STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-04-020:

This is the proposed decision of Administrative Law Judge Amin Nojan. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 8, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC: abb
Attachment

Decision **PROPOSED DECISION OF ALJ NOJAN (Mailed 9/2/2026)**

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

DECISION APPROVING RATE RECOVERY

Summary

This decision grants Southern California Gas's request for cost recovery in the amount of $81.3048 million as part of its Transmission Integrity Management Program Balancing Account. We disallow $92.4952 million from the original requested amount.

This proceeding is now closed.

1. Procedural Background

On April 30, 2025, Southern California Gas Company (SoCalGas, or Applicant) filed Application (A.) 25-04-020 to recover $173.8 million in costs recorded in the Transmission Integrity Management Program Balancing Account (TIMPBA) from January 1, 2019, to December 31, 2023. The Applicant filed a Motion for Interim Rate Recovery on May 1, 2025.

On May 15, 2025, and on May 19, 2025, the Public Advocates Office at the California Public Utilities Commission (the Public Advocates Office) and

Southern California Generation Coalition, respectively, filed Motions for Party Status, which the Administrative Law Judge (ALJ) granted on May 28, 2025. On June 5, 2025, the Public Advocates Office, Indicated Shippers, and Southern California Generation Coalition filed protests to the Application. On June 16, 2025, SoCalGas filed its Reply to Protests.

On June 20, 2025, the Administrative Law Judge (ALJ) held a telephonic prehearing conference. On July 11, 2025, Small Business Utilities Advocates (SBUA) filed a Motion for Party Status, which was granted on August 27, 2025.

On August 18, 2025, the assigned Commissioner issued the Scoping Ruling for this proceeding, determining the schedule, need for hearing, and issued to be considered.

On October 6, 2025, the ALJ issued a ruling providing instructions on evidentiary hearings and briefs.

On October 31, 2025, the Applicant, the Public Advocates Office, SBUA, and Southern California Generation Coalition (Joint Parties) filed a Joint Meet and Confer Statement. The Joint Parties stated they do not see the need for evidentiary hearings in this proceeding. On December 10, 2025, the Public Advocates Office, Indicated Shippers, SBUA, and SoCalGas filed a Joint Motion to Admit Exhibits into evidence. Concurrently, SBUA and SoCalGas filed a Joint Motion for Leave to File certain exhibits they claimed are confidential.

On December 12, 2025, parties filed Opening Briefs. In its Opening Brief, SoCalGas made a request for oral argument before the Commission.[1] SBUA also filed a Motion to File its Opening Brief Under Confidential Seal.

On January 6, 2026, parties filed Reply Briefs.

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[1] *See* SoCalGas Opening Brief at 35.

On July 27, 2026, the ALJ issued a ruling directing the Public Advocates Office to serve data requests and associated responses. On July 29, 2026, the Public Advocates Office served data requests and associated responses and filed a Motion to Admit Workpapers into Evidence.

This matter was submitted on _______, following oral argument.

2. Issues Before the Commission

The issues before the Commission, as presented in the Commissioner's Scoping Ruling, are as follows:

1. Whether SoCalGas's TIMPBA expenditures and cost recovery request of $173.8 million are just and reasonable;
2. Whether SoCalGas's revenue requirement associated with the costs presented in the Application and recorded in their TIMPBA are justified for rate recovery;
3. Whether SoCalGas's TIMPBA recovery request complies with all applicable rules, decisions, statutes, and other requirements, including the tariff;
4. Whether SoCalGas's TIMPBA recovery request is incremental to the cost recovery requested and approved in Advice Letter 6060-G and approved in resolution G-3600; and
5. Whether the cost allocation policies adopted in Decision (D.) 24-07-009 should apply to the TIMPBA under collection requested in this Application.

3. Background

In 2002, the Pipeline Safety Improvement Act was adopted to promote the continued safe and reliable operations of the country's natural gas infrastructure.[2] In 2004, federal pipeline regulations were adopted as part of 49 CFR 192 Subpart O and 49 CFR § 192.710, with Subpart O being incorporated

[2] *See* Ex. SCG-01 at TTS-4.

into the Commission's General Order (GO) 112-F in 2008.[3] GO 112-F provides rules, in addition to the Federal Pipeline Safety Regulations, for the "design, construction, quality of materials, locations, testing, operations, and maintenance of facilities used in the gathering, transmission, and distribution of gas and liquified natural gas facilities" under the jurisdiction of the Commission.[4]

In 2011, the State Legislature passed Senate Bill 879, codifying Public Utilities (Pub. Util.) Code Section 969 and requiring gas corporations to utilize a balancing account to recover expenses for maintenance and repair of transmission pipelines.[5] In 2013, the Commission adopted D.13-05-010, Decision on General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company, in which the Commission authorized SoCalGas's TIMPBA to record actual Operations and Maintenance (O&M) and capital-related costs associated with its TIMP and to track the difference between authorized and actual revenue requirement.[6] The TIMPBA was reauthorized in SoCalGas's 2016 and 2019 General Rate Case (GRC) decisions, with the most recent decision changing it to a one-way balancing account.[7]

In D.19-09-051, the Commission authorized SoCalGas to submit a Tier 3 advice letter to seek recovery of any TIMP under-collections of revenue requirement when actual expenditures exceed the total authorized O&M and capital expenditures by up to 35 percent for the entire cycle.[8] If, however, the

[3] *See* GO 112-F at 1.

[4] *See* GO 112-F at 1.

[5] *See* Pub. Util. Code Section 969.

[6] *See* Ex. SCG-01 at TTS-5 and D.13-05-010 at 421-422.

[7] *See* D.15-06-054 at 327 and D.19-09-051 at 777.

[8] *See* D.19-09-051 at 694-695.

under-collections exceed the total authorized expenditures by greater than 35 percent, SoCalGas is directed to seek recovery through a separate application. The instant application is filed pursuant to this directive, with the under-collections exceeding 35 percent of what was authorized for TIMP activities in SoCalGas's most recent GRC decision.

SoCalGas states that "TIMP is built upon federal and state requirements that go above and beyond routine maintenance activities and mandate monitoring and remediation on the pipeline system with the goal of reducing overall risk."[9] SoCalGas argues that actual spending exceeded the amounts forecasted and authorized in its GRC because its TIMP activities had to "evolve and adapt to new regulatory changes" and therefore the request to recover under-collections should be approved.[10]

4. Reasonableness of $173.8 Million Cost Recovery

SoCalGas requests recovery of $173.8 million in costs recorded in the TIMPBA from January 1, 2019, to December 31, 2023. According to SoCalGas, federal statute requires it to continually identify threats to its pipelines in High Consequence Areas (HCAs),[11] Moderate Consequence Areas,[12] and Class 3 and 4 pipelines[13] not in HCAs; conduct assessments within specified timelines; collect

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[9] *See* Ex. SCG-01 at TTS-9.

[10] *See* Ex. SCG-01 at TTS-16.

[11] An area is designated as an HCA by meeting the criteria specified in CFR 192.903, which takes into consideration, among other things, the number of buildings designed for human occupancy in a given area.

[12] Moderate Consequence Areas are determined by meeting the criteria specified in CFR 192.903, which include, among other things, the number of buildings intended for human occupancy. The attributes of a Moderate Consequence Area fall short of those needed to be designated a HCA, according to CFR 192.903.

[13] Class 3 and Class 4 Pipelines are defined in CFR 192.5 as follows:

Footnote continued on next page.

information about pipeline conditions; take action to minimize integrity concerns to reduce the risk of pipeline failure; and report findings to regulators.[14] While SoCalGas notes that it categorizes TIMP expenditures into four categories — (1) Assessments and Remediation; (2) Preventative and Mitigative measures; (3) Data and Geographic Information Systems; and (4) Program Management and Support/Risk and Threat — the majority of its expenditures are from the first category SoCalGas also notes that TIMP requirements "go above and beyond routine maintenance activities and mandate monitoring and remediation on the pipeline system with the goal of reducing overall risk."[15]

According to SoCalGas, the increase in TIMP expenditures during the period covered by the Application are "due to the expansion of the TIMP regulatory requirements that increased the amount of threats categorized as active on SoCalGas pipelines," resulting in more action taken by the utility.[16]

Indicated Shippers argues that SoCalGas failed to meet the burden of proof that its TIMPBA expenditures and the associated $173.8 million revenue requirement are just and reasonable and recommends denying the entirety of the request.[17] Indicated Shippers states that "[w]hile pipeline safety is critical, it does not obviate SoCalGas's responsibility to mitigate risk at the lowest reasonable

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Class 3: (i) Any class location unit that has 46 or more buildings intended for human occupancy; or
(ii) An Area where the pipeline lies within 100 yards of either a building or a small, well-defined area that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period.

Class 4: Any class location unit where buildings with four or more stories above ground are prevalent.

[14] *See* SoCalGas Opening Brief at 12.

[15] *See* SoCalGas Opening Brief at 6.

[16] *See* SoCalGas Opening Brief at 9.

[17] *See* Indicated Shippers Opening Brief at 11-12.

cost."[18] Highlighting SoCalGas's TIMPBA expenditures for the 2019 GRC period, which totaled $1.053 billion and exceeded the authorized budget of $539 million.[19] Indicated Shippers argues "[t]his level of overspending cannot be reconciled with SoCalGas's obligation to act as a prudent manager and steward of ratepayer interests."[20]

Indicated Shippers also argues that although integrity assessment requirements were expanded at the federal level through the Pipeline and Hazardous Materials Safety Administration's (PHMSA) July 1, 2020, amendments to 49 CFR 192.710, these changes did not mandate "the accelerated, resource-intensive approach that SoCalGas adopted resulting in massive overspending."[21] Specifically, "the new regulations afforded pipeline operators with significant flexibility in satisfying the new requirements," including "the ability to utilize prior initial assessments for non-HCA pipelines, and the exclusion for low-stress transmission lines operating below 30 percent of Specified Minimum Yield Strengths."[22] Indicated Shippers contends that "pipeline operators are required to complete non-HCA pipeline assessments by July 3, 2034, or within 10 years of applicability, and reassess at least every 10 years thereafter."[23] Despite this timeline for gradual implementation, Indicated Shippers argues that "SoCalGas provides no evidence that it considered deferring non-HCA assessments to later years… or that it analyzed

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[18] *See* Indicated Shippers Opening Brief at 11.

[19] *See* Ex. IS-01 at 9:12-14.

[20] *See* Indicated Shippers Opening Brief at 12.

[21] *See* Indicated Shippers Opening Brief at 13.

[22] *See* Ex. IS-01 at 14:8-13, citing Federal Register, Volume 84, No. 190, Oct. 1, 2019 at 52214-52215.

[23] *See* Ex. IS-01 at 12:14-16 and 49 CFR 192.710(b)(1)-(2).

operational alternatives, such as derating pipelines, to avoid or defer costly assessments."[24] In addition, Indicated Shippers asserts that SoCalGas failed to "perform any cost-benefit analyses to guide its prioritization of TIMP work" and instead "defaulted to the direct examination methodology, which required extensive physical excavation work that drove up costs."[25]

Finally, Indicated Shippers argues that "SoCalGas's TIMP expenditures were not incurred in a manner consistent with the Prudent Manager Standard."[26] With the current affordability crisis, Indicated Shippers contends that "a prudent manager would have leveraged Section 192.710's flexibility to spread compliance costs over time, evaluated alternative assessment methods, and considered operational strategies to minimize ratepayer impact."[27]

In response, SoCalGas argues that Indicated Shippers ignores the other regulatory changes that "mandated an accelerated, resource-intensive approach for HCAs and non-HCAs."[28] SoCalGas states that changes to the TIMP regulatory requirements during the Test Year (TY) 2019 GRC cycle drove an increase in activity that was not forecasted.

Furthermore, SoCalGas explains that CFR 192.170 did not drive non-HCA work as follows:

> SoCalGas's non-HCA pipeline work was primarily driven by two factors: (1) operational requirement or efficiency – including non-HCA pipeline segments because an HCA segment ends at an area that SoCalGas cannot install or it would be costly to install launching and receiving infrastructure or assessing longer lengths of

[24] *See* Indicated Shippers Opening Brief at 14.

[25] *See* Ex. IS-01 at 16:13-16.

[26] *See* Indicated Shippers Opening Brief at 16

[27] *See* Indicated Shippers Opening Brief at 16.

[28] *See* SoCalGas Reply Brief at 3.

> pipeline (including both HCA and non-HCA segments) together rather than dividing them into multiple projects due to non-contiguous HCAs on a HCA pipeline; and (2) regulatory requirements under 49 CFR §192.917(e)(5), which mandate evaluating non-covered segments with similar characteristics to covered segments where corrosion has been identified.[29]

When considering the reasonableness of SoCalGas's request, we look at the Prudent Manager Standard. Under the Prudent Manager Standard, the Commission does not evaluate reasonableness based on hindsight but rather on what the utility knew or should have known at the time it made its decision.[30] The Commission has summarized the Prudent Manager Standard as follows:

> The term "reasonable and prudent" means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of the facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility practices are based upon cost effectiveness, safety, and expedition.[31]

Further guidance is embodied in other decisions, which state:

> The reasonable and prudent act is not limited to the optimum practice, method, or act to the exclusion of all others, but includes a spectrum of possible acts consistent with the utility system need, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction . . . . The greater the level of money, risk and uncertainty involved in a decision, the greater the care the utility must take in reaching that decision . . . .[32]

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[29] *See* SoCalGas Reply Brief at 5.

[30] *See* D.24-07-008 at 9 (citing D.22-06-032 at 18).

[31] *See* D.87-06-021, 24 Cal. PUC 2d 476, 1987 Cal. PUC LEXIS 588, *28-29.

[32] D.90-09-088, 37 Cal. PUC 2d 488, 499, 1990 Cal. PUC Lexis 847, *23-25.

Furthermore, as the Commission has previously affirmed, "[t]he burden rests heavily upon a utility to prove… that it is entitled to the requested rate relief and not upon the Commission, its staff, or any interested party to prove the contrary."[33]

SoCalGas's request is in significant excess of what was authorized in its 2019 TY GRC cycle, triggering the requirement set forth in D.19-09-051 to seek recovery in an application.[34] Given the scale of the request, we consider this to be indicative of "the greater care the utility must take in reaching that decision" to conduct this work in the timeline spanning this request. The facts known to SoCalGas at the time were (1) there are new requirements that were promulgated with specific timelines by which the work must be completed; (2) the costs to conduct the work pursuant to these requirements would incur a cost; and (3) SoCalGas has regularly scheduled GRCs in which work can be forecasted and the rate impact associated with those costs can be considered on a holistic basis along with SoCalGas's other requests.

After reviewing SoCalGas's evidence and assertions, it is not clear why SoCalGas chose to complete all of its work in the timespan between its GRCs or the extent to which SoCalGas considered spreading the work over a longer period of time to mitigate rate shock. We are also concerned that by accelerating this work, it will necessitate revisiting this work sooner than had it been spread over a longer period of time, due to the requirement to reassess "at least every ten years thereafter."[35] This results in additional costs to ratepayers sooner than had SoCalGas taken advantage of the extended timeline afforded to it by the new

[33] *See* D.02-08-064 at 5-8.

[34] *See* D.19-09-051 at 694-695.

[35] *See* CFR 192.710(b)(2).

regulations. We find that a prudent manager would have considered this option and pursued an approach that minimized the cost and impact to ratepayers. In explaining its work and its decision regarding the timeline it chose to complete it, SoCalGas did not provide the Commission with sufficient records to enable an evaluation of the reasonableness and of the expenses relating to planning and taking action to address integrity concerns. Accordingly, disallowance is warranted.[36]

Although we are concerned about this lack of clarity and evidence, we also do not agree with Indicated Shippers' argument that the Commission should disallow SoCalGas's request in its entirety.[37] It is reasonable for SoCalGas to have taken some action to address integrity concerns. The primary question is with the accelerated nature of the work and the rate shock that stems from the relatively narrow window of time the work was performed in relation to the window of time SoCalGas is allowed to conduct these activities. Forecasting activities through a GRC application would allow for a more thorough review process and a more holistic approach to mitigating the rate impact. By conducting the TIMP work and seeking recovery through the advice letter and application process, SoCalGas has incurred significant overrun of authorized expenditures without explaining the urgency behind the accelerated timeline. SoCalGas has also failed to demonstrate that it considered the impact of

[36] *See* Pub. Util. Code Section 463 ("Whenever an electrical or gas corporation fails to prepare or maintain records sufficient to enable the commission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense relating to the planning, construction, or operation of the corporation's plan, the commission shall disallow that expense for purposes of establishing rates for the corporation.").

[37] *See* Indicated Shippers Opening Brief at 12.

reassessments on ratepayers when electing to perform this work in a compressed window of time.

Although we are unable to quantify the rate impact should SoCalGas have spread the costs over a longer time horizon given SoCalGas's lack of records, we find that some amount of disallowance is warranted to reflect SoCalGas's failure to fully meet the Prudent Manager Standard. For this reason, after incorporating the disallowances for straight time labor, vacation and sick leave, and Vendor #11900, as described below, we reduce the total amount of the $173.8 million request by 40 percent. This results in a $54,203,200 reduction for failing to meet the Prudent Manager Standard. .

4.1. Straight Time Labor Costs

Straight time labor costs are what an employer would incur for its workforce excluding overtime pay or paid time off. In other words, this is the cost for the workforce working its regular number of hours.

SoCalGas requests $6.004 million in capital and $28.324 million for straight time labor. The Public Advocates Office argues that these costs should be denied because SoCalGas "did not provide supporting information… to demonstrate that these employees' salaries and benefits proved incremental to amounts previously approved in the 2019 GRC."[38] In addition, the Public Advocates Office notes that SoCalGas "failed to provide supporting documentation justifying and demonstrating that it hired new employees to fill new positions [SoCalGas] created exclusively for TIMP."[39]

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[38] *See* Public Advocates Office Opening Brief at 7.

[39] *See* Public Advocates Office Opening Brief at 7.

To further support its point on incrementality, the Public Advocates Office references D.23-02-017, which states:

> [C]osts 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. 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."[40]

SoCalGas argues that the Public Advocates Office misapplies the incrementality analysis and that "incrementality should compare costs incurred to those previously authorized for recovery for similar expenditures."[41] According to SoCalGas, there is no doubt it incurred costs exceeding the $270.6 million revenue requirement authorized in D.19-09-051.[42] SoCalGas goes on to argue that comparing TIMP expenditures to SoCalGas's broader gas transmission safety, reliability, and maintenance activities for the TY 2019 GRC cycle is inappropriate "based on prior Commission precedent."[43] That being said, SoCalGas asserts that even if the Commission were to carry out that comparison, its Risk Spending Accountability Report "demonstrates that the increased TIMP activities are entirely incremental to those costs as well."[44] SoCalGas states that while it did redirect resources to support TIMP activities, the Public Advocates Office incorrectly assumes that the redirected resources

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[40] *See* D.23-02-017 at 27.

[41] *See* SoCalGas Opening Brief at 18.

[42] *See* SoCalGas Opening Brief at 19.

[43] *See* SoCalGas Opening Brief at 19.

[44] *See* SoCalGas Opening Brief at 19, citing Ex. SCG-05-2E at SZGY-8.

were not covered by another resource and "there is no requirement that new positions be created to demonstrate incrementality.[45]

In response to Cal Advocates' contention that it failed to demonstrate that it hired new employees to fill exclusively TIMP positions, SoCalGas states that the Public Advocates Office "cannot fault SoCalGas for not providing information that it did not request, particularly when the relevancy of the information is unclear."[46]

We recognize that whenever any new work is undertaken, there is an associated cost. As the Commission stated in D.23-02-017, costs are incremental if, in addition to completing the planned work that underlies the authorized GRC costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity in addition to completing the expected scope of work in a related work category. 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 to different activities within a related work category, no incremental cost was incurred, despite the activity itself being "incremental."[47]

We also acknowledge that incrementality does not need to be demonstrated by the creation of new positions. However, a utility must demonstrate the impact redeploying employees had on the activities authorized by the GRC. If work on both the authorized and new activities were all successfully completed, it would indicate that the new activities were absorbable using the utility workforce's existing time, resulting in no new labor costs.

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[45] *See* SoCalGas Opening Brief at 19-20.

[46] *See* SoCalGas Opening Brief at 9.

[47] *See* D.23-02-017 at 27.

Here, SoCalGas has not provided evidence to demonstrate how its redeployment of employee labor to the TIMP was offset through the hiring of additional employees, the leveraging of external contractors, or through other non-labor means to complete other scopes of work. Similarly, SoCalGas has not shown how the activities employees were redirected from were completed.

We disagree with SoCalGas's contention that the Public Advocates Office "cannot fault SoCalGas" for not providing what it did not ask for. The burden is on the utility to show through a preponderance of evidence that its request is reasonable. If SoCalGas is aware of contentions regarding the incremental nature of its request, as is true in this case evidenced by its efforts to refute the claims, it must produce the evidence to support its counterargument. In the instant proceeding, SoCalGas has failed to meet that burden by producing records of how the employees it redirected were backfilled.

Accordingly, we find that SoCalGas has failed to demonstrate that it has backfilled for the activities from which its workforce was redeployed—indeed, it is unclear what activities the workforce was redeployed from—and it has failed to demonstrate that if the workforce was redeployed from a related category of activity, that the activity from which it was redeployed was also completed, and it did not underspend in that category. Without a clear showing from SoCalGas as described, the Commission cannot find SoCalGas's request to recover straight time labor costs as incremental costs to be reasonable, and therefore we disallow $6.004 million in capital and $28.324 million for straight time labor.

4.2. Vacation and Sick Leave

SoCalGas requests $1.178 million in capital and $2.093 million in O&M for vacation and sick leave, for a total recovery of $3.271 million.[48] The Public Advocates Office argues "if the underlying labor is not incremental, then the related vacation and sick leave costs also are not incremental."[49] The Public Advocates Office cites D.25-06-051, Decision Addressing Southern California Edison Company's Track 3 Request for Recovery of Wildfire Mitigation Memorandum and Balancing Account Balances, where various findings were made regarding the incrementality of that request. The Public Advocates Office sums up its argument by referring to D.23-02-017, where the Commission notes that incrementality is demonstrated by the procurement of additional resources.

We agree with the Public Advocates Office that if the underlying labor is not incremental, then the related vacation and sick leave costs are also not incremental. In this case, as discussed in Section 4.1.1 above on straight time labor, we find that SoCalGas failed to demonstrate the incremental nature of its straight time labor. Therefore, the associated request to recover $3.271 million in costs for the vacation and sick leave associated with the straight time labor is also disallowed.

4.3. Pipeline 235 West, Phase 1

SoCalGas requests $40.697 million in capital and $0.023 million in O&M for costs related to Pipeline 235 West, Phase 1 (Line 235) for a total recovery request of $40.72 million.[50] In D.19-09-051, the Commission authorized SoCalGas to establish a memorandum account to record all costs related to Line 235

[48] *See* SoCalGas Opening Brief at 23.

[49] *See* Public Advocates Office Opening Brief at 10.

[50] *See* Public Advocates Office Opening Brief at 10.

(L235MA).[51] The L235MA consists of two subaccounts—one for Pipeline Safety Enhancement Plan (PSEP), which covers natural gas pipeline replacement and pressure testing, and another for TIMP/Other Costs, which address transmission pipeline risk reduction through assessments and remediations.[52]

The Public Advocates Office argues that cost recovery for Line 235 should be denied because the L235MA Preliminary Statement "requires that TIMP costs be made subject to refund until [SoCalGas] files a Tier 2 Advice Letter demonstrating clear accounting separations between TIMP and PSEP costs."[53] Because the "PSEP project has not yet started" the Public Advocates Office asserts "[r]atepayers should not be asked to provisionally cover $40.720 million in conditional costs, where [SoCalGas] has failed to comply with the Commission's directive to track and separate both PSEP and TIMP costs for line 235."[54] The Public Advocates Office contends that because SoCalGas has yet to file the advice letter separating the TIMP and PSEP costs for Line 235, it cannot confirm or verify the proper accounting separation.[55]

SoCalGas states that there are two separate and distinct projects on Line 235 West: (1) the TIMP project and (2) the PSEP project. SoCalGas notes that it is requesting recovery in this application for the TIMP project costs, which are tracked, but not recorded in the L235MA. Instead, the TIMP project costs are recorded and recovered in the TIMPBA and are subject to refund until the

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[51] D.19-09-051 at Ordering Paragraph 14.

[52] *See* D.19-09-051 at 183 and 196.

[53] *See* Public Advocates Office Opening Brief at 11.

[54] *See* Public Advocates Opening Brief at 12.

[55] *See* Public Advocates Office Opening Brief at 12.

Commission approves the advice letter for L235MA.[56] SoCalGas states that D.19-09-051 does not prohibit cost recovery for the TIMP project until the L235MA is approved.[57] SoCalGas notes that the costs for the TIMP project for Line 235 have already been incurred and although the recovery is subject to refund until the resolution of the L235MA for the PSEP work, the TIMP work and costs are separate. Furthermore, SoCalGas argues that delaying recovery would impose carrying costs.[58]

The relevant language in the L235MA's Preliminary Statement reads as follows:

> SoCalGas shall seek amortization of PSEP Cost Subaccount balance of the L235MA in a Tier 2 advice letter submitted at the conclusion of Line 235 West Sections 1 and 2 testing or replacement. The Tier 2 advice letter will provide clear accounting delineations of which costs are subject to the TIMP and which costs are subject to the PSEP. Such PSEP costs shall not be placed into rates for recovery and such TIMP costs shall be made subject to refund until the advice letter is approved.[59]

While the language does require a clear delineation between TIMP and PSEP costs, it makes no restrictions on when the TIMP costs can be recovered. By noting that the TIMP costs are "subject to refund" until the approval of the advice letter implies that recovery for the TIMP costs may be made separately and prior to the approval of the advice letter.

Accordingly, if the account only reflects TIMP costs thus far because, as the Public Advocates Office notes, the PSEP project has not yet commenced, then it is

[56] *See* SoCalGas Opening Brief at 27-28.

[57] *See* SoCalGas Opening Brief at 28.

[58] *See* SoCalGas Opening Brief at 12.

[59] *See* Ex. CA-01-WP at 114-117.

unclear why confirming and verifying the TIMP accounting is challenging. We are not persuaded that the Preliminary Statement requires that recovery for TIMP projects be limited to after the filing or approval of an advice letter for the PSEP accounts.

For these reasons, we authorize $40.72 million in recovery for the TIMP project costs related to Line 235 subject to refund until the approval of the advice letter for the PSEP costs, as dictated by the Preliminary Statement.

4.4. Vendor #11900

The Public Advocates Office recommends the Commission deny SoCalGas's request for $0.538 million in capital and $0.155 million in O&M in contract costs for Vendor #11900, for a total request of $0.693 million, because "the costs cannot be verified" and "it relates to work that is outside the scope of this proceeding and lacks evidentiary support."[60]

SoCalGas states that Vendor #11900 "provides non-destructive examination (NDE) services for both TIMP and PSEP projects," and SoCalGas has a Master Service Agreement (MSA) with Vendor #11900, along with various release orders for NDE under the MSA.[61] SoCalGas states that "[r]elease orders simply authorize work under the MSA and set administrative parameters; they do not dictate cost allocation."[62] SoCalGas argues that it provided "143 projects and over 2,600 pages of workpapers" as support and that the Public Advocates Office has failed to cite to any requirement that it must "submit every contract," arguing that doing so would "unnecessarily overburden the record."[63]

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[60] *See* the Public Advocates Office Opening Brief at 13.

[61] *See* SoCalGas Opening Brief at 24.

[62] *See* SoCalGas Opening Brief at 24.

[63] *See* SoCalGas Opening Brief at 24-25.

SoCalGas goes on to state that it is the Public Advocates Office's responsibility "to understand the materials provided."[64]

Although SoCalGas states it provided 143 projects and over 2,600 pages of workpapers, it fails to identify the applicable release order or work order pertinent to Vendor #11900 when arguing against the Public Advocates Office's recommended disallowance.[65] Therefore, it is unclear where in the record this information can be found. As Indicated Shippers notes, "SoCalGas provided intervenors and the Commission with a voluminous 'data dump' of invoices, devoid of categorization or context."[66] We agree that it is not helpful for SoCalGas to reference the number of pages it provides if it cannot specify where in the thousands of pages its arguments and contentions are supported. Because the burden is on the utility to justify its requests, we find SoCalGas's explanation inadequate and disallow $0.538 million in capital and $0.155 million in O&M costs associated with this request.

4.5. Amortization Period

SoCalGas requests the Commission approve its request for a 12-month amortization period. Indicated Shippers argues that the Commission should authorize a 36-month amortization period "to smooth rate impacts and mitigate ratepayer harm."[67] Indicated Shippers contends that this is particularly important given that "SoCalGas is seeking other, concurrent rate increases" and

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[64] *See* SoCalGas Opening Brief at 25.

[65] *See* Ex. SCG-05-2E at SZGY-17 and

[66] *See* Indicated Shippers Opening Brief at 23.

[67] *See* Indicated Shippers Opening Brief at V.

that adopting an extended amortization period "aligns with recent Commission decisions citing affordability concerns…"[68]

SoCalGas disagrees, arguing that a 12-month period "is consistent with the amortization of prior under-collected balances recorded in the TIMPBA."[69] SoCalGas also notes that Indicated Shippers' proposal to extend recovery to 36-months "would incur approximately $9 million in additional interest when compared to an annual amortization period."[70] SoCalGas provides a comparison of the costs associated with a 12-month amortization period relative to a 36-month amortization period in its rebuttal testimony.[71]

The amount of interest depends on, among other factors, the amount authorized for recovery and the amortization period. SoCalGas is not being granted full recovery, therefore we do not expect the additional interest to align with the approximately $9 million SoCalGas provided in its testimony. That being said, even a fraction of the $9 million would equate to more than some of the disallowances in this decision. Therefore, we are not convinced that a 36-month amortization period would be in the public interest and grant SoCalGas's request for a 12-month amortization period.

5. Reasonableness of Revenue Requirement

The reasonableness of the revenue requirement requested consists of the sum total of the individual requests made by SoCalGas. Because the contended

[68] *See* Indicated Shippers Opening Brief at 21.

[69] *See* Ex. SCG-05-2E at SZGY-33.

[70] *See* Ex. SCG-05-2E at SZGY-33.

[71] *See* Ex. SCG-05-2E Attachment H: TIMPBA Interest Comparison: 36-Month Amortization vs. 12-Month Amortization.

items have been discussed and addressed above, they are not separately discussed here.

6. Compliance with All Applicable Requirements

Although this is scoped as a separate issue, the discussion on whether the request complies is covered extensively in the other scoped items. Therefore, this decision does not reproduce parties' position on this issue in-depth here nor does it discuss the resolving of this issue separately. Below is a brief summary of each party's position on this issue.

SoCalGas argues that its recovery request is in compliance with all applicable rules, decisions, statutes, and other requirements, including the tariff.[72]

The Public Advocates Office argues that SoCalGas's recovery request does not comply with Commission directives that require SoCalGas "to provide reasonable evidence showing these recovery request are within the scope of the proceeding and are incremental."[73]

Indicated Shippers argues that SoCalGas "failed to maintain and present records as required by Pub. Util. Code Section 463(b)."[74] Public Utilities Code Section 463(b). The language of the relevant section is reproduced below:

> Whenever an electrical or gas corporation fails to prepare or maintain records sufficient to enable the commission to completely evaluate any relevant or potentially relevant issue related to the reasonableness and prudence of any expense relating to the planning, construction, or operation of the corporation's plant, the commission shall disallow that expense for purposes of establishing rates for the corporation. This subdivision does not apply where the

[72] *See* SoCalGas Opening Brief at 33.

[73] *See* Public Advocates Office Opening Brief at 14.

[74] *See* Indicated Shippers Opening Brief at 23.

> commission determines that a reasonable person could not have anticipated either the relevance or potential relevance, to an evaluation of costs incurred on the project, of preparing or maintaining the records or the extent of recordkeeping required to adequately evaluate those costs.[75]

Indicated Shippers argues that "SoCalGas admits that it did not track costs separately for mandatory HCA work versus discretionary non-HCA work"[76] and that the Public Advocates Office's testimony "shows that SoCalGas failed to track the costs purportedly associated with the new regulations separately from its base TIMP activities."[77] Indicated Shippers argues that because of this, the request does not comply with Pub. Util. Code Section 463(b) and therefore must be denied.

We address the specifics of each argument in the other sections in the instant decision.

7. Incrementality of Request

The Public Advocates Office argues that the any recovery related to straight time labor, vacation and sick leave, Vendor #11900, and Pipeline 235 West must be "for work that is beyond what was authorized previously by the GRC and Resolution G3600 (issued pursuant to Tier 3 Advice Letter 6060-G)."[78] In addition, the Public Advocates Office asserts that these requests were not for incremental work beyond what was approved in Resolution G-3600 and the applicable GRC decision, D.19-09-051.[79]

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[75] *See* Pub. Util. Code Section 463(b).

[76] *See* Indicated Shippers Opening Brief at 23, citing Ex. IS-01 at 15-16 and Ex. SBUA-01 at 11-13.

[77] *See* Indicated Shippers Opening Brief at 23, citing Ex. CA-01 at 15-19.

[78] *See* Public Advocates Office Opening Brief at 15.

[79] *See* Public Advocates Office Opening Brief at 15.

SoCalGas states that the authorized revenue recovery of $227.3 million, as approved by Resolution G-3600, has been applied to offset the TIMPBA under-collected balance as shown in Table RMY-1.[80]

We address the incrementality of SoCalGas's requests for straight time labor, vacation and sick leave, Pipeline 235 West, and Vendor #11900 above.

8. Applicability of D.24-07-009's Cost Allocation Policies

The Public Advocates Office did not discuss cost allocation in its testimony and took no position on this issue.[81] SoCalGas proposes to recover the under collected balance of the TIMPBA in gas transportation rates based on a functionalized allocation of transmission-related costs adopted in SoCalGas's most recent Cost Allocation Proceeding, D.24-07-009. Through this proposal, the TIMBA balance would be allocated to SoCalGas's Backbone Transportation Service and to SoCalGas and San Diego Gas & Electric Company's local transmission system.[82]

In D.24-07-009, we adopted a settlement between SoCalGas, Cal Advocates, Indicated Shippers, and other parties that included terms for transmission and storage costs.[83] We find it reasonable that the most recent adopted cost allocation mechanism be applied to the recovery of any TIMPBA under collected balance approved in the instant decision.

[80] *See* Public Advocates Office Opening Brief at 33.

[81] *See* Public Advocates Office Opening Brief at 15.

[82] SoCalGas Opening Brief at 35.

[83] D.24-07-009 at Ordering Paragraph 1.

9. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of mailing, we have received 13 public comments. Comments from the public oppose any rate increase. Comments emphasize that costs are increasing faster than wages and despite lower usage, bills are increasing.

10. Procedural Matters

On December 10, 2025, SoCalGas and SBUA filed a Joint Motion for Leave to File Under Seal the following confidential exhibits: SCG-02-WP-A-C; SBUA-01C; and SBUA-02-C. The Motion and Declaration of Travis T. Sera in support of the Motion assert that the information is confidential pursuant to Government Code Sections 7927.705 and 7929.205, and Federal Energy Regulatory Commission and PHMSA orders, guidelines, and advisory bulletins. Specifically, SoCalGas and SBUA argue that the confidential exhibits contain Critical Energy Infrastructure Information and certain information may affect market pricing. After reviewing the confidential information, we grant the December 10, 2025, Joint Motion of SoCalGas and SBUA for Leave to File Under Seal the following confidential exhibits: SCG-02-WP-A-C; SBUA-01C; and SBUA-02-C. These exhibits are hereby moved into the evidentiary record and are granted confidential treatment for a period of three years.

Similarly, we grant SBUA's December 12, 2025, Motion to File Opening Brief Under Confidential Seal, which cites to exhibits SBUA-01C and SBUA-02C.

During this three-year period, this information shall not be publicly disclosed except on further Commission order or ALJ ruling. If SoCalGas believes that it is necessary for this information to remain under seal for longer than three years, SoCalGas may file a motion showing good cause for extending this order by no later than 30 days before the expiration of the grant of confidentiality.

We also grant the December 10, 2025, Joint Motion of SoCalGas, the Public Advocates Office, Indicated Shippers, and SBUA to Admit Testimony and Exhibits into evidence. Exhibits SCG-01, SCG-02, SCG-03, SCG-04, SCG-02-WP-A, SCG-03-WP, SCG-05-E2, SCG-06, SCG-07, CA-01, IS-01, IS-02, SBUA-01, and SBUA-02 are moved into the evidentiary record.

Finally, we grant the Public Advocates Office's July 29, 2026, Motion to Admit Prepared Testimony Exhibits Into Evidence. Exhibits CA-01-WP and CA-01-Excel are moved into the evidentiary record.

All motions not ruled on are deemed denied.

11. Comments on Proposed Decision

The proposed decision of ALJ Amin Nojan in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

12. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Amin Nojan is the assigned ALJ in this proceeding.

Findings of Fact

1. On April 30, 2025, SoCalGas filed A.25-04-020 for authority to recover costs recorded in the TIMPBA.

2. On December 10, 2025, the Public Advocates Office, Indicated Shippers, SBUA, and SoCalGas filed a Joint Motion to Admit Exhibits into evidence.

3. On December 10, 2025, SBUA and SoCalGas filed a Joint Motion for Leave to File Under Seal certain exhibits.

4. On December 12, 2025, SBUA filed a Motion to File its Opening Brief Under Confidential Seal.

5. On July 29, 2026, the Public Advocates Office filed a Motion to Admit Workpapers into Evidence.

6. SoCalGas's request is in significant excess of what was authorized in its 2019 TY GRC cycle, triggering the requirement set forth in D.19-09-051 to seek recovery in an application.

7. Under the Prudent Manager Standard, the greater the amount of money involved, the greater care the utility must take in reaching that decision.

8. SoCalGas fails to explain why it chose to complete the volume of work associated with the request in the window of time covered by this request.

9. Forecasting activities through a GRC application would allow for a more thorough review process and a more holistic approach to mitigating the rate impact.

10. A 36-month amortization period incurs higher costs associated with interest than a 12-month amortization period.

11. A cost is incremental if, in addition to completing the planned work that underlies the authorized GRC costs, the utility had to procure additional

resources, be they in labor or materials, to complete the new activity in addition to completing the expected scope of work in a related work category.

12. SoCalGas has not provided evidence to demonstrate how its redeployment of employee labor to the TIMP was offset through the hiring of additional employees, the leveraging of external contractors, or through other non-labor means to complete other scopes of work. Similarly, SoCalGas has not shown how the activities employees were redirected from were completed.

13. Vacation and sick leave is not incremental if the underlying straight time labor is not incremental.

14. Approval of costs through a Commission Resolution for an Advice Letter are not an endorsement of or a predetermination of the reasonableness of costs that are subject to review in a proceeding.

15. The Preliminary Statement for Line 235 Memorandum Account does not prohibit TIMP cost recovery, subject to refund, until such time as when the advice letter for the PSEP costs for Line 235 is filed or approved.

16. SoCalGas does not meet its burden of proof in producing the documents to justify its expenses related to Vendor #11900.

Conclusions of Law

1. SoCalGas should be authorized to recover $81.3048 million in rates.

2. SoCalGas should be disallowed $6.004 million in capital and $28.324 million for straight time labor costs.

3. SoCalGas should be disallowed $3.271 million in costs for the vacation and sick leave associated with the straight time labor.

4. SoCalGas should be authorized to recover $40.72 million in TIMP project expenses incurred for Line 235, subject to refund until the resolving of the advice letter for Line 235 PSEP costs.

5. SoCalGas should be disallowed $0.538 million in capital and $0.155 million in O&M associated with Vendor #11900 costs.

6. SoCalGas should be granted its request for a 12-month amortization period.

7. The most recent adopted cost allocation mechanism should be applied to the recovery of any TIMPBA under collected balance approved in the instant decision.

8. SoCalGas and SBUA's Joint Motion for Leave to File Under Seal and SBUA's Motion for Leave to File its Opening Brief under Confidential Seal should be granted.

9. Joint Parties Motion to Admit Testimony and Exhibits into evidence should be granted and Exhibits SCG-01, SCG-02, SCG-03, SCG-04, SCG-02-WP-A, SCG-03-WP, SCG-05-E2, SCG-06, SCG-07, CA-01, IS-01, IS-02, SBUA-01 should be moved into the evidentiary record.

10. The Public Advocates Office's Motion to Admit Prepared Testimony Exhibits Into Evidence should be granted and Exhibits CA-09-WP and CA-01-Excel Data should be moved into the evidentiary record.

11. All ALJ and assigned Commissioner rulings in this proceeding should be affirmed.

12. All motions not ruled on to date should be denied.

13. A.25-04-020 should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized to recover $81.3048 million in rates.

2. Southern California Gas Company is to utilize the cost allocation mechanism adopted by the Commission in Decision 24-07-009, until such time as a new cost allocation mechanism is adopted.

3. Southern California Gas Company shall amortize the amounts authorized for recovery in this decision over a 12-month amortization period.

4. The Joint Motion of Southern California Gas Company and Small Business Utility Advocates for Leave to File Under Seal and Small Business Utility Advocates' Motion for Leave to File its Opening Brief under Confidential Seal are granted.

5. The December 10, 2025, Joint Motion to Admit Testimony and Exhibits into evidence is granted and Exhibits SCG-01, SCG-02, SCG-03, SCG-04, SCG-02-WP-A, SCG-03-WP, SCG-05-E2, SCG-06, SCG-07, CA-01, IS-01, IS-02, SBUA-01 are moved into the evidentiary record.

6. The July 29, 2026, Motion to Admit Prepared Testimony Exhibits Into Evidence is granted and Exhibits CA-09-WP and CA-01-Excel Data are moved into the evidentiary record.

7. All Administrative Law Judge and Commissioner rulings in this proceeding are affirmed.

8. All motions not ruled on to date are denied.

9. Application 25-04-020 is closed.

This order is effective today.

Dated ____________ ___, 2026, at Sacramento, California