

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3611

April 24, 2025

R E S O L U T I O N

Resolution G-3611. San Diego Gas & Electric Company's request for recovery of the Transmission Integrity Management Program Balancing Account (TIMPBA) for January 1, 2019 to July 31, 2023.

PROPOSED OUTCOME:

- Approves San Diego Gas & Electric Company (SDG&E) Advice Letter 3257-G-A.

SAFETY CONSIDERATIONS:

- SDG&E's Transmission Integrity Management Program (TIMP) implements the federal regulatory requirements set forth in 49 Code of Federal Regulations (CFR) 192 Subpart O, which were adopted following the passage of the Pipeline Safety Improvement Act of 2002.

ESTIMATED COST:

- Approximately \$21.6 million

By Advice Letter 3257-G filed on December 15, 2023, and Advice Letter 3257-G-A filed on September 30, 2024.

SUMMARY

Decision (D.)19-09-051 authorized San Diego Gas & Electric (SDG&E) to spend \$84.5 million on its Transmission Integrity Management Program (TIMP)¹ and to establish a two-way balancing account to recover actual operations and maintenance (O&M) and capital related costs. The decision also authorized SDG&E to submit a Tier 3 advice letter to seek recovery of any TIMP under-collections of revenue

¹ Advice Letter 3257-G-A, Attachment C.

requirement when actual expenditures are overspent by up to 35% of the total authorized O&M and capital expenditures for the entire General Rate Case (GRC) cycle. For any under-collections of revenue requirement associated with overspending greater than or equal to 35% of the total authorized O&M and capital expenditures, SDG&E is authorized to seek recovery through a separate application.²

For this advice letter filing, the relevant GRC cycle is January 1, 2019 – December 31, 2023; however, SDG&E states that by July 31, 2023³ actual TIMP O&M and capital expenditures were 24% more than the amounts authorized in D.19-09-051. Hence, SDG&E filed Advice Letter (AL) 3257-G seeking recovery of the revenue requirement under-collection in the TIMP Balancing Account (TIMPBA), as of July 31, 2023. AL 3257-G-A replaced AL 3257-G in its entirety; it trued up the balance in the TIMPBA to incorporate on-going capital-related revenue requirements, interest, and authorized revenue collected for the remainder of the GRC cycle (August 1, 2023-December 31, 2023), included actual and projected interest through December 2024, and made corrections to the original filing. In sum, AL 3257-G-A reduced the under-collection request from \$23.3 million to \$21.7 million. SDG&E subsequently clarified that the actual interest through December 2024 reduced the undercollection from \$21.7 million to \$21.6 million.

SDG&E's cost recovery request of approximately \$21.6 million of revenue requirement is approved.

Pursuant to Res. G-3499, the amount authorized for recovery in TIMPBA will be amortized in gas transportation rates based on a functionalized allocation of costs adopted in SDG&E's most recent Cost Allocation Proceeding (CAP), D24-07-009.

BACKGROUND

The SDG&E's Transmission Integrity Management Program (TIMP) was established as a result of the Pipeline Safety Improvement Act of 2002 and the enactment of 49 CFR Part 192 Subpart O (Subpart O).

Pursuant to Subpart O, operators of natural gas transmission pipelines are required to identify threats to their pipelines in High Consequence Areas, analyze the risk posed by these threats, collect information about the physical condition of their pipelines, and

² D.19-09-051, p. 694-695.

take actions to address applicable threats and integrity concerns before pipeline failures occur.

Since the Pacific Gas and Electric Company (PG&E) pipeline rupture in San Bruno in September 2010, regulations such as “The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011” have led the Pipeline and Hazardous Materials Safety Administration (PHMSA) to change its reporting requirements and review existing transmission integrity requirements to identify areas for improvement.

Consequently, the Commission authorized a recovery process for TIMP-related costs, which has evolved over time. In Decision 13-05-010, the Commission authorized SDG&E to establish a two-way balancing account to recover actual TIMP compliance O&M expenses and capital expenditures. This allows year-end balances in the TIMPBA to be carried forward into the following year to ensure SDG&E has sufficient funds to carry out TIMP-related work. The Commission also established that “... any costs in excess of the authorized TIMP O&M costs and capital expenditures will be subject to recovery through a Tier 3 AL process.”⁴

In Decision 16-06-054, the Commission approved a settlement agreement provision that limited the Tier 3 advice letter process for recovery of TIMP under-collections up to 35% of the 2016 GRC cycle total revenue requirement for that program, and any amounts above 35% would be subject to a separate application procedure.

In Decision 19-09-051, the Commission modified the process to address a compounding effect because capital costs are balanced over the life of the asset and not on a year-to-year basis. The decision adopted the utilities’ proposal to change the method by which the percentage is calculated by applying it against the total authorized O&M and capital expenditures for the program.

The two-way TIMP balancing account is currently effective for the TY2019 GRC period ending December 31, 2023. In SDG&E’s TY2024 GRC, D.24-12-074, the Commission converted the two-way balancing account to a one-way balancing account and requires any TIMP under-collections to be recorded to a memorandum account.⁵

For the period 2012-2015, the TIMPBA was under-collected by about \$3.2 million (or 10% above the authorized amount of \$30.7 million). On June 11, 2015, the Commission

⁴ D.13-05-010, Findings of Fact No. 183, p. 1053.

⁵ D.24-12-074, Findings of Fact No. 68, p. 970 and No. 80, p. 972.

issued Resolution G-3533, approving AL 2529-G and authorizing SDG&E to recover the accumulated balance through December 31, 2015.

For the period 2016-2018, the TIMPBA was under-collected by about \$1.7 million (or 9% above the authorized amount of \$18 million). On May 8, 2020, the Commission issued Resolution G-3566, approving AL 2777-G and authorizing SDG&E to recover the under-collected balance through December 31, 2018.

For the most recent period 2019-2023, SDG&E filed Advice Letter 3257-G to recover the under-collected balance in revenue requirement through July 31, 2023, when actual TIMP O&M and capital expenditures exceeded authorized amounts by 24%, which is within the 35% threshold for a Tier 3 advice letter filing per D.19-09-051.

SDG&E filed AL 3257-G-A, replacing AL 3257-G in its entirety, to correct for accounting errors, to reclassify some capital expenditures as O&M, and to true up the balance to incorporate on-going capital-related revenue requirements, interest, and authorized revenues collected for the remainder of the TY2019 GRC cycle (August 1, 2023 - December 31, 2023). Additionally, SDG&E is requesting recovery of actual and projected interest of \$1.1 million for the period January 1, 2024 - December 31, 2024, for a total of \$21.7 million, a reduction from its original request of \$23.3 million.

Pursuant to Resolution G-3499, the TIMPBA amount will be amortized in gas transportation rates based on a functionalized allocation of transmission-related costs as adopted in SDG&E's most recent Cost Allocation Proceeding (CAP), D.24-07-009.

NOTICE

SDG&E states that a copy of AL 3257-G/3257-G-A was served on the utilities and interested parties on SDG&E's GO 96B service list, including interested parties in A.17-10-007 and A.22-05-016, in accordance with Section 4 of General Order 96-B.

PROTESTS

SDG&E's Advice Letter 3257-G and Advice Letter 3257-G-A were not protested.

DISCUSSION

Commission staff reviewed SDG&E's actual costs recorded in TIMPBA for the period January 1, 2019 to July 31, 2023 and finds its request for recovery of the under-collection in the TIMPBA to be valid and appropriate.

As part of the review process, Staff submitted data requests and held videoconference calls with SDG&E. Staff also met with CPUC's Safety & Enforcement Division staff regarding recent Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations.

During the relevant GRC cycle (2019-2023), multiple rulings⁶ by the Pipeline and Hazardous Materials Safety Administration (PHMSA) took effect. These rulings expanded the TIMP requirements and increased the volume of TIMP activity, resulting in SDG&E's actual TIMP expenditures being higher than forecast.

For example, to meet the new requirements of 49 CFR 192, Subpart O, SDG&E increased the number of assessments using in-line inspections (ILI). In doing so, SDG&E expanded the ILI program to inspect piping that was previously not conducive to in-line inspections. The net result was an increase in work volume and complexity, e.g., additional assessment findings, additional validation requirements, and increased remediation volume,⁷ all of which led to an increase in TIMP O&M and capital expenditures.

In response to Staff's data request, SDG&E also provided specific examples where actual TIMP expenditures exceeded forecasted cost due to unanticipated factors. One reason for the variation is that initial cost estimates are made several months in advance, so actual costs could differ due to changed or unforeseen circumstances and conditions. Another reason is that TIMP is governed by the prescriptive requirements in 49 CFR 192, which prescribe the timing of transmission pipeline assessments. Certain challenges or obstacles that could impede a project's timely completion include permit restrictions, construction site restrictions, or gas system constraints. When these obstacles occur, SDG&E's assessment team has to consider the best way to meet the prescriptive assessment deadlines, which increases cost, as well.⁸

⁶ AL3257-G-A, Footnote 10, p. 7

⁷ AL 3257-G-A, p. 4-5.

⁸ Data Request No. 1, Supplemental Response dated October 8, 2024, Question 4.

SDG&E affirmed that TIMP labor costs are recorded and recovered through the TIMPBA and are not recovered through any other regulatory account or proceeding. No other overhead costs are recorded to TIMPBA, other than vacation and sick time, consistent with the authorized TIMP costs in D.19-09-051.

Based on the information provided by SDG&E, the Commission finds the expenses and expenditures were appropriately recorded to the TIMPBA and reasonably incurred. Therefore, SDG&E's request to recover the under-collection in its TIMPBA for the period January 1, 2019 to July 31, 2023, with the balance trued up to account for the on-going capital-related revenue requirements, interest, and authorized revenue collected for the remainder of the TY 2019 GRC cycle (August 1, 2023 - December 31, 2023) in the amount of \$20.6 million is approved. On-going balances in the TIMPBA are subject to interest until the balance is amortized in rates; thus, the additional \$1.0 million in interest specified for January 1, 2024 - December 31, 2024 (actuals), results in a total approval amount of \$21.6 million.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the CPUC's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments and will be placed on the CPUC's agenda no earlier than 30 days from today.

SDG&E submitted clarifying comments on April 10, 2025. Among its comments, SDG&E explained that its supplemental advice letter included a projection of interest incurred through the end of 2024. Utilizing actual interest incurred, SDG&E's TIMPBA under-collection balance as of December 31, 2024, is \$21.6 million. The resolution has been modified to reflect this correction, as well as SDG&E's other comments.

FINDINGS

1. Commission Decision 13-05-010 authorized the Transmission Integrity Management Program (TIMP) Balancing Account.
2. The TIMP Balancing Account is a two-way balancing account that records actual Transmission Integrity Management Program-related O&M and Capital expenditures.
3. Decision 13-05-010 directed SDG&E to file a Tier 3 Advice Letter to recover any under-collections in the TIMP balancing account.
4. Decision 19-09-051 authorized SDG&E to file a Tier 3 Advice Letter to recover under-collections in the TIMP balancing account when actual expenditures are overspent by up to 35% of the total authorized O&M and capital expenditures for the entire GRC cycle.
5. SDG&E filed AL 3257-G on December 15, 2023, to request recovery of the TIMP Balancing Account under-collection of \$23.3 million for the period of January 1, 2019 to July 31, 2023.
6. SDG&E filed AL 3257-G-A on September 30, 2024, replacing AL 3257-G in its entirety, and revising its under-collection to \$21.7 million for the period of January 1, 2019 to July 31, 2023, including interest accrued through December 2024.
7. Transmission Integrity Management Program Balancing Account costs are incurred in response to mandated federal pipeline safety regulations including, but not limited to requirements associated with Subpart O, Gas Transmission Pipeline Integrity Management.
8. During the relevant GRC cycle (2019-2023), multiple rulings by the Pipeline and Hazardous Materials Safety Administration (PHMSA) took effect.
9. These PHMSA rulings expanded SDG&E's TIMP requirements and increased the volume of TIMP activity, resulting in actual TIMP expenditures being higher than forecast.
10. Based on the information provided by SDG&E, Commission Staff finds the expenses and expenditures were appropriately recorded to the TIMPBA and reasonably incurred.

11. Consistent with Resolutions G-3499 and G-3533, SDG&E should use a functionalized method to allocate the TIMP Balancing Account balance and should amortize the under-collection over a 12-month period.

THEREFORE, IT IS ORDERED THAT:

1. The request of San Diego Gas & Electric in AL 3257-G-A to recover its Transmission Integrity Management Program Balancing Account balance for the period January 1, 2019 to July 31, 2023 is approved.
2. San Diego Gas & Electric is authorized to recover from ratepayers approximately \$21.6 million, plus on-going interest, and shall implement the resulting revenue requirement over the twelve-month period beginning on the first of the month following a Commission resolution on this advice letter or SDG&E's next available gas transmission revenue requirement rate change.
3. At the conclusion of the twelve-month recovery period, San Diego Gas & Electric shall file a Tier 1 Advice Letter to remove the authorized Transmission Integrity Management Program Balancing Account under-collection from rates.

This Resolution is effective today.

The foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 24, 2025, the following Commissioners voting favorably thereon:

ALICE REYNOLDS
President

DARCIE HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
MATTHEW BAKER
Commissioners

Dated April 30, 2025, at Sacramento, California