

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for authority to update its gas)
revenue requirement and base rates)
effective January 1, 2028 (U 904-G))

Application No.: A.26-06-___

Exhibit No.: (SCG-03-RRWP-NGLAPMA)

NATURAL GAS LEAK ABATEMENT PROGRAM MEMORANDUM ACCOUNT
(NGLAPMA)
REASONABLENESS REVIEW WORKPAPERS TO
PREPARED DIRECT TESTIMONY
OF AMY KITSON
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

JUNE 2026



Ex. SCG-03-RR-WP_NGLAPMA

Workpaper Category/Witness Area	NGLAPMA - NATURAL GAS LEAK ABATEMENT MEMORANDUM ACCOUNT REASONABLENESS REVIEW - AMY KITSON - SOCALGAS
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Description	DESCRIPTION									
	(\$ in thousands)									
	2018	2019	2020	2021	2022	2023	2024	2025	Total	
Capital Expenditures Labor					-					-
Capital Expenditures Non-Labor										-
Capital Expenditures Direct Costs Subtotal	-	-	-	-	-	-	-	-	-	-
Capital Expenditures Indirect Costs										-
Capital Total	-	-	-	-	-	-	-	-	-	-
O&M Labor	330	508	288	331	359	486	741	820	3,863	
O&M Non-Labor	139	1,130	129	189	270	198	594	293	2,942	
O&M Direct Costs Subtotal	469	1,638	417	520	629	684	1,335	1,113	6,805	
O&M Indirect Costs	163	499	221	241	300	361	557	598	2,940	
O&M Total	632	2,137	638	761	929	1,045	1,892	1,711	9,745	
Units										
Unit 1										-
Unit 2										-
FTE	3.1	5.5	2.7	3.0	3.3	4.1	6.2	6.6	34	
Imputed Authorized Direct Capital \$										-
Imputed Authorized Direct O&M \$										-

Direct Cost Breakdown by Cost Category:

(\$ in thousands)	Prior Years Spend									
	2018	2019	2020	2021	2022	2023	2024	2025	Total	
NGLAPMA										
Capital	-	-	-	-	-	-	-	-	-	-
Labor										-
Non-Labor										-
O&M	469	1,638	417	520	629	684	1,335	1,113	6,805	
Labor	330	508	288	331	359	486	741	820	3,863	
Non-Labor	139	1,130	129	189	270	198	594	293	2,942	
NGLAPMA Total	469	1,638	417	520	629	684	1,335	1,113	6,805	

Business Purpose:

SoCalGas is requesting recovery of costs booked to the NGLAPMA in accordance with D.17-06-015. These funds were spent to administer the Natural Gas Leak Abatement Program between 2017 - 2025, and they were authorized by prior CPUC Resolutions (G-3538, G-3576, G-3595, G-3605). The activities associated include regulatory and reporting requirements, coordination and collaboration with the CPUC during program implementation, program-level financial management, program-level tracking and planning, Emissions Strategy Program (ESP) employee training and development, and office supplies.

Project Justification:

On January 22, 2015, the CPUC issued Rulemaking (R.) 15-01-008 to implement provisions of Senate Bill (SB) 1371, which set forth requirements for natural gas leak abatement. On June 15, 2017, the CPUC issued D.17-06-015 outlining the NGLAP for the utilities, pursuant to Public Utilities Code § 975, 977, and 978. D.17-06-015 ordered SoCalGas to submit a Tier 1 Advice Letter to create a Memorandum Account for incremental administrative costs associated with NGLAP expenditures. On July 17, 2017, SoCalGas submitted the requisite Tier 1 Advice Letter (AL 5166) to establish the Natural Gas Leak Abatement Memorandum Account (NGLAMA), establish the Natural Gas Leak Abatement Balancing Account (NGLABA), and revise the New Environmental Regulatory Balancing Account (NERBA) Preliminary Statements to include the Natural Gas Leak Abatement Program Subaccount. The CPUC approved this Advice Letter on September 6, 2017, with an effective date of July 17, 2017.

Project Scope:

The administrative costs recorded in the NGLAPMA are for activities mandated by D.17-06-015 and D.19-08-020 and the costs were authorized per CPUC Resolutions G-3538, G-3576, G-3595, and G-3605. These activities include regulatory and reporting requirements, coordination and collaboration with the CPUC during program implementation, program-level financial management, program-level tracking and planning, ESP employee training and development, and general administrative support resources necessary to sustain ongoing operations.

The regulatory and reporting requirements include developing the Annual Emissions Reports, preparing Biennial Compliance Plans, preparing Advice Letters, and responding to any data requests associated with these submittals. The costs associated with coordination and collaboration with the CPUC are recorded in the NGLAPMA. These costs include participation in workshops hosted by the CPUC and CARB, including the annual Winter Workshop hosted near the start of each year. The costs also include time spent developing and submitting proposals to improve emission calculation methodologies or refine baseline emissions to improve the accuracy and consistency of reported emissions, as well as supporting the review and comment on the CPUC and CARB Annual Joint Report. Following workshops, proposal presentations, or comment submittals, the CPUC and CARB have often requested additional meetings and/or provided data requests. The costs recorded in the NGLAPMA also include time spent participating in these additional meetings and responding to associated data requests.

Moreover, costs associated with program-level financial management and program-level tracking and planning are recorded in the NGLAPMA. Managing program finance requires detailed and continuous oversight, and program-level tracking and planning involves collaborating with RD&D to identify emission reduction opportunities, forecasting the emission impact of current and proposed projects, and confirming the program's ability to meet the emission reduction targets and maintain compliance with D.17-06-015 and D.19-08-020.

Finally, costs associated with training and employee development are recorded in the NGLAPMA. These costs include time spent by the ESP team to complete required training, time spent by ESP developing, reviewing, and updating job-specific training documents, and time spent by ESP members at industry conferences and workshops.

Cost Drivers:

The cost drivers behind this forecast are the requirements of Senate Bill (SB) 1371, D.17-06-015, and D.19-08-020. Labor expenditures are driven by program delivery and regulatory compliance functions, including:

- Preparation of annual emissions reporting and biennial compliance plans;
- Participation in CPUC and CARB workshops and regulatory engagements;
- Management of ESP program and project financial activities;
- Monitoring progress against CPUC-established emissions reduction goals;

Verification of compliance with applicable best practices;
Response to regulatory data requests and inquiries; and
Collaboration with CPUC, CARB, and peer utilities to enhance emissions reduction practices and calculation methodologies under NGLAP.

Non-labor cost drivers primarily relate to activities necessary to support required program deliverables and regulatory compliance obligations. These activities include engaging qualified external consultant services to support the preparation of annual emissions reporting and the development and submission of biennial compliance plan filings. The scope of these services includes coordination with internal stakeholders and business units; integration of data inputs across organizational functions; detailed data review, validation, and analytical assessment; development and maintenance of standardized reporting templates; and execution of financial modeling and cost forecasting to support program planning and regulatory filings. In addition, external consultants perform quality assurance and quality control (QA/QC) procedures, including independent third-party validation of emissions data, to confirm the accuracy, completeness, consistency, and overall integrity of reported information and submitted compliance documentation. These validation activities provide an added level of assurance and objectivity, supporting transparency and alignment with CPUC and CARB regulatory expectations.

Project Timing and Phases:

Following the approval of AL 5166, SoCalGas submitted Tier 3 AL 5211 on October 31, 2017, to provide ratemaking forecasts for 2018 and 2019. On July 17, 2018, Energy Division instructed PG&E, SoCalGas, SDG&E, and Southwest Gas to submit a supplemental Tier 3 AL by July 31, 2018, to address a possible funding gap for 2020. SoCalGas submitted supplemental AL 5211-B on July 31, 2018 containing ratemaking forecasts for NGLAPMA, NGLAPBA, and NGLAP in the NERBA for 2018, 2019, and 2020. In loaded dollars, the forecasted maximum spend for NGLAPMA for 2018, 2019, and 2020 is \$3.652 million. On October 11, 2018, the CPUC approved SoCalGas's AL 5211-B and Compliance Plan through Resolution G-3538. SoCalGas maintained expenditures within the CPUC-authorized NGLAPMA caps, reflecting prudent financial management, and recorded \$3.407 million, in costs, to the NGLAPMA for 2018, 2019, and 2020, respectively.

On March 12, 2020, SoCalGas submitted AL 5603 to provide forecasted costs for its 2020 Compliance Plan, which included costs and emissions reductions for years 2021 and 2022. Pursuant to Energy Division's April 16, 2020 request, on June 12, 2020, SoCalGas submitted AL 5603-A which replaced AL 5603 in its entirety and provided updated cost forecasts and a discussion about the emission reduction forecast. On June 25, 2020, Energy Division directed SoCalGas to supplement AL 5603-A. SoCalGas submitted AL 5603-B on June 29, 2020, to replace AL 5603-A in its entirety. On October 2, 2020, SoCalGas submitted AL 5603-C to replace AL 5603-B in its entirety and correct rate impact figures. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2021 and 2022 was \$4.529 million. On December 17, 2020, the CPUC approved SoCalGas's AL 5603-C and 2020 Compliance Plan through Resolution G-3576. SoCalGas maintained expenditures well within the CPUC-authorized cap for NGLAPMA and recorded \$1.691 million to the NGLAPMA during 2021 and 2022.

On March 15, 2022, SoCalGas submitted AL 5950 to provide forecasted costs for its 2022 Compliance Plan, and on February 16, 2023, and February 21, 2023, SoCalGas submitted revisions and corrections in AL 5950-A and in AL 5950-B, respectively. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2023 and 2024 was \$4.186 million. On June 29, 2023, the CPUC approved SoCalGas's AL 5950-B and 2022 Compliance Plan through Resolution G 3595. Again, SoCalGas maintained expenditures well within the CPUC-authorized cap for the NGLAPMA and recorded \$2.936 million to the NGLAPMA during 2023 and 2024.

On March 15, 2024, SoCalGas submitted its 2024 Compliance Plan and AL 6277-G to provide forecasted costs for 2025 and 2026, and on October 21, 2024, and November 5, 2024, SoCalGas submitted revisions and corrections in AL 6277-G-A and in AL 6277-G-B, respectively. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2025 and 2026 was \$4.186 million. On September 18, 2025, the CPUC approved SoCalGas's AL 6277-G-B and 2024 Compliance Plan through Resolution G-3605. Consistent with prior years, SoCalGas maintained expenditures within the CPUC-authorized cap for the NGLAPMA and recorded \$1.711 million in the NGLAPMA during 2025.

Approval Process/Procurement Process:

In accordance with NGLAP decisions, SoCalGas is required to forecast costs necessary for the implementation of program-related best practices, as well as for the preparation and submission of biennial compliance plans, annual emissions reports, and any additional documentation required by the CPUC and CARB for purposes of data validation and program oversight. The costs presented in this workpaper have been reviewed and authorized through CPUC-approved biennial compliance plans by the Safety Policy Division, as well as through Tier 3 Advice Letters (AL 5211-B, AL 5603-C, AL 5950-B, and AL 6277-G-B) approved by the CPUC's Energy Division. Accordingly, SoCalGas has incurred these costs pursuant to established regulatory approval processes, operating within authorized limits and in full compliance with applicable CPUC requirements.

Risk Identification and Mitigation:

N/A

Consideration of Alternative Solutions:

N/A

Coordination with Similar Programs

The activities supported under the NGLAP are distinct and not performed elsewhere within the Company. These functions are specific to regulatory requirements under SB1371 and are intentionally centralized to support consistent execution, avoid duplication of effort, and maintain efficient program administration. Accordingly, the costs associated with these activities do not overlap with other Company programs. Costs incurred for these activities, including both labor and non-labor, are allocated and tracked through a designated program-specific NGLAPMA internal order, which provides a clear well-documented and traceable mechanism for cost attribution. This internal order structure supports accurate cost capture and segregation from other Company activities. The costs recorded in the NGLAPMA are not incurred or recorded in other departments or administrative accounts, as there are no other programs within SDG&E that perform NGLAP program administrative specific activities and there are not any other administrative accounts for SDG&E's NGLAP work. As a result, the NGLAPMA serves as the sole and centralized mechanism for tracking all administrative costs associated with NGLAP activities, supporting transparency, preventing duplication, and consistent cost reporting in accordance with CPUC requirements.

Stakeholder Impact and Engagement:

In accordance with NGLAP requirements, SoCalGas maintains ongoing stakeholder engagement through a range of activities, including participation in the annual winter workshop, which serves as a collaborative forum for program review and coordination. This forum convenes representatives from the CPUC, CARB, natural gas utilities, and industry stakeholders to evaluate and refine program parameters, exchange best practices, and assess progress toward methane emissions reduction goals.

SoCalGas actively participates in these proceedings and supports the collaborative process by providing insights on operational experience, lessons learned, emerging practices, and relevant research and development outcomes, supporting informed decision-making and ongoing program refinement.

Utility Benchmarking:

SoCalGas's NGLAP activities are consistent with industry practices and regulatory expectations for methane emissions management. The program leverages internal expertise and qualified third-party support for emissions reporting, data validation, and compliance filings, aligning with peer utility approaches. Participation in CPUC and CARB stakeholder forums enables benchmarking, incorporation of best practices, and continuous improvement of program processes. These efforts support a mature, compliance-driven program that is aligned with industry norms and demonstrates prudent management of costs and activities.

Pictures:

N/A