell within the scope of the PSEP project (Line 235 West, Section 1 & 2

[61] *Id.* at 19-21.

[62] D.19-09-051 at 779 (OP 13).

[63] *Id.* at 206.

[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.

hydrotests)[68] identified in A.17-10-008. The L235MA therefore includes two clearly delineated subaccounts:

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

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

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

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

4. Vendor #11900

Cal Advocates recommends disallowing $0.538 million in capital and $0.155 million in O&M in contract costs associated with Vendor #11900 on the basis that one contract[70] "has a

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[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.

[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.

scope of work unrelated to TIMP" and "instead correspond to unrelated natural gas pipeline activities subject to different requirements under separate laws and regulations."[71] Cal Advocates misunderstands the purpose of the "contract" which is in actuality a release order.

Vendor #11900 is a non-destructive examination (NDE) vendor that provides essential services to SoCalGas for projects that require non-destructive pipe examination, including TIMP and PSEP. NDE is a vital component of pipeline integrity management under federal regulations such as 49 CFR Parts 192 and 195, which mandate rigorous inspection and assessment protocols to support the safety and reliability of pipelines, especially in HCAs. It is an essential part of the tool validation process. For TIMP projects, after completion of the ILI and receipt of final reports, the data is used to identify segments of the line that need additional assessments for those anomalies. Once the pipeline is excavated and exposed to address the anomaly that was identified by the inspection tool, NDE is utilized to validate the results as part of TIMP's four-step Assessment process. NDE techniques—such as radiographic, ultrasonic, and magnetic particle testing—enable operators to detect flaws in welds and materials without causing damage, in compliance with baseline and continual assessment requirements. These inspections help identify potential threats, guide maintenance decisions, and support risk-based integrity programs, ultimately reducing the likelihood of failures, environmental hazards, and regulatory violations. This information is also utilized for post assessment analysis which supports long term planning and mitigation of future risk.

While there are two separate release orders that were issued for Vendor #11900, the existence of separate releases does not diminish the validity of the costs incurred. Release orders are authorizations issued under a Master Service Agreement that define a scope of work, maximum authorized compensation (not-to-exceed amount), and the performance period. Here, both release orders were issued pursuant to a Master Service Agreement between SoCalGas and Vendor #11900. The existence of separate release orders reflects administrative distinctions, not applicability of services. Further, dollar amounts on the release order do not necessarily represent how much SoCalGas will pay but only represents the maximum amount that may be spent for the scope of work a vendor may perform. Instead, SoCalGas records costs to dedicated work orders (which are different than release orders) that are tagged with accounting codes that

[71] Ex. CA-01 (Chow) at 21-22.

enable the identification and separation of costs (*e.g.*, budget codes). When Vendor #11900 supported TIMP projects under either release order, the costs incurred are recorded in the TIMPBA through TIMP work orders.

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

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72 Ex. CA-01 (Chow) at 22.

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

74 *Id.*

75 *Id.* at 5-6.

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

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

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

This requirement is unequivocally prospective. The Commission did not condition cost recovery for prior activities upon the completion or submission of the study. Nor did it require

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76 *Id.* at 6.

77 *Id.* at 13-14.

78 *Id.* at 11-13.

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).

the study to be part of the evidentiary record in this proceeding. Rather, the study is intended to inform SoCalGas's next GRC. SBUA erroneously asserts that the efficiency study is a prerequisite for determining the reasonableness of SoCalGas's cost recovery in this proceeding.[82] That assertion is incorrect, D.24-12-074 does not support such a reading. The directive clearly places the study in the context of SoCalGas's next GRC application. It is not a condition precedent to cost recovery in the current proceeding, nor is it a basis for disallowance of otherwise already incurred costs.

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

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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.

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

- **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. Additionally, the project shared permit costs with two other Inspection projects on Line 765 and was scheduled and executed in sequence with other Inspections of Line 765, resulting in efficiencies for completing project deliverables, shared excavations, and utilizing the same construction contractor for mobilizations.[86]
- **Line 1172 & 1177**: The Project Team utilized a shared laydown yard with a nearby project which required only one Temporary Right of Entry agreement. Additionally, in order to complete the Direct Examination Phase, the Project Team was able to collect a sample cut of the pipeline from a recent project completed by another SoCalGas department, which resulted in considerable savings as the Project Team no longer needed to cut-out a pipeline segment during the Direct Examination soft pad repairs.[87]
- **Line 1229**: The Project Team considered the project location and technology used for the Inspection to strategically place facilities in a location that minimized project costs and

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

[86] *Id.* at WP-615.

[87] *Id.* at WP-921.

schedule delays. Additionally, the Project Team identified a long lead item early which enabled securing the material in advance, minimizing project impacts.[88]

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

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

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

SBUA misrepresented SoCalGas's Application when it incorrectly asserted that 36% of the costs recorded in TIMPBA—or by its account approximately $49.3 million—are associated with projects under $1 million and lack supporting workpapers.[90] SBUA ignores the explanations provided in SoCalGas's testimony Chapter 2 (Ex. SCG-02) and supporting workpaper (Ex. SCG-02-A) which explains that the workpapers consist of more than just ILI projects, specifically: (1) ILI projects costing at least $1 million, (2) Retrofit Projects, and (3) Direct Assessment projects that primarily incurred costs from January 1, 2019, to December 31, 2023.[91] The extensive nature of SoCalGas's workpapers[92] which cover its TIMP ILI, retrofit, and direct assessment projects support its showing that the inspections completed during the TY 2019 GRC cycle to enhance pipeline safety and comply with federal and state regulations while minimizing customer impacts and maximizing cost effectiveness.[93]

Clarifying SBUA's reference regarding SoCalGas's Amended Response to Question 3 of Data Request SBUA-SCG-001, SoCalGas stated that 64% of ILI (In-Line Inspection) project

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[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.

[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.

expenditures were supported by workpapers.[94] This percentage applies solely to ILI projects and does not represent the entirety of the expenditures presented in SoCalGas's workpapers. The total portion of Application expenditures supported by workpapers—including ILI, Direct Assessment (DA), and retrofit projects—represent 72% of the expenditures. Of the remaining expenditures that contribute to the revenue requirement requested in this Application, 20% are comprised of O&M and capital expenditures for: (1) Preventative and Mitigative Measures, (2) Data and Geographic Information Systems (GIS), and (3) Program Management and Support/Risk and Threat TIMP activities.[95] These types of expenditures do not lend themselves to the type of workpapers prepared for ILI, Retrofit, and Direct Assessment projects that are at the core of TIMP activities. Regardless, these costs are presented and explained in detail in the direct testimony of Travis T. Sera, Chapter 1 (Ex. SCG-01).[96]

D. SBUA's Misguided Arguments Around Redundancy/ Duplication and Pipeline Reinspections

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

After completing a baseline assessment of a pipeline, an operator must continue to assess the integrity of the pipeline at specified intervals and must conduct a periodic evaluation as frequently as needed to assure the integrity of the segment as prescribed by 49 CFR § 192.937.

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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.

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.

The periodic evaluation must be based on data integration and risk assessment at an interval specified in 49 CFR § 192.939.[99] SoCalGas completes the baseline assessments of identified threats with one or more of approved inspection methods within their corresponding timeline as prescribed by 49 CFR § 192.921.[100] After completing the baseline integrity assessment, SoCalGas must continue to assess the pipeline and associated threats at the established intervals which cannot exceed those specified by 49 CFR §192.939 as dictated by the HCAs along the pipeline and results of any integrity assessments.[101] Because the sequence of assessment is a cyclical and continuous process required by federal regulations, the work SBUA refers to as "duplication" is, in fact, cyclical reassessment work that is built into the TIMP program and is justified and reasonable.

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

Line 4000 was first inspected using an inspection tool designed to detect overall metal loss as part of the TIMP assessment requirement. While the results of the Line 4000 inspection were being reviewed and before SoCalGas began direct examinations, the post-repair re-pressurization of Line 235 W resulted in the discovery of pinhole leaks along the pipeline. Since Line 4000 operates in a similar environment with similar pipeline characteristics, the discovery of leaks on Line 235 W prompted a second inspection of Line 4000 during the TY 2019 GRC cycle using an inspection tool designed to detect pinholes. The results of the second inspection

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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.

102 Ex. SBUA-01 (Sheriff) at 8-9.

were integrated with the results of the first inspection, as well as aboveground inspection results, to identify areas of the pipe to excavate for validation of the inspection tool results and repairs. The second inspection of Line 4000 was not a repeat of the first but an inspection using a different inspection tool than the first TIMP project to detect a different set of anomalies based on updated information and circumstances.

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

SBUA claims that SoCalGas's justification of the increase in magnitude of work due to changes in Federal Rules is "insufficient."[103] SBUA cites the work papers that provide cost information for each project[104] but seemingly ignores the Prepared Direct Testimony of Travis T. Sera, Chapter 1 (TIMP Development and Implementation), which specifically described four changes in Federal Rules that increased the cost required to meet the TIMP requirements. A summary of the changes and their impact on the magnitude of work required to meet the requirements of these changes are provided below:

- An increase in the number of pipe segments that required assessment for Manufacturing (M) and Construction (C) [105] threats due to an amendment of the Code of Federal Regulations (CFR) §192.917(e)(3) which changed the criteria required to consider the M and C threats as 'stable' and not requiring assessment.
    - To meet this new requirement, SoCalGas had to review its entire system to identify how many new segments needed to be assessed for the M and C threats. Some pipelines with newly identified M and C threats required new inspection tools compared to the previous inspection. All segments with newly active M and C threats required additional excavations in order to validate the effectiveness of the assessment tool to identify segments with anomalies related to the M and C threats.

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[103] *Id*. at 10-11.

[104] Ex. SBUA-01 (Sheriff) at 10.

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

- An advisory bulletin from PHMSA[106] stating that the threat of Stress SCC must be considered active.[107]
  - SoCalGas had to develop a threat evaluation algorithm to determine which pipeline segments were susceptible to SCC. During the period after the advisory bulletin was issued, SCC incidents at other pipeline operators required the algorithm to be updated. 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.
- 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[108] and confirmed by the Commission.[109]
  - 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 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 as the change in threat evaluation took place. This requirement required SoCalGas to add work activities and assessments to projects to assess the newly identified threats before

[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.

[108] PHMSA, Letter from John A. Gale, Director of Office of Standards and Rulemaking at PHMSA 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.

[109] Ex. SCG-01 (Sera) at TTS-1.

- the assessment deadlines passed, adding considerable cost to the overall program expenditures.
- 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.[110]
  - The costs associated with the new requirements of CFR 192.710 are related to identifying additional qualifying segments that meet these requirements and need to be added to the assessment plan.

In addition, the Prepared Direct Testimony of Travis T. Sera, Chapter 1 (TIMP Development and Implementation)[111] discussed the impact of more excavations being required in the desert region of the SoCalGas system. Although SoCalGas has experience in working in the difficult conditions described in their testimony, the increase in the number of excavations due to the changes in regulation and improvements in inspection technologies were not accounted for in the TY 2019 GRC and required greater expenditures than anticipated.

IV. RESPONSE TO INDICATED SHIPPERS' TESTIMONY

A. Summary of Indicated Shippers' Testimony

In their testimony, Indicated Shippers contends that SoCalGas's request to recover $173.8 million in TIMP costs is excessive and unjustified.[112] They allege that SoCalGas failed to provide adequate justification of its expenditures--particularly for non-HCA pipelines despite 42 CFR 192.710 —and did not sufficiently evaluate or pursue more cost-effective assessment methods.[113] SoCalGas disagrees with Indicated Shippers' findings and recommendations as its expenditures were prudent, compliant with the federal regulations governing SoCalGas's TIMP, and necessary to enable the continued integrity and reliability of its transmission system.

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110 *Id.* at TTS-1-2.

111 *Id*. at TTS-10.

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

113 *Id.* at 4-7.

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

As discussed in Section III.B above, both SBUA and Indicated Shippers mischaracterize the purpose and timing of the efficiency study required by D.24-12-074[114] and improperly attempt to retroactively apply a forward-looking requirement to this Application.[115] Indicated Shippers argues that the "forthcoming efficiency study is long overdue"[116] and suggests the Commission would be "prudent and justified to consider deferral"[117] of SoCalGas's request until the efficiency study is completed. Indicated Shippers' recommendation to defer SoCalGas's Application until the efficiency study is issued fails for the same reason SBUA fails.

Adjacent to this recommendation, Indicated Shippers raised a misplaced concern that SoCalGas does not have a minimum level of benefit to customers for TIMP projects and has not performed any cost benefit analysis. Indicated Shippers based this argument on a response to an Indicated Shippers data request.[118] SoCalGas's TIMP is mandated by federal regulations, 49 CFR Part 192. While cost may be a consideration, it is not the deciding factor when safety and compliance are required. For example, if inspections identify multiple locations where corrosion may be occurring, such as with TIMP Line 2000 Phase 2,[119] SoCalGas is required by regulation to excavate and examine these locations in priority order from most to least severe, regardless of efficiency. Furthermore, as discussed in Chapter 2 of Testimony (Ex. SCG-02 (Zeoli, Galvan, Sera), the identification of immediate repair conditions or safety related conditions from an assessment require an immediate response and expedited actions are required which impact project costs including permitting, scheduling, and contractor and SoCalGas stakeholder support to execute the required remediation(s).[120] Given the safety and compliance driven nature of TIMP, Indicated Shippers' reliance on cost benefit is misplaced.

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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.*

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

C. SoCalGas's Non-HCA Pipeline Work Is Just and Reasonable

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

Also in their testimony, Indicated Shippers incorrectly states that "Furthermore, SoCalGas relies heavily on [49] CFR 192.710 to justify non-HCA pipeline work."[122] Indicated Shipper further implies that 49 CFR § 192.710 is the only reason for non-HCA pipeline work and that since 49 CFR § 192.710 allows for 10 years to meet its assessment requirement, SoCalGas could have deferred non-HCA pipeline work through alternative solutions. Indicated Shipper is incorrect. 49 CFR § 192.710 is not the only reason for non-HCA pipeline work.[123] Indicated Shippers failed to provide any reference SoCalGas's response to Indicated Shipper Data Request IS-SCG-001 Question 15 (e) regarding the assessment of non-HCA pipeline segments,[124] SoCalGas explained:

> There are pipelines in the SoCalGas system that have HCAs that require assessment which contains segments of non-HCA pipe. For pipelines assessed by ILI, it is operationally efficient, and in some cases operationally required, to insert the ILI tool at one end of the pipeline and retrieve it at the other end: assessing both HCA and non-HCA segments between the two ends of the pipeline. The costs being requested in this application include both HCA and non-HCA because the overall assessment was required by regulation to assess HCAs in the pipeline.
>
> In addition, non-HCAs are also required to be assessed per the requirements of 192.917(e)(5) which states that "if an operator identifies corrosion on a covered pipeline segment that could adversely affect the integrity of the line (conditions specified in 193.933), the operator must evaluate and remediate, as necessary, all

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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.

[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.

> pipeline segments (both covered and uncovered) with similar material coating and environmental characteristics)." The costs associated with evaluating and remediating non-HCA segments to meet this requirement are included in this application.
>
> Moreover, effective July 1, 2020, assessments outside of HCAs were newly required by the Gas Transmission Safety Rule Part 1 (49 CFR § 192.710). This new requirement introduced by PHMSA required pipelines in areas outside of HCAs (*i.e.*, Moderate Consequence Areas (MCAs) and Class 3 and 4 locations) to be assessed on a 10-year cycle at minimum.[125]

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

D. Indicated Shippers Confuses Assessment Direct Examination with Direct Assessment

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

SoCalGas's TIMP has a four-step Assessment and Remediation process that includes: (1) Pre-Assessment; (2) Inspection; (3) Direct Examination; and (4) Post-Assessment.[127] As previously stated in the Prepared Direct Testimony of Jordan A. Zeoli, Fidel Galvan, and Travis T. Sera. In Step 1: Pre-Assessment, the Project Team evaluates pipeline operational data and previous assessment results to determine project scope and the applicability of methods as prescribed in 49 CFR §§ 192.921 and 192.937. The team also validates the threats on the

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

126 Ex. IS-01 (Collins) at 16.

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

pipeline to be assessed, tool selection for inspection, and compliance timelines for each project. In Step 2: Inspection, SoCalGas may use one of seven approved assessment methods, of which SoCalGas primarily uses ILI or Direct Assessment methods such as ECDA or SCCDA.[128] After the completion of Step 2: Inspection, SoCalGas will conduct Step 3: Direct Examination. During Direct Examination, the pipeline is excavated to complete visual and non-destructive examination to validate Inspection results, and to perform necessary repairs and/or replacements.[129]

When discussing the increase in expenditures due to Direct Examinations and that it "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,"[130] SoCalGas is referring to Step 3 of the four-step Assessment and Remediation process, not Step 2. Indicated Shippers is incorrect that SoCalGas selected the most expensive assessment method and with no analysis of alternatives.

E. Mischaracterization of the Long-term Gas Planning Proceedings

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

The Long-Term Gas Planning proceedings consider infrastructure in the long-term. According to the Scoping Memo in R.24-09-012, in Phase 2, Long-Term Gas Transition Planning, the focus will be to develop a robust record to inform decision-making about the gas system, and, in particular, to develop pertinent information related to the gas transition for

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128 *Id.* at ZGS-4-8.

129 *Id.* at ZGS-8.

130 *Id.* at ZGS-2.

131 Ex. IS-01 (Collins) at 18.

consideration in subsequent stage(s) of this proceeding or for reference in other proceedings.[132] Specifically, the Long-Term Planning and Scenario Development Track of the proceeding (Track 2 in R.24-09-012) is intended to develop an approach for how the Commission intends to address long-term gas planning including how to support a long-term transition to facilitate decarbonization and calls for considering potential sensitivities for gas and dual-fuel utilities.[133]

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

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

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

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

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

Indicated Shippers also mischaracterizes the scope of the Risk Assessment Mitigation Phase (RAMP) filings by SoCalGas.[136] The scope of SoCalGas's RAMP work is forward-looking and integrated into the utility's succeeding GRC presentation. The recovery being sought in this application is for TIMP-related activities that the Commission already found to be performed in compliance with regulatory requirements mandated by 49 CFR §192, Subpart O

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[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.

[135] D.22-12-021 at 49-50.

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

and 49 CFR §192.710. The risk prioritization and mitigation efforts were presented in the RAMP submitted in 2017 and subsequently incorporated into the TY 2019 GRC showing which was ultimately approved by the Commission in D.19-09-051, whereby the Commission found activities associated with TIMP and DIMP as well as the RAMP-related activities to be necessary in promoting the safe provision of natural gas services.[137]

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

SoCalGas disagrees with Indicated Shippers' recommendation to recover the under-collected TIMPBA balance requested in this Application over a 36-month period.[138] This under-collected balance of O&M expenses and capital-related revenue requirement (*i.e.* depreciation, return, and taxes) were associated with costs incurred by SoCalGas to execute the TIMP in accordance with 49 CFR § 192, Subpart O and 49 CFR § 192.710, supporting the enhancement of customer/public safety, infrastructure integrity, and system reliability, and which are similar to the cost for TIMP activities that were conducted and approved in Resolution G-3600.[139] It is not reasonable to delay the recovery of the TIMP costs that, upon review in this proceeding, are deemed to be prudent and reasonable. An annual (12-month) amortization period is consistent with the amortization of prior under-collected balances recorded in the TIMPBA,[140] as well as with other integrity management program under-collected balances that have been approved for recovery by the Commission.[141]

Further, Indicated Shippers appears to misunderstand the methodology for recovery of capital revenue requirement, given its discussion regarding capital-related carrying charges and depreciation.[142] The cost of an asset is depreciated over its useful life once placed in service; TIMP project costs are already being proposed for recovery over the asset's useful life, consistent with standard ratemaking and cost recovery practices. Specifically, the capital revenue requirement requested for recovery in this Application is not an acceleration and only

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[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).

[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.

represents the costs (depreciation, return, and taxes) that have already been incurred. Indicated Shippers' suggestion that capital-related revenue requirement requested in this Application also be amortized over a period beyond 12 months is inappropriate.

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

In addition, the Commission should also approve SoCalGas's Motion for Interim Rate Recovery of the under-collected balance in the TIMPBA as soon as possible. Authorizing interim rate recovery can avoid interest costs by putting a portion of the under-collection into rates prior to a final decision on the Application,[145] and comes at limited risk to customers as such recovery would be subject to refund, with interest, in the event the Commission authorizes, in the final decision of the Application, an amount less than what had already been collected.[146]

This concludes our prepared rebuttal testimony.

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[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.

[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.