

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

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)

REPLY BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SOCALGAS’S TIMPBA EXPENDITURES AND \$173.8M COST RECOVERY REQUEST ARE JUST AND REASONABLE	3
A.	Regulatory Changes that Expanded Active Threats Include More Than Just 49 CFR §192.710	3
B.	49 CFR §192.710 Did Not Drive Non-HCA Work.....	5
C.	Direct Examination is Different than Direct Assessment	6
D.	Pinhole Inspection of Line 4000 Was Not Appropriate for First Inspection but Was Appropriate for the Second Inspection	8
E.	SoCalGas Has Appropriately Justified that its Straight-Time Labor and Vacation and Sick are Incremental and Reasonable	9
F.	Desert-Area Work: Foreseeability and Tool Limitations	11
G.	It is Appropriate for the CPUC to Approve TIMP Line 235 West Costs in this Proceeding.....	12
H.	SoCalGas’s Workpapers Are Thoughtfully Organized to Provide Appropriate Information to Analyze TIMPBA Costs	13
I.	Indicated Shippers’ “Massive Disparity” Argument Misstates Regulatory Context and Cost Drivers	16
J.	SBUA’s “36% Unsupported” Claims Misreads the Record.....	17
III.	CONCLUSION.....	17

TABLE OF AUTHORITIES

CPUC DECISIONS

D.19-09-051 12
D.23-02-017 10
D.25-06-051 10, 15

RULES OF PRACTICE AND PROCEDURE

California Public Utilities Commission Rules of Practice and Procedure, Rule 13.12 1

STATUTES AND LEGISLATION

49 Code of Federal Regulations §192..... 1, 4, 12, 13
49 Code of Federal Regulations §192.917..... 3, 5, 8
49 Code of Federal Regulations §192.937..... 6, 7
49 Code of Federal Regulations §192.939..... 4, 5
Public Utilities Code §463(b) 13

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Pursuant to Rule 13.12 of the California Public Utilities Commission (Commission or CPUC) Rules of Practice and Procedure and the Assigned Commissioner’s Scoping Memo and Ruling (Ruling) dated August 18, 2025, Southern California Gas Company (SoCalGas) hereby submits its reply brief in the above captioned proceeding.

I. INTRODUCTION

SoCalGas’s Transmission Integrity Management Program (TIMP) is a compliance driven program established to address Title 49 of the Code of Federal Regulations (CFR) Part 192, Subpart O,¹ and subsequently 49 CFR §192.710. These regulations mandate that operators of gas transmission pipelines identify potential threats, assess pipeline integrity, and take proactive measures to mitigate risks, particularly in High Consequence Areas (HCAs). During the Test Year (TY) 2019 General Rate Case (GRC) cycle, SoCalGas’s TIMP continued to evolve and adapt in response to new federal regulations and guidance, including the federal Pipeline and Hazardous Materials Safety Administration (PHMSA) advisory bulletins. To meet the evolving regulatory requirements, SoCalGas implemented new technologies and advanced inspection tools enhancing accurate threat detection and pipeline integrity. Compliance with these federal requirements is not optional. These federal regulatory actions continued to expand the requirements of threats categorized as active on SoCalGas’s pipelines culminating in more necessary pipeline inspections, repairs, and retrofits than previously forecasted. This is amplified in SoCalGas’s desert region pipelines, where a high volume and complexity of corrosion led to

¹ Subpart O is incorporated into the Commission’s General Order (GO) 112-F.

an increased number of anomalies and repairs that resulted in increased costs that exceeded the authorized revenue requirement in the TY 2019 GRC. Indicated Shippers and Small Business Utility Advocates (SBUA) focus on one change in regulation, 49 CFR §192.710 relating to Moderate Consequence Areas (MCA), that did not significantly impact costs, while ignoring the other changes in regulations that did have significant impacts on costs.

This application seeks to recover the under-collected revenue requirement of \$173.8 million in its TIMPBA associated with exceeding the total authorized O&M and capital expenditures for the period of October 1, 2022 through December 31, 2023.² In support, SoCalGas provided significant documentation to justify the reasonableness of its costs, including testimony and detailed workpapers of the completed projects, totaling over 2,700 pages. The introductory sections and glossary to the workpapers included an overview of the information layout to assist the reader in understanding the workpapers.³ Additionally, SoCalGas responded to 18 data requests from intervenors including approximately 86 questions and 120 sub-questions.

SoCalGas previously filed an Advice Letter to recover the undercollection recorded in its TIMPBA for the TY 2019 GRC cycle for the period of January 1, 2019 through September 30, 2022.⁴ On May 30, 2024, the Commission issued Resolution G-3600 approving SoCalGas's request under the Advice Letter.⁵ In Resolution G-3600, the Commission found that “[c]hanges in assessment methods, increased labor and non-labor expenses and continuing remediation activities initiated prior to 2019 increased SoCalGas's actual [TIMP] expenditures causing costs to be higher than forecast,” and that examined TIMP expenses and expenditures “were appropriately recorded and reasonably incurred.”⁶ Likewise, the activities undertaken by SoCalGas under its TIMP in the period of October 1, 2022 through December 31, 2023, and presented in this Application are required by federal regulations as those conducted and approved via Resolution G-3600; and therefore its associated under-collection should be similarly approved by the Commission.

² Ex. SCG-03 (Yu) at RMY-3.

³ Ex. SCG-02-WP-A (Volume I) at WP-1-19.

⁴ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-10.

⁵ *Id.* at SZGY-10-11.

⁶ *Id.* at SZGY-11 citing Res. G-3600 at 8 (Findings 8 and 9).

II. SOCALGAS'S TIMPBA EXPENDITURES AND \$173.8M COST RECOVERY REQUEST ARE JUST AND REASONABLE

A. Regulatory Changes that Expanded Active Threats Include More Than Just 49 CFR §192.710

Indicated Shippers emphasizes that while regulatory changes “expanded compliance obligations, they did not mandate the accelerated, resource-intensive approach that SoCalGas adopted resulting in massive overspending.”⁷ Both Indicated Shippers⁸ and SBUA⁹ assert that SoCalGas “front-loaded” significant inspection work with Indicated Shippers arguing that it “was a discretionary managerial choice to front-load work that could have been staggered over a decade to mitigate ratepayer impact.”¹⁰ These statements only focus on the implementation timeline included in 49 CFR §192.710 establishing assessment requirements for areas outside of HCAs (e.g., MCAs). Indicated Shippers and SBUA ignore the other regulatory changes that did in fact expand active threats and compelled more assessments, direct examinations, and remediations, and mandated an accelerated, resource-intensive approach for HCAs and non-HCAs.

As highlighted in SoCalGas’s direct testimony, the changes to TIMP regulatory requirements during the TY 2019 GRC cycle included:¹¹

- An increase in the number of pipe segments that required assessment for Manufacturing (M) and Construction (C) threats due to an amendment of 49 CFR §192.917(e)(3);
- An advisory bulletin from PHMSA stating that the threat of Stress Corrosion Cracking (SCC) must be considered active;¹²

⁷ Indicated Shippers Opening Brief at 13.

⁸ *Id.* at 2.

⁹ SBUA Opening Brief at 6.

¹⁰ Indicated Shippers Opening Brief at 15.

¹¹ Ex. SCG-01 (Sera) at TTS-1-2.

¹² *Id.* at TTS-1 fn.3 citing Pipeline Safety: Deactivation of Threats, 82 Fed. Reg. 50,14106 (March 16, 2017), available at: <https://www.phmsa.dot.gov/regulations/federal-register-documents/2017-05262>.

- Acceleration of assessments for newly identified threats, such as the M, C, and SCC threats prompted by a PHMSA interpretation of 49 CFR §192.939¹³ and confirmed by the CPUC; and
- An expansion of pipeline assessment requirements to include pipe segments located within MCAs and additionally within Class 3 and 4 pipelines that are not within identified HCAs, as mandated by additions to 49 CFR §192.710.

Indicated Shippers chose to discuss only the fourth bullet while ignoring the first three bullets that were mandatory, not “discretionary.”¹⁴ The first bullet refers to PHMSA establishing new requirements under the *Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Amendments* final rule (GTSR Part 1), which became effective July 1, 2020.¹⁵ As a result of these changes to the TIMP regulatory requirements and the PHMSA advisory bulletin regarding SCC (the second bullet), the amount of threats categorized as active on SoCalGas’s HCA pipelines increased for the TY 2019 GRC cycle, resulting in the use of new and/or additional inspection tools to address the newly identified threats,¹⁶ as well as more assessment and remediation activity on both HCA and non-HCA pipeline segments (as further described in Section II.B below). Each new threat introduces additional assessment activities – including the direct examinations of the pipelines – and often resulted in remediation work, all of which increased costs.¹⁷ Moreover, the third bullet refers to the PHMSA clarification in response to Pacific Gas & Electric Company’s request for interpretation of 49 CFR Part 192 that operators cannot defer assessments of newly activated threats. Specifically, PHMSA provided the following response:

¹³ *Id.* at TTS-2 fn.4 citing PHMSA, John A. Gale, Director of Office of Standards and Rulemaking at PHMSA Letter to Christine Cowsert VP, Gas Asset Mgmt. & System Operations at PG&E (June 23, 2021), available at: <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/docs/standards-rulemaking/pipeline/interpretations/75361/pacific-gas-and-electric-company-pi-21-0004-06-24-2021-part-192939.pdf>.

¹⁴ SoCalGas disagrees that 49 CFR §192.710 is “discretionary.” While 49 CFR §192.710 provides for a 10-year assessment cycle, compliance is mandatory, not discretionary.

¹⁵ Also known as RIN 1.

¹⁶ Ex. SCG-01 (Sera) at TTS-11.

¹⁷ *Id.* at TTS-2.

PHMSA agrees with the CPUC's assessment that 49 CFR §192.939 does not have an exception for newly discovered threats within exiting 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.¹⁸

Both SoCalGas's direct testimony and rebuttal testimony, underscore how these changes drove an increase in activity during the period of 2019-2023, which was not forecasted in SoCalGas's TY 2019 GRC.¹⁹

B. 49 CFR §192.710 Did Not Drive Non-HCA Work

Indicated Shippers asserts that SoCalGas chose to accelerate pipeline assessments years ahead of the 2034 compliance deadline under 49 CFR §192.710 and disregarded the Commission's directive to "balance safety with rate affordability."²⁰ But, as explained in rebuttal testimony, SoCalGas did not accelerate non-HCA pipeline work to meet 49 CFR §192.710 compliance deadlines.²¹ SoCalGas's non-HCA pipeline work was primarily driven by two factors: (1) operational requirement or efficiency – including non-HCA pipeline segments because an HCA segment ends at an area that SoCalGas cannot install or it would be costly to install launching and receiving infrastructure or assessing longer lengths of pipeline (including both HCA and non-HCA segments) together rather than dividing them into multiple projects due to non-contiguous HCAs on a HCA pipeline; and (2) regulatory requirements under 49 CFR §192.917(e)(5), which mandate evaluating non-covered segments with similar characteristics to covered segments where corrosion has been identified.²²

For example, SoCalGas described a pipeline assessment with 17 distinct HCAs where segmenting the work would have required installing 34 launchers and receivers for In-Line

¹⁸ 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>.

¹⁹ Ex. SCG-01 (Sera) at TTS-1-2 and Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-5-6, SZGY-24-27.

²⁰ Indicated Shippers Opening Brief at 2.

²¹ SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-28-30.

²² *Id.*

Inspection (ILI) tools, an approach that would have been more costly.²³ Indicated Shippers claims that “SoCalGas relies on generalized assertions that combining HCA and non-HCA work was efficient, without offering any comparative cost data or alternative scenarios.”²⁴ This example clearly shows the cost advantages of assessing multiple HCAs on a single pipeline through one tool run as opposed to 17 separate tool runs, even if it includes some non-HCA miles. In addition, the Line 4000 pinhole inspection illustrates the second scenario, where assessments necessarily expanded beyond HCAs to address identified threats.²⁵

Importantly, no projects during the TY 2019 GRC cycle were initiated solely to meet 49 CFR §192.710 compliance deadlines. While some of the projects also met the requirements of 49 CFR §192.710, 49 CFR §192.710 was not the driver. It is also noteworthy that integrating new regulatory requirements into existing compliance timelines requires significant advance planning and execution. Costs associated with 49 CFR §192.710 compliance were primarily related to updating SoCalGas’s applications, databases, and procedures to identify applicable segments, rather than driving incremental field work.²⁶

C. Direct Examination is Different than Direct Assessment

Indicated Shippers argue that “SoCalGas chose the most expensive compliance method, direct examination, without analyzing less costly alternatives allowed under the regulations.”²⁷ As explained in SoCalGas’s rebuttal testimony, Indicated Shippers’ misunderstood the difference between Direct Assessment and Direct Examination.²⁸ Under 49 CFR §192.937, there are several allowable assessment methods prescribed that may be used for inspecting (assessing) a given pipe section.²⁹ SoCalGas utilizes the four-step Assessment and Remediation process. Prior to selection of the appropriate assessment method, the active threats on the pipelines are reviewed and confirmed and the method selected will in fact assess for the known threats.³⁰ The

²³ *Id.* at SZGY-29.

²⁴ Indicated Shippers Opening Brief at 17.

²⁵ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-24.

²⁶ Ex. SCG-01 (Sera) at TTS-13-15.

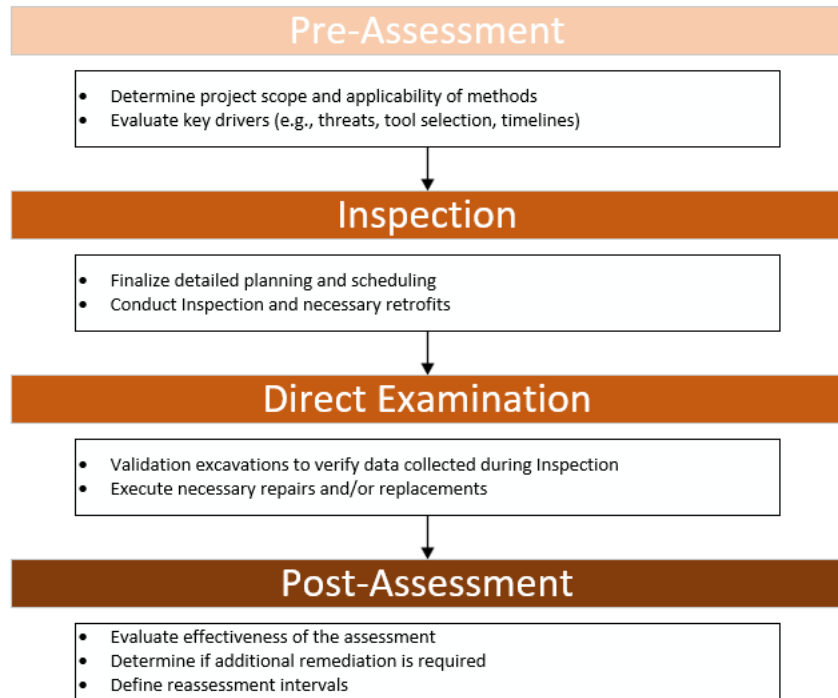
²⁷ Indicated Shippers Opening Brief at 26.

²⁸ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-30.

²⁹ 49 C.F.R. §192.937(c).

³⁰ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-30.

four-step process includes: (1) Pre-Assessment; (2) Inspection; (3) Direct Examination; and (4) Post-Assessment.³¹



During the Pre-Assessment (Step 1), the project team will review pipeline threats, operational data, and previous inspection records and then determine the feasibility and most applicable methods to assess the active pipeline threats.³² No inspection method is chosen until this step is complete so that SoCalGas can confirm the assessment method is appropriate and reasonable, which contradicts Indicated Shippers' argument that SoCalGas selects assessment methods without analyzing less costly alternatives allowed under the regulations. SoCalGas may use one of seven approved assessment methods, of which SoCalGas primarily uses ILI or Direct Assessment methods such as External Corrosion Direct Assessment (ECDA) or Stress Corrosion Cracking Direct Assessment (SCCDA).

After the completion of the Inspection (Step 2), SoCalGas will conduct Step 3: Direct Examination, not to be confused with the assessment methods in 49 CFR §192.937.³³ Direct

³¹ *Id.* citing Ex. SCG-02 (Zeoli, Galvan, and Sera) at ZGS-2.

³² Ex. SCG-02 (Zeoli, Galvan, and Sera) at ZGS-3.

³³ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-30.

Examination is required regardless of the Inspection method in Step 2.³⁴ During the Direct Examination (Step 3), the pipeline is excavated to complete visual and non-destructive examination to validate inspection results and to perform necessary repairs and/or replacements.³⁵ Indicated Shippers confuses Step 3 of SoCalGas's process (Direct Examination of the pipe to necessarily validate inspection results) with Direct Assessment, an approved assessment method that can be selected during Step 2 of the process. As evidenced on the face of SoCalGas's workpapers under Table 1, "Inspection Type" for each of the projects, none of the workpapers utilized the Direct Assessment method.³⁶ In short, Indicated Shippers bases its recommendation on a misunderstanding of the difference between Direct Examination and Direct Assessment.

D. Pinhole Inspection of Line 4000 Was Not Appropriate for First Inspection but Was Appropriate for the Second Inspection

SBUA argues that SoCalGas failed to explain why recent inspections were necessary, specifically the inspection of Line 4000 Phase 1. SBUA argues that SoCalGas's justification for re-inspection with pinhole-detection technology one year later fails because "this technology was available much earlier."³⁷ However, SBUA's argument is misguided. Just because a technology exists does not mean SoCalGas, as a prudent operator, should use it. As SoCalGas explained, the first inspection of Line 4000 Phase 1 was sufficient for addressing the threats present on the line at the time of the assessment.³⁸ Nevertheless, subsequent work performed on a pipeline with similar characteristics indicated there was a reasonable likelihood that pinholes may be present on Line 4000.³⁹ As a result, while SoCalGas was still in Step 2 of the Assessment and Remediation process for Line 4000, an additional inspection was performed using the pinhole detection technology.⁴⁰ This is consistent with the requirements of 49 CFR §192.917(e)(5) that

³⁴ Ex. SCG-02 (Zeoli, Galvan, and Sera) at ZGS-2.

³⁵ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-30 citing Ex. SCG-02 (Zeoli, Galvan, and Sera) at ZGS-8.

³⁶ See e.g., SCG-02-WP-A at WP-21, 39, 63, and 87.

³⁷ SBUA Opening Brief at 10.

³⁸ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-24.

³⁹ *Id.*

⁴⁰ *Id.*

if an operator identifies corrosion on a covered pipeline segment, the operator must evaluate and remediate all pipeline segments (both covered and non-covered) with similar material coating and environmental characteristics.

SoCalGas does not run every inspection tool on every pipeline; the inspection tools are selected based on the threats that are identified and its threat susceptibility level on the pipeline at the time of Pre-Assessment (Step 1). It would have been premature and inefficient use of resources to run the pinhole detection technology on Line 4000 during the first inspection without any indication there was a reasonable likelihood of the presence of pinholes. It was only when the likelihood of the threat was determined that SoCalGas ran the pinhole detection technology, which aligns with SBUA's apparent desire that SoCalGas only incur necessary costs to comply with the federal regulations.

E. SoCalGas Has Appropriately Justified that its Straight-Time Labor and Vacation and Sick are Incremental and Reasonable

The Public Advocates Office (Cal Advocates) argues that the CPUC should disallow SoCalGas's Straight-Time Labor and Vacation and Sick based on its contention that SoCalGas failed to provide supporting documentation to two data requests regarding straight-time labor costs and employees hired exclusively for TIMP activities.⁴¹ Cal Advocates specifically states that (1) SoCalGas did not provide supporting information such as baseline staffing data, hiring approvals, timesheet copies, or position authorizations to prove incrementality, and (2) SoCalGas failed to provide supporting documentation justifying and demonstrating that it hired new employees to fill new positions SoCalGas created exclusively for TIMP.⁴² As to the baseline staffing data, hiring approvals, timesheet copies, or position authorizations, Cal Advocates did not request this information.⁴³ Cal Advocates cannot fault SoCalGas for not providing information that it did not request, particularly when the relevancy of the information is unclear. As for Cal Advocates' argument that SoCalGas failed to provide supporting documentation justifying and demonstrating that it hired new employees to fill new positions SoCalGas created exclusively for TIMP, SoCalGas did provide a list of 468 employees hired between January 1, 2019, through December 31, 2023, who billed time to TIMP, including 62 employees which

⁴¹ Cal Advocates Opening Brief at 7.

⁴² *Id.*

⁴³ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-13, Attachment A at 1, and Attachment B at 5.

SoCalGas identified were hired specifically for the Pipeline Integrity Execution and High-Pressure Integrity Assessments teams dedicated to TIMP work.⁴⁴ Cal Advocates simply chose to ignore this evidence.

Cal Advocates cites to Decision (D.)23-02-017 and D.25-06-051 for the proposition that incrementality requires procurement of additional resources and equates additional resources to new employees.⁴⁵ This argument is frivolous as it is not reflective of how utilities manage work and “appears to promote a less cost-effective approach that requires hiring new employees for incremental work rather than leveraging experienced employees and external contractors to increase efficiencies.”⁴⁶ Additional resources do not equate to new employees. As SoCalGas explained, a Full-Time Equivalent (FTE)—used for forecasting in the GRC and what Cal Advocates uses as a basis for its argument—is not the same as headcount or total number of employees.⁴⁷ FTE forecasts activity level which may ultimately be performed using internal labor, outside contractors, overtime or a mix of each.⁴⁸

Further, Cal Advocates cites to D.25-06-051 to contend that SoCalGas should have provided “supporting documentation to show it created new positions and hired new staff beyond what was previously authorized in the applicable GRC to complete TIMP activities.”⁴⁹ Similarly, SBUA states that “[w]ithout baseline resource data, the Commission cannot determine whether SoCalGas actually incurred additional costs attributable to increased TIMP activity, or merely shifted pre-existing, already-funded resources into the TIMP balancing account.”⁵⁰ As SoCalGas demonstrated, it did not redirect employees away from base business tasks to TIMP to the detriment of its base business work.⁵¹ SoCalGas’s 2023 Risk Spending Accountability Report (RSAR) demonstrates that the increased TIMP activities are “entirely incremental to the

⁴⁴ Ex. SCG-05-2E at SZGY-12-13 citing 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.

⁴⁵ Cal Advocates Opening Brief at 10.

⁴⁶ SoCalGas Opening Brief at 23.

⁴⁷ *Id.* at 20.

⁴⁸ *Id.*

⁴⁹ Cal Advocates Opening Brief at 9.

⁵⁰ SBUA Opening Brief at 15-16.

⁵¹ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-8-9.

costs that were authorized in SoCalGas’s TY 2019 GRC for their broader gas transmission safety, reliability, and maintenance activities.”⁵² The 2023 RSAR summarizes total reportable expenditures for the period of 2019-2023. Excluding balanced programs and activities such as the TIMP, SoCalGas exceeded total authorized gas transmission costs by approximately \$479 million.⁵³ SoCalGas’s spending, which exceeded authorized levels for its base business (or non-balanced) gas transmission safety, reliability, and maintenance activities for the TY 2019 GRC cycle, demonstrates that the TIMP incremental costs could not have been offset by authorized base business expenditures.⁵⁴

F. Desert-Area Work: Foreseeability and Tool Limitations

SBUA states SoCalGas should have foreseen the “desert terrain, climate, and environmental requirements” as they are “readily knowable factors” and therefore it is unreasonable to “treat them as unexpected cost drivers.”⁵⁵ SBUA misunderstands the complexity surrounding the desert work.

As SoCalGas described in direct testimony⁵⁶ and rebuttal testimony,⁵⁷ it is not the “desert terrain, climate, and environmental requirements” that were unforeseen, even though those factors did contribute to the overall costs. What was unforeseeable in the TY 2019 GRC forecast were the change in regulations and regulatory guidance related to the determination of whether M, C, and SCC threats were active on a pipeline segment as well as improvements in technology that resulted in the increase in assessment activities and the resulting number of excavations required for the desert pipelines. For example, where SoCalGas needed to run new and/or additional tools or assessment methods, the amount of resulting validation excavations and

⁵² *Id.*

⁵³ *Id.* citing 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. SoCalGas inadvertently stated \$479 thousand in its Rebuttal Testimony; however, the RSAR report which SoCalGas cited to provides support that the correct amount is \$479 million.

⁵⁴ *Id.* at SZGY-8-10.

⁵⁵ SBUA Opening Brief at 19.

⁵⁶ Ex. SCG-01 (Sera) at TTS-12.

⁵⁷ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-26-27.

related pipeline work could not have been foreseen since these tools had not been run on the same pipelines in the past. SBUA conflates the drivers of corrosion-related work in the desert (change in regulations and new technology) with the implications of working in the desert (desert terrain, climate, and environmental requirements). While desert conditions were known and anticipated, the regulatory changes and technological advancements that drove additional assessments were not. These unforeseen drivers, combined with the inherent challenges of desert terrain, significantly increased costs compared to other areas of the system.

G. It is Appropriate for the CPUC to Approve TIMP Line 235 West Costs in this Proceeding

Cal Advocates recommends deferring recovery of \$40.72 million in TIMP-related costs for Line 235 West, Phase 1 until SoCalGas files a Tier 2 Advice Letter for the Line 235 Memorandum Account (L235MA) arguing that “[r]atepayers should not be asked to provisionally cover \$40.72 million in conditional costs where SCG has failed to comply with the Commission’s directive to track and separate both PSEP and TIMP costs for Line 235.”⁵⁸

As SoCalGas explained, Cal Advocates’ recommendation is procedurally improper and defective.⁵⁹ Further, to the extent that Cal Advocates is implying that the cost for TIMP Line 235 West project is provisional, conditional, or somehow uncertain, Cal Advocates is simply incorrect. The TIMP Line 235 West costs reflect work already performed to remediate anomalies identified through integrity assessments and to restore Line 235 West to safe operating condition in compliance with 49 CFR Part 192, Subpart O.⁶⁰ While the costs will remain subject to refund until the resolution of the L235MA, SoCalGas is not asking ratepayers to provisionally cover conditional costs; the costs have already been incurred, are properly documented, and the pipe is currently in service. Delaying recovery would impose an unnecessary and continuing carrying cost (*e.g.*, interest accrual) and contradict the Commission’s established practice of timely recovery for balancing account undercollections. SoCalGas continues to comply with the Commission’s directive in D.19-09-051 to **record** PSEP costs and **track** TIMP costs associated with Line 235 West in the L235MA, clearly delineating between the two separate and distinct

⁵⁸ Cal Advocates Opening Brief at 12.

⁵⁹ SoCalGas Opening Brief at 26-28.

⁶⁰ *Id.* at 26.

projects.⁶¹ Further, the PSEP Line 235 West project is currently scheduled to be executed in 2031,⁶² whereas the TIMP Line 235 West costs reflect completed, federally mandated work unrelated to the future PSEP project.

H. SoCalGas’s Workpapers Are Thoughtfully Organized to Provide Appropriate Information to Analyze TIMPBA Costs

Indicated Shippers and SBUA argue that SoCalGas provided a “data dump” without appropriate categorization or context.⁶³ Indicated Shippers argues that this lack of context and categorization “leaves parties and the Commission without the detailed information necessary for verifying whether overspending was driven by regulatory mandates, or by SoCalGas’s discretionary acceleration of non-HCA work and lack of any meaningful budget and cost controls.”⁶⁴ For this reason, Indicated Shippers states that SoCalGas’s Application is noncompliant with Public Utilities Code §463(b).⁶⁵ SBUA similarly states that SoCalGas, “did not provide project-level justifications for its expenditures” and “withheld, or otherwise failed to produce, critical inspection and planning documents to evaluate prudence.”⁶⁶

First, SoCalGas disagrees with the assertion that the information provided was a “data dump.” SoCalGas’s testimonies submitted with the Application provide explanations of why the work necessary to comply with the TIMP regulations required more expenditures than anticipated at the time of the TY 2019 GRC filing. The workpapers were provided on a project-by-project basis to provide detailed insight into each project’s unique cost drivers, showing how the information discussed in the testimonies (including 49 CFR Part 192, Subpart O requirements) impacted each project. The workpapers clearly identify the threats on each pipeline, the inspections performed to assess those threats, the excavations necessary to evaluate the condition of the pipe at locations identified by the inspections, and any repairs required to mitigate conditions found on the exposed pipe. For example, the workpaper for Line 765

⁶¹ See SoCalGas L235MA Preliminary Statement, *available at*: <https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=590>.

⁶² Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-15 fn.68.

⁶³ Indicated Shippers Opening Brief at 23 and Ex. SBUA-01 (Sheriff) at 6.

⁶⁴ Indicated Shippers Opening Brief at 23.

⁶⁵ *Id.*

⁶⁶ SBUA Opening Brief at 6.

Phase 1 shows the extent of the HCA being assessed (6.2 miles),⁶⁷ the threats present on the line,⁶⁸ the inspection tool run on the line to assess for the threats,⁶⁹ the number of excavations necessary to directly inspect the pipe and complete the assessment (three excavations, two to validate the performance of the inspection tool and one to perform direct examination on 27 feet of pipe that could not be assessed by the inspection tool), and any repairs or follow up activities required as a result of the direct inspections.⁷⁰ SoCalGas also provided several introductory sections and glossary to explain how the workpapers were organized to provide relevant information and how to read and understand the information that SoCalGas provided in the workpapers.⁷¹

Second, Indicated Shippers' contention that SoCalGas "did not track costs separately for mandatory HCA work versus discretionary non-HCA work"⁷² is based on its incorrect assumption that SoCalGas's non-HCA work was discretionary. As described in SoCalGas's testimonies, Opening Brief and again in Section II.B above, SoCalGas necessarily performed work in areas outside of HCAs in compliance with applicable federal regulations and the work was not discretionary.⁷³ As such, all costs incurred by SoCalGas were mandatory and delineating HCA vs. non-HCA costs would have brought little to no value yet would have increased additional administrative complexity and costs.

Further, the Commission has found that SoCalGas's records during this period have been maintained sufficiently as demonstrated through Res. G-3600 and the audit conducted by the Commission's Utility Audit Branch (UAB). In Resolution G-3600, the Commission stated that, "examined [TIMP] expenses and expenditures were appropriately recorded and reasonably incurred."⁷⁴ Through a UAB audit, the UAB determined that all recorded transactions were

⁶⁷ Ex. SCG-02-WP-A (Sera, Zeoli, and Galvan) at WP-541.

⁶⁸ *Id.* at WP-546.

⁶⁹ *Id.*

⁷⁰ *Id.* at WP-541-542, 545.

⁷¹ *Id.* at WP-1-19.

⁷² Indicated Shippers Opening Brief at 23.

⁷³ Ex. SCG-01 (Sera) at TTS-2 and TTS-4, Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-29-30, and SoCalGas Opening Brief at 15-17.

⁷⁴ Ex. SCG-05-2E (Sera, Zeoli, Galvan, and Yu) at SZGY-11 citing Res. G-3600 at 8 (Finding 9).

allowable, properly documented, and that the accounts were maintained in compliance with applicable statutes, CPUC requirements, and SoCalGas policies.⁷⁵ Resolution G-3600 and UAB’s audit also refutes Indicated Shippers allegations that SoCalGas has a “historic lack of cost discipline in administering TIMP.”⁷⁶

Finally, SBUA’s claim that SoCalGas “withheld, or otherwise failed to produce, critical inspection and planning documents necessary to evaluate prudence” is false and misleading.⁷⁷ To support its claim, SBUA cites to two examples. The first example SBUA cites to is the fact that SoCalGas objected to another parties’ (Cal Advocates) data request to explain “how SCG’s definition of incrementality aligns with the precedence set by D.25-06-051” on the grounds that it calls for a legal conclusion, among other reasons.⁷⁸ SoCalGas stands by its objection that the question calls for a legal conclusion and notably, Cal Advocates did not seek to meet and confer on the question or file a motion to compel SoCalGas’s response. Had Cal Advocates believed that SoCalGas’s objections were inappropriate, it could have taken steps to have the matter addressed by the Administrative Law Judge. It did not do so. Second, SBUA states that its “repeated data requests seeking prior inspection records, planning documents, and benchmarks were met with objections, or heavily-redacted productions.”⁷⁹ The data request in question was attached to Ex. SBUA-01 as Attachment 2. SoCalGas went above and beyond to collaborate with SBUA on its data request questions. As can be seen in Attachment 2, SoCalGas objected to SBUA’s first data request set, Questions 1, 2, and 4, on the grounds that the questions were not relevant to this proceeding since it was asking for information that is not within the time frame where costs were incurred in the proceeding or was asking for a legal conclusion.⁸⁰ After SoCalGas objected, SBUA admitted its questions were “broad[...]” and served a second data

⁷⁵ *Id.* at SZGY-11-12 citing 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.

⁷⁶ Indicated Shippers Opening Brief at 9.

⁷⁷ SBUA Opening Brief at 6.

⁷⁸ *Id.* at 9.

⁷⁹ *Id.* at 8.

⁸⁰ Ex. SBUA-01 (Sheriff), Attachment 2 at 1, 2, and 4.

request set in an attempt to “narrow” the inquiries into four questions.⁸¹ Before the time to respond had elapsed, SoCalGas informed SBUA that it will respond to three of the four questions but will be objecting to Question 1 on the grounds that “the inspection records that SBUA is asking for do not include costs that [SBUA is] seeking” and asked SBUA to rephrase its question.⁸² The parties met and conferred on the question and the parties came to an agreement as to what documents would be responsive.⁸³ SoCalGas produced the responsive documents. At no point during the discovery process did SBUA inform SoCalGas that the documents produced were insufficient or in anyway not consistent with what the parties agreed to at the meet and confer, even though SoCalGas offered to further meet and confer after SoCalGas’s final production.⁸⁴ In regard to SBUA’s claim about heavy redactions, a quick review of Attachment 2 shows only two places in the response where SoCalGas “redacted” information.⁸⁵ In reality, the two “redactions” were marked for confidentiality but more importantly, SBUA failed to acknowledge in its opening brief that it received the confidential version of the response through a Non-Disclosure Agreement (NDA). These facts demonstrate that SoCalGas complied fully with discovery obligations.

I. Indicated Shippers’ “Massive Disparity” Argument Misstates Regulatory Context and Cost Drivers

Indicated Shippers highlights that PHMSA estimated the national “annualized cost of the non-HCA rule expansion at a mere \$4.7 million to \$5.5 million.”⁸⁶ Indicated Shippers argues that SoCalGas’s expenses (\$173.8 million) are roughly 32 times the federal estimate for the national pipeline grid.⁸⁷

The PHMSA estimate cited by Indicated Shippers is from the *Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments* final rule published in the Federal Register and captures only the

⁸¹ Ex. SCG-06 at 6.

⁸² *Id.* at 5.

⁸³ Ex. SBUA-01 (Sheriff), Attachment 2 at 1-2.

⁸⁴ Ex. SCG-06 at 2.

⁸⁵ The other redactions were to the question, not response.

⁸⁶ Indicated Shippers Opening Brief at 18.

⁸⁷ *Id.*

cost estimate for the specific implementation of the “assessment outside of HCAs” in compliance with 49 CFR §192.710.⁸⁸ The estimate was not for HCA work. The \$173.8 million of SoCalGas’s costs that Indicated Shippers points to is for both HCA and non-HCA miles. As for non-HCA miles, SoCalGas explained that 49 CFR §192.710 was not the primary driver.

J. SBUA’s “36% Unsupported” Claims Misreads the Record

SBUA asserts that “36% of requested costs lack any workpapers or accompanying narrative explanation,” suggesting that SoCalGas failed to provide adequate documentation for a significant portion of its TIMPBA recovery request.⁸⁹ This claim mischaracterizes both SoCalGas’s Application and the underlying evidentiary record. SBUA’s argument stems from its misunderstanding of SoCalGas’s amended response to SBUA Data Request 01, which stated: “Of the ILI projects costing at least \$1 million that workpapers were prepared for, the expenditures associated with them account for 64% of the total expenditures contributing to the revenue requirement being requested in this Application.”⁹⁰ Based on this response, SBUA incorrectly extrapolates that the remaining 36% of costs lack workpapers or narrative support.⁹¹ In reality, SoCalGas’s response addressed only the costs covered by the ILI workpapers—one category of TIMP work—not the entire scope of expenditures. The Application includes multiple categories beyond ILI, such as retrofit projects, direct assessment projects, Preventative and Mitigative (P&M) measures, GIS/data management, and program management activities, all of which are supported by workpapers and/or testimony in the record.⁹²

III. CONCLUSION

SoCalGas has shown that its request to recover the under-collected revenue requirement of \$173.8 million in the TIMPBA is just and reasonable.⁹³ The activities executed during the TY

⁸⁸ It is also important to note that PHMSA’s estimates are exactly that – estimates. Estimates are not always accurate, and the estimates developed by PHMSA depend on generalized assumptions that PHMSA makes about company operations. These estimates can vary sometimes greatly from actual execution costs incurred by operators.

⁸⁹ SBUA Opening Brief at 17.

⁹⁰ Ex. SCG-07 at 3.

⁹¹ *Id.*

⁹² SoCalGas Opening Brief at 7 and 25.

⁹³ Ex. SCG-03 (Yu) at RMY-3.

