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 PARTIAL RATE RECOVERY

Summary

This decision grants Southern California Gas Company (SoCalGas) partial rate recovery. This decision denies $20,152,686 in capital costs and $42,603,474 in Operations & Maintenance (O&M) costs. The reductions reflect a disallowance in both capital and O&M for incremental straight-time labor costs and associated vacation and sick leave costs (approximately $37 million), incremental Vendor #11900 costs (approximately $0.693 million), and a $24,464,160 disallowance for the eight percent of projects SoCalGas did not support with workpapers.

Within 30 days of the adoption of this decision, SoCalGas is directed to file a Tier 2 advice letter to calculate the final revenue requirement in light of the reductions to capital and O&M described above and may include a proposed

alternative breakdown of the $24,464,160 disallowance between capital and O&M by providing an allocation that is based on the information in this proceeding.

This decision directs SoCalGas 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. Furthermore, SoCalGas is directed to amortize the amounts authorized for recovery in this decision over a 12-month amortization period.

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 revenue requirement 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 Utility 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.

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 September 14, 2026 following oral argument.

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

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 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

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

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

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 under-collections exceed the total authorized expenditures by greater than 35 percent, SoCalGas is directed to seek recovery through a separate application.

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[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.

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

[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

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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.

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 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

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

[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.

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 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

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

[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.

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 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]

After reviewing SoCalGas's evidence and assertions, the PHMSA regulation and due date applicable to each project remain unclear. Although we are concerned about this lack of clarity, we also do not agree with Indicated Shippers' argument that the Commission should disallow SoCalGas's request in its entirety.[30] SoCalGas is required to comply with PHMSA regulations and conduct work to ensure transmission pipeline integrity.

Despite the need to perform work to comply with PHMSA regulations, we find that SoCalGas did not meet its burden of proof for eight percent of the expenditures contributing to the requested revenue requirement in this

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

application. SoCalGas notes that the revenue requirement requested in this application corresponds to a total of $305,802,000 in expenditures.[31] Yet of this total, SoCalGas identified a total portion of $220,177,000 (72 percent) supported by the workpapers.[32] SoCalGas also identified a total portion of $61,160,000 (20 percent) explained in the testimony of Travis T. Sera.[33] However, SoCalGas did not provide workpapers or testimony to support the remaining $24,464,160 (8 percent) of the total expenditures. SoCalGas admits this omission and explains that these expenditures relate to ILI projects that are under $1 million and Direct Assessment projects, where the majority of costs were incurred before January 1, 2019 or after December 31, 2023.[34]

Due to this omission we find that SoCalGas failed to meet its burden of proof for eight percent of the total request, and accordingly we disallow $24,464,160. Because we do not have the workpapers to illustrate how these costs are allocated between capital and O&M, we look to the proportion of each in the overall request to make that determination.

SoCalGas notes in testimony that the expenditures contributing to the requested revenue requirement in this application total $305,802,000, with $155,547,000 in capital, and $150,255,000 in O&M.[35] This results in a breakdown of approximately 50.82 percent capital and 49.18 percent O&M. To calculate the

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[31] *See* Exhibit SCG-05-2E, Table SZGY-1.

[32] *See* Exhibit SCG-05-2E at SZGY-22.

[33] *See* Exhibit SCG-05-2E at SZGY-22.

[34] Exhibit SCG-05-2E at n.95.

[35] *See* Ex. SCG-05-2E at SZGY-4.

proportion of the disallowance to allocate between capital and O&M, we apply the same percentages noted above to the $24,464,160 to arrive at the following disallowance: $12,432,686.10 reduction to capital and $12,031,473.90 reduction to O&M.

We direct SoCalGas to file a Tier 2 advice letter specifying the resulting revenue requirement calculated in light of the reductions adopted herein; alternatively, the advice letter may propose a correction to the allocation of the $24,464,160 disallowance between capital and O&M, along with presenting the resulting revenue requirement. We further direct SoCalGas in future cost recovery applications to more clearly illustrate the regulatory basis for the TIMP work it is conducting and the timeline associated with the work. Specifically, SoCalGas shall specify which PHMSA requirement(s) each project is designed to address along with the timeline for each of those specific PHMSA requirements in its workpapers and testimony.

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. SoCalGas provided evidence to support its request primarily in the form of rebuttal testimony to the Public Advocates Office's assertions.

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."[36] 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."[37]

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."[38]

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."[39] According to SoCalGas, there is no doubt it incurred costs exceeding the $270.6 million revenue requirement authorized in D.19-09-051.[40] 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

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

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

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

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

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

cycle is inappropriate "based on prior Commission precedent."[41] 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."[42] SoCalGas states that while it did redirect resources to support TIMP activities, the Public Advocates Office incorrectly assumes that the redirected resources were not covered by another resource and "there is no requirement that new positions be created to demonstrate incrementality.[43]

In response to the Public Advocates Office's 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."[44]

The purpose of an incrementality analysis in cost recovery applications is to prevent double recovery—a utility must put forth a preponderance of evidence to support a finding that the requested costs are not duplicative of costs already recovered in rates through the GRC.

Here, SoCalGas's evidence is unpersuasive in demonstrating how its straight time labor costs have not already been recovered in the GRC. For example, SoCalGas states that it provided the Public Advocates Office with a list

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

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

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

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

of 468 employees hired between January 1, 2019 through December 31, 2023 who billed time to TIMP, including 62 employees SoCalGas identified as hired specifically for the Pipeline Integrity Execution and High-Pressure Integrity Assessments teams dedicated to TIMP work.[45] However, reference to a list of 468 employees hires that was given to the Public Advocates Office is unpersuasive evidence to demonstrate that their straight-time labor costs were incremental to what was already funded through the GRC. While SoCalGas argues that it had to complete incremental work, we are unable to verify that the originally forecasted work was completed. The record demonstrates that SoCalGas exercised its discretion in reallocating its employees and resources, which were already authorized funding as part of its GRC.[46]

We also 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 carries the burden to produce the evidence to support its counterargument.

Accordingly, we find that SoCalGas has failed to demonstrate, by a preponderance of evidence, that the requested straight time labor costs are

[45] Exhibit SCG-05-2E at SZGY-12 to 13.

[46] *See* Exhibit SCG-05-2E at SZGY-10.

incremental to costs already recovered. We therefore disallow $6.004 million in capital and $28.324 million for straight time labor (O&M).

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.[47] The Public Advocates Office argues "if the underlying labor is not incremental, then the related vacation and sick leave costs also are not incremental."[48] 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.

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

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

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.[49] In D.19-09-051, the Commission authorized SoCalGas to establish a memorandum account to record all costs related to Line 235 (L235MA).[50] 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.[51]

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."[52] 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."[53] The Public Advocates Office contends that because SoCalGas has yet to

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

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

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

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

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

file the advice letter separating the TIMP and PSEP costs for Line 235, it cannot confirm or verify the proper accounting separation.[54]

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 Commission approves the advice letter for L235MA.[55] SoCalGas states that D.19-09-051 does not prohibit cost recovery for the TIMP project until the L235MA is approved.[56] 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.[57]

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

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

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

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

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

> such TIMP costs shall be made subject to refund until the advice letter is approved.[58]

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 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 $538,000 in capital and $155,000 in O&M in contract costs for Vendor #11900, for a total request of $693,000, because "the costs cannot be verified" and "it relates to work that is outside the scope of this proceeding and lacks evidentiary support."[59]

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

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

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.[60] SoCalGas states that "[r]elease orders simply authorize work under the MSA and set administrative parameters; they do not dictate cost allocation."[61] 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."[62] SoCalGas goes on to state that it is the Public Advocates Office's responsibility "to understand the materials provided."[63]

We share the questions and concerns the Public Advocates Office articulates. However rather than taking the opportunity to address these concerns, SoCalGas argues that it "is not required to provide every contract or explain the relationship between every contract to one another" because doing so "would unnecessarily burden the record with a massive amount of information."[64] SoCalGas also states that the intervening party has the responsibility to understand "the information that it receives through

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

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

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

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

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

discovery."[65] We are unpersuaded by SoCalGas's narrative explanation in rebuttal to the Public Advocates Office's arguments to justify Vendor #11900's work as incremental. For example, SoCalGas's explanation that providing the Commission with more information about the "administrative distinctions" between the two Vendor #11900 contracts would unnecessarily burden the record is unpersuasive to support a finding that the costs associated with Vendor #11900 are reasonable.

Because the burden is on the utility to justify its requests, we find SoCalGas's explanation inadequate and disallow $538,000 in capital and $155,000 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."[66] Indicated Shippers contends that this is particularly important given that "SoCalGas is seeking other, concurrent rate increases" and that adopting an extended amortization period "aligns with recent Commission decisions citing affordability concerns…"[67]

SoCalGas disagrees, arguing that a 12-month period "is consistent with the amortization of prior under-collected balances recorded in the TIMPBA."[68]

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

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

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

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

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."[69] 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.[70]

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 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

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

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

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.[71]

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."[72]

Indicated Shippers argues that SoCalGas "failed to maintain and present records as required by Pub. Util. Code Section 463(b)."[73] 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 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

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

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

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

> maintaining the records or the extent of recordkeeping required to adequately evaluate those costs.[74]

Indicated Shippers argues that "SoCalGas admits that it did not track costs separately for mandatory HCA work versus discretionary non-HCA work"[75] 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."[76] Indicated Shippers argues that because of this, the request does not comply with Pub. Util. Code Section 463(b) and therefore must be denied.

To the extent we find these arguments relevant to our determinations here, 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)."[77] In addition, the Public Advocates Office asserts that these requests

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

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

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

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

were not for incremental work beyond what was approved in Resolution G-3600 and the applicable GRC decision, D.19-09-051.[78]

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.[79]

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.[80] 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.[81]

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.[82] We find it reasonable that the most recent

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

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

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

[81] SoCalGas Opening Brief at 35.

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

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

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.

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.

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. On September 22, 2026, Small Business Utility Advocates, the Public Advocates Office, SoCalGas, and Indicated Shippers filed Opening Comments. On September 28, 2026, the same four parties filed reply comments.

SoCalGas recommends the Commission grant full recovery, arguing the proposed decision ignores that other federal regulatory mandates required the work to be conducted when it was, gives outsized importance to short term cost minimization, and does not adequately explain the 40 percent disallowance to

the overall request, after factoring in other disallowances. SoCalGas further contends that it provided evidence that it did not fund the increased TIMP work by underspending in other areas and that the burden shifts to intervenors once SoCalGas meets its burden of proof, particularly in regard to Vendor #11900. Finally, SoCalGas requests the Commission modify the three-year granting of confidential treatment to an open-ended protection.

The Public Advocates Office recommends the proposed decision deny cost recovery of SoCalGas's $24.72 million in Pipeline 235 West Phase 1, arguing "[u]ntil SoCalGas files the required Advice Letter separating the costs, the requested recovery cannot be verified by Cal Advocates and cannot reasonably be placed into rates for recovery, even if subject to refund…"[83]

Indicated Shippers recommends the Commission adopt the proposed decision without modification, arguing it "properly balances pipeline safety and ratepayer protection."[84] Indicated Shippers notes that "inadequate records prevented a more precise calculation of the rate impacts associated with a more measured implementation schedule" and the proposed decision "appropriately places the consequences of inadequate records on SoCalGas, rather than requiring ratepayers to fund costs that SoCalGas did not adequately document and justify."[85]

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[83] *See* Public Advocates Office Opening Comments at 3.

[84] *See* Indicated Shippers Opening Comments at 2.

[85] *See* Indicated Shippers Opening Comments at 4.

SBUA recommends the Commission establish a finding that "SoCalGas prepared workpapers for 72 percent of the expenditures contributing to the requested revenue requirement, that a further 20 percent are described only in narrative testimony…"[86]

First, we disagree with SoCalGas's assertion that it met its provided a preponderance of evidence to justify its request for incrementality and for Vendor #11900. We also reject SoCalGas's claim that once it provides evidence, the burden of proof shifts onto intervenors. SoCalGas retains the burden of proof, even if there are no intervenors to contest its request.

We grant SoCalGas's request for confidential treatment to ensure sensitive information, such as infrastructure location, is not exposed to nefarious actors.

We disagree with the Public Advocates Office's recommendation that the proposed decision be revised to disallow the costs related to Pipeline 235. The Public Advocates Office states that it is unable to conduct a reasonableness review until the Tier 2 advice letter is filed. The project is not being vetted for reasonableness in this proceeding. Instead, we acknowledge the costs were incurred and recorded in the proper account. The reasonableness review is conducted when the advice letter is filed and is subject to refund if it is determined that the costs were not reasonably incurred.

We agree with Indicated Shippers that the consequences of inadequate records should be placed on SoCalGas, rather than requiring ratepayers to fund costs that SoCalGas did not adequately document and justify. With this in mind,

[86] *See* SBUA Opening Comments at iii.

we consider that SBUA notes that, according to SoCalGas, it prepared workpapers for 72 percent of expenditures and that 20 percent are only described in narrative form in testimony.[87] This accounts for 92 percent of expenditures. The remaining eight percent, according to SoCalGas's testimony, "are expenditures that relate to ILI projects that are under $1 million in expenditures and Direct Assessment projects where the majority of the costs were incurred before January 1, 2019 or after December 31, 2023."[88]

We find the lack of workpapers—or even, at minimum, a narrative discussion—of the remaining eight percent of expenditures to constitute a failure of SoCalGas to meet its burden of proof and disallow the associated costs, as discussed in greater detail above.

The proposed decision has been revised to correct typographical errors and other oversights and updated to reflect the rationale for disallowing costs for which SoCalGas has not met its burden of proof.

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.

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[87] *See* SBUA Opening Comments at 4, citing Ex. SCG-05-2E at SZGY-22, footnote 95.

[88] SCG-05-2E at SZGY-22, footnote 95.

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 is required to comply with PHMSA requirements for transmission pipeline integrity management.

7. 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.

8. SoCalGas failed to meet its burden of proof for eight percent of the request, or $24,464,164, in this application.

9. SoCalGas did not explain how much of the $24,464,164 is capital and how much is O&M.

10. SoCalGas's total expenditures contributing to its requested revenue requirement for this application is $305,802,000.

11. SoCalGas's total expenditures of $305,802,000 are comprised of 50.82 percent capital and 49.18 percent O&M.

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

13. The purpose of an incrementality analysis in cost recovery applications is to prevent double recovery—a utility must put forth a preponderance of

evidence to support a finding that the requested costs are not duplicative of costs already recovered in rates through the GRC.

14. SoCalGas has not provided a preponderance of evidence to support its request for straight time labor incremental costs.

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

16. 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.

17. 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.

18. SoCalGas did not provide a preponderance of evidence to justify its expenses related to Vendor #11900.

Conclusions of Law

1. It is reasonable to use the ratio of capital to O&M costs provided in SoCalGas's total request of $305,802,000 to determine the capital and O&M costs of the $24,464,160 disallowance.

2. SoCalGas should be authorized recovery, with a $20,152,686 reduction to capital and a $42,603,474 reduction to Operations & Maintenance.

3. SoCalGas should be authorized to file a Tier 2 advice letter to correct the allocation of the $24,464,160 disallowance between capital and Operations & Maintenance based on information found in the record of this proceeding.

4. SoCalGas should be required to include the specific PHMSA requirement and the applicable timeline for compliance for TIMP work in its future cost recovery applications.

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

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

7. 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.

8. SoCalGas should be disallowed $538,000 in capital and $155,000 in O&M associated with Vendor #11900 costs.

9. SoCalGas should be disallowed $24,464,160 from total expenditures for failure to provide evidence to support eight percent of projects.

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

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

12. 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.

13. 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, SBUA-02, SBUA-01C, and SBUA-02-C should be moved into the evidentiary record.

14. 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.

15. To support future applications requesting revenue requirement for Transmission Integrity Management Program work, SoCalGas should be required to specify in testimony and accompanying workpapers which PHMSA requirement(s) each project is designed to address, along with the timeline for compliance for each of those specific PHMSA requirements it is addressing.

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

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

18. 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 the remainder of its Transmission Integrity Management Program Balancing Account expenditures after factoring in a $20,152,686 reduction to capital and a $42,603,474 reduction to Operations & Maintenance.

2. Within 30 days of the effective date of this decision, Southern California Gas Company (SoCalGas) shall file a Tier 2 advice letter in light of the reductions noted in Ordering Paragraph 1 of the instant decision, recalculating its revenue

requirement, and submitting it for adoption. In the advice letter, SoCalGas may propose a correction to the allocation of the $24,464,160 disallowance between capital and O&M by providing an allocation that is based on the information in the record of this proceeding.

3. Southern California Gas Company is directed 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.

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

5. 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.

6. 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, SBUA-02, SBUA-01C, and SBUA-02-C are moved into the evidentiary record.

7. 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.

8. To support future applications requesting revenue requirement for Transmission Integrity Management Program work, Southern California Gas Company shall SoCalGas shall specify in testimony and accompanying

workpapers which Pipeline and Hazardous Materials Safety Administration (PHMSA) requirement(s) each project is designed to address along with the timeline for compliance for each of those specific PHMSA requirements it is addressing.

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

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

11. Application 25-04-020 is closed.

This order is effective today.

Dated _____ ___, 2026, at Sacramento, California