

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

Application of Southern California Gas Company
(U 904 G) for Authority, Among Other Things, to
Update its Gas Revenue Requirement and Base
Rates Effective on January 1, 2024.

Application No. 22-05-015
(Filed May 16, 2022)

And Related Matter.

Application No. 22-05-016
(Filed May 16, 2022)

**SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
AND SAN DIEGO GAS & ELECTRIC COMPANY's (U 902 M)
REPLY BRIEF IN PSEP AREA OF TRACK 3**

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November 21, 2025

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SUMMARY OF RECOMMENDATIONS FROM OPENING BRIEF

- Authorize associated revenue requirement of \$132 million for SoCalGas's PSEP pipeline and valve enhancement projects completed from 2015-2020 and associated costs pertinent to the execution of the program. This revenue requirement has been calculated as net of the amounts already recovered in rates via the 50% interim rate recovery mechanism the Commission adopted in Decision (D.) 16-08-003.¹ This work complies with Cal. Pub. Util. Code §§ 957 and 958.
- Find reasonable the costs that form the basis of SoCalGas's requested revenue requirement: \$426 million and \$35 million respective capital expenditures and operations and maintenance (O&M) amounts presented for review comprising the execution of Phase 1A and Phase 1B pipeline projects and valve enhancement projects; \$25 million in expenditures for the purchase of Line 306; and \$13 million in expenditures for other costs incurred to execute PSEP.
- Authorize associated revenue requirement of \$50 million for SDG&E's PSEP pipeline and valve enhancement projects completed from 2014-2019 and associated miscellaneous costs. This revenue requirement has been calculated as net of the amounts already recovered in rates via the 50% interim rate recovery mechanism the Commission adopted in D.16-08-003.² This work complies with Cal. Pub. Util. Code §§ 957 and 958.
- Find reasonable the costs that form the basis of SDG&E's requested revenue requirement: \$239 million and \$1.2 million respective capital expenditures and O&M amounts presented for review comprising the execution of Phase 1A pipeline projects and valve enhancement projects and associated miscellaneous costs.

¹ D.16-08-003 at 15 (Ordering Paragraph (OP) 2).

² *Id.*

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I. INTRODUCTION

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (jointly, Applicants, or Utilities, or Companies), hereby submit their Reply Brief on the Pipeline Safety and Enhancement Plan (PSEP) Reasonableness Review of Costs for Track 3 of this proceeding.

As affirmed in SoCalGas and SDG&E's opening brief (Opening Brief), SoCalGas and SDG&E have executed the PSEP in a manner that enhances public safety, complies with Commission directives, minimizes customer impacts, and maximizes the cost effectiveness of safety investments. The PSEP is a mandatory, statutory program, and numerous Commission decisions affirm that the program has been effectively managed in a prudent and cost-effective manner. This reasonableness review is no different. The costs presented for review are for projects managed under the same PSEP organizations, using the same decision tree analysis, and provide safety benefits while finding ways to make the projects more affordable. The costs, which are the actual expenses to perform the projects under review, should be approved as presented.

The issues raised by intervenors are varied, but ultimately without merit. The California Public Advocates Office's (Cal Advocates) opposition to specific project costs was largely

addressed in the Opening Brief, and their claim that the Utilities should not recover any labor costs for PSEP because the labor is purportedly not incremental is rebutted by the evidence presented by SoCalGas and SDG&E. The Protect Our Communities Foundation (PCF) primarily makes extreme arguments that SDG&E has ignored the requirement that PSEP be applied only to transmission pipelines, and that the costs should be capped at an average mostly made up of 2-inch plastic distribution pipeline projects. Finally, Indicated Shippers does not take issue specifically with any project costs, but contends that cost recovery should be further delayed and that, despite the PSEP evidentiary showing being consistent with past reasonableness reviews, the utilities should be penalized by not allowing them to recover interest because of the evidentiary showing in Track 1. Ultimately, as addressed in the Opening Brief and this Reply Brief, these arguments fail, and Applicants have met the burden of proof to recover the costs for this PSEP reasonableness review.

II. PROCEDURAL BACKGROUND

SoCalGas and SDG&E presented the procedural background for this proceeding in the Opening Brief. One issue must be clarified in PCF's brief. PCF states that "[t]his is virtually the first on-the-record contested reasonableness review of SDG&E projects since a PSEP conceptual framework for the Sempra Companies transmission pipeline was approved[.]"¹ PCF's statement is flatly contradicted by the footnote they include, which identifies several proceedings where SDG&E PSEP projects were considered and ruled on by the Commission or settled between parties. Moreover, the administration of the SoCalGas and SDG&E PSEP programs has been handled jointly, and the parties have jointly submitted plans and projects since the inception of PSEP. Stating that the review of the PSEP projects here is "virtually the first [...] contested reasonableness review"² is without merit, and is a transparent attempt to get the Commission to set aside the strong precedent of decisions supporting the PSEP programs.³ PSEP proposals for

¹ PCF Opening Brief at 2.

² *Id.*

³ See Prepared Direct Testimony of Bill G. Kostelnik (Pipeline Safety Enhancement Plan) on behalf of SoCalGas (Ex. SCG-T3-PSEP-01) at 8-9 (referencing 99% Commission approval in past PSEP reasonableness reviews); Prepared Direct Testimony of Marco Tachiquin (Pipeline Safety Enhancement Plan) on behalf of SDG&E (Ex. SDG&E-T3-PSEP-01-E) at 8-9 (referencing the 99% Commission approval in past PSEP reasonableness reviews).

both Utilities have been extensively considered over the years with successful results. There is nothing novel about the presentation and review here.

III. EVIDENTIARY STANDARDS AND THE BURDEN OF PROOF

SoCalGas and SDG&E discussed evidentiary standards and the burden of proof in the Opening Brief.

IV. ISSUES TO BE DETERMINED IN THIS PROCEEDING

SoCalGas and SDG&E discussed the issues to be determined in this proceeding in the Opening Brief.

V. RESOLUTION OF ISSUES

SoCalGas and SDG&E discussed the resolution of issues in this proceeding in the Opening Brief. In addition, in order to assist in the review of arguments presented in the briefs, SoCalGas and SDG&E endeavored to create a table capturing where intervenors' major arguments are primarily addressed in both briefs.

Intervenor	Applicant	Argument	Where Addressed
Cal Advocates	SoCalGas	Pipeline specific project cost challenges. Cal Advocates Opening Brief at § 6.a.6.a, e	Opening Brief at § VI.A.3 (Cal Advocates' Challenges on Specific Projects)
Cal Advocates	SoCalGas	Other Adjustments (Valves). Cal Advocates' Opening Brief at § 6.b.3	Opening Brief at § VI.B.3
Cal Advocates	SoCalGas	Straight-Time Labor, Indirect costs, Employee Benefits for SoCalGas. Cal Advocates' Opening Brief §§ 6.a.3, 4 and 5; §§ 6.a.6.b and c; 6.b.1, 2, and 4; §§ 6.c.2.	Opening Brief at § VI.A.4 Reply Brief at § VI.A.1
Cal Advocates	SoCalGas	Market research costs. Cal Advocates Opening Brief at § 6.a.6.d (SoCalGas Replacement project costs for "market research")	Opening Brief at § VI.A.3
Cal Advocates	SoCalGas	Line 306 Purchase. Cal Advocates Opening Brief § 6.C	Opening Brief § VI.C.1
Cal Advocates	SDG&E	Straight-Time Labor,	Opening Brief § VI.A.4

Intervenor	Applicant	Argument	Where Addressed
		Indirect costs, Employee Benefits for SDG&E. Cal Advocates' Opening Brief §§ 7.a.6.b and c, 6.b.1, 2, 4	Opening Brief § VII.A.4 Reply Brief § VI.A.1
Cal Advocates	SDG&E	Pipeline specific project cost challenges. Cal Advocates Opening Brief at §§ 7.a.6.a, e.	Opening Brief § VII.A.3
Cal Advocates	SDG&E	Market research costs. Cal Advocates Opening Brief at § 7.a.6.d	Reply Brief § VII.A.7
PCF	SDG&E	SDG&E PSEP pipelines are distribution/transmission. PCF Opening Brief at § VII.A.1	Opening Brief § VII.A.5 Reply Brief § VII.A.1
PCF	SDG&E	SDG&E application of Decision Tree. PCF Opening Brief at § VII.A.2	Reply Brief § VII.A.2
PCF	SDG&E	Cost is a customer impact. PCF Opening Brief at § VII.A.2	Opening Brief § VII.A.7 Reply Brief § VII.A.2
PCF	SDG&E	Replacement costs and average costs. PCF Opening Brief at § VII.A.4.	Opening Brief § VII.A.6 Reply Brief § VII.A.3
PCF	SDG&E	Evidence of direct safety concerns. PCF Opening Brief at § VII.A.5.	Reply Brief § VII.A.4
PCF	SDG&E	Insufficient evidence for Line 49-16. PCF Opening Brief at § VII.A.6.	Reply Brief § VII.A.5
PCF	SDG&E	Incidental mileage should be excluded. PCF Opening Brief at § VII.A.7.	Reply Brief § VII.A.6
Indicated Shippers	SoCalGas	Cost recovery for 3 years. IS Opening Brief at § VIII.A	Opening Brief § VIII.A Reply Brief § VIII.A
Indicated Shippers	SoCalGas	Recovery of accrued interest. IS Opening Brief at §	Opening Brief § VIII.A Reply Brief § VIII.B

Intervenor	Applicant	Argument	Where Addressed
		VIII.A	

VI. REASONABLENESS OF SOUTHERN CALIFORNIA GAS COSTS

SoCalGas discusses the reasonableness of costs presented in this proceeding in the Opening Brief. The Opening Brief also already addresses many of the issues raised by Cal Advocates in its opening brief. The discussion below provides additional responses to the arguments raised in their opening brief.

A. Pipelines

SoCalGas discusses the costs of pipeline projects in this proceeding in the Opening Brief. That discussion addresses the arguments by Cal Advocates regarding specific project costs.

1. Cal Advocates' Challenge on Straight-Time Labor, Employee Benefits, and Indirect Costs

Cal Advocates argues that certain PSEP costs were not reasonable, specifically those for straight-time labor, as well as the employee benefits and indirect costs associated with that straight-time labor. On the issue of straight time labor, SoCalGas explained in the Opening Brief that the labor costs included here are appropriate because: (1) Cal Advocates bases its argument on inapt Data Request responses; (2) the evidence shows that a massive increase of labor was done to work on the PSEP program which the Utilities had to execute as soon as practicable; and (3) SoCalGas's PSEP expenditures were tracked using rigorous business controls and were recorded through separate balancing accounts that isolated activities and costs from base GRC funding. SoCalGas and SDG&E incorporate the responses in the Opening Brief here by reference.

In response to Cal Advocates' Opening Brief, it is worth emphasizing that SoCalGas (and SDG&E) have presented evidence of the costs incurred for the work done in this case, as well as the controls that are in place to verify such work and costs. There is also evidence that hiring was done for work on PSEP projects.⁴ There is no evidence presented by Cal Advocates that the utilities are seeking recovery of labor costs that they separately acquired through the GRC. The only evidence that Cal Advocates actually cites is a data request response that "SoCalGas does

⁴ Prepared Rebuttal Testimony of Bill Kostelnik (Pipeline Safety Enhancement Plan - PSEP) on behalf of SoCalGas (Ex. SCG-T3-PSEP-04) at 12-13.

not generally track whether employees were hired specifically for a given program,” and that the utilities generally recover costs in GRCs.⁵ This is not evidence that SoCalGas and SDG&E did not incur additional labor costs as a result of the PSEP program; it only indicates that hiring was not specifically and solely for PSEP work.⁶ The evidence shows that SoCalGas and SDG&E appropriately recorded all labor costs for all work spent on PSEP projects, and that substantial hiring was done to meet the need for PSEP, which was an “unprecedented incremental program.”⁷ The fact that SoCalGas and SDG&E did not specifically and solely hire for PSEP does not undo the reasonableness of the costs incurred in completing the PSEP projects.

Cal Advocates’ suggestion that every employee must have been hired for PSEP would be novel in the history of PSEP proceedings. It appears that Cal Advocates believes that utilities must show that every employee working on a project tracked in a regulatory account is solely hired for the work under that account. If that is the case, it would be a new requirement, and improper to impose at this point. As explained in the Opening Brief and testimony, this would also be inefficient and more expensive than allowing the existing workforce to work on new, incremental projects. This is particularly the case here, where the costs were first presented three and a half years ago, and no party raised the issue in Track 1,⁸ and in fact, Cal Advocates testified that it did not oppose SDG&E’s costs presented for reasonableness review in Track 1.⁹

Cal Advocates emphasizes D.25-06-051, but the utilities actually meet what D.25-06-051 indicates would be appropriate for a showing of incrementality, if the decisions were applicable here. In that proceeding, SCE sought recovery of costs for vegetation management in 2023, soon

⁵ Cal Advocates Reply Brief at 10.

⁶ See D.23-02-017 at 34 (Finding of Fact (FOF) 12) (noting that “there is no evidence to suggest that double-counting occurred in this case” in approving a settlement agreement for costs tracked in PG&E’s wildfire and catastrophic events memo accounts).

⁷ Ex. SCG-T3-PSEP-04 (Kostelnik) at 2.

⁸ If an audit were required to recover costs, or if Cal Advocates believed that SoCalGas and SDG&E had not met their showing without an audit, this issue could have been raised at any point during Track 1 or at the prehearing conference. Similarly, if the Commission imposes requirements, they should be done on a going forward basis. In D.23-02-017, approving a settlement concerning wildfire costs for PG&E, the Commission stated that “Going forward we expect electric corporations to clearly delineate in their GRCs how their forecasted costs are separate and distinct, including labor and overhead, from the costs they are presently, or in the future, tracking in wildfire related memorandum accounts[.]”. D.23-02-017 at 26 (emphasis added).

⁹ SoCalGas/SDG&E Opening Brief at 4.

after receiving costs for vegetation management in its GRC. The Commission found that SCE did not “demonstrate reasonableness” of the costs and provided no evidence “that the specific labor amount requested exceed[ed] the amounts authorized in the GRC.”¹⁰ The decision also explained that “comparison charts” or other evidence could help show how the labor costs exceeded what was authorized in the GRC. The decision opens the door to a wide range of options for showing the incrementality of labor costs. As discussed in the Opening Brief, the utilities have shown evidence of this incrementality through the significant hiring that was needed rapidly for the unprecedented work needed under PSEP.¹¹ Thus, even under these recent decisions, the Utilities have provided evidence that meets the requirements the Commission has set in other decisions.

B. Valves

SoCalGas discusses the costs of valve projects in this proceeding in the Opening Brief. That discussion addresses the arguments by Cal Advocates regarding specific project costs.

C. Other

SoCalGas discusses the other costs in this proceeding in the Opening Brief.

VII. REASONABLENESS OF SAN DIEGO GAS & ELECTRIC COSTS

A. Pipelines

SDG&E discusses the costs of pipeline projects in this proceeding in the Opening Brief. That discussion largely addresses the arguments by Cal Advocates regarding specific project cost reductions.

1. SDG&E PSEP Pipelines Are Transmission Pipelines

PCF’s primary argument in this track is that the pipelines under review in this proceeding are distribution pipelines and not transmission pipelines.¹² The claim is peculiar, incorrect, and based on erroneous calculations; therefore, it should be denied. The pipelines under review are clearly transmission pipelines, as shown by ample evidence, and the cost recovery for the work

¹⁰ D.25-06-051 at 42.

¹¹ SoCalGas/SDG&E Opening Brief at 25-29. The exigent need to perform safety work is an additional basis for the Commission to find work to be incremental. *Id.* at 28 (citing D.23-02-017 at 22-23).

¹² PCF Opening Brief at 11-17.

on them should be approved. This issue was addressed in the Opening Brief, but is further developed here in response to the arguments in PCF's Opening Brief.

There is no factual dispute that the federal code governing natural gas pipelines, 49 CFR Part 192.3, defines a transmission line as a pipeline that has a Maximum Allowable Operating Pressure (MAOP) of 20% or more of Specified Minimum Yield Strength (SMYS).¹³ In Table 1 of each project workpaper,¹⁴ SDG&E provides evidence that each pipeline has a percentage of SMYS greater than 20 percent prior to the completion of PSEP work. Thus, as defined by federal code, each of these pipelines met the definition of a transmission line.¹⁵

There is simply no document that indicates the pipelines at issue have a SMYS that would result in them being distribution pipelines. Left without any document showing that the SMYS for the pipelines at issue are under 20%, PCF now claims that SDG&E incorrectly calculated the percent SMYS to show that the pipelines are transmission lines. Again, PCF's argument is flawed and is not backed up by any factual evidence. PCF suggests that the calculations should have been done at "operating pressure" and claims that the subject pipelines, with the exception of pipeline 49-28, all operated at a maximum pressure of 200 psig, and should therefore be treated as distribution pipelines. PCF states that "SDG&E has consistently labeled the pipelines at issue here as high pressure distribution lines operating at a maximum pressure of 200 psi."¹⁶ This is incorrect. SDG&E has never stated that these pipelines operate at a maximum pressure of 200 psi.¹⁷

The reality is that these pipelines have historically operated at pressures up to their MAOP, which is well above 200 psi, except pipeline 49-16.¹⁸ The MAOPs for these pipelines

¹³ Notably, PCF does not even acknowledge that this standard is applicable, despite there being no evidence that this definition of transmission pipelines does not apply.

¹⁴ See, e.g., Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-21.

¹⁵ PCF also takes issue with the fact that certain old records have notes on them that indicate different pipe yield strengths. Ultimately, none of these comments or other documentation shows that the SMYS is below 20%, which is fatal to PCF's claim that the entirety of SDG&E's PSEP program should be disallowed because none of the pipelines are transmission pipelines.

¹⁶ PCF Opening Brief at 12.

¹⁷ Although it is unclear how PCF came to this conclusion, it appears it is likely from a reference on the SDG&E website that transmission pipelines operate at 200 psig and above. This does not mean that the highest psig for distribution lines is 200 psig.

¹⁸ See Ex. PCF-57 for exact confidential psi measurements.

are listed in Table 1 of each workpaper and are further supported by the information contained in Exhibit PCF-57.¹⁹ In the data requests in Exhibit PCF-57, PCF asks about percent SMYS calculations and maximum operating pressures. SDG&E's responses explain: "After the San Bruno pipeline explosion, and with the requirement to develop a Pipeline Safety Enhancement Plan in 2011, SDG&E took the interim safety measure of voluntarily lowering the Maximum Operating Pressure (MOP) of many of the supply lines included in this proceeding.... While the interim safety measure did result in a change to MOP, it did not change the MAOP."²⁰ Thus, the evidence supports the fact that SDG&E's pipelines were not operating at a maximum of 200 psig, but at pressures higher than that.

PCF also incorrectly claims that SDG&E operates its high-pressure distribution system at pressures between 60 psig and a maximum of 200 psig. PCF appears to reference a map shown in Exhibit PCF-48, Attachment B, as the foundation for the claim. PCF is incorrect in several ways. First, this is not what the map shows. There is no 200 psig pressure limitation for high pressure distribution pipes, so a map mentioning that distribution pipelines generally operate at and above 60 psig does not mean they did not operate above 200 psig. Similarly, a note that transmission pipelines operate at 200 psig and above does not mean that distribution pipelines cannot operate up to or over 200 psig. Furthermore, there is no information on the maps submitted by PCF or any other evidence that states that a pipeline is defined as a distribution or transmission pipeline strictly based on its operating pressure. To determine whether a pipeline is a distribution pipeline or a transmission pipeline, refer to the criteria defined in the governing federal code (49 CFR Part 192.3). As previously stated, the federal code defines a transmission pipeline as a pipeline with a percent of SMYS greater than 20% at its MAOP. The formula, input data used, and results of the calculations for the subject pipelines are shown in Exhibit PCF-57 and are not based on operating pressure.²¹ The formula for the calculation is explained in the response to question 1 of Exhibit PCF-57 and is shown below:

¹⁹ Ex. PCF-57 (SDG&E Response to Data Request PCF-SDGE-T3-03) at SDGE response Q.1 and Q.2 (Questions 1, 2, 4 and 5).

²⁰ Ex. PCF-57 at SDGE Response Q.1c. Exhibit PCF-57 is a confidential exhibit that is the subject of a motion by PCF for admission into evidence.

²¹ Ex. PCF-57 at SDGE Response Q.1a.

To calculate the percent of Specified Minimum Yield Strength, for a natural gas pipeline operating at its Maximum Allowable Operating Pressure, the following equation derived from Barlow's formula is used:

$$\% \text{ SMYS} = [(MAOP \times OD) / (2 \times SMYS \times WT)] \times 100$$

Where:

MAOP = Maximum Allowable Operating Pressure of the pipeline (psi)

OD = Outside Diameter of the pipe (inches)

WT = Wall Thickness of the pipe (inches)

SMYS = Specified Minimum Yield Strength of the pipe material (psi)

The formula supports the fact that all the subject pipelines in this proceeding had a percent SMYS of greater than 20% and are therefore defined as transmission pipelines.

PCF's attempt to show that the subject pipelines are distribution lines based on the labeling used on SDG&E maps is misguided and ignores the governing code definitions, as explained above and in the Opening Brief. While the maps cited by PCF²² are useful for displaying pipeline locations and general system configurations, they are not—and were not intended to be—the defining standard for determining what constitutes a transmission line.²³ 49 CFR Part 192 governs pipeline definitions and has been incorporated into the CPUC's General Order 112-F.

In summary, it is the federal code that defines what a transmission line is, not a label that SDG&E used on a map for convenience. The evidence clearly shows that SDG&E calculated the percent of SMYS correctly and used the proper MAOP information as part of those calculations. The subject pipelines were never operated at a maximum pressure of only 200 psig, as PCF claims, but instead, the evidence shows they have been and continue to be operated at

²² See Prepared Direct Track 3 Testimony of Bill Powers, P.E. on behalf of PCF – Recovery of Amounts in PSEP Memorandum Accounts: Attachment B (Ex. PCF-48 Attachment B). It should be noted that the subject map was a screenshot taken after all the PSEP work was completed.

²³ In fact, what PCF has deliberately omitted from Attachment C to Mr. Powers Testimony (Ex. PCF-48 Attachment C), is additional language on the SDG&E website that explains: "San Diego Gas & Electric (SDG&E) is providing this map as a courtesy and for general information purposes only. It does not represent that the information contained herein is accurate for any particular purpose.... Independent verification from experts should be obtained prior to any specific use." See SDG&E, *High Pressure Gas Pipeline Map*, available at: <https://www.sdge.com/safety/gas-safety/pipeline-map>.

higher pressures consistent with the information shown for each project in Table 1 in SDG&E's workpapers and exhibit PCF-57. The SDG&E pipelines included in this filing were all transmission lines, as they all operated at greater than 20% SMYS. These transmission pipelines were included in SDG&E's original PSEP filing and have been properly tested/replaced as required by Public Utilities Code 958 and SDG&E's approved Pipeline Safety Enhancement Plan.

2. Customer Impacts Are Appropriately Considered

PCF presents two arguments regarding the Decision Tree and how SDG&E considered mitigating customer impacts. PCF argues that "[t]he decision about whether to hydrotest or replace hinges on the determination of whether the pipeline can be taken out-of-service with manageable customer impact."²⁴ This issue was addressed in the Opening Brief, but is further developed here in response to the arguments in PCF's Opening Brief.

PCF only identifies one specific pipeline project (49-17 West) where it claims SDG&E made an incorrect determination to replace the pipeline, but primarily argues that "SDG&E identifies no unique circumstances that might have made customer impacts unmanageable for any of the projects for which it chose replacement over hydrotesting."²⁵ PCF's argument is premised on the assumption that the only consideration in deciding whether to test or replace after determining a pipeline is over 1000 feet is whether customer impacts are manageable. However, as explained in testimony, "Where mitigation of customer impacts to remove the line from service for pressure testing is feasible, SDG&E compares the costs, constructability, risks, and benefits of pressure testing and replacement to determine whether pressure testing or replacement is the more prudent option."²⁶ Mr. Tachiquin explained this as well during the hearings: "Generally, the cost to hydrotest the pipeline could be less expensive than replacing it, but the replacement is selected when it best mitigates risk. So it's a holistic approach at -- looking at all of the factors. And cost and customer impact and other engineering factors play into the

²⁴ PCF Opening Brief at 17.

²⁵ *Id.* at 19.

²⁶ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-27.

decision to test or replace.”²⁷ This is logical, and PCF is particularly familiar with this point. As the Commission stated in D.20-12-014 in response to PCF raising this argument with respect to Line 1600:

Additionally, contrary to [PCF’s] claim, the Decision Tree approved in D.14-06-007 did not require pressure testing of Line 1600. When we adopted the Decision Tree, we made it clear that we were adopting a conceptual plan or tool to use to enhance the safety of utilities' natural gas pipeline systems. D.14-06-007 expressly states that the Decision Tree was a work in progress and only demonstrated the first steps taken by SDG&E and SoCalGas to define the scope of work for Safety Enhancement. (D.14-06-007, pp. 15-16.) As D.20-02-024 properly noted, we viewed the Decision Tree as a tool for providing logic for decision-making about the natural gas pipeline system, and not an automatic determinant of each step. (D.20-02-024, p. 45, quoting D.14-06-007, Conclusion of Law 5 [“The Decision Tree analysis used to evaluate the existing pipeline network for safety, documentation, and reliability, is a reasonable but not final process.”].) In other words, nothing regarding Line 1600 was set in stone at that time, and we reject [PCF’s] claim to the contrary.²⁸

Thus, PCF’s premise that strict adherence to the Decision Tree dictates whether a PSEP project should be tested or replaced is false, as PCF knows.

An examination of another replacement project, as an example, highlights the benefits of replacing a pipeline over testing and demonstrates the detail provided by SDG&E regarding its decisions to replace versus repair. For project 49-17 East, SDG&E explained in workpapers that “replacement [was] the more prudent option.”²⁹ Informing this decision were many factors. SDG&E explained that “due to the single feed servicing core customers, service could not be maintained during a single hydrostatic test,” meaning there was no reasonable method of

²⁷ Transcript (Tr.) at V27:4574:14-22 (Tachiquin). *See also* Tr. V27:4570:2-4570:11 (Tachiquin) ([Question] So was piggability of lines 49-25 and 49-26 the primary consideration in abandoning lines 49-25 and 49-26? [Answer] No. It was among many factors that are considered when SDG&E analyzes each segment using the Commission-approved decision tree to make informed -- risk-informed decisions to pressure test. We balance and look at customer impact, safety enhancement. And we maximize the cost effectiveness of the decisions that we make to test or replace all of our pipelines.”).

²⁸ D.20-12-014 at 45-46 (emphasis added).

²⁹ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-61.

maintaining service to these customers during a hydrotest.³⁰ There was a high number of customers impacted by this, including “approximately 44,000 customers along the Project route, including a cogeneration plant for a large university.”³¹ The pipeline was located in a “very busy commercial and residential area that required extensive traffic control measures and work hour restrictions[.]”³² The line was non-piggable, with “features such as bends, plug valves, and back-to-back elbows”,³³ meaning that in-line inspection tools could not be used for future pipeline assessments.³⁴ The pipeline was originally built in 1948, and the project team identified a leak along a longitudinal seam that was repaired in 1968.³⁵ Thus, far from there being a lack of detail, SDG&E explained why the replacement option was more appropriate for this particular project.

Turning to the one project PCF specifically calls out (49-17 West), PCF claims it should have been hydrotested instead of replaced because “SDG&E identified only 700 customers who could potentially be impacted by hydrotesting.”³⁶ For this specific project, the 700 customers that would have been directly impacted were part of a “heavily developed residential and commercial area[] [...] alongside Interstate Highway 8”, and the pipeline needed to be rerouted for “accessibility for routine maintenance, emergency response, and to avoid environmentally sensitive areas.”³⁷ These and other considerations led to the determination that replacement was the most appropriate pathway for bringing the pipeline to modern standards. In arguing that this pipeline project should have undergone hydrotesting, PCF attempts to draw a parallel with Line 1600, a larger-scale project with potential impacts on 150,000 customers. PCF points out that SDG&E provided a plan for hydrotesting the entire Line 1600 pipeline. However, the plan PCF references was an option the Commission required SDG&E to propose for addressing the issues

³⁰ *Id.* at WP-61.

³¹ *Id.*

³² *Id.*

³³ *Id.*

³⁴ Ex. SCG-T3-PSEP-01 (Kostelnik) at 11.

³⁵ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-62.

³⁶ PCF Opening Brief at 19.

³⁷ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-79.

with Line 1600.³⁸ And, that option was *not* adopted by the Commission.³⁹ SDG&E and SoCalGas explained that there were numerous safety and other benefits to replacing parts of Line 1600 that would not be realized with just hydrotesting the entire pipeline. Similar to Line 49-17 West, the only consideration on whether to hydrotest or replace was not whether customer impacts could be minimized. PCF's argument that SDG&E did not correctly apply the Decision Tree is without merit.

3. PCF's Use of Averages Is Inapt

SDG&E has made a detailed presentation of the actual costs incurred in executing the various PSEP projects. As explained thoroughly in the Opening Brief, these costs were incurred while the PSEP program was prudently managed. PCF has argued that an average of distribution replacements should be used – this argument is already addressed in the Opening Brief.

However, PCF now also argues that in 2011, “SDG&E estimated the unit costs of its PSEP transmission projects at between \$3.5-4 million/mile”⁴⁰ and that average limits SDG&E's recovery. There are a host of reasons PCF's citation should not be treated as a limitation. First, as explained in the Opening Brief, PCF does not identify a single project with costs that are not reasonable. PCF just relies on averages to argue that the actual costs were not prudently incurred. Second, there have been many approved project costs in past PSEP decisions where costs exceeded \$4 million per mile. The \$4 million average cost is not a cap of any sort, and the Commission (and intervenors) in past PSEP proceedings, instead of just looking at averages, have examined specific costs for projects and found them to be appropriate. As just a few examples, D.19-02-004 approved projects where the cost was over \$140 million,⁴¹ \$27 million,⁴² and \$93 million per mile,⁴³ with the Commission finding for all of them that “we find that Applicants have satisfied the reasonable manager standard in performing their work on the

³⁸ D.18-06-028.

³⁹ D.20-02-024.

⁴⁰ PCF Opening Brief at 24.

⁴¹ D.19-02-004 at 49.

⁴² *Id.* at 58.

⁴³ *Id.*

project, and that the requested recovery should be granted.”⁴⁴ These per-mile costs would also not be appropriate for many projects, but are referenced to emphasize that the Commission does, and should do, project-specific examinations of costs in reasonableness reviews. Finally, the \$4 million estimate was from 2011 and was based on SoCalGas’s early estimates at the time that years later were acknowledged to be “extremely preliminary,” to the point that the Commission concluded in 2014 that “The budget proposals of SDG&E and SoCalGas are clearly not sufficient to justify this Commission to authorize for ratemaking purposes.”⁴⁵ PCF’s reliance on preliminary averages in lieu of an examination of actual, prudently incurred costs should not be considered.⁴⁶

4. The PSEP Is a Statutorily Mandated Program That Is Not Confined to Just Pipelines with Specific Safety Concerns

PCF also makes the argument that SDG&E should not be permitted to recover costs because “SDG&E did not demonstrate that there were any direct safety concerns associated with its original pipelines that were replaced.”⁴⁷ For the premise, PCF first cites D.14-06-007. However, the actual language in PCF’s citation is: “In addition to the other requirements to demonstrate reasonableness, SDG&E and SoCalGas are limited to the recovery of only those costs that directly contribute to the implementation of Safety Enhancement.”⁴⁸ Instead of creating a separate, additional showing of safety, the decision indicates that cost recovery for work under PSEP must contribute to the Pipeline *Safety Enhancement* Plan. PCF goes on to argue that D.11-06-017 requires SDG&E to determine if the PSEP pipelines can be derated in

⁴⁴ *Id.* Notably, the Commission in D.19-02-004 specifically looked to the PSEP program processes in determining the reasonableness of costs, referencing “the reasons set forth in Section 3,” the section describing the PSEP program structure and controls, as the basis for approving nearly all costs considered in the decision. *Id.* The structure and the controls considered there are the same as those used for the projects presented here in Track 3.

⁴⁵ D.14-06-007 at 25-26.

⁴⁶ In addition, Mr. Kostelnik explained at the hearings that costs for earlier projects: “as Mr. Tachiquin said, you know, each project is unique, and I think it would be difficult to draw a conclusion as to, you know, if we had a sys -- you know, basing like a forecast of costs based on a system average of costs. I’ll give you an example. Early PSEP hydrotest projects were conducted in more urban areas, so we have traffic control issues, other issues, so we have a higher cost per mile.” Tr. V.27:4656:3-16 (Kostelnik).

⁴⁷ PCF Opening Brief at 26.

⁴⁸ D.14-06-007 at 60 (Order Paragraph (OP) 6).

lieu of testing or replacement, and that SDG&E did not do that. However, the evidence shows that this analysis was done: “To supplement its Decision Tree methodology and as a part of its scope validation efforts, SDG&E evaluates alternatives to replacements through the deration or abandonment of lines containing PSEP mileage. Decisions to abandon or operate a line at a reduced pressure are only made after a thorough review to (1) check the ability of adjoining lines to meet current and future load requirements, and (2) to verify that there will be no customer impact or system constraints.”⁴⁹ SDG&E’s evidence also shows that, as a result of that analysis, “As of February 28th, 2025, SDG&E has abandoned 5.4 miles of PSEP Phase 1A pipe.”⁵⁰ PCF’s argument that de-rating or abandoning analysis was not done is without merit and contradicted by the evidence.

PCF then argues that “The only consistent concern that SDG&E identifies with these pipelines is that they are non-piggable. Non-piggability is not a primary safety concern,” and therefore SDG&E’s PSEP projects should not be authorized.⁵¹ PCF takes a myopic view of the PSEP program to reach this conclusion. As the Commission knows well, and as explained in testimony, the PSEP program is rooted in the need for “all California natural gas transmission pipeline operators to prepare Implementation Plans to either pressure test or replace all segments of natural gas pipelines which were not pressure tested or lack sufficient details related to performance of any such test.”⁵² The Commission did not mandate that only pipelines with existing safety issues should be tested or replaced – the Commission requested a broad review of records for all transmission pipelines and the testing/replacing of transmission pipelines to prevent incidents like the 2011 San Bruno event. PCF’s argument otherwise is without merit.

5. SDG&E Provided Sufficient Information for Recovery of Costs for Line 49-16

PCF takes specific issue with just one individual project, claiming that SDG&E did not provide “a detailed breakdown for each section” of Line 49-16, and therefore, reasonableness cannot be determined, and all costs for the project should be denied. SDG&E has provided substantial evidence of the section-specific work and analysis performed, as well as the

⁴⁹ Ex. SDG&E-T3-PSEP-01-E (Tachiquin) at 18-19.

⁵⁰ *Id.* at 19.

⁵¹ PCF Opening Brief at 27.

⁵² *Id.* at 6 (citing D.11-06-017 at 19).

reasonableness of the costs for the Line 49-16 project. SDG&E includes 46 pages of project-specific workpapers for line 49-16 – more than for any other project. For each of the seven sections of the pipeline, SDG&E provided section-specific analysis and discussion, including section-specific discussions of where costs exceeded expectations.⁵³ The different sections were discussed in detail where specific section-specific details and issues needed to be addressed.⁵⁴ In addition, costs are broken down by labor, materials, contractors, construction management, environmental, engineering & design, project management, rights-of-way/permits, GMA, overheads, AFUDC, and property taxes. The fact that each section did not have a separate total cost presented does not prevent a reasonableness review of costs. Finally, it should be noted that PCF’s argument on this issue is somewhat suspect. PCF claims that the Commission cannot determine the reasonableness of costs for a project because a breakdown of costs by section has not been provided. But PCF has not challenged the costs of any specific project, but has only made general, across-the-board arguments without seriously examining the actual costs of particular projects for reasonableness.

6. Incidental Miles Are Appropriate for Inclusion and Recovery

Included in SDG&E’s⁵⁵ request are costs associated with 2.9 miles of incidental mileage for “pipeline miles that do not fall within the scope of the Commission’s directives in D.11-06-017 or California Public Utilities Code section 958 but are addressed as part of a PSEP project where their inclusion is determined to improve cost and program efficiency, address constructability, or facilitate continuity of testing.”⁵⁶ PCF states in its brief that “Costs incurred on incidental pipeline segments should not be allowed because these costs do not fall under the scope of PSEP.”⁵⁷ According to PCF, “these pipeline miles do not fall under the Commission’s

⁵³ As one of many examples, SDG&E explained an environmental related cost increase on one section as follows: “Section 7 excavation was over seven feet deeper than planned. This resulted in the Project Team encountering unanticipated groundwater, requiring installation of dewatering pumps, additional water treatment, and water disposal, increasing environmental costs by approximately \$19,000.” Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-191.

⁵⁴ See, e.g., Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-173-177 (discussing Engineering, Design, and Planning Factors on a section by section basis).

⁵⁵ SoCalGas also includes incidental mileage in its request. PCF did not oppose such incidental mileage.

⁵⁶ Ex. SDG&E-T3-PSEP-01-E (Tachiquin) at 14.

⁵⁷ PCF Opening Brief at 11.

directives, the Public Utilities Code, and the Commission’s approved decision tree,” therefore, “the Commission should not authorize these costs for cost recovery.”⁵⁸ PCF argues this while citing decisions where the Commission has previously approved requests for incidental mileage.⁵⁹ As with most of PCF’s arguments, PCF does not identify specific work that it finds was not prudently performed – PCF simply makes a blanket statement which completely contradicts prior Commission treatment of costs in PSEP proceedings. The evidence shows that incidental mileage benefits ratepayers because it increases efficiencies and can reduce costs, and an examination of specific projects highlights this.

PCF’s claim that incidental miles are not “authorized” ignores the fact that SDG&E has a longstanding practice of incorporating incidental miles into the scope of PSEP projects in order to achieve the PSEP objective of maximizing the cost-effectiveness of safety investments. In the case of Track 3, SDG&E primarily addressed incidental miles in replacement projects where reroutes were performed, gaining constructability and other efficiencies that overall reduce costs for customers.⁶⁰ Reroutes are beneficial as a workaround to the challenges posed by completing pipeline replacements in existing rights-of-way that occur within highly constrained urban environments, particularly where extensive development has occurred since the pipelines were originally installed. Reroutes allow SDG&E to address future considerations by siting the new pipe in safer, more accessible locations, away from congested or populated areas, and where ease of access is more favorable. Using the 49-1 Replacement Project as an example, a reroute was performed because it would “reduce the number of regulator stations and highway crossings and would reduce the number of trenchless highway under crossings from four to one by locating three of the crossings through existing underpasses using open trench installation.”⁶¹ As the overview map for this project shows,⁶² PSEP criteria miles were discontinuous along the length of the replaced segments, with smaller inclusions of incidental mileage occurring at relatively

⁵⁸ *Id.* at 29.

⁵⁹ *Id.* at 2.

⁶⁰ In Track 3, incidental miles included in replacement projects constitute 1.722 miles of the 1.800 incidental miles across all project types. Of the 1.722 incidental miles for replacement projects, reroutes account for approximately 99.6% of the incidental miles.

⁶¹ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-26.

⁶² *Id.* at WP-24 (Figure 2: Overview Map of Supply Line 49-1 Replacement Project).

evenly spaced intervals along the alignment. The occurrence of incidental miles in such a manner necessitates the inclusion of this mileage so that one well-planned and executed reroute forgoes the need to complete smaller, more numerous replacements in the existing right-of-way, which would lead to higher construction costs and future operational and maintenance challenges.

SDG&E evaluates whether the inclusion of incidental mileage is reasonable on a project-by-project basis. In some instances, replacing incidental mileage along the alignment of a new pipeline may not be the most cost-effective option. For example, the western portion of the 49-17 East Replacement Project included a section of incidental pipe that crossed under the Interstate 15 and Interstate 8 interchange. Rather than complete a Horizontal Directional Drill operation to install new pipe under the freeway(s), which would have necessitated extensive permitting and schedule impacts leading to increased costs, SDG&E tied in to the existing pipe on either side of the freeway interchange.⁶³

These examples demonstrate how SDG&E achieves real cost savings and efficiencies for its customers, despite PCF's characterization of these actions as merely "claims of efficiencies." While it is true that D.19-02-004 did not establish the inclusion of incidental miles as precedential, the Commission has regularly approved such costs in PSEP reasonableness reviews because they have been efficient, cost-effective methods of maintaining the system. SDG&E includes incidental miles that "are addressed as part of a PSEP project where their inclusion is determined to improve cost and program efficiency, address constructability, or facilitate continuity of testing."⁶⁴ Such costs should be approved as reasonable.

7. Costs for "Market Research"

Cal Advocates argues that SDG&E's cost recovery should be reduced by some amount not identified in its Opening Brief or testimony for "market research" costs.⁶⁵ However, SDG&E did not request any recovery of costs for market research.⁶⁶ Cal Advocates states that

⁶³ Ex. SDG&E-T3-PSEP-01-WP1-Vol I-E (Tachiquin) at WP-52.

⁶⁴ Ex. SDG&E-T3-PSEP-01-E (Tachiquin) at 14.

⁶⁵ Cal Advocates Opening Brief at 19-20.

⁶⁶ Report on the Results of Operations for SoCalGas and SDG&E General Rate Case Test Year 2024 on behalf of Cal Advocates, Ex. CA-04-E (Banarsee) at 12; Ex. SCG-T3-PSEP-04 (Kostelnik) at 23; Tr. V27:4651:9-4652:4 (Kostelnik).

“SDG&E did not identify or document any communications, branding, or outreach expenses associated with Track 3 replacement work,” but that SDG&E had internal documentation for “project coordination,” “support services,” or “administration.”⁶⁷ These activities, although appropriate costs for projects, do not qualify as “market research,” so it is unclear what Cal Advocates is referring to by referencing “market research.” Cal Advocates goes on to say “SDG&E did not provide evidence that these services were competitively procured, required for PSEP execution, or linked to pipeline safety deliverables.”⁶⁸ However, SDG&E did provide evidence that costs were competitively procured as a standard practice.⁶⁹ SDG&E is unable to further address Cal Advocates’ issue because the citations are to a page that does not exist in testimony.⁷⁰

B. Valves

SDG&E discusses the costs of valve projects in this proceeding in the Opening Brief. That discussion addresses the arguments by Cal Advocates regarding specific project costs.

C. Other

SDG&E discusses its other costs in the Opening Brief.

VIII. COST RECOVERY

A. Cost Recovery Period

As discussed in the Opening Brief and testimony,⁷¹ SoCalGas and SDG&E should be permitted to recover the PSEP regulatory account balances outstanding over a 12-month period. This is consistent with Commission precedent and avoids compounding of interest over the amortization period. Only Indicated Shippers has taken a position on this issue in opening briefs, and neither Cal Advocates nor PCF has provided testimony on this issue. Indicated Shippers only takes a position with respect to SoCalGas’s cost recovery period. SoCalGas and SDG&E

⁶⁷ Cal Advocates Opening Brief at 20.

⁶⁸ *Id.*

⁶⁹ Ex. SDG&E-T3-PSEP-01 (Tachiquin) 27-30.

⁷⁰ Cal Advocates cites “Ex. SDG&E-T3-PSEP-01, at 106” at page 46 of Cal Advocates’ Opening Brief. That page does not exist in Mr. Tachiquin’s testimony. Assuming Cal Advocates intended to cite the workpapers, the citation would still be to a page on disallowances.

⁷¹ SoCalGas/SDG&E Opening Brief at 48-49.

addressed most of the Indicated Shippers' arguments in the Opening Brief, but further address certain issues here.

Indicated Shippers argues that the O&M expenses should be recovered over a longer period because "SoCalGas's recorded PSEP Costs are not representative of ongoing, normalized expenses, and should not be recovered in a compressed timeframe."⁷² Indicated Shippers' claim that the costs are being recovered in a compressed timeframe is incorrect. Contrary to IS's claim, O&M costs incurred between December 2015-December 2020 are already being recovered longer than a 12-month period through the 50% interim recovery mechanism. As Indicated Shippers confirms, "In general, O&M expenses traditionally qualify as an expense, and which under normal circumstances would be expensed in the year incurred."⁷³ SoCalGas is only requesting to recover the remaining undercollected balance in this Application. Furthermore, as stated in the rebuttal testimony of Sakif Wasif,⁷⁴ capital-related revenue requirements are already being proposed for recovery over the asset's useful life, and SoCalGas is only requesting recovery of the capital-related costs, namely depreciation, return, and taxes, that have already been incurred and reduced by the 50% interim recovery. The ongoing capital-related revenue requirements, associated with the reasonably incurred capital expenditures approved in this proceeding, will continue to be recorded in SoCalGas's SECCBA and PSEPMA. SoCalGas proposes to continue filing annual Tier 2 Advice Letters to incorporate these ongoing capital-related revenue requirements into rates until the corresponding costs are incorporated in base rates in connection with SoCalGas's next GRC proceeding. Indicated Shippers also cites D.24-12-074 and D.25-09-030 as examples of the Commission authorizing a longer amortization period. However, in both decisions, the Commission is amortizing undercollected revenue requirement authorized in the GRC, over a number of years in the GRC cycle. As stated in the Opening Brief, for incremental applications such as past PSEP reasonableness review applications, the Commission has consistently authorized a 12-month amortization period. Indicated Shippers also argues that a three-year period would address rate shock. However, claims of rate shock in this instance are misplaced. First, moving rates out three years would

⁷² Indicated Shippers Opening Brief at 12.

⁷³ *Id.*

⁷⁴ Prepared Rebuttal Testimony of Sakif Wasif (Revenue Requirements) on behalf of SoCalGas (Ex. SCG-T3-PSEP-05) at 1-2.

result in having the rates from this reasonableness review stack with increases in the test year of the Utilities TY 2028 GRC. The ongoing capital revenue requirement from projects authorized in this proceeding is already expected to be incorporated into base rates in the TY 2028 GRC. Second, the 50% interim recovery mechanism adopted in D.16-08-003 was supported by the Commission and its staff for the very purpose of addressing any rate shock: “The Final Staff Proposal of recovery of 50% of recorded costs, subject to refund, reasonably balances mitigation of the potential for customer rate shock from large rate increases with the Commission’s Constitutional and statutory duty to review and approve rate increases.”⁷⁵

B. Recovery of Accrual of Interest

As discussed in the Opening Brief and testimony,⁷⁶ SoCalGas should be permitted to recover the accrual of interest for the PSEP costs in this proceeding. SoCalGas presented evidence consistent with prior reasonableness reviews, worked expeditiously to resolve this proceeding, and included interest in the balancing accounts that were approved by the Commission. Not allowing interest would be, in part, based on the argument that intervenors were not sufficiently involved in Track 1, which is an improper and arbitrary basis for disallowing interest on costs for mandated safety work. Indicated Shippers, the only party to take a position on this issue in opening briefs or provide testimony on this issue, argues that inclusion in regulatory accounts does not guarantee a cost and that there is no authority that disallows interest that contradicts Commission precedent.

SoCalGas does not claim that a cost is guaranteed because it was included in a balancing account. The inclusion of the interest is evidence of the standard treatment of costs and SoCalGas’s expectation that such costs would be recovered. And, there are numerous examples of interest being recovered – recovery of interest is the standard.⁷⁷ The only example included by Indicated Shippers to the contrary is a recent one-off exception. In D.25-07-009, the Decision

⁷⁵ D.16-08-003 at 13 (FOF 4).

⁷⁶ SoCalGas/SDG&E Opening Brief at 49-51.

⁷⁷ See D.16-08-003, D.19-03-025, D.20-08-034 (SoCalGas and SDG&E PSEP Decisions); *see also* SoCalGas TIMP Advice Letter Nos. 6325-G and 6493-G; SoCalGas DIMP Advice Letter No. 6224-G. SoCalGas advice letters are available at: <https://tariffsprd.socalgas.com/scg/filings/content/?utilId=SCG&bookId=GAS&flngStatusCd=Approved>.

states that SoCalGas had not justified accrual of interest, with minimal additional explanation.⁷⁸ Indicated Shippers argues that SoCalGas is responsible for any delay in recovery because it made an insufficient showing in Track 1. Indicated Shippers, the only party to argue this in Opening Briefs or provide testimony on the issue, did not make a single argument in briefing in Track 1 with respect to PSEP, let alone that SoCalGas had made an insufficient showing. If there was not sufficient evidence presented in Track 1 on the reasonableness review costs, not a single party, including Applicants and Indicated Shippers, believed that. And, as explained in the Opening Brief, changing the evidence required for the same program without prior indication or explanation would be arbitrary and unjust. It also contradicts the need for the Commission to create a regulatory environment where “all stakeholders [...] can rely on the Commission to process GRCs in a manner that produces predictable results.”⁷⁹

IX. OTHER ISSUES FROM SCOPING MEMORANDUM

SoCalGas and SDG&E discuss other issues from the Scoping Memo in the Opening Brief.

X. CONCLUSION

For all the reasons set forth above, SoCalGas and SDG&E respectfully request the costs presented in this reasonableness be approved.

Respectfully submitted,

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November 21, 2025

⁷⁸ See D.25-07-009 at 52, 73-74. It is also worth noting that the Commission actually approved interest for the other utilities seeking recovery, even where there were similar delays without explanation.

⁷⁹ D.20-01-002 at 14.