

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of SOUTHERN CALIFORNIA GAS
COMPANY (U 904 G) and SAN DIEGO GAS &
ELECTRIC COMPANY (U 902 G) for Authority
to Establish a Gas Rules and Regulations
Memorandum Account

A.22-05-XXX

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) FOR AUTHORITY TO
ESTABLISH A GAS RULES AND REGULATIONS MEMORANDUM ACCOUNT**

ISMAEL BAUTISTA, JR.

Attorney for:
SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY
555 West Fifth Street, Ste. 1400
Los Angeles, CA 90013
Telephone: (213) 231-5978
Facsimile: (213) 629-9620
Email: IBautista@SoCalGas.com

May 4, 2022

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. BACKGROUND AND POLICY CONTEXT FOR APPLICATION 3

 A. PHMSA’s GTS Rule Parts 1 and 23

 B. The Valve Rule6

 C. Prior Application Dismissed Without Prejudice.....8

III. PROPOSED ACTIVITIES FOR TRACKING IN THE MEMORANDUM
ACCOUNT..... 9

IV. MEMORANDUM ACCOUNT TREATMENT IS APPROPRIATE..... 11

 A. Standards for Establishing Memorandum Accounts.....11

 B. The GRRMA’s Effective Date Should Be as of July 1, 202114

 C. The Proposed Tariffs for the GRRMA15

V. STATUTORY AND PROCEDURAL REQUIREMENTS 15

 A. Rule 2.1 (a) – (c).....15

 B. Rule 2.2 – Articles of Incorporation17

 C. Rule 3.2 – Authority to Increase Rates18

 D. Rule 1.9 – Service18

VI. CONCLUSION 18

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) and SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) for Authority to Establish a Gas Rules and Regulations Memorandum Account

A.22-05-XXX

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) FOR AUTHORITY TO
ESTABLISH A GAS RULES AND REGULATIONS MEMORANDUM ACCOUNT**

I. INTRODUCTION

Pursuant to California Public Utilities Code (“PUC”) Sections 451 and 454, and Rules 2.1-2.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure (“Rules”), and Decision (D.) 22-02-011 (dismissing Application (A.) 21-05-010), Southern California Gas Company (“SoCalGas”) and San Diego Gas & Electric Company (“SDG&E,” together “Applicants”) respectfully submit this joint application (“Application”) for authorization to establish a Gas Rules and Regulations Memorandum Account (“GRRMA”). By this Application, SoCalGas and SDG&E request authorization to establish the GRRMA to record incremental, substantial, and non-speculative costs imposed by certain amendments by the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) to (1) 49 C.F.R. Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (“GTGS Rulemaking”),¹ and (2) 49 C.F.R. Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (“Valve Rule”), for the years 2021, 2022 and 2023.

¹ An advanced notice of proposed rulemaking (“ANPRM”) was issued by PHMSA on April 8, 2016 giving rise to the GTGS Rulemaking. Available at <https://www.govinfo.gov/content/pkg/FR-2016-04-08/pdf/2016-06382.pdf>.

The GRRMA’s essential purpose is to track incremental costs imposed by these mandatory regulations issued by PHMSA, a U.S. Department of Transportation (“DOT”) agency charged with developing and enforcing the safe operation of pipeline infrastructure, a crucial role the Commission acknowledged in General Order (“G.O.”) 112-F. These new regulations are focused on improving pipeline safety and integrity throughout the U.S.

In fact, on October 1, 2019,² PHMSA issued the first final rule of the overall GTGS Rulemaking, the Pipeline Safety: Safety of Gas Transmission Pipelines: Maximum Allowable Operating Pressure (“MAOP”) Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments (“Gas Transmission Safety (“GTS”) Rule Part 1” or “Part 1”) with an effective date of July 1, 2020.³ Compliance with Part 1 is a time-sensitive issue because by July 2028, Applicants are required by the new rule to complete at least 50% of certain integrity enhancements to pipelines.⁴ These improvements are substantial and require significant preparation and expense that Applicants have already commenced and seek cost tracking as of July 1, 2021.⁵ As to GTS Rule Part 2 (“Part 2”), PHMSA is anticipated to publish it in June 2022.⁶ Although the final amounts may vary materially, Applicants estimate incremental costs of approximately \$71M in total for Part 1 for the years 2021, 2022 and 2023, and based on preliminary analysis, approximately \$6M for Part 2 in 2023.⁷

² See 84 Fed. Reg. 52180 (Oct. 1, 2019).

³ The GTS Rule Part 1 took effect on July 1, 2020 and required procedural and operational updates to comply with the amendments. However, compliance obligations requiring significant capital and/or operation and maintenance expenditures are expected to commence on July 1, 2021.

⁴ Prepared Testimony of Travis T. Sera at 1:16-17.

⁵ *Id.* at 1:18-19.

⁶ According to PHMSA, Part 2’s regulations are expected to be finalized on May 25, 2022. See PHMSA’s PIPES Act Webchart, <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2022-04/4.6.22%20PIPES%20Website%20Chart.pdf> (last accessed on April 26, 2022).

⁷ Capital and operation and maintenance (“O&M”) costs include direct and indirect elements including overheads, property tax, allowance for funds used during construction (“AFUDC”), and return on rate base.

On February 6, 2020, PHMSA also published the Notice of Proposed Rulemaking regarding the Valve Rule, proposing regulations mandating the installation of “remote-control valves (“RCV”), automatic shutoff valves (“ASV”), or equivalent technology, on all newly constructed and fully replaced gas transmission...lines.”⁸ On April 8, 2022, PHMSA published the final Valve Rule in the Federal Register with an effective date of either October 5, 2022 or April 10, 2023 based on the specific requirements imposed.⁹ Applicants estimate that they will incur approximately \$14M in incremental costs,¹⁰ subject to potential variation in the final sum. Any expenses recorded in the GRRMA would be subject to reasonableness review conducted in a separate ratesetting proceeding, where Applicants would have to justify their costs.

Draft tariff language supporting each Applicant’s respective GRRMA is attached hereto in the draft preliminary statements included in Attachments A and B.

II. BACKGROUND AND POLICY CONTEXT FOR APPLICATION

A. PHMSA’s GTS Rule Parts 1 and 2

Congress has authorized federal regulation of the transportation of gas and hazardous liquids by pipeline in the Pipeline Safety Laws,¹¹ which PHMSA administers. PHMSA is an agency of the U.S. Department of Transportation (“DOT”) created by Congress in 2004¹² to oversee the nation’s pipeline infrastructure. The DOT has certified the Commission to enforce standards under the Federal Pipeline Safety Act, and in such “capacity applies the federal

⁸ PHMSA’s Notice of Proposed Rulemaking, 85 F.R. 7162, available at <https://www.federalregister.gov/documents/2020/02/06/2020-01459/pipeline-safety-valve-installation-and-minimum-rupture-detection-standards> (last accessed on April 26, 2022).

⁹ See Pipeline Safety: Requirement of Valve Installation and Minimum Rupture Detection Standards <https://www.federalregister.gov/documents/2022/04/08/2022-07133/pipeline-safety-requirement-of-valve-installation-and-minimum-rupture-detection-standards> (last visited April 26, 2022).

¹⁰ Capital and O&M costs include direct and indirect elements including overheads, property tax, AFUDC, and return on rate base.

¹¹ 49 U.S.C. § 60101 *et seq.*

¹² Pub.L. 108-426.

pipeline safety regulations contained in [49 C.F.R. Part 192, et seq.].”¹³ The Commission has acknowledged its intent to “automatically incorporate all revisions to the Federal Pipeline Safety Regulations, 49 C.F.R. Parts 191, 192, 193, and 199...”¹⁴ The Commission thus “ensures that intra-state natural gas...pipeline systems are designed, constructed, operated, and maintained according to safety standards set by the CPUC and the *federal government*.”¹⁵ The Commission indeed recognizes that:

State and federal regulators are tasked with ensuring that pipeline and hazardous materials operators have risk management programs in place, that those programs are designed in conformance with state and federal laws and regulations, that the programs are effective in enhancing public safety, the operator’s employees safety, environmental safety, and that the safety of the entire system and operation continues to improve.¹⁶

1. GTS Rule Part 1

On October 1, 2019, PHMSA issued the GTS Rule Part 1.¹⁷ A week before Part 1 of the GTGS Rulemaking was published, the DOT underscored that these “safety rules would modernize federal pipeline safety standards by expanding risk-based integrity management requirements, enhancing procedures to protect infrastructure from extreme weather events, and requiring greater oversight of pipelines *beyond current safety requirements*.”¹⁸ As PG&E emphasized in its 2019 Gas Transmission & Storage (“GT&S”) rate case, the industry referred to the GTGS Rulemaking as the “Mega Rule” because the number of changes to 49 C.F.R. Part 192

¹³ Commission’s Order Instituting Investigation, I.12-01-007 at 7 (issued on Jan. 12, 2012), available at https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/157321.PDF (last visited April 26, 2022).

¹⁴ Commission’s General Order (“G.O.”) 112-F, ¶ 104.1 at 2.

¹⁵ Commission, Pipeline Safety, <https://www.cpuc.ca.gov/regulatory-services/safety/pipeline-safety> (last visited Feb. 8, 2022) (emphasis added).

¹⁶ *Id.*

¹⁷ As background, on April 8, 2016, PHMSA published the ANPRM, 80 F.R. 20722, proposing to revise the Pipeline Safety Regulations, which resulted in the GTS Rule Part 1.

¹⁸ PHMSA, *U.S. Secretary of Transportation Elaine L. Chao Announces Issuance of Major Pipeline Safety Rules* (Sep. 24, 2019) (emphasis added), <https://www.phmsa.dot.gov/news/us-secretary-transportation-elaine-l-chao-announces-issuance-major-pipeline-safety-rules> (last visited April 26, 2022).

“is the largest that PHMSA has undertaken since the inception of Part 192. It is so large that PHMSA has decided to break it into three parts,”¹⁹ i.e., Parts 1, 2, and 3.

Published as the first of these three parts, the GTS Rule Part 1 updates sections of 49 C.F.R. Parts 191, 192 and mandates gas operators to update or implement procedures accordingly. The GTS Rule Part 1 imposes significant new safety and integrity requirements to gas transmission pipelines under PHMSA’s jurisdiction.²⁰ These changes took effect July 1, 2020, and mandate certain compliance obligations commencing July 1, 2021.²¹ Furthermore, by July 2028, Applicants must complete at least 50% of MAOP reconfirmation required by Part 1, and the rest by 2035.²²

GTS Rule Part 1 currently expands beyond the Commission’s approved Pipeline Safety Enhancement Plan (“PSEP”) Phases 1A, 1B, and 2A. PSEP Phase 1A specifically includes transmission segments in Class 3 and 4 location and Class 1 and 2 locations in high consequence areas (“HCAs”) that do not have sufficient documentation of a pressure test to 1.25 MAOP; PSEP Phase 1B includes pipeline segments installed before 1946 and are not piggable; and PSEP Phase 2A includes transmission pipelines that do not have sufficient documentation of a pressure test to at least 1.25 MAOP and are located in Class 1, Class 2 and non-HCAs.²³ The GTS Rule Part 1 MAOP Reconfirmation requirements expand scope to include all transmission segments in

¹⁹ PG&E 2019 GT&S Rate Case, Rebuttal Testimony, Vol. 1 at 5-12. Available at <https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A1711009/1709/228073770.pdf>.

²⁰ A transmission pipeline under PHMSA’s oversight is defined as “a pipeline, other than a gathering line, that: (1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not down-stream from a distribution center; (2) operates at a hoop stress of 20 percent or more of specified minimum yield strength (“SMYS”); or (3) transports gas within a storage field.” 49 C.F.R. § 192.3.

²¹ See 49 C.F.R. § 624(b) (“Operators of a pipeline subject to this section must develop and document procedures for completing all actions required by this section by July 1, 2021”).

²² 49 C.F.R. § 192.624(b)(1) (“Operators must complete all actions required by this section on at least 50% of the pipeline mileage by July 3, 2028”).

²³ Prepared Testimony of Travis T. Sera at 2:22-3:6.

Class 3, Class 4, and HCAs that do not have traceable, verifiable, and complete test records; this includes pipeline segments that were deferred to Phase 2B, which has not yet been approved by the Commission.²⁴

2. GTS Rule Part 2

GTS Rule Part 2 is expected to be finalized in June 2022 and will impose compliance obligations taking effect as early as 2023. Part 2 will require Applicants to comply with new and updated sections of 49 C.F.R. Part 192. As Part 2 is reviewed and finalized by the Office of Management and Budget (“OMB”), Applicants will continue to gain an understanding of the updated requirements. Part 2 proposes changes for which Applicants would incur implementation costs under the GRRMA: (1) surveys to identify coating damage on transmission lines after construction has been completed (proposed 49 C.F.R. § 192.319, 192.461), (2) additional surveys to identify anomalies in cathodic protection under Subpart I and creating a timeframe for the remediation of these anomalies (proposed 49 C.F.R. § 192.465), and (3) the development of a periodic interference current survey program for transmission lines (49 C.F.R. § 192.473), among other requirements.

At this time, Part 2 is also expected to expand Applicants’ current Transmission Integrity Management Program (“TIMP”). For instance, Part 2 proposes repair criteria similar to those established in 49 C.F.R. § 192.933 for certain transmission lines in non-HCAs; the criteria would result in more stringent thresholds and requirements for repairs and would expand Applicants’ TIMP activities as managed and recovered under the TIMP balancing account (“TIMPBA”).

B. The Valve Rule

On April 8, 2022, PHMSA published the final Valve Rule in the Federal Register with an

²⁴ *Id.* at 3:6-9.

effective date of either October 5, 2022 or April 10, 2023 based on the specific requirements imposed.²⁵ Generally, the Valve Rule requires operators to install rupture mitigation valves on certain newly constructed or entirely replaced onshore transmission pipeline segments that have nominal diameters greater than or equal to 6 inches in diameter according to specific spacing intervals from 8 to 20 miles based on class location. In addition, the valves must meet certain performance standards to prevent any public safety consequences due to a pipeline rupture. The Valve Rule also requires updates to existing emergency response procedures to ensure better coordination with emergency response agencies including criteria for identifying potential pipeline ruptures.²⁶

The Valve Rule specifies requirements that are beyond what is currently defined for the PSEP Valve Enhancement Plan (“VEP”). Applicants currently understand that the Valve Rule differs from the PSEP VEP in three areas. First, the Valve Rule requires ASV/RCV (collectively referred to a Rupture Mitigation Valve “RMV” in the final rule) starting at a smaller diameter transmission line.²⁷ As part of the PSEP VEP, consideration is given to lines that are either (1) 12 inches or greater that operate in excess of 30% SMYS, or (2) 20 inches or greater, operating in excess of 20% SMYS. The Valve Rule, on the other hand, simply considers all on shore transmission lines that are 6 inches or greater.²⁸

Second, the Valve Rule considers both new construction as well as entirely replaced transmission pipeline segments. The PSEP VEP primarily adds RMV to replaced lines, whereas the Valve Rule requires the installation of RMV for newly constructed lines and entirely replaced

²⁵ See Pipeline Safety: Requirement of Valve Installation and Minimum Rupture Detection Standards <https://www.federalregister.gov/documents/2022/04/08/2022-07133/pipeline-safety-requirement-of-valve-installation-and-minimum-rupture-detection-standards> (last visited April 26, 2022).

²⁶ Prepared Testimony of Travis T. Sera at 4:17-5:7.

²⁷ *Id.* at 5:8-12.

²⁸ *Id.* at 5:14-17.

transmission pipeline segments (*see* 49 C.F.R. §§ 192.179, 192.634). While both require the installation of RMV for line replacements, the Valve Rule extends the requirements to newly constructed pipelines and pipeline replacement projects outside of PSEP.²⁹

Third, the Valve Rule requires updates to business processes that (1) require greater coordination with emergency agencies (2) requires more comprehensive procedures for investigations into failures and incidents, and (3) establishes criteria around identifying pipeline ruptures.³⁰

As the requirements in the Valve Rule have recently been finalized, Applicants will continue to review the final rule language and plan work accordingly.

C. Prior Application Dismissed Without Prejudice

On May 14, 2021, Applicants filed A.21-05-010 seeking to establish a prior version of GRRMA that sought to record expenses to comply with GTS Rule Parts 1, 2, and 3, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2006, “and the emerging regulations that may transpire from the overall GTGS Rulemaking.”³¹ On March 7, 2022, the Commission dismissed A.21-05-010 *without prejudice* because Applicants “[did] not meet their burden of proof to make a prima facie case” to establish the original GRRMA.³² This burden of proof would be met by a “showing that the compliance obligations associated with the new set of federal regulations are incremental, substantial, and/or non-speculative.”³³ The Commission acknowledged that Applicants may refile the Application and present “sufficient evidence to support their position that the Commission should authorize the requested

²⁹ *Id.* at 5:17-6:1.

³⁰ *Id.* at 6:2-6:4.

³¹ A.21-05-010 at 1-3.

³² D.22-02-011 at 8.

³³ *Id.* at 6.

[GRRMA].”³⁴ Applicants have done so by specifying how the activities are incremental and providing cost estimates demonstrating that these activities will result in substantial and non-speculative expenses. Therefore, tracking the GTS Rule Part 1 costs, which have been incurred since July 1, 2021, would not amount to retroactive ratemaking because Applicants were not specifically precluded from refileing the Application to authorize the GRRMA.³⁵

Alternatively, Applicants request the Effective Date to be the same as the Application’s filing date.³⁶

III. PROPOSED ACTIVITIES FOR TRACKING IN THE MEMORANDUM ACCOUNT

As regulated gas utilities, Applicants fully support the Commission’s mandate to oversee the safe operation of their pipeline infrastructure. The GRRMA would serve as a mechanism to track work done and related costs incurred toward such shared obligation. Expenses associated with the GTS Rule Part 1 will include the implementation of the following activities:

- Where MAOP reconfirmation is required for segments not in the scope of the PSEP, reconfirm MAOP in accordance with 49 C.F.R. § 192.624; current scope analysis has yielded approximately 150 miles of incremental pipeline segments to be initiated by 2023, with an overall incremental scope of approximately 570 miles.³⁷

Expenses associated with Part 2 are expected to include implementation of the following activities:

- Completing surveys to identify coating damage on transmission lines after construction has been completed, as well as remediation of coating damage found by these surveys (49 C.F.R. §§ 192.319, 192.461);

³⁴ *Id.* at 8.

³⁵ *Id.* (“Applicants are not precluded from refileing the Application and presenting sufficient evidence to support their position that the Commission should authorize the requested gas rules and regulations memorandum account”).

³⁶ *See* D.19-09-026 at 10 (“Based on Commission precedent and statutory authority, we find it appropriate to establish effective dates of the memorandum accounts as of the date the Applications were filed”).

³⁷ Prepared Testimony of Travis T. Sera at 2:1-5.

- Completing additional surveys to identify anomalies in cathodic protection, creating a timeframe for the remediation of these anomalies, and remediation of cathodic protection deficiencies (49 C.F.R. § 192.465); and
- A periodic interference current survey program and remediation for transmission lines (49 C.F.R. § 192.473).³⁸

As to the Valve Rule, Applicants anticipate expenses to implement the following activities:

- Development and updating of procedures emergency response (49 C.F.R. § 192.615), investigation of failures and incidents (49 C.F.R. § 192.617), notification of potential ruptures (49 C.F.R. § 192.635), and reviews of risk analysis for ruptures in HCAs (49 C.F.R. § 192.935); and
- Installation of RMV on newly installed, or entirely replaced onshore transmission pipeline segments that are 6 inches or greater diameter in Class 3 and 4 locations or HCAs (49 C.F.R. §§ 192.179, 192.610, 192.634, 192.636, 192.745).³⁹

Due to the publication’s timing, the GTS Rule Parts 1 and 2 and Valve Rule were not considered in Applicants’ General Rate Case (“GRC”) applications for Test Year (“TY”) 2019 filed in October 2017 with attrition years extended through 2023.⁴⁰ The GTS Rule Part 1 was published two years later, i.e., October 1, 2019,⁴¹ the same day that Applicants’ GRC decision was issued.⁴² The Part 1 amendments and the compliance costs associated with these regulatory updates were not reasonably foreseen at the time Applicants filed their latest GRC applications.⁴³ Part 2 is also planned to be published in June 2022, while PHMSA published the final Valve Rule in the Federal Register on April 8, 2022. Therefore, the above-referenced compliance activities were not presented in their last GRC.

³⁸ *Id.* at 3:16-4:1.

³⁹ *Id.* at 7:2-8.

⁴⁰ D.20-01-002 (the Rate Case Plan Decision) extended Applicants’ attrition years through 2023.

⁴¹ 84 Fed. Reg. 52180 (Oct. 1, 2019); D.20-01-002 at 55 (Table 4).

⁴² *See* D.19-09-051.

⁴³ In its GRC Application for TY 2019, SoCalGas acknowledged that cost drivers relating to the ANPRM issued on April 8, 2016 could not be defined with specificity. *See* SoCalGas 2019 GRC App., Exh. SCG-14 at MTM-19 (Direct Testimony of Maria T. Martinez dated Oct. 6, 2017); available at <https://www.socalgas.com/regulatory/documents/a-17-10-008/SCG-14%20Martinez%20Prepared%20Direct%20Testimony.pdf>.

IV. MEMORANDUM ACCOUNT TREATMENT IS APPROPRIATE

A. Standards for Establishing Memorandum Accounts

“A memorandum account allows a utility to isolate and list costs related to a particular activity and later to seek to recover of [sic] those costs in rates.”⁴⁴ The Commission approves memorandum accounts where the costs are (1) incremental to the utility’s GRC or other ratemaking applications, (2) foreseeably substantial, and (3) not speculative.⁴⁵ “[E]stablishing a memorandum account for a new and significant project is routine and noncontroversial, with important ratemaking consequences to be addressed in a subsequent proceeding.”⁴⁶

1. Applicants’ Estimated Compliance Costs Are Incremental

The GTS Rule Parts 1 and 2 amendments expand previous safety requirements, including those under TIMP, i.e., 49 C.F.R. Part 192, Subpart O. In considering the expanded requirements outside of TIMP as activities not covered by the TIMPBA, the Applicants seek to track costs that would not already be accounted for in existing balancing accounts or cost recovery mechanisms associated with GTGS Rulemaking and Valve Rule in the GRMMA.⁴⁷ A memorandum account is appropriate to allow for tracking of incremental costs incurred upon a reasonableness showing at a later time.⁴⁸

⁴⁴ D.19-09-026 at 5.

⁴⁵ D.18-06-029 at 7; *see also* D.21-04-015 at 26 (summarizing standard for authorizing memorandum accounts and noting that it would be foreseeable that the utilities will each incur substantial costs); D.22-02-011 at 6 (citing D.21-04-015 for the same standard).

⁴⁶ D.16-08-003 at 3.

⁴⁷ PG&E proposed a similar treatment when requesting their new Gas Statutes Regulations and Rules Memorandum Account (GSRRMA). *See* PG&E 2019 Gas Transmission and Storage Rate Case, Prepared Testimony, Vol. 1 at 5-7, fn. 5 (“If any new PHMSA regulations concern TIMP, costs to comply would be recorded and recovered through the proposed two-way TIMPBA discussed below”); available at <https://pgera.azurewebsites.net/Regulation/ValidateDocAccess?docID=430330>.

⁴⁸ *See* D.06-01-018, at 5-6.

Here, the GTS Rule Parts 1 and 2 and Valve Rule compliance costs were not requested for recovery in the Applicants’ most recent GRC because they were not known in time to allow these costs to be included in the test year (“TY”) 2019 GRC proceeding.

2. Applicants’ Estimated Compliance Costs Will Be Substantial and Are Not Speculative

Applicants’ costs are not speculative and will be substantial.⁴⁹ As noted in D.22-02-011 that dismissed the original request, Applicants are providing additional evidence of cost estimates to support their Application.⁵⁰ Tables 1 and 2 below illustrates estimates of costs that will be incurred to implement GTS Rule Parts 1 and 2 and the Valve Rule.

Table 1
SoCalGas Estimated Costs (in \$Millions)⁵¹

	2021 (Actuals)	2022 (Estimate)	2023 (Estimate)
GTSR Part 1			
CAPITAL	\$0.15	\$8.0	\$57.0
O&M	\$0.00	\$0.3	\$1.0
TOTAL	\$0.15	\$8.3	\$58.0
GTSR Part 2			
CAPITAL	-	-	\$5.2
O&M	-	-	\$0.2
TOTAL	-	-	\$5.4
Valve Rule			
CAPITAL	-	-	\$12.1
O&M	-	-	\$0.5
TOTAL	-	-	\$12.6

⁴⁹ See D.19-09-026 at 5-9 (authorizing establishing a memorandum account to record and track incremental costs to implement the California Consumer Privacy Act (“CCPA”) of 2018 where the costs were not recoverable in the utilities’ GRC, would be subject to reasonableness review, and were substantial and not speculative, even if the utilities were unsure of the exact amount “but estimate that costs could run into the millions”).

⁵⁰ See D.22-02-011 at 6 (“The Application is also vague as to what expenses are associated with GTGS Rulemaking Part 1”).

⁵¹ Capital and O&M costs include direct and indirect elements including overheads, property tax, AFUDC, and return on rate base.

Table 2
SDG&E Estimated Costs (in \$Millions)⁵²

	2021 (Actuals)	2022 (Estimate)	2023 (Estimate)
GTSR Part 1			
CAPITAL	-	-	\$4.5
O&M	-	-	\$0.1
TOTAL	-	-	\$4.6
GTSR Part 2			
CAPITAL	-	-	\$0.5
O&M	-	-	\$0.0
TOTAL	-	-	\$0.5
Valve Rule			
CAPITAL	-	-	\$1.1
O&M	-	-	\$0.0
TOTAL	-	-	\$1.1

Currently, Applicants plan to initiate approximately 150 miles of incremental GTSR Part 1 projects in 2022 to comply with the 50% by 2028 milestone established by 49 C.F.R. § 192.624(b)(1). Applicants’ scope analysis to date has yielded a current total of approximately 570 miles of incremental scope beyond that of existing programs, though this scope is subject to continued analysis and validation. Further, as described in the Prepared Testimony of Travis T. Sera, Applicants will continue to evaluate and identify opportunities to improve cost and program efficiency, constructability, and minimize customer impacts as development of projects progress.⁵³

Applicants plan to propose a cost recovery mechanism and seek recovery for their respective costs once those costs are finalized and in connection within their applicable general rate case proceedings and/or other applicable proceedings, as needed. Nonetheless, in connection with their TY 2024 GRC, Applicants will be requesting a balancing account for these activities commencing with the effective date of the TY 2024 GRC in 2024 and expect to no longer record any new project costs from 2024 and beyond in the GRRMA once such a balancing account is

⁵² *Id.*

⁵³ Prepared Testimony of Travis T. Sera at 2:16-21.

established. However, Applicants will continue to record on-going capital-related costs associated with projects initiated before 2024 in the GRRMA, until the Commission has reviewed and issued a decision on the cost recovery of the balance in the GRRMA through a reasonableness review in connection with a future general rate case proceeding and/or other applicable proceedings.

B. The GRRMA's Effective Date Should Be as of July 1, 2021

Applicants may track in the proposed memorandum account the costs they incurred for compliance prior to the Commission's disposition of this Application. In connection with approving memorandum accounts, the Commission previously ruled that pursuant to Public Utilities Code § 1731(a), it "may set the effective date of an order or decision prior to the date of issuance."⁵⁴ Although in D.22-02-011 the Commission previously denied Applicants' request to establish a prior iteration of the GRRMA, it did so without prejudice and did not explicitly prohibit Applicants from seeking an effective date as of July 1, 2021, i.e., the prior Application's date.⁵⁵ In light of these authorities, the timing of the rulemaking, and the need to assess incremental activities and implement changes immediately, a request to seek recovery from a date earlier than the date of any Commission decision on the Application is appropriate.⁵⁶

Accordingly, Applicants request that the GRRMA be made effective as of July 1, 2021, so that Applicants may track in this memorandum account costs Applicants incurred for compliance before the Commission's disposition of this Application. Applicants further request that the Application be granted on an expedited basis by no later than Q3 2022, without the need

⁵⁴ D.18-06-029 at 14-15; *see also* D.19-09-026 at 10 (noting that "in D.18-11-051 and D.18-06-029, the Commission found it could establish an effective date of a memorandum account prior to the date of the decision").

⁵⁵ D.22-02-011 at 8, 10, Ordering Paragraph (OP) 2.

⁵⁶ *See, e.g.*, D.18-06-029 (allowing recovery from the date of filing); D.18-11-051 (same); *Southern Cal. Edison Co. v. Pub. Util. Comm'n*, 85 Cal. App. 4th 1086, 1090 (2000) (allowing recovery prior to decision date); Resolution E-3761 (November 29, 2001) (allowing recovery prior to effective date).

for evidentiary hearings.⁵⁷ As Applicants are not seeking cost recovery in this Application, evidentiary hearings are unwarranted until such a proposal to seek recovery of their respective costs is requested which Applicants are proposing in connection within their applicable general rate case proceedings and/or other applicable proceedings, as needed.

In the event the Commission does not make the GRRMA effective as of July 1, 2021, Applicants request that the GRRMA be effective as of the Application's filing date.⁵⁸

C. The Proposed Tariffs for the GRRMA

Attached hereto as Attachment A and B, SoCalGas and SDG&E submit their proposed gas preliminary statements in this filing to support establishment of the respective GRRMA. The proposed tariffs and this Application will not increase any current rate or charge, or cause withdrawal of service, or conflict with any rate schedule or rule. Nor will this Application prejudice or impair the ability of the Commission or any interested parties to review the costs recorded in the GRRMA for reasonableness when SoCalGas and SDG&E seek recovery of costs in applicable general rate case proceedings and/or other applicable proceedings, as needed.

V. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Rule 2.1 (a) – (c)

1. Rule 2.1 (a) – Legal Name

SoCalGas is a public utility corporation organized and existing under the laws of the State of California. SoCalGas' principal place of business and mailing address is 555 West Fifth Street, Los Angeles, CA 90013.

SDG&E is a corporation organized and existing under the laws of the State of California.

⁵⁷ See D.19-09-026 at 1, 4 (in granting utilities' application to establish memorandum account to track costs associated with CCPA compliance, the decision was reached without need for testimony or evidentiary hearings).

⁵⁸ *Id.* at 10 (ruling that it would be appropriate to establish effective dates for memorandum accounts as of the date the applications were filed).

SDG&E is engaged in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E's principal place of business is 8330 Century Park Court, San Diego, CA 92123.

2. Rule 2.1 (b) – Correspondence

Correspondence or communications regarding this Application should be addressed to:

PAUL I. DEANG

Regulatory Case Manager for:

SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, GT14D6
Los Angeles, CA 90013
Telephone: (213) 244-3143
Email: PDeang@SoCalGas.com

A copy should also be sent to:

ISMAEL BAUTISTA, JR.

Attorney for:

SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY
555 West Fifth Street, Ste. 1400
Los Angeles, CA 90013
Telephone: (213) 231-5978
Facsimile: (213) 629-9620
Email: IBautista@SoCalGas.com

3. Rule 2.1 (c) – Proposed Category, Need for Hearings, Issues to be Considered, Relevant Safety Considerations, and Schedule

a) Proposed Category of Proceeding

In accordance with Rule 7.1, SoCalGas and SDG&E request that this Application be categorized as ratesetting because it requests establishment of a memorandum account that will ultimately be addressed in the utilities' applicable general rate case proceedings and/or other applicable proceedings, as needed.

b) Need for Hearings

SoCalGas and SDG&E do not believe that evidentiary hearings will be necessary for this Application.

c) Issues to be Considered and Relevant Safety Considerations

The issues to be considered are described in this Application. Regarding safety considerations, SoCalGas’ and SDG&E’s proposal will not result in any adverse safety impacts on the facilities or operations of either SoCalGas or SDG&E.

d) Proposed Schedule

SoCalGas and SDG&E proposes the following schedule for this Application:

Event	Date
Application	May 4, 2022
Responses/Protests	within 30 days of Daily Calendar notice
SoCalGas/SDG&E Reply to Responses/Protests (if necessary)	within 10 days (see Rule 2.6)
Prehearing Conference (if necessary)	June 2022
Proposed Decision on Application (waive or shorten time for comments if appropriate)	July 2022
Final Decision on Application (if comment period waived or shortened)	August 2022
Final Decision on Application (if regular comment period)	September 2022

B. Rule 2.2 – Articles of Incorporation

A copy of SoCalGas’ Restated Articles of Incorporation, as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the Commission on October 1, 1998, in connection with SoCalGas’ A.98-10-012, and is incorporated herein by reference.

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was filed with the Commission on September 10, 2014, in connection with SDG&E's A.14-09-008, and is incorporated herein by reference.

C. Rule 3.2 – Authority to Increase Rates

SoCalGas and SDG&E seek authority for the establishment of memorandum accounts with no immediate rate changes that will result from this Application. Because this application seeks interim tracking authority and not a rate increase, the requirements of Rule 3.2 are premature and not applicable at this time. Rule 3.2 requirements will be met at the time SoCalGas and SDG&E seek recovery of amounts tracked within the requested GRRMA.

D. Rule 1.9 – Service

This Application is a re-filing of A.21-05-010. Nonetheless, SoCalGas and SDG&E are serving this Application on all parties to their TY 2019 GRC proceedings, A.17-10-007, A.17-10-008 (cons.), and the prior application, A.21-05-010.

VI. CONCLUSION

For all the foregoing reasons, SoCalGas and SDG&E respectfully request that the Commission approve this Application in all respects. Specifically, in accordance with the foregoing proposed expedited schedule, SoCalGas and SDG&E request the following specific relief:

1. Approval of authority for SoCalGas and SDG&E to respectively establish an interest-bearing memorandum account for incremental costs incurred during the years 2021, 2022 and 2023 associated with complying with PHMSA's amendments to transmission pipeline safety and integrity requirements under 49 C.F.R. Parts 191, 192, and 195 and the rules promulgated thereunder, with an effective date of July 1, 2021, or no later than the filing of this

Application, whichever is earlier; and

2. Granting of such other relief as is necessary and proper.

By: /s/ Ismael Bautista, Jr.

Ismael Bautista, Jr.

Attorney for:

SOUTHERN CALIFORNIA GAS COMPANY

SAN DIEGO GAS & ELECTRIC COMPANY

555 West Fifth Street, Ste. 1400

Los Angeles, CA 90013

Telephone: (213) 231-5978

Facsimile: (213) 629-9620

Email: IBautista@SoCalGas.com

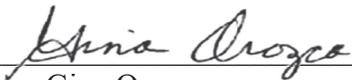
May 4, 2022

OFFICER VERIFICATION

I am an officer of the applicant corporations herein Southern California Gas Company and San Diego Gas & Electric Company, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 4th day of May, 2022 at Eastvale, California.

By: 
Gina Orozco

Vice President – Gas Engineering & System Integrity for:

SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY

ATTACHMENT A

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
GAS RULES AND REGULATIONS MEMORANDUM ACCOUNT (GRRMA)

Sheet 1

1. Purpose

The GRRMA is an interest-bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the GRRMA is to record incremental costs to comply with certain amendments imposed by the Pipeline and Hazardous Materials Safety Administration (PHMSA) to (1) 49 C.F.R. Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking) and (2) 49 C.F.R. Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule), for the years 2021, 2022 and 2023.

This memorandum account is established pursuant to Decision (D.) XX-XX-XXX and is effective July 1, 2021. In connection with its 2024 General Rate Case proceeding, SoCalGas will plan to propose a new regulatory account to record costs associated with the above mentioned GTGS Rulemaking and Valve Rule.

2. Applicability

This account shall apply to all gas customers except those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry to record incremental operational and maintenance (O&M) costs and capital-related costs (depreciation, return and taxes) in complying with Gas Transmission Safety (GTS) Rule Parts 1 and 2 of the GTGS Rulemaking and the Valve Rule;
- b) An entry to amortize the account balance as authorized by the Commission, and
- c) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

5. Disposition

The balance in the GRRMA will be addressed in SoCalGas' general rate case proceedings and/or other applicable proceedings, as needed.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.
 DECISION NO.

100

ISSUED BY

Dan Skopec

Senior Vice President
 State Gvt Affairs & Chief Reg OFC

(TO BE INSERTED BY CAL. PUC)

SUBMITTED _____
 EFFECTIVE _____
 RESOLUTION NO. _____

ATTACHMENT B

