PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Agenda ID# 24282

ENERGY DIVISION **RESOLUTION G-3616**

July 16, 2026

R E S O L U T I O N

Resolution G-3616. Southern California Gas Company's request for recovery of the Storage Integrity Management Program Balancing Account balance for January 1, 2019, to December 31, 2024.

PROPOSED OUTCOME:

- Southern California Gas Company's request to recover its Storage Integrity Management Program Balancing Account balance for January 1, 2019, to December 31, 2024 is approved.

SAFETY CONSIDERATIONS:

- Southern California Gas Company's Storage Integrity Management Program Balancing Account records costs associated with federal regulatory requirements set forth in Title 49 CFR 192 Subpart A.[1]

ESTIMATED COST:

- Approximately $54.4 million in revenue requirement.

By Advice Letter 6442-G, Filed on February 7, 2025.

SUMMARY

This resolution approves Southern California Gas Company's (SoCalGas) Advice Letter 6442-G, filed on February 7, 2025, requesting authority to recover the undercollected balance in its Storage Integrity Management Program Balancing Account (SIMPBA). SoCalGas seeks recovery of an undercollection of $54.4 million as of December 2024, associated with incurred Storage Integrity Management Program (SIMP) expenditures

[1] Title 49 CFR 192.12. See also the California Code of Regulations Title 14, § 1726.

during Test Year 2019 General Rate Case (GRC) cycle (2019-2023), consistent with cost recovery mechanism adopted in D.19-09-051.[2]

The undercollection reflects SIMP capital and operations and maintenance expenditures that exceeded authorized levels by approximately 31 percent, which is below the 35 percent threshold that allows recovery through a Tier 3 advice letter under D.19-09-051[3]. Upon approval of this resolution SoCalGas is authorized to file a Tier 1 advice letter within 30 days to amortize the approved SIMPBA balance, including applicable interest, in gas transportation rates over a twelve-month period, beginning on the first day of the month following the Tier 1 filing.

The SIMPBA amount will be amortized via the Equal Percent of Authorized Margin (EPAM) methodology described in Application (A.)22-09-015, SoCalGas's most recent Cost Allocation Proceeding, as adopted in D.24-07-009.

BACKGROUND

Decision (D.)19-09-051 authorized Southern California Gas Company (SoCalGas) to implement the Storage Integrity Management Program (SIMP). The total imputed authorized SIMP operations and maintenance (O&M) and capital related costs for the TY 2019 GRC cycle is $332 million.[4] The decision authorized SoCalGas to establish a two-way Storage Integrity Management Program Balancing Account (SIMPBA) to track and recover actual SIMP-related costs. Through Advice Letter 6442-G, SoCalGas seeks recovery of a $54.4 million undercollected revenue requirement in the SIMPBA.

The decision also authorized SoCalGas to recover SIMP under-collections of the SIMP revenue requirement when actual expenditures are overspent by up to 35 percent of the total authorized O&M and capital expenditures for the entire cycle via Tier 3 advice letter (AL). Amounts exceeding 35 percent are subject to a separate application.[5] SoCalGas filed AL 6442-G requesting recovery of approximately $54.4 million in undercollected revenue requirement as of December 31,2024. As of December 31, 2023,

[2] AL 6442-G p. 1.
[3] When expenditures exceed authorized levels by 35%, SoCalGas is required to seek recovery through an application.
[4] D.19-09-051 Ordering Paragraph (O.P.) 7 p. 777.
[5] Ibid.

SoCalGas's actual SIMP combined O&M and capital expenditures is $437.1 million, which is $104.6 million (31%) over TY 2019 authorized expenditures of $332.4 million.[6]

SoCalGas established the Storage Integrity Management Program (SIMP) in 2014 for "evaluating and managing the risks associated with the wells in its underground storage fields and is designed to collect more comprehensive data about all of SoCalGas' storage wells…"[7] the program meets CalGEM (California Geologic Energy Management Division) requirements.[8]

Program costs cover well inspections, well remediations, risk management and data management associated with SoCalGas's underground gas storage program for the 2019-2023 period.[9] Title 14 of the California Code of Regulations (CCR) Section 1726 requires operators of gas infrastructure to follow Risk Management, Emergency Response and Records Management guidelines on well construction, testing, monitoring and reporting.

The Commission has authorized a recovery process for SIMP costs that has evolved over time. The Commission authorized SoCalGas to establish the two-way interest-bearing Storage Integrity Management Program Balancing Account (SIMPBA) to record actual SIMP compliance O&M expenses and capital expenditures for the GRC cycle ending December 31, 2018.[10]

In D.19-09-051, SoCalGas's TY 2019 GRC decision, the Commission subsequently reauthorized the two-way SIMPBA for undercollections for the TY 2019 cycle ending December 31, 2023 and the Commission adopted $332.440 million for SIMP-related expenses. As required, SoCalGas established a two-way balancing account for SIMP expenditures.[11]

D.19-09-051 modified the recovery methodology to account for the compounding effect of capital costs over the life of the asset rather than on a year-to-year basis. The method now applies the 35% threshold against the total authorized O&M and capital

[6] AL 6442-G p. 3
[7] D.16-06-054 Finding of Fact 180 p. 308. See 6442-G p 2
[8] While PRC §3180 grants the California Department of Conservation the ultimate authority to set the states storage guidelines, the federal regulation CFR 192.12 also provides integrity management guidelines for storage.
[9] AL 6442-G p. 2.
[10] D.16-06-054 O.P. 8.
[11] D.19-09-051 O.P. 7; See pp 155 and 777.

expenditures. Pursuant to D.19-09-051, SoCalGas is authorized to submit a Tier 3 AL to seek recovery of undercollected revenue requirement when actual expenditures in O&M and capital are overspent by up to 35 percent of the total authorized O&M and capital expenditures for the entire GRC cycle.[12]

SIMP year-end balances in the balancing account may be carried forward into the following year to ensure that SoCalGas has sufficient funds to carry out SIMP-related work and ensure the safety and reliability of its gas storage system.

When SoCalGas received authorization from the Commission to establish the SIMPBA in D.19-09-051, it filed AL 5000-G. The SIMPBA was subsequently reauthorized through AL 6443-G. In the most recent SIMPBA recovery covering 2016 to 2018, SoCalGas requested $6.8 million in undercollected funds. The Commission addressed that AL on November 30, 2018 in Resolution G-3544, which approved AL 5253-G and authorized SoCalGas to recover the accumulated balance in AL 5253 up to December 31, 2018. SoCalGas did not request to recover any accumulated SIMPBA balance for TY 2019 cycle until it filed AL 6442-G.

As of December 31, 2023, the SIMPBA consists of actual O&M expenses amounting to approximately $83.980 million, and capital-related costs of approximately $353.124 million for a total of $437.104 million. This is offset by the authorized costs for the 2019-2023 GRC cycle of $332.440 million.[13] The resulting difference of $104.664 million represents 31 percent increase over the authorized costs for the GRC period. The associated revenue requirement for the undercollected costs for the 2019-2023 period is $54.387 million.[14]

SoCalGas proposes to amortize the SIMPBA amount in gas transportation rates based on an Equal Percent of Authorized Margin (EPAM) basis consistent with Resolution G-3544 and D.24-07-009.

In SoCalGas' TY2024 Track 1 GRC decision, D.24-12-074, the Commission converted the two-way SIMP balancing account to a one-way balancing account and required any SIMP under-collections to be recorded to a memorandum account.[15]

[12] D.19-09-051 at 694-695.
[13] AL 6442-G, Table 1.
[14] See AL 6442-G Table 3 for details.
[15] D.24-12-074, Findings of Fact No. 74, p. 971.

NOTICE

SoCalGas states that it served a copy of AL 6442-G to the service lists for A.17-10-008 and A.22-05-015 as well as SoCalGas's General Order 96-B service list.

PROTESTS

SoCalGas's AL 6442-G was not protested.

DISCUSSION

Commission staff reviewed SoCalGas's recorded costs for January 1, 2019 to December 31, 2023, recorded in the SIMPBA as well as a sample of invoices for verification. Based on the information provided, staff found that the costs reviewed were appropriately recorded and incurred and should be approved.

SoCalGas provided explanatory responses to staff data requests regarding the AL, covering costs, accounting, procedure and operations. Staff also made several follow-up data requests for information, including cost summaries and invoice-level information to which SoCalGas provided responses. SoCalGas demonstrated that the expenditures were appropriately incurred and necessary for vendor-related SIMP work.

Responses included monthly costs for operations and maintenance (O&M) and capital infrastructure such as replacements and inspections. SoCalGas also covered distinct O&M costs for materials and program management pertaining to data collection and validation, pipeline assessments, pressure testing and capital repairs or retrofits. SoCalGas affirmed that costs were not being recovered elsewhere.

In sum, SoCalGas explained that the actual SIMP expenditure exceeded forecasted costs for three reasons. Field assessments revealed more remediations than forecast. Project costs, especially for well remediations and well abandonments, were more resource intensive than planned.[16] The historical averages from the post-test year (PTY) mechanism were not detailed enough to reflect the specifics of program activities.[17] O&M expenditures did not contribute to the under-collection in the SIMPBA.[18]

[16] AL 6442-G p5
[17] Attachment C AL 6442-G
[18] AL 6442-G p7

In response to staff inquiries, SoCalGas provided several examples in which it incurred actual project costs that were higher than initially forecasted due to additional work required. Staff compared ledger entries (known as Orders) to the costs listed in a sample of invoices, and SoCalGas provided explanations. Many of the examples amounted to unforeseen circumstances, in which the company's work plan was delayed. SoCalGas also provided staff with descriptions of the SIMPBA which conformed with Preliminary Statement Part V of its Tariff.[19]

SoCalGas provided explanations and examples describing how actual SIMPBA expenditures might exceed forecasted costs. While these costs were generally due to the complexity of remediation efforts resulting in costs exceeding original forecasts, SoCalGas also indicated that other factors, such as the PTY Mechanism, caused cost overruns.

For verification at the invoice level, staff examined SIMP O&M expenses and capital expenditure selecting sample months for each of the years covered in the account. Staff then requested, based on the utility's response, a list of transactions detailing items with especially high costs. These ledger items contain cost elements for which staff made a final request. SoCalGas provided 31 O&M invoices and 24 capital invoices associated with these cost elements.

Based on the information provided by SoCalGas, the Commission finds that the expenses and expenditure examined were appropriately recorded to the SIMPBA and reasonably incurred. Therefore, SoCalGas's request to recover the undercollection of $54.4 million recorded in its SIMPBA for January 1, 2019 to December 31, 2024, is approved.

The SIMPBA amount will be amortized in gas transportation rates via EPAM.[20]

COMMENTS

Public Utilities Code section 311(g)(1) provides that this draft 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 Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2)

[19] See SoCalGas's AL 6442-G p3 for more information.
[20] See G-3544 and D.24-07-009.

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 Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. D.16-06-054 authorized the Storage Integrity Management Program Balancing Account.
2. SoCalGas filed AL 6442-G on February 7, 2025 requesting recovery of the Storage Integrity Management Program Balancing Account balance of $54,387,064 for the period of January 1, 2019 through December 31, 2023.[21]
3. Storage Integrity Management Program Balancing Account costs are incurred in response to mandated state and federal safety regulations including but not limited to requirements associated with storage integrity management.
4. Ordering Paragraph 7 of D.19-09-051 re-authorized SoCalGas' Storage Integrity Management Program balancing account for the 2019 – 2023 GRC cycle.
5. Pursuant to D.19-09-051 Ordering Paragraph 7, SoCalGas is authorized to seek recovery, via a Tier 3 advice letter, of SIMP undercollections of revenue requirement when actual expenditures are overspent by up to 35% of the total authorized O&M and capital expenditures for the TY 2019 GRC cycle.
6. Commission Staff performed an invoice level review of Storage Integrity Management Program O&M and capital expenditures for the entire cycle.
7. Commission Staff reviewed Storage Integrity Management Program O&M and capital expenditures included in the Storage Integrity Management Program Balancing Account requested in Advice Letter 6442-G and found them to be appropriately recorded and reasonably incurred.
8. SoCalGas's request to recover the undercollected balance of $54,387,064 recorded in its Storage Integrity Management Program Balancing Account for January 1, 2019 to December 31, 2024, is reasonable and should be approved.

[21] See AL 6442-G Attachment A6 for the full account total as of December 2024.

9. Consistent with Resolution G-3544 and D.24-07-009, SoCalGas should use Equal Percent of Authorized Margin to allocate the Storage Integrity Management Program Balancing Account balance.

THEREFORE, IT IS ORDERED THAT:

1. The request of Southern California Gas Company in AL 6442-G to recover its Storage Integrity Management Program Balancing Account balance for January 1, 2019 to December 31, 2024 is approved.

2. Southern California Gas Company is authorized to recover from ratepayers $54,387,064 over a twelve-month period.

3. At the conclusion of the twelve-month recovery period, Southern California Gas Company shall file a Tier 1 Advice Letter to remove the Storage Integrity Management Program Balancing Account balance.

4. Consistent with G-3544 and D.24-07-009, SoCalGas should use Equal Percent of Authorized Margin basis, to allocate the Storage Integrity Management Program Balancing Account balance.

5. Southern California Gas Company is authorized to file a Tier 1 advice letter within 30 days to incorporate the SIMPBA undercollection balance of $ $54,387,064, plus any ongoing interest, into transportation rates over a twelve-month period beginning on the first of the month following submission of the advice letter.

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 July 16, 2026; the following Commissioners voting favorably thereon:

Commissioner Signature blocks to be added upon adoption of the resolution

Dated July 16, 2026, at San Francisco, California.