

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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01/06/26

04:59 PM

A2504020

Application of Southern California Gas  
Company (U904G) to Recover Costs  
Recorded in the Transmission Integrity  
Management Program Balancing Account  
from January 1, 2019 to December 31,  
2023.

Application 25-04-020

**REPLY BRIEF OF THE PUBLIC ADVOCATES OFFICE**

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January 6, 2026

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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U904G) to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account from January 1, 2019 to December 31, 2023.

Application 25-04-020

**REPLY BRIEF OF THE PUBLIC ADVOCATES OFFICE**

**I. INTRODUCTION / SUMMARY OF RECOMMENDATIONS**

Pursuant to Rule 13.12 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits its reply brief in the Southern California Gas Company (SCG) application which seeks to recover costs recorded in SCG’s Transmission Integrity Management Program Balancing Account (TIMPBA), in accordance with Public Utilities Code (Pub. Util. Code) section 969,<sup>1</sup> Decision (D.) 19-09-051 in SCG’s Test Year (TY) 2019 General Rate Case (GRC),<sup>2</sup> and Resolution G-3600.<sup>3</sup>

SCG requests recovery for the costs recorded in the TIMPBA from October 1, 2022, through December 31, 2023<sup>4</sup> that are above 135% of the

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<sup>1</sup> Exhibit (Ex.) SCG-01: TIMP Development and Implementation, Prepared Direct Testimony of Travis Sera, at 5. Also see Public Utilities Code section 969.

<sup>2</sup> California P.U.C. Sheet No. 56836-G, *SCG Preliminary Statement for the Transmission Integrity Management Program (TIMPBA)*, Section 1: “Purpose”; Effective January 1, 2020.

<sup>3</sup> Energy Division Resolution G-3600, *Southern California Gas Company’s Request for Recovery of the Transmission Integrity Management Program Balancing Account Balance for January 1, 2019, to July 31, 2023*; Effective May 30, 2024.

<sup>4</sup> Southern California Gas Company’s (SCG) Application, *Application of Southern California Gas Company to Recover Costs Recorded in the Transmission Integrity Management Program Balancing Account from January 1, 2019, to December 31, 2023* (A.25-04-020 Application), at 5.

GRC-authorized expenditures.<sup>5</sup> Costs between 100% to 135% of the GRC-authorized expenditures were previously authorized for recovery by Commission Resolution G-3600.<sup>6</sup> Recovery for costs greater than the 135% threshold, (or, \$178.3 million),<sup>7</sup> not authorized under Resolution G-3600 or in the applicable GRC are subject to this separate application process.<sup>8</sup>

As discussed in Cal Advocates’ Opening Brief,<sup>9</sup> SCG has not demonstrated that all of its recorded TAMPBA costs are reasonable for recovery from ratepayers. Specifically, it has not met its burden in showing that these costs are relevant to this proceeding, are authorized for recovery in the applicable GRC D.19-09-051, and incremental or above what was authorized in D.19-09-051 and Resolution G-3600.

## **II. EVIDENTIARY STANDARDS AND THE BURDEN OF PROOF**

In ratemaking applications such as the instant proceeding, the standard of proof is the preponderance of the evidence.<sup>10</sup> The burden of proof is on the applicant utility.<sup>11</sup> SCG has the burden to affirmatively establish the reasonableness of all aspects of its request for cost recovery.<sup>12</sup> To establish the reasonableness of its requested costs, SCG must demonstrate that the costs are incremental and not embedded in existing rates.<sup>13</sup> D.23-02-017 states, “costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they

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<sup>5</sup> Ex. SCG-03: Balancing Account and Revenue Requirement, Prepared Testimony of Rae Marie Yu, p. 5, Table RMY-1: “Transmission Integrity Management Program – Actual v. Authorized TAMPBA Calculation (Revenue Requirement, \$000)” and Ex. SCG-01: TAMP Development and Implementation, Prepared Direct Testimony of Travis Sera, at 5.

<sup>6</sup> Ex. SCG-01: TAMP Development and Implementation, Prepared Direct Testimony of Travis Sera, p. 5.

<sup>7</sup> D.19-09-051, *Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company*; at 694.

<sup>8</sup> A.25-04-020 Application; at 1 and Footnote 2.

<sup>9</sup> Public Advocates Office (Cal Advocates) Opening Brief (December 12, 2025).

<sup>10</sup> D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

<sup>11</sup> D.25-06-051 at 9; D.00-02-046 at 36.

<sup>12</sup> D.25-06-051 at 9; D.09-03-025 at 8; D.06-05-016 at 7.

<sup>13</sup> D.25-06-051 at 65-67.

in labor or materials, to complete the new activity.”<sup>14</sup> D.23-02-017 clarifies that a new timely activity alone does not make a cost incremental.<sup>15</sup> As D.23-02-017 concludes, “[i]f 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.’”<sup>16</sup> Consistent with D.23-02-017, SCG’s claim that it procured additional labor resources for these activities does not, by itself, render the associated costs incremental for purposes of a reasonableness showing.<sup>17</sup>

The more relevant authority on this issue rests in D.25-06-051<sup>18</sup> which assessed the reasonableness of Southern California Edison’s (SCE) wildfire mitigation and vegetation management costs. The Commission ruled that even if costs are “incremental,” the utility must still prove that they are reasonable and not already funded in existing rates.<sup>19</sup> Specifically, the Commission found that SCE failed to meet its burden of proof and failed to show that its labor costs were reasonable because it failed to offer any evidence to show that expenses were not already funded in existing rates.<sup>20</sup>

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<sup>14</sup> D.23-02-017, *Decision Approving Settlement [Application of Pacific Gas and Electric Company (U39M) for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs.]* (A.20-09-019), Feb. 2, 2023, at 27.

<sup>15</sup> “The existence and completion of a new activity by itself does not prove the cost was incremental.” D.23-02-017 at 27.

<sup>16</sup> D.23-02-017 at 27.

<sup>17</sup> It is unclear whether SCG acquired additional labor resources by simply redirecting existing resources, as it “does not track whether employees were hired specifically for a given program and [its] data related to employee hirings does not specify if they were hired to support a specific program.” Ex. CA-01 at 15 – 16.

<sup>18</sup> D.25-06-051, *Decision Granting, In Part, Request by Southern California Edison Company for 2022 Wildfire Mitigation and Vegetation Management Costs*, June 26, 2025.

<sup>19</sup> “The Commission finds that SCE fails to establish the preponderance of evidence that its requested 2022 Overhead costs ... are reasonable. While these costs, as SCE points out, are “incremental” in this instance, SCE must still establish reasonableness. SCE fails to provide persuasive evidence on reasonableness. To establish the reasonableness of these costs, SCE could, in this instance, provide documentation to verify and substantiate that the costs were not embedded in existing rates. This evidence would be important because straight-time labor and overhead costs are funded through the existing rates authorized in D.21-08-036, SCE’s 2021–2023 GRC.” D.25-06-051 at 67, 83 (Findings of Fact 28 and 29).

<sup>20</sup> “SCE has failed to establish by the preponderance of evidence that the requested \$19.385 million related to Labor Normal Time and Paid Time Labor is reasonable. SCE is correct that the Commission does not direct the utility to use internal or contract labor, and the Commission agrees

Here, SCG makes a similar error. It has failed to provide reasonable supporting data to justify its recovery, has not shown that its recovery requests are relevant to the proceeding, and that its requested labor costs are incremental and that these costs are not already reflected in its previously authorized revenue requirement.<sup>21</sup>

Cal Advocates also seeks to correct the factual and legal errors contained in SCG's Opening Brief related to Cal Advocates recommendations for reduced cost recovery for Straight Time Labor, Vacation and Sick Leave, Pipeline (Line) 235, and Vendor #11900.

### **III. DISCUSSION**

#### **1. Scoping Issue 1 - Whether SCG's TAMPBA expenditures and cost recovery request of \$173.8 million are just and reasonable?**

SCG's request for cost recovery for the following expenditures are not just and reasonable.

##### **A. SCG – Straight Time Labor/Vacation Sick Leave**

SCG claims that Resolution G-3600, which granted cost recovery pursuant to SCG Advice Letter AL 6060-G, found SCG's TAMPBA expenditures as "appropriately recorded" and "reasonably incurred."<sup>22</sup> However the TAMPBA costs addressed in this application, rather than the costs sought in AL 6060-G, seeks a separate and distinct cost recovery pursuant to D.19-09-051 which is subject to intervenor and Commission review as noted above. SCG is wrong when it asserts that recovery for new hires includes existing employees already accounted for in the GRC recovery of D.19-09-051.<sup>23</sup> Without proving "new hires" are actually newly hired personnel, SCG has not met its burden to prove incrementality, and failed to prove that the recovery of costs is reasonable and

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that the costs presented here are related to wildfire mitigation activities. On the other hand, the information provided by Cal Advocates, that SCE did not perform any analysis to establish whether these specific Labor activities were reflected in the 2022 revenue requirement, constitutes a failure by SCE to meet its burden of proof and renders the reasonableness of these costs questionable." D.25-06-051 at 65-66, 83 (Finding of Fact 27).

<sup>21</sup> Cal Advocates Opening Brief at 15.

<sup>22</sup> SCG Opening Brief at 5, 10-12 (December 12, 2025).

<sup>23</sup> SCG Opening Brief at 9-10.

verifiable above and beyond which has already been funded in the controlling GRC. As SCG's request for straight time labor recovery for new activity is completed by redirecting existing resources/personnel in a related work category, no incremental cost was incurred.<sup>24</sup> The same reasons are applicable to those existing personnel's related vacation and sick leave and that request for recovery.<sup>25</sup>

For these reasons, the Commission must deny SCG's request for straight-time labor costs in the amount of \$34.328 million since the request is not just and reasonable, lacks evidentiary support, cannot be verified and is not incremental.<sup>26</sup>

The Commission must also deny SCG's request for vacation and sick leave in the amount of \$3.271 million since these amounts were already authorized for rate recovery in the previous GRC and are not incremental.<sup>27</sup>

#### **B. SCG – Pipeline (Line) 235**

The Line 235 Memorandum Account (L235MA) records costs for the PSEP cost subaccount and tracks TIMP/Other Costs in a second subaccount related to Line 235.

SCG asserts that there is a clear separation between the PSEP subaccount with the TIMP/Other Costs subaccount subject to refund if and when the Commission approves the advice letter for L235MA.<sup>28</sup>

However, SCG's tracking mechanism cannot be verified until a Tier 2 Advice Letter is filed and approved, which has not yet occurred. The recovery of costs through the Advice Letter process of General Order 96-B requires Commission staff review and comment before such costs are put in rates. The Line 235 PSEP project was ordered 6 years ago in 2019 and SCG admits that the project is in its preliminary stages and will not commence until 2031.<sup>29</sup> It is not just or reasonable for ratepayers to bear these costs

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<sup>24</sup> D.23-02-017 at 27.

<sup>25</sup> Cal Advocates Opening Brief at 9.

<sup>26</sup> Cal Advocates Opening Brief at 7-9.

<sup>27</sup> Cal Advocates Opening Brief at 9.

<sup>28</sup> SCG Opening Brief at 14-26.

<sup>29</sup> SCG Opening Brief at 16 (Footnote 68).

for many years until the PSEP project concludes since such recovery cannot be deemed used and useful.<sup>30</sup>

Since these costs have yet to be determined, they are not reasonable for cost recovery in this proceeding. For these reasons the Commission must deny SCG's cost recovery request in the amount of \$40.72 million for Line 235 West, Phase 1.<sup>31</sup>

### **C. SCG Vendor #11900**

SCG's falsely asserts that Cal Advocates should have requested the Master Service Agreement, which defines scope of work, maximum authorized compensation, and the performance period, between SCG and Vendor #11900.<sup>32</sup>

On August 8, 2025, Cal Advocates requested "fully executed contracts" related to this recovery request.<sup>33</sup> Unfortunately, SCG provided only "release orders" and "amendments".<sup>34</sup> A Master Service Agreement is the master contract and should have been provided as requested. SCG failed to do so.

The release orders that were provided to Cal Advocates show that Vendor #11900 costs are out of scope since they seek recovery for unrelated natural gas pipeline activities subject to different requirements than TAMPBA recovery.<sup>35</sup>

For these reasons, the Commission must deny SCG's cost recovery request of \$0.693 million for Vendor #11900 as it relates to work that is outside the scope of this proceeding and lacks evidentiary support.<sup>36</sup>

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<sup>30</sup> Pub. Util. Code section 454.8.

<sup>31</sup> Cal Advocates Opening Brief at 10-12.

<sup>32</sup> SCG Opening Brief 16-17.

<sup>33</sup> CA-01 at 22.

<sup>34</sup> CA-01 at 22.

<sup>35</sup> CA-01 at 22.

<sup>36</sup> Cal Advocates Opening Brief at 12-13.

**2. Scoping Issue 2 - Whether SCG's revenue requirement associated with the costs presented in the Application and recorded in their TIMPBA are justified for rate recovery?**

SCG's request for cost recovery is not justified for rate recovery as described above in Scoping Issue 1.<sup>37</sup>

**3. Scoping Issue 3 - Whether SCG's TIMPBA recovery request complies with all applicable rules, decisions, statutes, and other requirements, including the tariff?**

SCG's request for cost recovery does not comply with the requirements of D.19-09-051, D.23-02-017 and D.25-06-051 as described in Section 2 and Scoping Issue 1 above.<sup>38</sup>

**4. Scoping Issue 4 - Whether SCG's TIMPBA recovery request is incremental to the cost recovery requested and approved in AL 6060-G and approved in resolution G-3600?**

SCG's request for cost recovery is not incremental to the cost recovery approved in Resolution G-3600 as described in Scoping Issue 1 above.<sup>39</sup>

**5. Scoping Issue 5 - Whether the cost allocation policies adopted in Decision (D.) 24-07-009 should apply to the TIMPBA under collection requested in this Application?**

Cal Advocates did not take a position on this issue.<sup>40</sup>

#### **IV. CONCLUSION**

For the reasons discussed above and as seen in Cal Advocates' Opening Brief and Testimony, SCG has not demonstrated the reasonableness and prudence for recovery of all its recorded TIMPBA costs presented in this proceeding. Accordingly, Cal Advocates requests that the Commission adopt Cal Advocates' recommendations on SCG's cost recovery requests for TIMPBA as explained in its Opening Brief.

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<sup>37</sup> Cal Advocates Opening Brief at 13-14.

<sup>38</sup> Cal Advocates Opening Brief at 14-15.

<sup>39</sup> Cal Advocates Opening Brief at 15.

<sup>40</sup> Cal Advocates Opening Brief at 15.

Respectfully submitted,

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