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**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.

Application 25-04-020
(Filed April 30, 2025)

**OPENING BRIEF OF
SMALL BUSINESS UTILITY ADVOCATES**

PUBLIC VERSION



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SUMMARY OF RECOMMENDATIONS

Small Business Utility Advocates (SBUA) respectfully requests that the California Public Utilities Commission (Commission):

1. Fully reject Southern California Gas Company's (SoCalGas) request for cost recovery of \$173.8 million related to Transmission Integrity Management Program (TIMP) expenses;
2. Require SoCalGas to complete the study mandated by D.24-12-074, which remains unfinished, before authorizing the recovery of TIMP expenses; and
3. Order SoCalGas to perform this study in advance of its next General Rate Case (GRC) and to seek its recovery of TIMP expenses through that proceeding.

In the alternative, SBUA requests the Commission keep this proceeding open but require that SoCalGas submit supplemental testimony demonstrating that its overspending of \$173 million in TIMP expenditures was justified. As the record currently stands, SoCalGas has not adequately shown that its expenditures were: (1) necessary to comply with changes to the Code of Federal Regulations, or otherwise reasonably incurred; (2) incremental to prior Commission approvals; and (3) not duplicative of prior inspection efforts.

In the further alternative, if the Commission is inclined to authorize cost recovery in this proceeding, SBUA requests, at a minimum, that the Commission:

- (1) Reject \$62.3 million of the requested amount. This disallowance is necessary because SoCalGas provided no workpapers substantiating the reasonableness of those costs;
- (2) Reject cost recovery for desert-area inspections, because SoCalGas' asserted reasons for these cost overruns were foreseeable and avoidable; and
- (3) Require SoCalGas to seek recovery of these disallowed expenses, if at all, in its next

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I. INTRODUCTION

Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Small Business Utility Advocates (“SBUA”) files this Opening Brief relating to the Southern California Gas company’s (“SoCalGas” or “SCG”) application to recover costs associated with its Transmission Integrity Management Program Balancing Account (“TIMPBA”).

SBUA’s primary concerns in this proceeding are to ensure that ratepayers, including small business customers, are protected from bearing disproportionate costs, and that SoCalGas’ recoverable costs for transmission management are justified and reasonable. At this stage, the Commission should deny SoCalGas’ request to recover \$173.8 million in TIMPBA under-collections, because SoCalGas has failed to affirmatively demonstrate that its requested costs are “just and reasonable.” Furthermore, an independent study commissioned to evaluate the effectiveness of this TIMP program has not yet been completed, and because SoCalGas has significantly exceeded its prior approval for cost recovery, SBUA contends that cost recovery

through this application is premature, and that the Commission would benefit from reviewing this application in conjunction with the findings of that study.¹ It would also be reasonable to review this application as part of SoCalGas' next General Rate Case ("GRC"), which will be filed in 2026 (to be effective in 2028). In other words, the timing for review and approval of all costs requested in this proceeding are also appropriate for review within SoCalGas's next GRC, which would allow for a comprehensive review of all infrastructure programs, rather than the piecemeal review requested herein.

The record in this case, including SBUA's Direct and Rebuttal Testimony, establishes that SoCalGas: (1) did not provide project-level justifications for its expenditures; (2) withheld, or otherwise failed to produce, critical inspection and planning documents necessary to evaluate prudence; (3) did not affirmatively show that work performed was non-duplicative of prior (recent) work, or that SoCalGas was otherwise *required* to directly respond to changes in the Code of Federal Regulations (CFR) to re-inspect transmission lines; (4) did not provide meaningful alternatives analyses, or discuss cost-effectiveness; (5) did not quantify the impact of federal rule changes or explain why work was effectively "front-loaded;" (6) failed to provide any workpapers for a large portion (36%) of all requested costs, thereby making it difficult for parties to evaluate the reasonableness of its request; and (7) did not establish a record substantiating that costs were "incremental," beyond those approved through the 2019 GRC.

As such, the Commission should not deem SoCalGas' current requested cost recovery

¹ SBUA-01 at 1;5 (citing Decision 24-12-074, Ordering paragraph 34, noting that Southern California Gas Company (SoCalGas) shall perform an independent study of the efficiency of SoCalGas's Transmission Integrity Management Program and Distribution Integrity Management Program programs and related activities, including their management, to determine how best to improve their effectiveness, efficiency, and cost-effectiveness. A report of the study's findings shall be filed with SoCalGas's application in the next general rate case.)

reasonable, because it has not produced sufficient documentation or narrative explaining why its efforts were necessary. As SBUA notes in Direct Testimony, SoCalGas' application consists heavily of accounting-level summaries, which lack accompanying narrative explanation or qualitative assessment, context, or analytical support.² Because the burden to affirmatively demonstrate cost prudence rests entirely with SoCalGas, its failure to substantiate why its costs are reasonable necessarily compels a denial of its request from the Commission.

As noted in SBUA's Direct Testimony, SoCalGas:

[A]sks that the Commission [] trust its unsupported assertions. While SCG did indeed provide hundreds of pages of cost data, this cost data lacked sufficient context, relevance, or comparison data – leaving intervenors and other stakeholders with the difficult task of attempting to ascertain reasonableness on an ad hoc basis ... SCG does not, for example, provide sufficient qualitative analysis to explain why the reinspection of certain lines was reasonable. Rather, SCG seems to try to shift the onus to the public and intervenors in this proceeding ... it appears that SCG has vastly exceeded its previously approved expenditures, and it now expects the Commission to make a decision absent informed context ... [SCG] expects the Commission to globally approve these costs as a form of “free for all,” in the guise of work done to ostensibly comply with changes in the Code of Federal Regulations.³

For these general reasons, and based on the discussion in Sections III(A)-(G) below, the Commission should deny SoCalGas's application in its present form. At a minimum, the Commission should partially approve SoCalGas's request, less the unsupported total of \$62.3 million for projects under \$1 million, and require supplemental testimony and documentation sufficient to demonstrate why its cost were necessary and non-duplicative of recent testing.

II. PROCEDURAL BACKGROUND AND SBUA DISCOVERY REQUESTS

SoCalGas filed its application A.25-04-020 on April 30, 2025, seeking recovery of under-

² See generally, SBUA-01 at 6.

³ SBUA-01 at 6.

collected costs amounting to \$173.8 million, recorded in its Transmission Integrity Management Program Balancing Account (TIMPBA). Commissioner Darcie L. Houck issued a Scoping Memo and Ruling on August 18, 2025, setting forth the relevant issues, and schedule for testimony. Pursuant to that schedule, SBUA served Direct Testimony on September 23, 2025, and subsequently served Rebuttal Testimony on October 23, 2025, responding to positions and analyses offered by other parties.

In preparation of its Direct and Rebuttal Testimony, SBUA issued multiple data requests⁴ seeking documents or responses necessary to evaluate the prudence of TIMP costs, including on questions relating to:

- prior inspection records (to determine whether inspections occurring within a few years of one another could be duplicative),
- planning documents showing SoCalGas' scheduling analysis,
- documents analyzing the impact of federal rule changes,
- workpapers supporting cost and activity justification, and
- internal capitalization policies and supporting materials.

Although SoCalGas did provide some limited responses, it declined to produce certain requested documents, and did not fully address a number of discovery questions; these (lack of) responses have limited SBUA's (and other parties') ability to effectively assess reasonableness.⁵ As SBUA explained in Direct Testimony, repeated data requests seeking prior inspection records, planning documents, and benchmarks were met with objections, or heavily-redacted productions.⁶

⁴ See generally, SBUA-01, Attachment 2.

⁵ *Id.*

⁶ See SBUA-01 at 14; and Attachment 2.

Other parties were similarly frustrated by SoCalGas' responses to data requests; California Public Advocates ("Cal Advocates") explains that when it sought information on "how SCG's definition of incrementality aligns with the precedence set by D.25-06-051, SCG refused to answer the question and objected, claiming that Cal Advocates' question 'calls for a legal conclusion, argumentative [sic], and assumes facts not in evidence.'"⁷

Accordingly, SBUA's ability to effectively review the record in this case was hindered by SoCalGas' responses to data requests. Regardless, SBUA submits the following arguments based on the administrative record available at this time.

III. ARGUMENT

A. SOCALGAS FAILED TO ESTABLISH A PRIMA FACIE SHOWING THAT ITS COSTS ARE JUST AND REASONABLE.

Overall, SoCalGas' application exhibits a foundational flaw; although it did provide cost data, SoCalGas failed to provide any meaningful analysis of those costs, offering only raw data without context, comparison, or explanation, and otherwise failed to demonstrate and provide evidence substantiating the reasonableness of those costs. For instance, SoCalGas' workpapers contain accounting codes, cost totals, and listings of circuit miles, but lack any meaningful analysis, narrative, or substantive explanation relating to:

- what work was specifically performed;
- why each activity was necessary;
- comparisons to prior recorded or industry benchmarking;
- whether alternatives existed;
- whether previous inspections already met regulatory requirements; or

⁷ SBUA-02 at 6 (citing SCG's response to Cal Advocates' Data Request PubAdv-SCG-009-EIC, Question 002(b)).

- how federal rules triggered incremental costs.

As SBUA explained in Direct Testimony, “this cost data lacked sufficient context, relevance, or comparison data.”⁸ Because SoCalGas did not compile an adequate administrative record, the Commission should determine that SoCalGas’s Timpba cost recovery request of \$173.8 million is not just and reasonable.

B. SOCALGAS DID NOT PROPERLY EXPLAIN WHY RECENT INSPECTIONS WERE NECESSARY, OR OTHERWISE SUBSTANTIATE THAT ITS INSPECTION SCHEDULING WAS REASONABLE, IN THE CONTEXT OF RESPONDING TO IMPENDING CHANGES TO FEDERAL REGULATIONS.

i. THE AVAILABLE RECORD DOES NOT SUFFICIENTLY DEMONSTRATE COST REASONABLENESS OF INSPECTIONS, AMOUNTING TO \$62.3 MILLION, THAT OCCURRED WITHIN A FEW YEARS OF ONE ANOTHER.

SBUA had difficulty assessing the record for prudence – in part, because SoCalGas was relatively unresponsive during the discovery phase. However, available information suggests that certain work may have been duplicative or unnecessary; SoCalGas claims cost recovery of approximately \$62.3 million.⁹ For instance, SoCalGas inspected Line [REDACTED] [REDACTED] SoCalGas’ justification for this line re-inspection was that it “did not use pinhole-detection technology until [REDACTED].”¹⁰ However, information suggests that this technology was available much earlier (*i.e.*, [REDACTED]). SoCalGas did not provide further explanation as to why pinhole-detection technology was not used in its earlier ([REDACTED]) inspection, which could have potentially obviated the need for the follow-up inspection one year later. As such, the argument

⁸ SBUA-01 at 6.

⁹ SBUA-01C at 8.

¹⁰ *Id.*

that the “new technology” pinhole detection was unavailable at the time of its [REDACTED] inspection is possibly pre-textual.

Furthermore, the record does not explain why [REDACTED] inspection [REDACTED] was insufficient. SoCalGas does not provide an analysis explaining why the [REDACTED] inspection could not have met the requirements allegedly imposed by the change to federal regulations. As SBUA states in its Direct Testimony, at 10-11:

While it is true the changes to the CFR only affected inspections post July 1, 2020, SCG did not provide reasons why prior inspections were wholly insufficient to meet the needs of the new regulations. Furthermore, SCG’s very brief response did not elucidate its reasoning as to why certain lines were selected for re-inspection while others were not. Furthermore, the records appear to be absent of any other qualitative explanation or narrative that explains its determinative process. Stated alternatively, SCG did not offer sufficient data or explanation as to how it conducted its process to select certain pipelines for further maintenance, while determining that the maintenance of other lines was unnecessary.

Notably, SoCalGas *should* have been aware of major changes in federal inspection regulations, if those changes were likely to materially impact the validity of (recent) prior inspections. The record does not demonstrate that the [REDACTED] inspection failed to satisfy baseline High Consequence Area (HCA) assessment mandates, and that new inspection was thereby required. As such, the record proffered by SoCalGas is insufficient to justify cost recovery by ratepayers, including from small business customers. The showing therefore fails under the Commission’s Scoping Issues 1 (whether SoCalGas’s Timpba expenditures and \$173.8 million cost recovery request are just and reasonable) and 3 (whether the associated revenue requirement is justified for rate recovery).

ii. **SOCALGAS DID NOT EXPLAIN WHY IT “FRONT-LOADED” INSPECTION WORK, DESPITE LONG COMPLIANCE WINDOWS.**

SoCalGas failed to demonstrate that its inspection schedule was reasonable, because SoCalGas did not explain why it effectively “front-loaded” significant amounts of TIMP work, despite being allowed a multi-year federal compliance window.¹¹ Federal pipeline integrity regulations generally allow operators up to 10 years to complete non-HCA assessments,¹² yet SoCalGas provides no quantification of how many miles it believes were actually *required* to be inspected during the [REDACTED] period, nor does it identify which miles could have been deferred to later years – while still maintaining compliance with 49 CFR §192.710.¹³ SoCalGas nevertheless undertook large workloads during the [REDACTED] period, without explaining why it did so at what appears to be elevated cost levels. Rather, SoCalGas asserts, in a conclusory fashion, that new federal rules increased workload, but offers no evidence that these rules required compressed scheduling or accelerated inspections.¹⁴

SBUA’s Rebuttal Testimony further emphasizes that SoCalGas failed to present any planning documents, alternatives analyses, or justification for performing high volumes of work in a condensed timeframe, as opposed to staggering inspection activities to minimize cost

¹¹ SBUA-01 at 12 (arguing that SoCal Gas should explain the extent to which non-HCA inspections had already been addressed by the work authorized in the GRC. Section 192.710 allows SoCal Gas many years to complete the initial inspection); CFR §192.710(b)(1)-(2) (requiring, generally, compliance within 10 years).

¹² 49 CFR §192.710(b)(1)-(2). SBUA’s opening testimony referred to “10-15 years.” Section 192.710 independently establishes a 10-year reassessment interval for Class 3, Class 4, and MCA pipeline segments capable of ILI, and this requirement operates separately from § 192.939, which governs reassessment intervals only for high-consequence-area (HCA) integrity management programs.

¹³ See SBUA-01 at 12.

¹⁴ See SCG-01 at TTS-1 and SCG-05 at SZGY-5, 6.

impacts.¹⁵ Without demonstrating why its significant inspection work, which effectively amounts to a “front-loading” of costs, was necessary, SoCalGas fails to demonstrate that its costs were prudently incurred. Therefore, absent further evidence demonstrating that their schedule was constrained, or otherwise mandatorily required significant inspections shortly after recent line inspections, the Commission should disallow cost recovery of these expenses.

C. SOCALGAS FAILS TO DEMONSTRATE THAT FEDERAL RULE CHANGES WERE THE DIRECT CAUSE OF COST EXCEEDANCES.

SoCalGas did not quantify the impact of federal rule changes. SoCalGas asserts that changes to the federal rules, 49 CFR § 192.710, imposed new obligations¹⁶ to perform substantial inspections of its pipeline transmission system. However, SoCalGas does not provide a quantitative assessment of:

- the quantity of miles triggered by its purported new obligations to inspect these lines;
- the quantity of miles that had already been inspected under SoCalGas’ voluntary inspection program;
- the quantity of miles that were inspected earlier than required; or
- an estimate of the quantity of miles that were inspected, which could have been deferred to future years.¹⁷

As discussed in SBUA’s Direct Testimony, while 49 CFR § 192.710 expanded the scope of pipelines that must undergo initial inspection and reinspection to Class 3 and 4 locations, as

¹⁵ See generally, SBUA-02 at 4 (“Key discovery responses were evasive or redacted, workpapers are nonexistent for roughly 36 percent of the project spend, and SoCalGas did not quantify the impact of federal rule changes, evaluate lower-cost alternatives, or justify front-loading work instead of using multi-year compliance windows.”).

¹⁶ See SCG-01 at TTS-1; SCG-05 at SZGY-5 – SZGY-6.

¹⁷ SBUA Exh-01C at 12 (SoCalGas did not identify the quantity of miles that it was obligated to inspect during the covered period due to Section 192.710 versus segments that could be inspected in later years).

well as moderate consequence areas (MCA) – if the pipeline could accommodate a “smart pig” inspection instrument – SoCalGas did *not* explain how many non-HCA miles were recently inspected (as of the end of September 2022), and which of those costs had already been recovered from ratepayers.¹⁸ In fact, SoCalGas previously testified in its 2019 GRC that it had already inspected significant non-HCA mileage.¹⁹ This contradicts SoCalGas’ current suggestion that the rule change created an unforeseen and unwieldy workload.

Because SoCalGas has not provided specific information relating to the quantity of miles that it believes were necessary to re-inspect, due to the change in federal regulation, nor has it provided other pertinent quantitative information (including the number of miles recently inspected, or the number of miles in which inspection could have been deferred), SBUA recommends that the Commission reject SoCalGas’ request to recover costs of inspection and re-inspection, when those costs were purportedly attributed to compliance with regulatory changes.

D. SOCALGAS DID NOT DEMONSTRATE THAT ITS COSTS WERE “INCREMENTAL” IN NATURE.

SoCalGas has not shown that the TIMPBA costs it seeks to recover are incremental to amounts already authorized in prior rates, as required for cost recovery above GRC levels.²⁰ SoCalGas did not provide foundational staffing records, timesheets, or resource-allocation

¹⁸ SBUA-01 at 11-12.

¹⁹ SBUA-01 at 12 (discussing that, with relation to non-HCA inspections, SoCalGas indicated in its 2019 General Rate Case testimony that ““SoCalGas agrees ... that TIMP should be expanded beyond High Consequence Areas (HCAs) [fn omitted] and for this reason has proactively over the years gone above and beyond compliance requirements by extending TIMP into less populated areas.”).

²⁰ See generally, e.g., D.14-06-007, for the proposition that the Commission adopted balancing accounts for safety-related costs and made clear that utilities must file after-the-fact reasonableness applications supported with project-specific engineering, management, and cost records before recovery is permitted. This framework reflects the principle that only costs incremental to GRC-authorized funding should be recoverable.

documents necessary to determine whether labor, O&M, or contract costs exceeded baseline authorized funding.²¹ Instead, SoCalGas seemed to simply rely on the notion that its activities were “new,” or otherwise related to evolving federal regulations; however, these reasons do not – in and of themselves – establish incrementality, because costs are only “incremental” when they require resources beyond what ratepayers have already funded.²² Incremental spend is not simply that an activity was not foreseen in a prior GRC, or that the company simply spent more than authorized. Rather, the Commission has defined “incrementality” as requiring an explicit determination that activity costs were in addition to work that was authorized and completed; the Commission has stated that “[t]he existence and completion of a new activity by itself does not prove the cost was incremental.”²³

SBUA’s Rebuttal Testimony reinforces that SoCalGas “failed to justify its costs, provide auditable support for spend, or otherwise demonstrate that expenses were incremental to authorized rate case levels.”²⁴ Cal Advocates similarly observed that SoCalGas did not produce staffing or financial documentation showing that straight-time labor or internal engineering hours exceeded GRC-authorized levels.²⁵ Without baseline resource data, the Commission cannot determine whether SoCalGas actually incurred additional costs attributable to increased TIMP

²¹ SBUA-01 at 6–7.

²² See SBUA-02 at 5 (discussing that SoCalGas appeared to categorize “compliance with new federal regulations” as “incremental activity.”).

²³ D.23-02-017 at 27 (costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be it in labor or materials, to complete the new activity); SBUA-02 (“*The existence and completion of a new activity by itself does not prove the cost was incremental.* If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being ‘incremental.’”).

²⁴ SBUA-02 at 2.

²⁵ SBUA-02 at 5 (citing CA-01 at 15).

activity, or merely shifted pre-existing, already-funded resources into the TIMP balancing account.

For these reasons, with respect to Scoping Issue 4 (incrementality of costs relative to AL 6060-G / Resolution G-3600 approvals), SBUA recommends that the Commission find that SoCalGas failed to demonstrate incrementality.²⁶ SoCalGas' generalized claims do not satisfy its burden of proof.

E. SOCALGAS PROVIDES NO ALTERNATIVES ANALYSIS OR DISCUSSION OF COST-EFFECTIVE PLANNING.

In addition, SoCalGas has not demonstrated that its TIMP expenditures are just and reasonable, because SoCalGas does not provide an alternatives analysis, or evidence of cost-effective planning. Prudence requires that utilities evaluate lower-cost options, operational alternatives, and scheduling strategies, *before* incurring hundreds of millions of dollars in inspection and remediation expenses. Yet, as SBUA's Rebuttal Testimony shows, SoCalGas supplied no documentation evaluating alternative assessment methods, even though federal regulations expressly permit multiple approaches – many of which are significantly less expensive than in-line inspection.²⁷ SoCalGas does not identify whether it considered derating segments, adopting pressure reductions, extending timelines, or using less expensive assessment tools permitted under 49 CFR §192.710.

Indicated Shippers likewise observed that SoCalGas did not analyze whether alternative operational solutions, such as derating, could have avoided or mitigated excess costs.²⁸ (*See IS-*

²⁶ SBUA-02 at 2-6.

²⁷ SBUA-02 at 6–7.

²⁸ SBUA-02 at 6-7 (citing Indicated Shippers Direct Testimony (IS-01) of Brian C. Collins at 6) (noting that Indicated Shippers provide: “when non-HCA pipelines do require assessment, 42 [*sic*] CFR 192.710 provides seven different methods/options for assessing on-HCA pipeline miles having Maximum

01 at 6) (“SoCalGas’s lack of alternatives analysis, especially for the 1,293 miles of non-HCA pipeline,” makes it “highly likely” that SoCalGas’s approach “led to more expensive capital additions for remediating non-HCA pipeline miles.”). Indicated Shippers emphasized that SoCalGas did not explicitly analyze any of the seven federally permissible options for assessing non-HCA pipelines, and appears to have “chosen the most expensive” option (*i.e.*, direct examination), without providing justification for this selection.²⁹

SBUA recommends that the Commission find that its requested costs are not reasonable, because SoCalGas did not evaluate, document, or discuss the possibility of utilizing feasible, lower-cost alternatives.

F. 36% OF REQUESTED COSTS LACK ANY WORKPAPERS OR ACCOMPANYING NARRATIVE EXPLANATION.

The current administrative record does not support that SoCalGas’ requested costs are just and reasonable, because 36% of all underlying project costs lack workpapers, and otherwise lack a narrative explanation as to why these costs are purportedly justified. As SBUA discusses in Direct Testimony, SoCalGas prepared workpapers only for projects that exceed \$1 million, leaving (an estimated) \$62.3³⁰ million in expenditures entirely undocumented; these \$62.3 million in costs do not contain scope descriptions, justification of need, or otherwise offer any basis for assessing prudence.³¹ SoCalGas confirmed that it did not provide workpapers for these

Allowable Operating Pressure (MAOP) equal to or greater than 30% SMYS;” and “SoCalGas provided no analysis of the efficacy and cost-effectiveness of the various non-HCA assessment options available to it, and appears to have chosen the most expensive of the seven options, which is Direct Examination.”).

²⁹ SBUA-02 at 6-7.

³⁰ SBUA-01 at 14 contains a typo within the statement “36 percent of \$173 million is \$49.3 million.”. The correct amount is \$62.3 million.

³¹ SBUA-01 at 14.

projects in discovery, conceding that nearly one-third of the requested costs are effectively un-reviewable by parties to this case, and the Commission.³²

SBUA's Rebuttal Testimony further emphasizes that this evidentiary gap violates Public Utilities Code § 463(b), which mandates disallowance where a utility fails to provide records sufficient for Commission evaluation.³³ Without documentation, the Commission cannot determine whether SoCalGas' expenditures were necessary, efficient, or reasonable. As such, and without further supplementation of the record, SBUA recommends that the Commission deny recovery of, at least, \$62.3 million in undocumented project costs.

G. SOCALGAS DID NOT APPROPRIATELY EXPLAIN WHY DESERT AREA INSPECTIONS REQUIRED GREATER EXPENDITURES THAN ANTICIPATED THROUGH THE 2019 GRC.

SoCalGas has not demonstrated that its elevated inspection costs in desert regions are reasonable, because it failed to provide an activity-level justification; in other words, SoCalGas did not provide a comparison of the specific units of work performed (such as miles inspected, digs completed, or anomalies repaired) against GRC approved levels – or otherwise provide any quantitative analysis linking these overruns to unforeseeable conditions.

SoCalGas attributes higher costs to numerous factors, including environmental and wildlife concerns, the high-volume and complexity of desert pipeline corrosion, and other issues relating to "terrain."³⁴ However, SoCalGas does not provide workpapers or supporting narrative quantifying the extent to which these conditions actually increased labor, equipment, or

³² SBUA-01 at 20 (Attachment 2).

³³ SBUA-02 at 8–9.

³⁴ SBUA-01 at 13 (citing SCG-02 at ZGS-11, ln. 14-16; 23-24; and ZGS-12, ln. 3-5).

mobilization costs.³⁵ More importantly, these conditions *should* have been entirely foreseeable – potential implications arising from the desert terrain, climate, and environmental requirements are readily knowable factors, making it *per se* unreasonable for SoCalGas to treat them as unexpected cost drivers.³⁶ Without evidence showing that the overruns were unavoidable, prudently managed, or tied to incremental regulatory burdens, the Commission should not approve costs associated with the desert area inspections. The absence of planning documents or comparative analyses further precludes any finding that the desert-area costs are just and reasonable.

IV. CONCLUSION

For the reasons set forth above, SoCalGas has not met its burden under Public Utilities Code §§ 451, 454 and 463(b), to justify recovery of \$173.8 million in TIMPBA under-collections. The record does not demonstrate the expenditures were necessary, non-duplicative, incremental, and prudently managed. Accordingly, the Commission should deny the Application.

At a minimum, the Commission should disallow \$62.3 million in cumulative costs associated with undocumented projects, and reject cost recovery for desert-area inspections because SoCalGas' reasons for cost overruns were likely foreseeable.

In sum, the current administrative record reflects pervasive evidentiary gaps, including the absence of project-level justification, the lack of planning or scheduling analyses, unsupported claims regarding federal regulatory changes (including a lack of explanation as to why certain lines were inspected numerous times in a short time-frame), no completion of the independent study ordered in D.24-12-074, and a failure to conduct alternatives analyses. While

³⁵ SBUA-01 at 13-14.

³⁶ *Id.*

the Commission could require SoCalGas to submit supplemental testimony to substantiate its requested cost recovery, SBUA recommends the better course is to deny the Application and require SoCalGas to seek any recovery in its next General Rate Case.

December 12, 2025

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