

Proceeding: A.22-05-005

Witness: Ronn Gonzalez, Travis T. Sera, Rae Marie Yu

**PREPARED SUPPLEMENTAL TESTIMONY OF  
RONN GONZALEZ, TRAVIS T. SERA, & RAE MARIE YU  
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY AND  
SAN DIEGO GAS & ELECTRIC COMPANY**

**June 10, 2022**

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



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1                   **PREPARED SUPPLEMENTAL TESTIMONY OF RONN GONZALEZ,**  
2   **TRAVIS T. SERA, & RAE MARIE YU**

3 **I.       PURPOSE**

4                   Southern California Gas Company (“SoCalGas”) and San Diego Gas & Electric  
5 Company (“SDG&E”) (together, “Applicants”) provide this supplemental testimony in support  
6 of their Application for Authority to Establish a Gas Rules and Regulations Memorandum  
7 Account (“Application”). As directed in the May 26, 2022 Administrative Law Judge (“ALJ”)   
8 Email Ruling Requiring Supplemental Testimony (“Ruling”),<sup>1</sup> this supplemental testimony is  
9 intended to provide further information on how Applicants intend to pursue incremental  
10 activities, and recover those resultant costs from ratepayers incurred because of amendments by  
11 the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) to Parts 191 and 192 of  
12 Title 49 of the Code of Federal Regulations (“C.F.R.”), Pipeline Safety: Safety of Gas  
13 Transmission and Gathering Pipelines (“GTGS Rulemaking”), and 49 C.F.R. Parts 192, 195,  
14 Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (“Valve Rule”)  
15 (collectively, the “Program”), for the years 2021, 2022 and 2023.

16 **II.       ADDITIONAL BASELINE INFORMATION OF HOW APPLICANTS INTEND**  
17 **TO PURSUE THE PROGRAM**

18                   The Ruling requested more baseline information on six topics the ALJ deemed necessary  
19 to evaluate how Applicants intend to pursue the Program.<sup>2</sup> Applicants provide below  
20 supplemental testimony addressing these topics. For ease of reference, the following table  
21 provides each topic and its corresponding section herein:

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<sup>1</sup> Administrative Law Judge’s Email Ruling Requiring Supplemental Testimony, dated May 26, 2022 (A.22-05-005).

<sup>2</sup> *Id.*

Topic	Description	Supplemental Testimony Section
1	The internal processes, management, and organization Applicants have or will establish to manage the Project.	B
2	The management oversight and approval processes in place or that will be in place to manage and control the quality of the work product to be undertaken for the Project.	C
3	The financial and other internal controls processes in place or that will be in place to manage and control the costs of the work product to be undertaken for the Project.	D
4	The methodology that will be used to determine which Project costs are incremental costs beyond allowances already in rates for both the general management and operation of the pipeline system and compliance with existing federal regulations	E
5	Should the separate rule changes have separate memo accounts?	F
6	Whether Applicants propose to utilize the memorandum accounts for the duration of the Project and why, or whether, the companies will transition the Project to be included the next general rate case (“GRC”) cycle (not the recently filed proceeding).	A

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**A. Whether Applicants Propose to Utilize the Memorandum Accounts for the Duration of the [Program] and Why, or Whether, the Companies Will Transition the [Program] to be Included in the Next General Rate Case (“GRC”) Cycle (not the recently filed proceeding)<sup>3</sup> (Witness: Travis T. Sera)**

Applicants propose to track compliance expenses incurred for the years 2021, 2022, and 2023 in the Gas Rules and Regulations Memorandum Account (“GRRMA”) as an interim measure before the next GRC cycle. As explained in the instant application,<sup>4</sup> due to PHMSA’s publication timing, the Gas Transmission Safety (“GTS”) Rule Parts 1 and 2 and Valve Installation and Minimum Rupture Detection Standards (“Valve Rule”) were not considered in the Applicants’ existing GRC cycle (years 2019-2023). Therefore, expenses incurred during

<sup>3</sup> SoCalGas and SDG&E each respectively filed their TY 2024 GRC applications, A.22-05-015 and A.22-05-016, on May 16, 2022.

<sup>4</sup> Application at 9-10.

1 2021-2023 are considered incremental to the current GRC. As to expenses forecasted to be  
2 incurred in 2024 and onward, Applicants requested in their pending Test Year (“TY”) 2024 GRC  
3 Application<sup>5</sup> a balancing account for these activities and expect to no longer record new project  
4 costs in the GRRMA once the GRC outcome is determined.<sup>6</sup> Given that there are no existing  
5 accounts that would cover the incremental activities discussed in the Application, the GRRMA  
6 would serve as a bridge until the TY 2024 GRC becomes effective, allowing Applicants to  
7 record costs for the years 2021, 2022, and 2023. For compliance obligations commencing in  
8 2028 and beyond, Applicants will determine how Program activities and their forecasted costs  
9 will be integrated into their next GRC cycle based on the circumstances existing near the time of  
10 their TY 2028 GRC Application filing, presumably in 2026.

11 As it pertains to costs incurred prior to 2024, Applicants will record in the GRRMA any  
12 on-going capital-related costs associated with those projects until the Commission issues a cost  
13 recovery decision and the capital assets are included in a future GRC.

14 **B. Internal Processes, Management, and Organization Applicants Have**  
15 **or Will Establish to Manage the [Program] (Witness: Ronn Gonzalez**  
16 **& Travis T. Sera)**

17 Applicants’ implementation of the Program will be jointly managed and overseen by  
18 Applicants’ (1) Construction, and (2) Gas Engineering & System Integrity organizations. The  
19 Construction organization is responsible for executing the planning and construction of projects

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<sup>5</sup> SoCalGas TY 2024 GRC Application, Ex. SCG-09 (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022), introduced on AK-TS-62, available at [https://www.socalgas.com/sites/default/files/SCG-09\\_Direct\\_Testimony\\_of\\_Kitson\\_Sera\\_Gas\\_Integrity\\_Programs\\_0.pdf](https://www.socalgas.com/sites/default/files/SCG-09_Direct_Testimony_of_Kitson_Sera_Gas_Integrity_Programs_0.pdf); SDG&E TY 2024 GRC Application, Ex. SDGE-09 (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022), introduced on AK TS-24, available at [https://www.sdge.com/sites/default/files/regulatory/SDGE-09\\_Direct\\_Testimony\\_of\\_Kitson\\_Sera\\_Gas\\_Integrity\\_Programs.pdf](https://www.sdge.com/sites/default/files/regulatory/SDGE-09_Direct_Testimony_of_Kitson_Sera_Gas_Integrity_Programs.pdf).

<sup>6</sup> See Application at 13-14. [I]n connection with their TY 2024 GRC, Applicants will be requesting a balancing account for these activities commencing with the effective date of the TY 2024 GRC in 2024 and expect to no longer record any new project costs from 2024 and beyond in the GRRMA once such a balancing account is established.

1 that address natural gas pipelines and valves that are determined to fall within the Program’s  
2 scope. The Gas Engineering & System Integrity organization is responsible for interpreting  
3 regulatory requirements and establishing policies related to the Program, as well as managing  
4 pipeline system integrity data.

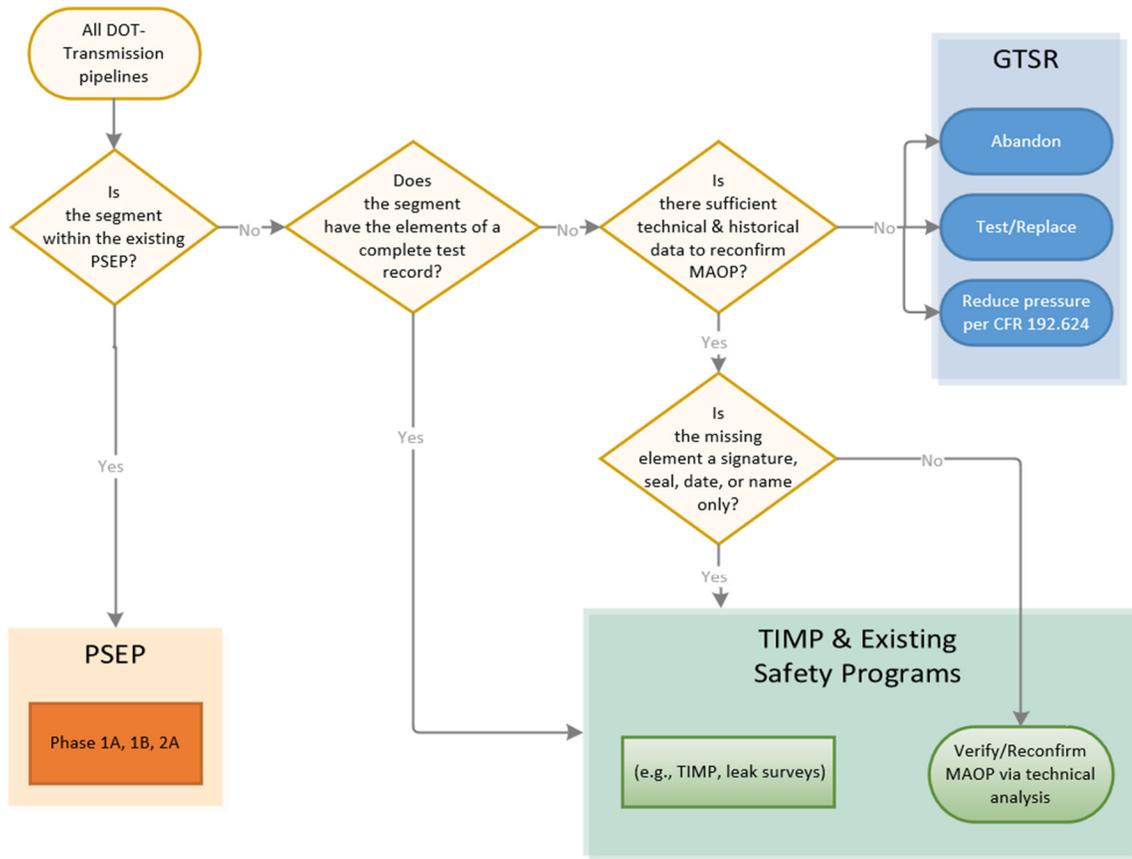
5 **1. GTSR Part 1 Management**

6 **a. Scoping Process**

7 Both the Construction and Gas Engineering & System Integrity organizations will apply  
8 established internal processes used for other similar programs, such as the Pipeline Safety  
9 Enhancement Plan (“PSEP”) and Transmission Integrity Management Program (“TIMP”), where  
10 applicable. The Gas Engineering & System Integrity organization plan to utilize a newly created  
11 flowchart to determine how pipe segments are delineated between existing programs (i.e., PSEP,  
12 TIMP, etc.) and the incremental aspects of GTSR Part 1 that will be subject to GRRMA tracking.  
13 Figure 1 below illustrates how Program delineation at a project’s initial stage will establish the  
14 scope based on the program requirements and assign the appropriate cost treatment. Upon  
15 completion of the project scoping and delineation activity, pipeline segments identified for  
16 incremental testing or replacements under GTSR Part 1 will be handed over to the Construction  
17 organization for project execution.

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**Figure 1 – GTSR Planning Flow Chart<sup>7</sup>**



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**b. Planning and Execution of Pipeline Projects Subject to GTSR Part 1**

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Applicants have a longstanding history of planning and executing large-scale/major

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projects in accordance with reasonable and prudent internal processes and controls, as well as

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established industry standards.<sup>8</sup> The Construction organization is responsible for the execution of

<sup>7</sup> See SoCalGas TY 2024 GRC Application, Exh. SCG-09, Appendix B (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022). See also SDG&E TY 2024 GRC Application, Exh. SDGE-09, Appendix B (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022). Flowchart as proposed in the TY 2024 GRC A.22-05-015 and A.22-05-016 in response to Ordering Paragraph 15 of D.19-09-051 and federal requirements to present the rationale for the identification of pipelines. Also provided as Exhibit 1 in the Prepared Testimony of Travis T. Sera.

<sup>8</sup> See PSEP Decisions D.16-12-063, D.19-02-004, D.19-03-025, and D.20-08-034; approval for recovery of Storage Integrity Management Program Balancing Account (“SIMPBA”) costs in Resolution G-3544, at 4-5.

1 major gas projects which includes PSEP, TIMP, Compressor Modernization projects, and others,  
2 and was developed to consolidate expertise in project and portfolio management and controls.  
3 The Construction organization’s primary objective is the application of a scalable, consistent  
4 framework that incorporates best practices for infrastructure projects across the portfolio.

5 **i. Capital Delivery Model**

6 The Construction organization operates according to a Capital Delivery Model (“CDM”),  
7 which was initially pioneered by Applicants for the PSEP program (this includes the stage-gate  
8 process, see Section C below for additional discussion). CDM is a comprehensive approach to  
9 deliver energy infrastructure projects and programs that considers key components required for  
10 planning, managing, and executing a diverse range of construction projects. To achieve the goals  
11 of CDM, the programs comprising the Construction organization portfolio are governed and  
12 managed by a wide variety of personnel with specific disciplines and expertise, which include  
13 the Program Management Office (“PMO”), Project Development and Management teams,  
14 Budgeting and Administration group, Construction Operations, and executive leadership. These  
15 individuals execute many crucial roles for the organization, including organizational level  
16 oversight, development of policies to promote standardization and accountability, managing  
17 portfolio budgeting, and creating reporting metrics to keep management apprised of progress for  
18 all construction projects.

19 **ii. Scope Validation**

20 As with any project that will be planned and executed by the Construction organization,  
21 projects that are initially determined to fall within the scope of the Program must first undergo a  
22 robust scope validation process. This step must be completed as a part of Applicants’ due  
23 diligence process prior to proceeding with the subsequent planning and execution of a particular

1 project. To do this, project teams perform a critical assessment of pipeline records and also  
2 review data from internal databases to validate project mileage. As a result of this process, scope  
3 refinements validate the mileage subject to the PHMSA (or other mandated) regulations, and  
4 many times result in reductions to the in-scope mileage, which ultimately benefits ratepayers  
5 through cost avoidance. Past PSEP filings have demonstrated<sup>9</sup> verifiable cost avoidance due to  
6 the robust scope validation process that will be applied to projects subject to this Program as a  
7 critical step.

## 8 **2. GTSR Part 2 Management**

9 The scoping of GTSR Part 2 projects will be managed similarly to GTSR Part 1 projects  
10 as presented in Section B.1.a; existing programs and scopes will be reviewed and evaluated  
11 against the requirements of the GTSR Part 2 to determine applicability. Pending the issuance of  
12 the final rule, Applicants are reviewing current programs, processes, and gas standards to  
13 determine applicable updates/changes to comply with the rule.

## 14 **3. Valve Rule Management**

15 The scoping of the Valve Rule projects will also be managed by evaluating existing  
16 program scopes, such as the PSEP Valve Enhancement Plan (“PSEP VEP”), and determining the  
17 applicability to the Valve Rule as further described in Section E.3 below. The project activity  
18 associated with required installation of Rupture Mitigation Valves (“RMVs”) as part of the  
19 PHMSA Valve Rule are also expected to follow the existing CDM. Currently, Applicants are in  
20 the process of updating emergency procedures, gas standards, and reviewing policies to confirm  
21 what updates/changes are required to comply with the new rule.

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<sup>9</sup> See Amended Direct Testimony of Rick Phillips (Ch. 2, Execution) in SoCalGas and SDG&E’s 2018 Reasonableness Review, A.18-11-010, available at [https://www.socalgas.com/regulatory/documents/a-18-11-010/Chapter\\_2\\_Execution\\_Phillips.pdf](https://www.socalgas.com/regulatory/documents/a-18-11-010/Chapter_2_Execution_Phillips.pdf).

1           **C. Management Oversight and Approval Processes in Place or That Will**  
2           **be in Place to Manage and Control the Quality of the Work Product**  
3           **to be Undertaken for the [Program] (Witness: Ronn Gonzalez)**

4           Similar to PSEP, the scope of work scheduled to be completed under the Program is  
5 extensive, both in terms of the volume of projects, engineering and design complexity, and the  
6 time and resources necessary to complete each project. Successful implementation of the  
7 Program will require Applicants to utilize existing internal processes and controls that are  
8 currently in place, and which have enabled Applicants to manage its other large capital projects,  
9 such as PSEP and TIMP, in a cost-effective and consistent manner. Gas Engineering & System  
10 Integrity will continue to manage and maintain the pipeline integrity database and Construction  
11 will continue to follow the CDM, as described above in Section B.1.b.i., and additionally below.

12                           **1. Program Management Office**

13           As acknowledged by the Commission,<sup>10</sup> one of the most critical elements of reasonable  
14 and prudent project implementation is the employment of a dedicated PMO. The PMO will  
15 support the Program through a variety of functions, including but not limited to, identification  
16 and implementation of continuous improvements; implementation of proper controls and  
17 management across the functional areas to verify that each component of a CDM project (e.g.,  
18 design, material procurement, construction, and closeout) is performed consistent with  
19 Applicants' processes; and development/enhancements of standards and procedures to support

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<sup>10</sup> See Technical Report of the Consumer Protection and Safety Division Regarding the Southern California Gas Company and San Diego Gas and Electric Company Pipeline Safety Enhancement Plan, dated January 17, 2012 (R.11-02-019), at 22; available at <https://docs.cpuc.ca.gov/PublishedDocs/EFILE/REPORT/157530.PDF>. The Safety and Enforcement Division ("SED") (formerly known as the Consumer Protection and Safety Division) in its 2012 Technical Report on the SoCalGas and SDG&E's PSEP, having a centralized PMO is a prudent measure to promote effective management of the program: "CPSD believes the Companies are approaching the need to manage the PSEP in a reasonable manner and that the PMO will be critical to the proper execution of PSEP." The Commission deemed the PMO and associated costs reasonable in their final decision on SoCalGas and SDG&E's first PSEP reasonableness review in D.16-12-063 at 33-34 and 58 (Conclusion of Law 10), as well as SoCalGas' 2019 GRC. See D.19-09-051 at 209.

1 consistent execution of projects. The PMO also collaborates with the project portfolio teams to  
2 provide functional guidance on project design and construction to cost effectively meet or exceed  
3 compliance requirements; follow applicable industry best practices; and identify and incorporate  
4 process improvements. Lastly, the PMO manages and facilitates the stage gate process, which is  
5 a central tenet of the CDM.

## 6 **2. Stage Gate Review Process**

7 The Stage Gate Review process provides the assurance that projects meet all established  
8 requirements for planning, execution, and completion.<sup>11</sup> The process consists of five stages. Each  
9 stage includes a checklist containing the requisite deliverables that must be completed, and an  
10 evaluation by Construction leadership to verify that the stage-specific objectives have been met  
11 before proceeding to the next stage. The five stage gates are:

- 12 • Stage 1 (Project Initiation and Business Case)
- 13 • Stage 2 (Preliminary Design and Option Selection)
- 14 • Stage 3 (Detailed Design/Procurement)
- 15 • Stage 4 (Construction)
- 16 • Stage 5 (Closeout)

## 17 **3. Executive Steering Committee**

18 In addition to the stage gate process, monthly Capital/Gas Projects Executive Steering  
19 Committee (“ESC”) briefings are facilitated by the PMO to give leaders and officers an  
20 opportunity to review and offer feedback on the status and progress of major capital projects,

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<sup>11</sup> SoCalGas and SDG&E’s application of this process, as well as broader oversight and controls, dates to the earliest PSEP projects and has been found reasonable by the Commission in numerous instances. See D.16-12-063 at 59 (Conclusion of Law 15), D.19-02-004 at 10-11, 97-99 (Findings of Fact 13, 19, and 33), and D.19-03-025 at 44. Although initially developed for PSEP, SoCalGas now employs the stage-gate methodology Company-wide for large projects, as well as a scalable stage-gate methodology for smaller, standard design projects.

1 which would eventually include this Program as it progresses. The ESC briefings may include  
2 forecasted and actual project expenditures, safety and environmental compliance metrics, key  
3 accomplishments, and emerging challenges or synergies, among others. Through these review  
4 sessions, Applicants promote transparency and accountability for the major capital projects they  
5 manage, and benefit from the additional layer of oversight that occurs.

6 **D. Financial and Other Internal Controls Processes in Place or That Will**  
7 **be in Place to Manage and Control the Costs of the Work Product to**  
8 **be Undertaken of the [Program] (Witness: Ronn Gonzalez)**

9 As previously explained in section C and the Direct Testimony of Travis T. Sera,<sup>12</sup> the  
10 scope of the Program is extensive, complex, and requires resources and funding to meet federal  
11 mandates at the required timelines. The cost and program controls Applicants have put in place  
12 will reinforce the effective management of costs and position Applicants to efficiently execute  
13 the scope of work in the required timeframe.<sup>13</sup> If PSEP projects overlap the scope of work  
14 required as part of GTSR Part 1, the project costs and execution will be managed through the  
15 PSEP program. If GTSR Part 1 scope is driving the project and is not subject to PSEP, costs will  
16 be recorded to the GRRMA following PHMSA’s guidelines.

17 **1. Cost Avoidance Philosophy**

18 Once the Construction organization begins planning a project that is determined to be

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<sup>12</sup> See Direct Testimony of Travis T. Sera, Section II.D at 7-8.

<sup>13</sup> Performance audits of SoCalGas and SDG&E’s balancing accounts were conducted by the Commission Utility Audits Branch (“UAB”), pursuant to Public Utilities (“PU”) Code Section 792.5 as recently as last year, concluding for SoCalGas and SDG&E each respectively that transactions recorded in their balancing accounts were for allowable purposes and supported by appropriate documentation and that its balancing accounts for the audit period were established and maintained in accordance with CPUC directives, orders, rules, regulations, and their policies and procedures. See Southern California Gas Company Balancing Accounts Performance Audit, January 1, 2018 through December 31, 2018, Dated April 27, 2021; available at [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2021/energy\\_2021-04-27\\_scg\\_ba.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2021/energy_2021-04-27_scg_ba.pdf), and San Diego Gas & Electric Company Balancing Accounts Performance Audit, January 1, 2018 through December 31, 2018, Dated December 20, 2021; available at [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2021/energy\\_2021-12-20\\_sdge\\_ba.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/utility-audits--risk--and-compliance-division/reports/energy/2021/energy_2021-12-20_sdge_ba.pdf).

1 within the Program’s scope, the organization will use cost control tools and CDM processes to  
2 accurately track and account for costs specific to the Program. This will be achieved through  
3 scope validation as discussed above, sequencing of projects to maximize efficiency and  
4 productivity, and competitive procurement efforts.

5 Applicants intentionally schedule construction projects in such a way to maximize a  
6 productive workforce. Construction start dates are tentatively slated months in advance to  
7 maintain a steady flow of work to the construction teams. The various functional groups that  
8 support execution of a project are consulted prior to these dates being established. The expected  
9 construction completion dates of projects are monitored frequently so that new projects can be  
10 planned and executed in a timely manner. In addition, project teams work with stakeholders in  
11 various operating departments (i.e. Gas Distribution, Gas Transmission, and Underground  
12 Storage) to confirm and incorporate overlapping and/or adjacent scope on each pipeline. This  
13 coordination minimizes construction mobilizations across the companies, thereby saving  
14 expenditures and resources in various areas.

15 Cost savings are also achieved through prudent procurement, whereby Applicants  
16 achieve negotiated and market-based costs for the benefit of customers. Applicants strive to  
17 minimize project execution costs through cost-avoidance efforts that focus on efficiencies  
18 identified in the engineering and design process through efficient procurement practices,  
19 coordination and scheduling effectiveness, and construction execution. To promote the  
20 reasonableness of these costs, Applicants rely on proven supply management techniques and  
21 strategies to acquire materials and services. The majority of agreements entered into for materials  
22 and services have been either competitively bid or set at market-based rates stemming from  
23 previous competitive solicitations. In other words, in addition to individual bidding events, as

1 appropriate, Applicants execute agreements by leveraging terms and conditions and rates from  
2 existing agreements. When acquiring material, material bids are designed to obtain multiple  
3 quotes for the best pricing options, promote work with select firms for efficiency of process, and  
4 encourage the development of local resources and sourcing.

5 **E. Methodology That Will be Used to Determine Which [Program] Costs**  
6 **are Incremental Costs Beyond Allowances Already in Rates for Both**  
7 **the General Management and Operation of the Pipeline System and**  
8 **Compliance with Existing Federal Regulations. (Witnesses: Ronn**  
9 **Gonzalez and Travis T. Sera)**

10 Using the flow chart in Figure 1 and the examples below, the scope of GTSR Part 1 is  
11 described to distinguish the new program requirements that extend beyond TIMP requirements  
12 and are incremental to the currently authorized PSEP Phases 1A, 1B, and 2A. The GTSR Part 1  
13 maximum allowable operating pressure (“MAOP”) reconfirmation requirements expand pressure  
14 test or replacement scope to include all transmission segments in Class 3, Class 4, and high  
15 consequence areas (“HCAs”) that do not have traceable, verifiable, and complete (“TVC”) test  
16 records;<sup>14</sup> this includes pipeline segments that were deferred to PSEP Phase 2B, for which  
17 applicants were ordered to propose an implementation plan in a future filing.<sup>15, 16</sup>

18 The following scenarios are provided as illustrative examples to demonstrate that projects  
19 will be tracked and recorded based upon a determination of the activities that are driven by  
20 PHMSA’s GTSR Part 1 requirements (e.g. not currently in scope of existing PSEP or TIMP  
21 programs) and are therefore incremental activities:

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<sup>14</sup> 84 Fed. Reg. 52218-52219.

<sup>15</sup> Direct Testimony of Travis T. Sera at 3:6-9. *See also* D.19-09-051 at 198, 221.

<sup>16</sup> Ordering Paragraph 15 of D19-09-051 required SoCalGas to file a proposed PSEP Phase 2B implementation plan as part of its 2019 Risk Assessment Mitigation Plan (“RAMP”). An extension of time to comply with this order in D.19-09-051 was granted to both SoCalGas and SDG&E, where the implementation plans were filed as part their respective TY 2024 GRC Applications. *See* SoCalGas TY 2024 GRC Application, Exh. SCG-09, Appendix B and C (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022); SDG&E TY 2024 GRC Application, Exh. SDGE-09, Appendix B and C (Direct Testimony of Amy Kitson and Travis Sera, dated May 2022).

1                   **1.       GTSR Part 1**

2                   a.       Projects that fall into the PSEP<sup>17</sup> category will be recovered under  
3 the applicable existing PSEP cost recovery mechanisms.<sup>18</sup> In cases where newly identified GTSR  
4 Part 1 projects overlap with PSEP, the overlapping scope will continue to be managed under  
5 PSEP and is not considered incremental, since GTSR Part 1 is not the key driver of additional  
6 cost or scope. For example, approximately 34 miles have been reconfirmed since 2021 as a result  
7 of completing PSEP projects after the scope of GTSR Part 1 was established. Currently,  
8 Applicants have identified approximately 113 total miles of PSEP and GTSR Part 1 overlap that  
9 will not be charged to the GRRMA.<sup>19, 20</sup>

10                  b.       Projects that are determined to have incomplete test records based  
11 on 49 C.F.R. § 192.624(a) become eligible for costs recorded under the GRRMA. Specifically,  
12 associated testing,<sup>21</sup> replacement, or pressure reduction activities would be recorded under the  
13 GRRMA to fulfill the compliance obligation under 49 C.F.R. § 192.624. The GTSR Part 1 costs  
14 described in Table 1 of the Direct Testimony of Travis T. Sera are attributed to the initiation of  
15 project planning and execution that will be necessary to comply with the federally established  
16 July 2028 50% deadline.

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<sup>17</sup> See *Id.* at 3:1-6. PSEP Phase 1A specifically includes transmission segments in Class 3 and 4 location and Class 1 and 2 locations in HCAs that do not have sufficient documentation of a pressure test to 1.25 MAOP; PSEP Phase 1B includes pipeline segments installed before 1946 and are not piggable; PSEP Phase 2A includes transmission pipelines that do not have sufficient documentation of a pressure test to at least 1.25 MAOP and are located in Class 1, Class 2 and non-HCAs.

<sup>18</sup> Per D.14-06-007 and D.16-08-003.

<sup>19</sup> Of the 113 total miles, 89 miles are attributed to SoCalGas, and 24 miles are attributed to SDG&E.

<sup>20</sup> Further, Applicants have initiated detailed planning for approximately nine (9) miles of incremental projects to begin preparing for the 50% milestone by 2028. These projects will serve as pilots used by Applicants to develop or enhance best practices for scope and cost management between existing and incremental activities. See Direct Testimony of Travis T. Sera, at 2:18-21.

<sup>21</sup> SoCalGas and SDG&E plan to capitalize costs incurred to reconfirm pipeline MAOP through pressure testing in accordance with FERC’s accounting guidance issued on June 23, 2020, which determined that first-time and one-time retesting costs made necessary by subsequently issued federal safety standards can be capitalized.

1                   **2.       GTSR Part 2 (Witness: Travis T. Sera only)**

2                   Pending issuance of the final rule, Applicants are reviewing proposed changes to regulations  
3 to determine applicability. As with the considerations for the GTSR Part 1 discussed above and the  
4 Valve Rule discussed below, Applicants will evaluate existing regulations and programs to  
5 determine applicable scope and associated cost.

6                   **3.       Valve Rule (Witness: Travis T. Sera only)**

7                   The following three requirements of the new Valve Rule detail the scope of work that will be  
8 booked to the GRRMA, which is beyond the scope of what is currently defined for the PSEP VEP.

9                   a.       First, the Valve Rule requires RMVs for a smaller diameter  
10 transmission line. For instance, the PSEP VEP focuses on adding RMVs on replacements that are  
11 either 12- or 20-inches or greater in diameter, depending on the specified minimum yield strength  
12 (“SMYS”) value of the line. As part of the PSEP VEP, consideration is given to lines that are either  
13 (1) 12 inches or greater in diameter that operate in excess of 30% SMYS or (2) 20 inches or greater  
14 in diameter, operating in excess of 20% SMYS. Projects that qualify for GRRMA under The Valve  
15 Rule include all onshore transmission lines that are 6 inches or greater, up to 12-inch or 16-inch  
16 pipelines with qualifying SMYS.<sup>22</sup>

17                   b.       The PSEP VEP primarily requires RMVs on replaced lines, whereas  
18 the Valve Rule requires the installation of RMVs for both newly constructed lines and entirely  
19 replaced transmission pipeline segments.<sup>23</sup> While both require the installation of RMVs for line  
20 replacements, the GRRMA will incrementally include RMVs installed on newly constructed  
21 pipelines and pipeline replacement projects outside of PSEP based on the expanded Valve Rule  
22 requirements.

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<sup>22</sup> 49 C.F.R. §§ 192.179, 192.610, 192.634.

<sup>23</sup> 49 C.F.R. §§ 192.179, 192.634.

1 c. The Valve Rule requires updates to business processes that (1)  
2 require greater coordination with emergency agencies, (2) requires more comprehensive  
3 procedures for investigations into failures and incidents, and (3) establishes criteria around  
4 identifying and responding to pipeline ruptures as well as potential ruptures.<sup>24</sup> Each of these  
5 elements are new and incremental to the existing PSEP valve requirements.

6 **F. Should the Separate Rule Changes Have Separate Memo Accounts?**  
7 **(Witness: Rae Marie Yu)**

8 Applicants recognize the varying scope of compliance activities required by GTSR Parts  
9 1 and 2 and the Valve Rule. Further, since the time this Application was submitted requesting  
10 authorization to establish a GRRMA, final rules for GTSR Part 1 and the Valve Rule have been  
11 issued, while GTSR Part 2 has yet to be finalized and is not currently effective.<sup>25</sup> Applicants thus  
12 propose to create subaccounts under the GRRMA to transparently track each regulation  
13 separately. To start, Applicants will create their GRRMA with three subaccounts: (1) GTSR Part  
14 1 Subaccount, (2) GTSR Part 2 Subaccount, and (3) Valve Rule Subaccount. This regulatory  
15 account structure is similar to that of the New Environmental Regulation Balancing Account  
16 (“NERBA”).<sup>26</sup> Applicants included post 2023 forecasted costs related to these Rules in their TY  
17 2024 GRC to be recorded in a proposed Gas Safety Enhancement Program Balancing Account  
18 (“GSEPBA”), and therefore do not anticipate a need to create additional subaccounts under the  
19 GRRMA if the GSEPBA is approved in the pending GRC application.

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<sup>24</sup> 49 C.F.R. §§ 192.615, 192.617, 192.635, 192.636.

<sup>25</sup> See Direct Testimony of Travis T. Sera at 1:11-15, 3:11-12, 4:15-17. PHMSA issued the final rule for the GTSR Part 1 on October 1, 2019 with an effective date of July 1, 2020. On April 8, 2022, PHMSA issued the final Valve Rule with an effective date of either October 5, 2022 or April 10, 2023 based on the specific requirements imposed. PHMSA is anticipated to publish the Final Rule for GTSR Part 2 in June 2022 and will impose compliance obligations taking effect as early as 2023.

<sup>26</sup> SoCalGas and SDG&E’s respective preliminary statements for the NERBA are available at <https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/NERBA.pdf> and [https://tariff.sdge.com/tm2/pdf/GAS\\_GAS-PRELIM\\_NERBA.pdf](https://tariff.sdge.com/tm2/pdf/GAS_GAS-PRELIM_NERBA.pdf).

1           **G.     Supporting Workpapers (Witness: Travis T. Sera)**

2           Pursuant to the Ruling, Applicants provide attached hereto as Exhibit A all of the  
3 workpapers supporting Table 1 in the Application and all other estimates provided in the  
4 Application, testimony, and supplemental testimony.

5           **III.    CONCLUSION**

6           This concludes our prepared supplemental testimony.

1 **IV. QUALIFICATIONS**

2 **RONN GONZALEZ**

3 My name is Ronn Gonzalez. My business address is 555 West Fifth Street, Los Angeles,  
4 California, 90013-1011. I have been employed by SoCalGas since 2013 and had previously  
5 worked for the company from 2002 to 2007. I have held various positions at SoCalGas in the  
6 Engineering, Operations and the Construction Organizations. These roles included working as  
7 the Region Associate Engineer, Pipeline Design Engineer, and the Execution Manager of PSEP  
8 where I was responsible for overseeing all pipeline and valve projects for both SDG&E and  
9 SoCalGas. In addition to the pipeline projects, I managed the Blythe, Moreno, Ventura and  
10 Honor Rancho compressor modernization projects. I have also worked for two Engineering,  
11 Procurement and Construction (“EPC”) contracting firms from 2007 until 2013 where I  
12 supported and managed several large capital projects in the oil and gas industries.

13 I am currently employed as the Construction Portfolio Strategy Manager. My principal  
14 responsibility is to provide execution strategy for SoCalGas’ Construction programs including  
15 GTSR Part 1 portfolio. I also provide support with SDG&E’s GTSR Part 1 portfolio strategy. I  
16 received a Bachelor’s degree in Mechanical Engineering from the University of Arizona, and I  
17 am a Registered Mechanical Engineer in the State of California.

18 I have previously testified before the California Public Utilities Commission.  
19

1           **RAE MARIE YU**

2           My name is Rae Marie Yu. I am employed by SoCalGas. My business address is 555  
3 West Fifth Street, Los Angeles, California, 90013-1011. I am currently the Regulatory Accounts  
4 Manager of the Regulatory Accounts group within the Accounting and Finance Department. I am  
5 responsible for managing SoCalGas' authorized regulatory balancing, tracking, and  
6 memorandum accounts. My responsibilities include: implementation of regulatory accounting  
7 procedures for compliance with Commission directives; quantifying and recording the monthly  
8 entries and adjustments to the Commission-authorized regulatory account mechanisms; and  
9 managing the general administration of SoCalGas' authorized regulatory accounts. Previous to  
10 this role, I held various positions within the Accounting and Finance Department. I received my  
11 Bachelor of Science degree in Accounting from San Diego State University in 2007. I am also a  
12 Certified Public Accountant. I began my employment with SoCalGas in 2007 in the Accounting  
13 and Finance Department where I have held various positions of increasing responsibility in  
14 Accounts Payable, Plant Accounting, Business Controls, Regulatory Accounts, Fixed Assets, and  
15 Operational Planning before assuming my current position.

16           I have previously testified before the California Public Utilities Commission.