

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

Application of Southern California Gas Company 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) SUBMISSION AND SUPPLEMENTAL TESTIMONY SUPPORTING ITS TRACK 3 REASONABLENESS REVIEW OF PIPELINE SAFETY ENHANCEMENT PLAN COSTS INCURRED FROM 2014-2019 FOR SAN DIEGO GAS & ELECTRIC COMPANY AND FROM 2015-2020 FOR SOUTHERN CALIFORNIA GAS COMPANY

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SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) AND SOUTHERN CALIFORNIA GAS COMPANY'S (U 904 G) SUBMISSION AND SUPPLEMENTAL TESTIMONY SUPPORTING ITS TRACK 3 REQUEST TO AUTHORIZE RECOVERY OF PSEP COSTS INCURRED FROM 2014-2019 FOR SAN DIEGO GAS & ELECTRIC COMPANY AND FROM 2015-2020 FOR SOUTHERN CALIFORNIA GAS COMPANY

I. INTRODUCTION

As directed by the Assigned Commissioner's Amended Scoping Memo and Ruling for Track 3 (Amended Scoping Memo), Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E) (collectively, Companies) respectfully submit this Track 3 filing and supplemental testimony supporting the Companies' request that the California Public Utilities Commission (CPUC or Commission) find just and reasonable SoCalGas and SDG&E's costs and expenses supporting their Pipeline Safety Enhancement Plan (PSEP) from 2015-2020 and 2014-2019, respectively, and authorize recovery of the undercollected costs and revenue requirement in rates. Specifically, SoCalGas and SDG&E ask the Commission to:

- Find reasonable the costs incurred by SoCalGas amounting to \$426 million in Capital and \$35 million in operations and maintenance (O&M) expenditures presented for review. These costs comprise the execution of Phase 1A pipeline projects and valve enhancement projects and other expenditures for costs incurred to execute PSEP, and the cost of the purchase of Line 306.
- Authorize the remaining associated revenue requirement of \$132 million for SoCalGas's PSEP capital and O&M expenditures for pipeline and valve enhancement projects completed from 2015-2020 and associated miscellaneous costs pertinent to the execution of the program. This is the revenue requirement

amount remaining to be included in rates following the 50% recovery allowed in D.16-08-003.¹

- Find reasonable the costs incurred by SDG&E amounting to \$239 million in Capital and \$1.2 million in O&M expenditures associated with the reasonableness review for approximately 21 miles of transmission pipeline and six bundled valve projects and associated miscellaneous costs.
- Authorize the remaining associated revenue requirement of \$50 million for SDG&E's PSEP capital and O&M expenditures for pipeline and valve enhancement projects completed from 2014-2019 and associated miscellaneous costs. This is the revenue requirement amount remaining to be included in rates following the 50% recovery allowed in D.16-08-003.²

In the testimony served with this submission, SoCalGas and SDG&E establish that the amounts presented by SoCalGas and SDG&E for reasonableness review are just and reasonable.

The supplemental testimony is organized as follows:

- Chapter 1 for SoCalGas (Kostelnik) and SDG&E (Tachiquin) describe the background for and functioning of SoCalGas and SDG&E's PSEP programs, provide updated costs from Track 1, and address the Commission's directive to provide additional detail on the costs incurred. In support of Chapter 1, the Companies provide extensive workpapers that include detailed descriptions of the individual projects in addition to new information requested by the Commission.
- Chapter 2 for SoCalGas (Wasif) and SDG&E (Dalton) discuss the revenue requirement associated with the PSEP projects presented for review in this proceeding, including indirect costs and overheads, that are recorded in Southern California Gas Company's (SoCalGas) Safety Enhancement Expense Balancing Accounts (SEEBAs), Safety Enhancement Capital Cost Balancing Accounts (SECCBAs), PSEP Memorandum Account – Line 44 Subaccount (PSEPMA), and PSEP-Phase 2 Memorandum Account (PSEP-P2MA).
- Chapter 3 (Foster) discusses SoCalGas and SDG&E rates resulting from the approval of the costs presented in this Track of this proceeding.

This testimony not only demonstrates the reasonableness of the costs presented, but also SoCalGas and SDG&E's longstanding practice of "maximizing the cost-effectiveness of safety investments," which has been one of the four primary objectives of the Companies' PSEP since it was approved by the Commission in D.14-06-007. As stated in SoCalGas's original PSEP application: "Having been in the business of providing reliable natural gas service to our customers for over 100 years, we recognize the need to carefully invest in our system in a manner that complements previous investments in our system, avoids short-sighted or reactive actions that could result in unnecessary or duplicative expenditures, and enhances the long-term

¹ D.16-08-003 at 15-16 (Ordering Paragraphs (OP) 2 and 3).

² *Id.*

safety and reliability of our system.”³ SoCalGas and SDG&E therefore respectfully request the Commission find the costs presented reasonable and approve for recovery the remaining revenue requirement.

II. PROCEDURAL BACKGROUND AND EXPLANATION OF SUPPLEMENTAL TESTIMONY

The PSEP program has successfully improved the safety of SoCalGas and SDG&E’s gas systems for the last 10 years. The program began following the September 9, 2010, San Bruno incident, and the program’s primary objectives are to: (1) enhance public safety, (2) comply with Commission directives, (3) minimize customer impacts, and (4) maximize the cost-effectiveness of safety investments. The PSEP program has a strong record of prudently managing the costs of projects completed to comply with Commission directives, and it continues to improve as a program. This has led to greater cost recovery in each subsequent reasonableness review. In the first reasonableness review, the Commission concluded “SoCalGas and SDG&E’s actions comport with those of a reasonable manager.”⁴ In making this finding, the Commission approved recovery of 93.8% of the costs associated with the projects presented for review.⁵ In the second reasonableness review, SoCalGas recovered 99.2% of its request.⁶ In allowing this recovery, the Commission found that, aside from minor exceptions resulting in the 0.8% disallowance, “SoCalGas and SDG&E’s actions comport with those of a reasonable manager.”⁷ In the third reasonableness review, which resulted in a settlement between SoCalGas, SDG&E, Indicated Shippers, and the Commission’s Public Advocates Office, the Commission approved 99.6% of the costs presented for reasonableness review.⁸ The Commission also “conclude[d] that the proposals presented in the Settlement Agreement for approval are just and reasonable....”⁹

³ See R.11-02-019, Amended Testimony of SoCalGas and SDG&E in Support of Proposed Natural Gas Pipeline Safety Enhancement Plan at 3 (Introduction and Executive Summary, Witness Michael W. Allman) (December 2, 2011), *available at*: <https://www.socalgas.com/regulatory/documents/r-11-02-019/Amended%20Testimony-12.2.11.pdf>.

⁴ D.16-12-063 58 (Conclusion of Law (COL) 1).

⁵ *Id.* at 2.

⁶ D.19-02-004, Appendix A.

⁷ D.19-02-004 at 97 (Finding of Fact (FOF) 12).

⁸ D.20-08-034 at 2.

⁹ *Id.* at 18.

In the present proceeding, SoCalGas and SDG&E initially presented evidence consistent with these prior reasonableness reviews which had met the burden of proof for the Commission to find costs to be just and reasonable. For this showing, SoCalGas and SDG&E included evidence about the PSEP program, processes, and history, and extensive details about the projects that had costs being included for reasonableness review; this evidence amounted to about 1,650 pages and 400 pages for SoCalGas and SDG&E, respectively.¹⁰

In D.24-12-074, the Commission largely approved of SoCalGas's forecasted PSEP costs, with some exceptions.¹¹ However, for the costs presented for reasonableness review, the Commission declined to approve of the costs presented by SoCalGas and SDG&E "[i]n order to more fully develop the record of this proceeding," and "order[ed] that the PSEP reasonableness review be continued in Track 3 of this proceeding."¹² Specifically, the Commission ordered SoCalGas and SDG&E to present further evidence on: Overheads, AFUDC, property taxes, Company Labor (including Full-time Equivalents), Materials, Construction Contractor, Construction Management & Support, Environmental, Engineering & Design, Project Management & Services, Right of Way & Permits, General Management and Administration (GMA), and an explanation of the variance between estimates and costs.¹³

In response to this request, SoCalGas and SDG&E include in the supplemental testimony served herewith additional detail in support of the costs under review. Below is a table mapping the additional evidence requested by the Commission to where it is located in the supplemental testimony and workpapers.

¹⁰ See Ex.SCG-08 (42 pages for portions applicable to reasonableness review), Ex. SCG-08-WP-S volumes 2 through 5 and 8 (totaling approximately 1616 pages); Ex. SDG&E-08 (38 pages) and Ex. SDG&E-08-WP-S volumes 1 and 2 (357 pages).

¹¹ The Commission did not allow costs for the "contingency" factor for PSEP work, and disallowed certain costs related to proposed valve work.

¹² D.24-12-074 at 233.

¹³ *Id.* at 232-233.

Evidence to be Provided per Joint Case Management Statement	Testimony/Workpaper Update
Supporting documentation of Indirect Costs related to (1) “Overheads,” (2) AFUDC (including the costs these rates applied to), (3) property taxes (including the property these rates applied to)	The testimony of Sakif Wasif addresses overheads and the calculation of AFUDC and property tax. The testimony also explains the rationale for the primary factors that drive actuals for these cost categories, as well as why actual AFUDC and/or property tax can vary from estimated amounts.
A breakdown of Direct Costs and estimates for: (1) Company Labor (including FTEs), (2) Materials, (3) Construction Contractor, (4) Construction Management & Support, (5) Environmental, Engineering & Design, (6) Project Management & Services, (7) Right of Way & Permits, and (8) “GMA.”	Full-time equivalents (FTEs) have been added to Section IV.C. of all project workpapers and the corresponding methodology has been described in Chapter 1 of the supplemental testimony. ¹⁴ SoCalGas’s and SDG&E’s project workpapers include a breakdown of the requested direct cost categories as well. SoCalGas has also added Section IV.D. – Cost Impacts to all project workpapers, which provides detailed information pertaining to notable variances for the specified direct cost categories.
An overall explanation of the variance between estimates and costs.	SoCalGas and SDG&E have added Section IV.D. – Cost Impacts to all project workpapers, which provides detailed information pertaining to notable variances for the specified direct cost categories. Chapter 1 of the supplemental testimony addresses some examples of common drivers of cost variances.

Much of the evidence demonstrating the reasonableness of the costs being sought were already provided in Track 1 of this proceeding. In order to simplify review of Track 3 materials for intervenors and the Commission, where supplements were made within the prior testimony, SoCalGas and SDG&E will have redlined versions of the testimony available for intervenors and the Commission following this filing.

¹⁴ SoCalGas does not possess FTE data for construction contractors.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

This filing is made pursuant to D.24-12-074 and the Amended Scoping Memo in the instant proceeding. As the PSEP costs sought and testimony provided are supplemental to what has already been provided in Track 1, and this is not a new application, the application requirements of CPUC Rules 2.1 et seq. and 3.1 et seq. are inapplicable.

In addition, SoCalGas and SDG&E do not believe that this cover filing constitutes an “initial filing” requiring the affordability metrics, as set forth in D.22-08-023.¹⁵ However, in the interest of avoiding potential delays in this proceeding, the affordability metrics are attached hereto in Appendix A.

SoCalGas and SDG&E are serving this filing and the supplemental testimony on all parties to A.22-05-015 and A.22-05-016 (consolidated).

IV. CONCLUSION

SoCalGas and SDG&E request that the Commission find SoCalGas’s and SDG&E’s presented costs for PSEP reasonable, and approve the revenue requirement presented here and in the supporting testimony and workpapers.

Respectfully submitted,

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¹⁵ D.22-08-023 at 84-85 (OP 5-6).

APPENDIX A

Affordability Metrics

SoCalGas

AR20 METRIC FOR GAS CUSTOMERS (NON-CARE)

	Current Feb-2025	2026	
Climate Zone	AR20	AR20	Δ (%)
Zone 1, Coastal/ Inland Area	9.52%	9.81%	3.0%
Zone 2, Desert	4.05%	4.06%	0.0%
Zone 3, Mountains	5.01%	4.98%	-0.5%
Average	9.01%	9.27%	2.9%

AR50 METRIC FOR GAS CUSTOMERS (NON-CARE)

	Current Feb-2025	2026	
Climate Zone	AR50	AR50	Δ (%)
Zone 1, Coastal/ Inland Area	0.91%	0.90%	-1.0%
Zone 2, Desert	1.11%	1.11%	-0.5%
Zone 3, Mountains	1.27%	1.26%	-1.1%
Average	0.93%	0.92%	-1.0%

HM METRIC FOR GAS CUSTOMERS (NON-CARE) Los Angeles County

	Current Feb-2025	2026		
Climate Zone	Hours	Hours	Δ (hrs)	Δ (%)
Zone 1, Coastal/ Inland Area	2.77	2.71	-0.06	-2.2%
Zone 2, Desert	3.01	2.95	-0.07	-2.2%
Zone 3, Mountains	4.14	4.05	-0.09	-2.2%
Average	2.80	2.74	-0.06	-2.2%

MONTHLY GAS ESSENTIAL USAGE BILLS (NON-CARE)

	Current Feb-2025	2026		
Climate Zone	Bill (\$)	Bill (\$)	Δ (\$)	Δ (%)
Zone 1, Coastal/ Inland Area	\$49.38	\$50.17	\$0.78	1.6%
Zone 2, Desert	\$53.64	\$54.50	\$0.86	1.6%
Zone 3, Mountains	\$73.78	\$74.99	\$1.22	1.6%
Average	\$49.88	\$50.67	\$0.79	1.6%

MONTHLY GAS AVERAGE USAGE BILLS (NON-CARE)

	Current Feb-2025	2026		
Climate Zone	Bill (\$)	Bill (\$)	Δ (\$)	Δ (%)
Zone 1, Coastal/ Inland Area	\$74.52	\$75.70	\$1.18	1.6%
Zone 2, Desert	\$75.84	\$77.06	\$1.21	1.6%
Zone 3, Mountains	\$95.78	\$97.34	\$1.56	1.6%
Average	\$74.74	\$75.93	\$1.19	1.6%

Areas of Affordability Concern (AR20)

PUMA #	County / City	Climate Zone	# of Housing Units	2025	2026				Total Impact (2026 - 2025)
03721	Los Angeles County (North)-LA City (Northeast/North Hollywood & Valley Village) PUMA	SCG 1	60,113	100.0%	100.0%				0.0%
03722	Los Angeles County (Northwest)--LA City (North Central/Van Nuys & North Sherman Oaks) PUMA	SCG 1	66,340	17.2%	16.9%				-0.3%
03723	Los Angeles County (North)-LA City (North Central/Mission Hills & Panorama City) PUMA	SCG 1	42,981	11.42%	11.0%				-0.4%
03727	Los Angeles County (Central)--LA City (Central/Pacific Palisades) PUMA	SCG 1	83,690	12.7%	12.8%				0.0%
03728	Los Angeles County (Southwest)--Santa Monica City PUMA	SCG 1	59,802	11.7%	11.4%				-0.2%
03729	Los Angeles County (West Central)--LA City (West Central/Westwood & West Los Angeles) PUMA	SCG 1	103,670	35.2%	38.7%				3.5%
03730	Los Angeles County (West Central)--LA City (Central/Hancock Park & Mid-Wilshire) PUMA	SCG 1	85,302	10.1%	9.8%				-0.3%
03731	Los Angeles County (Central)--West Hollywood & Beverly Hills Cities PUMA	SCG 1	69,091	20.8%	21.2%				0.4%
03732	Los Angeles County (Central)--LA City (East Central/Hollywood) PUMA	SCG 1	92,097	62.1%	69.5%				7.4%
03733	Los Angeles County (Central)--LA City (Central/Koreatown) PUMA	SCG 1	51,641	100.0%	100.0%				0.0%
03734	Los Angeles County--LA City (East Central/Silver Lake, Echo Park & Westlake) PUMA	SCG 1	84,863	10.9%	10.4%				-0.5%
03738	Los Angeles County (Central)--El Monte & South El Monte Cities PUMA	SCG 1	35,270	18.8%	18.5%				-0.3%
03742	Los Angeles County (Central)--Huntington Park City, Florence-Graham & Walnut Park PUMA	SCG 1	29,088	10.6%	10.1%				-0.5%
03744	Los Angeles County (Central)--LA City (East Central/Central City & Boyle Heights) PUMA	SCG 1	65,418	100.0%	100.0%				0.0%
03746	Los Angeles County--LA City (Central/Univ. of Southern California & Exposition Park) PUMA	SCG 1	36,301	100.0%	100.0%				0.0%
03750	Los Angeles County (South Central)--LA City (South Central/Westmont) PUMA	SCG 1	57,870	11.5%	11.0%				-0.5%
03751	Los Angeles County (South Central)--LA City (South Central/Watts) PUMA	SCG 1	41,679	100.0%	100.0%				0.0%

SDG&E

AR20 METRIC FOR GAS CUSTOMERS (NON-CARE)

	Current Feb-2025	2026	
Climate Zone	AR20	AR20	Δ (%)
Coastal	3.89%	3.87%	-0.4%
Desert	3.08%	3.05%	-1.1%
Inland	4.05%	4.03%	-0.5%
Mountain	3.20%	3.17%	-1.0%
SDG&E	3.95%	3.94%	-0.5%

AR50 METRIC FOR GAS CUSTOMERS (NON-CARE)

	Current Feb-2025	2026	
Climate Zone	AR50	AR50	Δ (%)
Coastal	0.85%	0.83%	-1.9%
Desert	0.81%	0.79%	-2.0%
Inland	0.86%	0.84%	-1.9%
Mountain	0.81%	0.80%	-2.0%
SDG&E	0.85%	0.84%	-1.9%

HM METRIC FOR GAS CUSTOMERS (NON-CARE) City of San Diego

	Current Feb-2025	2026		
Climate Zone	Hours	Hours	Δ (hrs)	Δ (%)
SDG&E	3.06	2.96	-0.10	-3.3%

MONTHLY GAS ESSENTIAL USAGE BILLS (NON-CARE)

	Current Feb-2025	2026		
Climate Zone	Bill (\$)	Bill (\$)	Δ (\$)	Δ (%)
SDG&E	52.83	53.11	\$0.28	0.5%

MONTHLY GAS AVERAGE USAGE BILLS (NON-CARE)

	Current Feb-2025	2026		
Climate Zone	Bill (\$)	Bill (\$)	Δ (\$)	Δ (%)
SDG&E	66.32	66.66	\$0.35	0.5%

Areas of Affordability Concern (AR20)

PUMA #	County / City	Climate Zone	# of Housing Units	2025	2026				Total Impact (2026 - 2025)
06515	Riverside County--Palm Desert, La Quinta (West) & Desert Hot Springs Cities PUMA	SDG&E DESERT	0	11.5%	11.9%				0.4%
06515	Riverside County--Palm Desert, La Quinta (West) & Desert Hot Springs Cities PUMA	SDG&E MOUNTAIN	6	12.1%	12.4%				0.4%
07317	San Diego County (South Central)--San Diego City (Central/Mid-City) PUMA	SDG&E COASTAL	16,076	10.7%	11.2%				0.4%
07317	San Diego County (South Central)--San Diego City (Central/Mid-City) PUMA	SDG&E INLAND	49,134	11.0%	11.4%				0.5%