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November 17, 2023

Advice No. 6224-G
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Recovery of the Post-2011 Distribution Integrity Management Program Balancing Account (DIMPBA) Balance

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval for the recovery of the under-collected revenue requirement balance in the DIMPBA as of January 31, 2023, to be incorporated in SoCalGas's transportation rates in accordance with the cost recovery mechanism approved in Decision (D.) 19-09-051.

Purpose

SoCalGas requests authority to recover its DIMPBA under-collected balance of \$81.4 million as of January 31, 2023. This balance represents the cumulative incremental revenue requirement associated with reasonably incurred Distribution Integrity Management Program (DIMP) expenditures, which is overspent by 33% of the authorized Test Year (TY) 2019 General Rate Case (GRC) cycle operations and maintenance (O&M) and capital expenditures as of January 31, 2023. SoCalGas proposes to implement and include this rate change effective October 1, 2024 or on the next scheduled rate change following a Commission resolution on this advice letter, whichever is earlier.

Background

SoCalGas's DIMP implements the federal regulatory requirements set forth in 49 Code of Federal Regulations (CFR) § 192, Subpart P – Gas Distribution Pipeline Integrity

Management.¹ The Pipeline and Hazardous Materials Safety Administration (PHMSA), established DIMP requirements to enhance pipeline safety by having operators identify and reduce pipeline integrity risks for distribution pipelines, as required under the Pipeline Integrity, Protection, Enforcement and Safety Act of 2006.² SoCalGas's DIMP was developed to meet these compliance and regulatory objectives as well as to promote safety and reliability. The DIMP is designed to provide recurrent data-driven system risk evaluation and management of risk reduction through accelerated programs or measures that are intended to enhance the safety of the distribution system. Updates to the program may include lessons learned from operating and industry experience, conclusions drawn from the distribution integrity management process, or the incorporation of new or additional tools and techniques as they become available. These programs and measures enhance distribution safety as intended by PHMSA and prescribed by 49 Part 192 Subparts A-N.

SoCalGas's DIMPBA, a two-way interest-bearing balancing account, was first approved in TY 2012 GRC decision, D.13-05-010, and has been subsequently reauthorized in connection with SoCalGas's TY 2016 and TY 2019 GRC decisions (D.16-06-054 and D.19-09-051, respectively), remaining effective for the five-year GRC cycle ending December 31, 2023.^{3,4} As established and in accordance with SoCalGas's tariffs, the DIMPBA records the difference between authorized and actual DIMP-related revenue requirement during each respective GRC cycle. Any over- or under-collected balance at the end of each year within the GRC cycle is to be carried over to the following year.⁵ Pursuant to D.19-09-051, SoCalGas is authorized to submit a Tier 3 advice letter to seek recovery of any DIMP under-collections of

¹ Under 49 CFR § 192, Subpart P, operators of gas distribution pipelines are required to: collect information about distribution pipelines; identify additional information needed and provide a plan for gaining that information over time; identify and assess applicable threats to its distribution system; evaluate and rank risks to the distribution system; determine and implement measures designed to reduce the risks from failure of its gas distribution pipeline and evaluate the effectiveness of those measures; develop and implement a process for periodic review and refinement of the program; and report findings to regulators.

² See PHMSA Gas Distribution Integrity Management Program: FAQs, Section B: General DIMP Questions, No. B.1.1 "Why did PHMSA mandate integrity management requirements for distribution pipeline systems?"; available at <https://www.phmsa.dot.gov/pipeline/gas-distribution-integrity-management/gas-distribution-integrity-management-faqs>. ("Instead of imposing additional prescriptive requirements for integrity management, PHMSA concluded that a requirement for operator-specific programs to manage pipeline system integrity would be more effective given the diversity in distribution systems and the threats to which they may be exposed.")

³ D.16-06-054 at 327 and D.19-09-051 at 777. D.21-05-003 at (Ordering Paragraph (OP) 2), authorized SoCalGas to continue implementing the post-test year mechanism adopted in D.19-09-051 for attrition years 2022 and 2023.

⁴ The settlements adopted in D.08-07-046 established a previous iteration of the DIMPBA for costs associated with PHMSA's emerging DIMP regulations during the 2008–2011 GRC cycle.

⁵ https://tariff.socalgas.com/regulatory/tariffs/tm2/pdf/tariffs/GAS_G-PRELIM_POST-2011_DIMPBA.pdf.

revenue requirement when actual expenditures are overspent by up to 35% of the total authorized O&M and capital expenditures for the entire cycle.⁶ For any under-collections of revenue requirement associated with overspending greater than or equal to 35% of the total authorized O&M and capital expenditures, SoCalGas is authorized to seek recovery through a separate application.⁷

In October 2017, SoCalGas filed its TY 2019 GRC Application, (A.) 17-10-008, which included, among other things, a request for approval of DIMP expenditures based on forecasts for 2017-2019 and continuation of the DIMPBA. SoCalGas activities compliant with 49 CFR § 192, Subpart P are categorized into the following five areas:⁸

- System Knowledge;
- Threat Identification and Risk Analysis;
- Programs/Projects and Activities to Address Risk;
- Geographic Information System (GIS); and
- Compliance, Auditing and Reporting

35% Threshold Calculation

SoCalGas is authorized to seek recovery, via a Tier 3 advice letter, of DIMP under-collections of revenue requirement when actual expenditures are overspent by up to 35% of the total authorized O&M and capital expenditures for the TY 2019 GRC cycle. The total imputed authorized expenditures for the TY 2019 GRC cycle is \$683.0 million. The 35% threshold of the total authorized expenditures equates to \$922.0 million (135% x \$683.0 million). As of January 2023, SoCalGas's actual DIMP combined O&M and capital expenditures is \$909.8 million, or 33% over TY 2019 authorized expenditures (see Table 1). Table 1 below shows the actual expenditures incurred in each of 2019, 2020, 2021, 2022, and each 2023 year-to-date through January 2023 compared to total authorized expenditures for the entire TY 2019 GRC cycle.

⁶ D.19-09-051 at 694-695 and 774 (Conclusion of Law 104); A.17-10-008, Ex. SCG-42 at RQY-15 and RQY-B-1 (Direct Testimony of Rae Marie Q. Yu dated Oct. 6, 2017); available at <https://www.socalgas.com/regulatory/documents/a-17-10-008/SCG-42%20Yu%20Prepared%20Direct%20Testimony.pdf>.

⁷ *Id.*

⁸ A.17-10-008, Ex. SCG-14 at MTM-20 (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>.

Table 1
Southern California Gas Company
DIMPBA Expenditures (Authorized v. Actual, \$000)

Authorized	O&M	Capital	Total
2019	41,378	181,040	222,418
2020	42,471	69,606	112,077
2021	43,490	70,707	114,197
2022	44,332	71,541	115,873
2023	45,352	73,066	118,418
Subtotal	217,023	465,960	682,983

Actual	O&M	Capital	Total
2019	42,948	119,125	162,073
2020	45,615	193,785	239,400
2021	44,986	212,708	257,694
2022	46,763	192,118	238,881
2023 Jan	2,346	9,350	11,696
Subtotal	182,658	727,086	909,744

Over/ (Under)			
Authorized	(34,365)	261,126	226,761
\$			
% over authorized			33%

Note: Total Actual Expenditures for 2023 is through January 31, 2023. Total Authorized Expenditures for 2023 is for the full year. Subtotals may include rounding differences.

Summary of DIMP Cost Drivers

In A.17-10-008, SoCalGas forecasted DIMP costs based on system knowledge and an expectation that the majority of its DIMP O&M and capital expenditures would be related to Programs/Projects and Activities to Address Risk (PAAR).⁹ These are programs and measures that enhance distribution safety as intended by PHMSA and prescribed by 49 Part 192 Subparts A-N. The actual additional DIMP expenditures were primarily PAAR capital spend, attributable to labor and non-labor to support the increased level of replacement for the two of the largest PAARs, 1) the Vintage Integrity Plastic Plan (VIPP) and 2) Bare Steel Replacement Plan (BSRP). The increased level of replacements was primarily driven by risk reduction efforts to remediate the threats to non-state-of-the-art (NSOTA) plastic (Aldyl-A) and non-

⁹ Attachment A details the costs recorded in the DIMPBA through January 31, 2023.

cathodically protected bare steel pipe to enhance the integrity of SoCalGas's distribution system and compliance with regulatory directives.

In addition to the cost drivers discussed above, the approved methodology to calculate the authorized revenue requirement in the post-test years (PTY) impacts the resulting DIMPBA under-collection. D.19-09-051 authorized a post-test year mechanism for SoCalGas, including DIMP. Pursuant to this Decision, authorized O&M expenses in the post-test years are derived through escalation of the authorized TY 2019 O&M expenses. Authorized capital expenditures are imputed in the PTYs based on a seven-year average of historical and forecasted capital expenditures rather than project specific forecasts. The capital expenditures PTY mechanism differs from the forecast of DIMP-related activities for the TY 2019 GRC cycle, therefore contributing to the under-collection. See Attachment D for additional detail on the calculation of authorized expenditures associated with the TY 2019 GRC.

DIMP Cost Categories

SoCalGas separated DIMP expenses into the following three categories, which are inclusive of the five topic areas required by 49 CFR Part 192:

1. PAAR;¹⁰
2. Data Management, System Knowledge and GIS; and
3. Program Management, Risk and Threat, Compliance, Auditing, and Reporting.

These programs and activities demonstrate SoCalGas's continuous effort to address system risk and maintain a safe system with industry leading integrity management. This work contributed to actual recorded DIMP expenditures exceeding authorized funding levels, as summarized in Table 2.

¹⁰ PAAR include the Distribution Riser Inspection Project (DRIP), the Sewer Lateral Inspection Project (SLIP), the Bare Steel Replacement Plan (BSRP), the Vintage Integrity Plastic Plan (VIPP), and the Gas Infrastructure Protection Project (GIPP).

Table 2
DIMP O&M and Capital Expenditures by Category
2019 through January 2023

Labor + Non-labor Recorded (\$000)	2019	2020	2021	2022	2023	Total
O&M						
PAARs	10,087	10,762	7,086	7,116	513	35,564
DRIP	13,949	13,593	13,781	14,362	884	56,569
SLIP	10,156	10,967	12,721	13,970	211	48,026
Data Management, System Knowledge and GIS	5,419	6,515	6,325	5,207	347	23,814
Program Management, Risk and Threat, Compliance, Auditing, and Reporting	3,335	3,777	5,073	6,108	391	18,684
O&M - Subtotal	42,948	45,615	44,986	46,763	2,346	182,658
Capital						
PAARs	1,265	3,414	3,384	5,369	-260	13,172
DREAMS - BSRP	54,302	73,148	60,489	76,056	4,411	268,407
DREAMS - VIPP	50,138	99,698	134,153	92,320	5,255	381,564
GIPP	8,388	12,720	10,405	13,699	-390	44,821
Data Management, System Knowledge and GIS	5,032	4,805	4,277	4,674	335	19,122
Capital - Subtotal	119,125	193,785	212,708	192,118	9,350	727,086
Total O&M and Capital	162,072	239,400	257,694	238,881	11,696	909,744

Note: Subtotals may include rounding differences.

Programs/Projects and Activities to Address Risk

PAARs are implemented through different avenues depending on the threat being addressed and may vary in the type and number of risk-reducing activities. For example, a PAAR may be an enhancement to an existing facility, the removal of an asset, or a combination of the two. The selection of a PAAR is based on a review of the available risk-reducing activities and the resources necessary for each. Funding levels consider the results of risk assessments, the type of mitigation required to address the threat, and the number of locations that require the specified mitigation. Since implementing the DIMP, SoCalGas has created several PAARs to help achieve the objective of identifying and reducing pipeline integrity risks for distribution lines in accordance with 49 CFR § 192, Subpart P. As continuous improvement is central to an effective DIMP, each PAAR is monitored and evaluated for effectiveness and to identify areas for improvement.

Distribution Riser Inspection Project (DRIP)

The DRIP PAAR addresses the threat of failure of specific service line components known as anodeless risers. Risers are attached to a meter set assembly (MSA), usually located next to a residence, therefore any failure may result in significant risk to the nearby public. The DRIP requires that anodeless riser locations installed prior to the initiation of this program be inspected and that appropriate mitigations are implemented, primarily consisting of an epoxy wrap to protect against corrosion. Anodeless risers installed after the initiation of this program include, as part of the standard installation procedures, the application of the epoxy wrap to mitigate risk of failure.

In the TY 2019 GRC, SoCalGas forecasted 180,000-190,000 riser inspections per year for its DIMP.¹¹ The actual activity level for DRIP riser inspections through January 2023 is presented in Table 3.

Table 3
DRIP Inspections – Forecast v. Actuals

	GRC Forecasted	Actuals¹²				
	2019	2019	2020	2021	2022	2023
Inspections	180,000 - 190,000	205,333	194,446	196,886	207,533	16,341

Note: Actual inspections for 2023 are through January 2023.

The actual activities represent locations where this mitigation has been performed, effectively reducing the likelihood of premature failure of the risers as well as the threat to public safety and property damage. The activity levels achieved by the DRIP PAAR were higher than the forecasted amounts for the 2019 GRC due to project efficiencies and a focus on prioritizing inspections based on known locations with risk. As a result, the activity levels were achieved while remaining within authorized expenditures for this project.

Sewer Lateral Inspection Project (SLIP)

The SLIP PAAR addresses a newly recognized construction threat resulting from trenchless installation of gas pipeline. Trenchless installations may inadvertently cross a sewer lateral and bore through it, creating what is referred to as a “cross bore.” This confluence of a gas pipeline with the sewer pipeline may cause a blockage in the sewer pipeline. Actions taken to eliminate or clear the perceived sewer debris and blockage may damage the gas pipeline and pose significant risks of bodily injury and damage to property. The SLIP conducts record reviews to identify and prioritize areas

¹¹ A.17-10-008, Ex. SCG-14 at MTM-22 (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>.

¹² Includes updated data that will be incorporated into SoCalGas’s 2023 Risk Spending Accountability Report.

where cross bore threats may exist and then begins the targeted inspections. The remediation of any cross bore threats identified during inspections enhances public safety by eliminating potential gas leak sources. This is in line with the PHMSA guidance to address identified threats of low frequency, but potentially high consequence.

In the TY 2019 GRC, SoCalGas forecasted approximately 240,000 SLIP field inspections by the end of the cycle.¹³ The forecasted field inspections required are based on records reviews and will vary depending on locations. The actual SLIP activity level through January 2023 is presented in Table 4.

Table 4
SLIP Records Reviews and Inspections – Forecast v. Actuals

	GRC Forecasted	Actuals¹⁴				
	2019	2019	2020	2021	2022	2023
Record Reviews	500,000	452,181	631,043	614,633	399,653	28,994
Field Inspections	60,000	48,672	62,835	66,411	76,274	5,971

Note: Actual records reviews and inspections for 2023 are through January 2023.

Record reviews beyond GRC forecasted levels will result in earlier identification of required field inspections and resolution of potential risks. As a result of this program, SoCalGas consistently finds “cross bores” each year, which averaged 53 a year from 2019-2022, and expects to continue to find approximately the same number each year through program completion.

Distribution Risk Evaluation and Monitoring System (DREAMS)

The DREAMS is based on a foundation of safety and system risk reduction as identified in CFR 49 § 192, Subpart P. DREAMS prioritizes the remediation of NSOTA pipeline system risks based on factors affecting safe pipeline operations. These factors include historical leakage, pipe attributes, construction practices, incident rates, and location relative to populated areas. Maturation of risk analytics is central in effectively identifying and prioritizing higher risk pipelines for mitigation under DREAMS. DIMP recently advanced the DREAMS relative risk analytics to a more advanced quantitative risk analytics, further demonstrating a focus on continuous improvement.

The DREAMS provides the foundation for the VIPP and BSRP, which target the removal and replacement of NSOTA plastic and steel pipelines, respectively. The

¹³ A.17-10-008, Ex. SCG-14 at MTM-24 (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>.

¹⁴ Includes updated data that will be incorporated into SoCalGas’s 2023 Risk Spending Accountability Report.

VIPP mitigates pipe, weld or joint failure; incorrect operations; and natural force damage threats to early vintage plastic mains and services installed from 1969 to 1985 and manufactured by DuPont with the moniker Aldyl-A. It has been determined that this type of pipe is prone to brittle-like cracking which could cause a leak to grow and release additional natural gas than would normally be released, increasing the risk of natural gas gathering and igniting.

The BSRP addresses the corrosion threat to poor performing bare steel mains and services. The lack of protective coating and cathodic protection makes this a high-risk family of pipe and was identified by PHMSA for a potential accelerated replacement program. The BSRP specifically focuses on pipe replacements above and beyond routine replacements in accordance with DIMP regulations. As SoCalGas has implemented BSRP, it has been monitoring performance to continually review the project benefits and risk reduction accomplished through indicators such as leak repair and incident rates related to bare steel.

SoCalGas has implemented annual Aldyl-A pipeline leak surveys, enhanced failure reporting, improved management of pipe failure samples and laboratory testing, resolved missing pipeline attribution, and incorporated additional factors into risk analytics to better identify premature failures as part of the VIPP and BSRP efforts.

In the TY 2019 GRC, SoCalGas forecasted replacing 78 miles of VIPP and 29 miles of BSRP mains and associated services annually, with the goal of increasing the level of replacement during the GRC period.¹⁵ The actual VIPP and BSRP activity level through January 2023 is presented in Table 5.

Table 5
VIPP and BSRP Mileage – Forecast v. Actuals

	GRC Forecasted	Actuals				
		2019	2020	2021	2022	2023
VIPP Mileage	78	46	82	97	109	7
BSRP Mileage	29	28	33	43	47	4
Combined Program Mileage	107	74	115	140	156	11

Note: Actual mileage for 2023 are through January 2023.

The increasing replacement activity demonstrates SoCalGas's proactive efforts to reduce risk and enhance public safety. The DREAMS prioritization tool directs activities based on risk analytics, prioritizing the higher risk pipelines for replacement. SoCalGas is committed to addressing these higher risk pipelines and therefore increased the level of replacement steadily from 2019, as originally anticipated and identified in testimony. SoCalGas's commitment to overall safety and improving

¹⁵ A.17-10-008, Ex. SCG-14 at MTM-25 to MTM-26 (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>.

system reliability led to completing more mileage in the VIPP and BSRP programs than originally forecasted. VIPP and BSRP capital expenditures are attributable to the amount of replacement activities for each pipeline system and vary from project to project based on risk findings, location, necessary planning, and construction activities. The project activities are described in more detail in Attachment C of this advice letter.

Gas Infrastructure Protection Project (GIPP)

The GIPP PAAR addresses potential third-party vehicular damage to above-ground distribution facilities, specifically commercial and high-pressure MSAs. It is an additional preventative and mitigative measure developed and managed as part of the DIMP to be responsive to PHMSA guidance that operators address low frequency, but potentially high consequence events in their programs. SoCalGas has identified, evaluated, and implemented a damage prevention solution that is comprised of a collection of mitigation measures including: construction of barriers (bollards or block wall) between facilities and vehicular traffic; relocation of the unit; or installation of an excess flow valve. In accordance with company standards, the installation of meter guards or guard posts is considered the primary or standard mitigation. Non-standard mitigations are commonly implemented when an asset is exposed to high-speed traffic.

In the TY 2019 GRC, SoCalGas forecasted 4,400 mitigations per year for its DIMP.¹⁶ The actual activity level for GIPP through January 2023 is presented in Table 6.

Table 6
GIPP Mitigations – Forecast v. Actuals

	GRC Forecasted	Actuals ¹⁷				
	2019	2019	2020	2021	2022	2023
Non-Standard Mitigations		138	366	304	691	30
Standard Mitigations		5,521	4,011	2,082	3,127	324
Total Mitigations	4,400	5,659	4,377	2,386	3,818	354

Note: Actual mitigations for 2023 are through January 2023.

The GIPP is estimated to conclude by 2029 and as the program matures, standard mitigations will likely decrease while non-standard mitigation installations will increase. The former utilizes standardized designs and limited resources, allowing for more immediate implementation. Non-standard mitigations, however, require detailed design, permitting, and more extensive construction requirements, resulting in lengthier project executions and greater expenditures.

¹⁶ Id., Ex. SCG-14 at MTM-22 (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>.

¹⁷ Includes updated data that will be incorporated into SoCalGas's 2023 Risk Spending Accountability Report.

Data Management, System Knowledge and GIS

A key driver in the creation of the DIMP regulation was allowing each operator the ability to model their program based on the specifics of their system. Hence, the DIMP was implemented for use with existing data to identify threats and to evaluate risk. This information is improved upon by considering what is needed to better assess threats, evaluate risks to the system, and to identify risk reduction measures. Improvements in data can result from the resolution of incomplete data and/or the addition of new data elements. In the 2019 GRC, we will have completed such efforts as enhancing the collection of data for leak repairs and resolving undetermined plastic manufacturers in GIS for pipelines installed prior to 1986. Each of these efforts supported the assessment of system risk, which drive actions such as pipeline replacement prioritization under the VIPP and BSRP.

Program Management, Risk Analysis and Threat Identification, Compliance, Auditing, and Reporting

DIMP completes its distribution system risk evaluation through a relative assessment. The relative assessment integrates several data sets and considers industry data and SoCalGas experience to support the DIMP's prioritization of programs and activities to address risk. The relative risk assessments are conducted annually and are the basis for DIMP investigations of new threats or improved methods for addressing existing threats,¹⁸ as required in 49 CFR § 192, Subpart P.

Per 49 CFR §§ 192.1007, the DIMP is required to annually gather and report relevant integrity data regarding overall program measures.¹⁹ The periodic evaluation of performance metrics provides the opportunity to determine whether actions taken to address threats are effective, or whether different actions are needed. SoCalGas has performed these analytics annually, utilizing the results to monitor effectiveness of current program measures, make necessary adjustments, and to determine if additional actions are required.

DIMPBA Under-Collected Balance

SoCalGas seeks to recover the under-collected balance in the DIMPBA of \$81.4 million as of January 31, 2023.²⁰ The under-collection is comprised of DIMP O&M expenses of \$182.7 million, capital revenue requirement (i.e., depreciation, return, and taxes) of \$145.3 million, and interest of \$1.1 million, offset by authorized revenue requirement of \$247.7 million from 2019 through January 31, 2023. SoCalGas will continue to balance the on-going capital revenue requirement associated with the

¹⁸ Threat is defined as a combination of the "Cause" and the "Facility." The major categories of "Causes" are the eight cause categories listed in 49 CFR § 192.1007(b): Excavation Damage; Other Outside Force Damage; Corrosion; Material or Welds; Equipment Failure; Natural Force Damage; Incorrect Operations; and Other. The top-level facilities are defined as main, service, or above-ground facilities.

¹⁹ PHMSA DIMP performance metrics have been reported annually, as required by 49 CFR §§ 192.1007(g) and are available on PHMSA's website.

²⁰ Attachment A details the costs recorded in the DIMPBA through January 31, 2023.

capital projects being reviewed in this advice letter and proposes to true up the under-collected balance to incorporate on-going capital revenue requirement and interest associated with approved capital projects recorded to the DIMPBA until a Commission resolution is issued.

Table 7 below shows the summary of recorded DIMPBA activity that results in the under-collection through January 31, 2023.

Table 7
Southern California Gas Company
Distribution Integrity Management Program - Actual v. Authorized
DIMPBA Calculation (Revenue Requirement, \$000)

Authorized	O&M	Capital Revenue Requirement	Interest	DIMPBA Activity
2019	41,378	6,820		48,198
2020	42,472	19,072		61,544
2021	43,492	21,034		64,526
2022	44,333	23,220		67,553
2023	3,779	2,074		5,853
Subtotal	175,454	72,220		247,674

Actual	O&M	Capital Revenue Requirements	Interest	DIMPBA Activity
2019	43,228	1,018	(87)	44,159
2020	46,683	18,857	(45)	65,495
2021	43,638	46,259	1	89,898
2022	46,763	72,054	1,009	119,826
2023	2,346	7,076	294	9,716
Subtotal	182,658	145,264	1,172	329,094

Under/(Over) Collection \$	7,204	73,044	1,172	81,420
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Note: Actual and Imputed Authorized DIMPBA Activity to Date - January 31, 2023

As stated above, the Commission-adopted mechanism for the DIMPBA is based on any DIMP under-collections when actual expenditures are overspent by up to 35% of the total authorized TY 2019 GRC cycle O&M and capital expenditures. SoCalGas is therefore seeking herein approval of the recovery of under-collections in revenue requirement as of January 31, 2023.

Incorporation of DIMPBA Revenue Requirement in Rates

SoCalGas will incorporate the DIMPBA under-collection balance of \$81.4 million into transportation rates, plus any on-going capital revenue requirement and interest associated with the approved capital projects on October 1, 2024 or on the next scheduled rate change following a Commission resolution on this advice letter, whichever is earlier.²¹

In addition, SoCalGas currently continues to record a residual balance due to interest for the DIMPBA 2016 GRC program cycle. The 2016-2018 program cycle balance as of January 31, 2023, is \$9.1 thousand over-collected. SoCalGas proposes to transfer the residual over-collected balance in the 2016 GRC program cycle, at the time of a Commission resolution, to the 2019 GRC program cycle to offset the under-collected balance and close out the 2016 GRC program cycle. The DIMPBA amount will be amortized in gas transportation rates based on the approved allocation methodology in SoCalGas's most recent Cost Allocation Proceeding Decision, D.21-07-019. Attachment B provides a Summary of Natural Gas Transportation Rates.

SoCalGas will continue to record under-collections in its DIMPBA arising from additional O&M and capital expenses above authorized levels for the TY 2019 GRC cycle during the remainder of 2023 and will file a subsequent application.

Revenue Requirement Impact by Class of Service

<u>Class of Service</u>	<u>Applicable Rate Schedules</u>	<u>Net M\$ (with FF&U) Increase/(Decrease)</u>
Core	GR, GS, GM, GO-AC, G-NGVR, GL, G-10, G-AC, G-EN, G-NGV	\$75.6
Noncore	GT-NC, GT-TLS	\$6.6
Unbundled Storage (UBS)	G-TBS	\$0.0
Backbone Transportation Service (BTS)	G-BTS	\$0.0
		\$82.2
TOTAL ²²		\$82.2

²¹ Included are SoCalGas and SDG&E NGV, TLS and EG adjustments of (\$0.2) million, and Franchise Fees & Uncollectibles (FF&U) of \$1.3 million in rates effective October 1, 2024 or on the next scheduled rate change following a Commission resolution on this advice letter, whichever is earlier.

²² *Id.*

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be submitted electronically and must be received within 20 days after the date of this Advice Letter, which is December 7, 2023. Protests should be submitted to the attention of the Energy Division Tariff Unit at:

E-mail: EDTariffUnit@cpuc.ca.gov

In addition, protests and all other correspondence regarding this Advice Letter should also be sent electronically to the attention of:

Attn: Gary Lenart
Regulatory Tariff Manager
E-mail: GLenart@socalgas.com
E-mail: Tariffs@socalgas.com

Effective Date

In compliance with Finding of Fact No. 301 and Ordering Paragraph 7 of D.19-09-051, this advice letter is designated as Tier 3 pursuant to General Order (GO) 96-B and, as such, requires a Commission Resolution to approve. SoCalGas respectfully requests that this filing be made effective after Commission approval for implementation and inclusion in rates effective October 1, 2024 or on the next scheduled rate change following a Commission resolution on this advice letter, whichever is earlier.

Notice

A copy of this advice letter is being sent to SoCalGas's GO 96-B service list and the Commission's service list in A.17-10-008, SoCalGas's TY 2019 GRC and A.22-05-015, SoCalGas's TY 2024 GRC. Address change requests to the GO 96-B service list should be directed by electronic mail to tariffs@socalgas.com or call 213-244-2424. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

/s/ Joseph Mock
Joseph Mock
Director – Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
 PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City: State:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A

Advice No. 6224-G

Schedules

ATTACHMENT A1
SOUTHERN CALIFORNIA GAS COMPANY
POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (POST 2011 DIMPBA)
2019-2023 PROGRAM CYCLE
(Over) / Under Collection

SAP Account Number 1150594

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Total
Beginning Balance	-	-	-	-	-	-	-	-	-	(1,688,562)	(5,862,063)	(5,327,269)	-
Prior Period Adjustment													-
Adjusted Beginning Balance	-	-	-	-	-	-	-	-	-	(1,688,562)	(5,862,063)	(5,327,269)	-
Costs:													
O&M Costs									34,521,641	(555,616)	4,115,396	5,146,487	43,227,908
Capital-related Costs													
Depreciation									269,402	121,487	124,665	141,717	657,271
Income Taxes									232,348	82,713	75,750	64,534	455,345
Return									869,220	353,104	396,429	411,562	2,030,315
Property Taxes													-
Software Tax Benefit									(1,373,040)	(152,560)	(152,560)	(446,990)	(2,125,150)
Total Costs:	-	-	-	-	-	-	-	-	34,519,571	(150,872)	4,559,680	5,317,310	44,245,689
Revenues:													
Authorized Cost Amortization									36,148,500	4,016,500	4,016,500	4,016,500	48,198,000
Total Revenues	-	-	-	-	-	-	-	-	36,148,500	4,016,500	4,016,500	4,016,500	48,198,000
Net Cost / (Revenue)	-	-	-	-	-	-	-	-	(1,628,929)	(4,167,372)	543,180	1,300,810	(3,952,311)
Current Month Interest**:	-	-	-	-	-	-	-	-	(59,633)	(6,129)	(8,386)	(12,940)	(87,088)
Current Month Activity	-	-	-	-	-	-	-	-	(1,688,562)	(4,173,501)	534,794	1,287,870	(4,039,399)
Ending Balance	-	-	-	-	-	-	-	-	(1,688,562)	(5,862,063)	(5,327,269)	(4,039,399)	(4,039,399)

** Interest applied to average monthly balance as follows: ((Beg. Bal.+(Current Month Adjustment/2))*(Int.Rate/12))

Interest rate:	2.52%	2.55%	2.49%	2.49%	2.47%	2.44%	2.31%	2.19%	2.07%	1.95%	1.80%	1.62%
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ATTACHMENT A2
SOUTHERN CALIFORNIA GAS COMPANY
POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (POST 2011 DIMPBA)
2019-2023 PROGRAM CYCLE
(Over) / Under Collection

SAP Account Number 1150594

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Total
Beginning Balance	(4,039,399)	(6,876,046)	(7,643,381)	(6,347,401)	(7,602,145)	(6,901,626)	(6,245,091)	(5,867,603)	(7,425,199)	(3,763,892)	(5,068,268)	(3,546,832)	(4,039,399)
Prior Period Adjustment													-
Adjusted Beginning Balance	(4,039,399)	(6,876,046)	(7,643,381)	(6,347,401)	(7,602,145)	(6,901,626)	(6,245,091)	(5,867,603)	(7,425,199)	(3,763,892)	(5,068,268)	(3,546,832)	(4,039,399)
Costs:													
O&M Costs	1,514,188	3,389,169	5,403,642	2,692,120	4,559,378	4,485,875	3,770,368	2,820,853	6,920,091	1,809,167	4,492,256	4,825,730	46,682,837
Capital-related Costs													
Depreciation	202,308	282,703	304,317	330,665	357,984	392,506	434,879	463,149	500,626	540,275	577,182	611,284	4,997,878
Income Taxes	75,928	181,181	194,429	218,712	235,268	264,575	296,041	308,640	331,348	347,127	351,045	326,440	3,130,734
Return	646,111	656,620	700,640	789,746	831,433	948,165	1,077,326	1,116,083	1,243,185	1,332,881	1,434,731	1,514,673	12,291,594
Property Taxes							103,310	103,310	103,310	103,310	103,310	103,310	619,860
Software Tax Benefit	(138,788)	(138,788)	(169,292)	(148,956)	(148,956)	(304,386)	(174,861)	(174,861)	(174,861)	(174,861)	(174,861)	(259,431)	(2,182,902)
Total Costs:	2,299,747	4,370,885	6,433,736	3,882,287	5,835,107	5,786,735	5,507,063	4,637,174	8,923,699	3,957,899	6,783,663	7,122,006	65,540,001
Revenues:													
Authorized Cost	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	6,193,995	5,261,833	5,261,833	5,261,833	3,663,837	61,544,000
Amortization													-
Total Revenues	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	5,128,667	6,193,995	5,261,833	5,261,833	5,261,833	3,663,837	61,544,000
Net Cost / (Revenue)	(2,828,920)	(757,782)	1,305,069	(1,246,380)	706,440	658,068	378,396	(1,556,821)	3,661,866	(1,303,934)	1,521,830	3,458,169	3,996,001
Current Month Interest**:	(7,727)	(9,553)	(9,089)	(8,364)	(5,921)	(1,533)	(908)	(775)	(559)	(442)	(394)	(197)	(45,462)
Current Month Activity	(2,836,647)	(767,335)	1,295,980	(1,254,744)	700,519	656,535	377,488	(1,557,596)	3,661,307	(1,304,376)	1,521,436	3,457,972	3,950,539
Ending Balance	(6,876,046)	(7,643,381)	(6,347,401)	(7,602,145)	(6,901,626)	(6,245,091)	(5,867,603)	(7,425,199)	(3,763,892)	(5,068,268)	(3,546,832)	(88,860)	(88,860)

** Interest applied to average monthly balance as follows: ((Beg. Bal. +(Current Month Adjustment/2))*(Int.Rate/12))

Interest rate:	1.70%	1.58%	1.56%	1.44%	0.98%	0.28%	0.18%	0.14%	0.12%	0.12%	0.11%	0.13%
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ATTACHMENT A3
SOUTHERN CALIFORNIA GAS COMPANY
POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (POST 2011 DIMPBA)
2019-2023 PROGRAM CYCLE
(Over) / Under Collection

SAP Account Number 1150594

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Total
Beginning Balance	(88,860)	529,113	1,700,973	3,457,039	3,917,335	6,946,778	11,207,792	10,884,214	13,726,470	17,619,742	18,717,785	20,753,613	(88,860)
Prior Period Adjustment	179,900		(1,353,406)					38,509					(1,134,997)
Adjusted Beginning Balance	91,040	529,113	347,567	3,457,039	3,917,335	6,946,778	11,207,792	10,922,723	13,726,470	17,619,742	18,717,785	20,753,613	(1,223,857)
Costs:													
O&M Costs	2,862,539	3,529,984	5,420,054	2,568,829	5,001,997	6,012,943	995,978	3,999,024	4,993,006	2,001,258	2,912,929	4,649,249	44,947,790
Capital-related Costs													
Depreciation	759,674	785,357	803,219	845,303	877,290	920,167	974,558	1,008,189	1,035,885	1,079,660	1,099,311	1,130,437	11,319,050
Income Taxes	414,715	482,445	490,704	526,567	549,362	585,267	617,702	635,842	647,780	666,234	664,920	641,489	6,923,027
Return	1,855,980	1,828,849	1,850,508	1,974,220	2,055,392	2,197,128	2,320,305	2,392,657	2,448,399	2,582,564	2,590,263	2,680,351	26,776,616
Property Taxes	103,310	103,310	103,310	103,310	103,310	103,310	103,310	325,598	325,598	325,598	325,598	325,598	2,573,448
Software Tax Benefit	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	(181,012)	477,956
Total Costs:	5,815,206	6,548,933	8,486,783	5,837,217	8,406,339	9,637,803	5,053,129	8,180,298	9,269,656	6,474,302	7,412,009	9,905,080	91,026,755
Revenues:													
Authorized Cost Amortization	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	64,526,004
Total Revenues	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	5,377,167	64,526,004
Net Cost / (Revenue)	438,039	1,171,766	3,109,616	460,050	3,029,172	4,260,636	(324,038)	2,803,131	3,892,489	1,097,135	2,034,842	4,527,913	26,500,751
Current Month Interest**:	34	94	(144)	246	271	378	460	616	783	908	986	1,535	6,167
Current Month Activity	438,073	1,171,860	3,109,472	460,296	3,029,443	4,261,014	(323,578)	2,803,747	3,893,272	1,098,043	2,035,828	4,529,448	26,506,918
Ending Balance	529,113	1,700,973	3,457,039	3,917,335	6,946,778	11,207,792	10,884,214	13,726,470	17,619,742	18,717,785	20,753,613	25,283,061	25,283,061

** Interest applied to average monthly balance as follows: $[(\text{Beginning Balance} + (\text{Net Cost}/(\text{Revenue}/2)) * (\text{Interest Rate}/12)]$

Interest rate:	0.13%	0.10%	0.08%	0.08%	0.06%	0.05%	0.05%	0.06%	0.06%	0.06%	0.06%	0.08%
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ATTACHMENT A4
SOUTHERN CALIFORNIA GAS COMPANY
POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (POST 2011 DIMPBA)
2019-2023 PROGRAM CYCLE
(Over) / Under Collection

SAP Account Number 1150594

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total
Beginning Balance	25,283,061	26,553,378	29,824,312	34,740,769	37,632,477	41,547,306	46,888,484	49,861,340	54,827,493	60,373,073	64,821,894	69,358,914	25,283,061
Prior Period Adjustment			286,919		10,947	16,723			9,740				324,329
Adjusted Beginning Balance	25,283,061	26,553,378	30,111,231	34,740,769	37,643,424	41,564,029	46,888,484	49,861,340	54,837,233	60,373,073	64,821,894	69,358,914	25,607,390
Costs:													
O&M Costs	1,813,417	3,733,239	4,840,976	2,903,618	3,831,561	5,106,600	2,367,254	4,093,671	4,587,983	3,395,539	3,314,964	6,773,971	46,762,793
Capital-related Costs													
Depreciation	1,258,571	1,289,237	1,317,518	1,358,980	1,383,306	1,416,480	1,451,612	1,491,287	1,521,123	1,543,398	1,575,111	1,617,386	17,224,009
Income Taxes	724,105	787,485	806,070	839,636	850,337	871,278	895,316	921,772	930,261	935,112	936,960	910,357	10,408,689
Return	2,966,572	2,955,559	3,013,950	3,136,077	3,164,632	3,241,025	3,341,248	3,460,567	3,497,169	3,534,083	3,621,245	3,735,050	39,667,177
Property Taxes	325,598	325,598	325,598	325,598	325,598	325,598	550,623	568,843	551,160	551,160	551,160	551,160	5,277,694
Software Tax Benefit	(191,337)	(194,290)	(50,831)	(61,777)	(50,831)	(46,895)	(46,895)	(46,895)	(45,678)	(45,678)	(45,678)	(20,299)	(847,084)
Total Costs:	6,896,926	8,896,828	10,253,281	8,502,132	9,504,603	10,914,086	8,559,158	10,489,245	11,042,018	9,913,614	9,953,762	13,567,625	118,493,278
Revenues:													
Authorized Cost Amortization	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	67,553,004
Total Revenues	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	5,629,417	67,553,004
Net Cost / (Revenue)	1,267,509	3,267,411	4,623,864	2,872,715	3,875,186	5,284,669	2,929,741	4,859,828	5,412,601	4,284,197	4,324,345	7,938,208	50,940,274
Current Month Interest**:	2,808	3,523	5,674	18,993	28,696	39,786	43,115	106,325	123,239	164,624	212,675	259,703	1,009,161
Current Month Activity	1,270,317	3,270,934	4,629,538	2,891,708	3,903,882	5,324,455	2,972,856	4,966,153	5,535,840	4,448,821	4,537,020	8,197,911	51,949,435
Ending Balance	26,553,378	29,824,312	34,740,769	37,632,477	41,547,306	46,888,484	49,861,340	54,827,493	60,373,073	64,821,894	69,358,914	77,556,825	77,556,825

** Interest applied to average monthly balance as follows: $[(\text{Beginning Balance} + (\text{Net Cost}/(\text{Revenue}/2)) * (\text{Interest Rate}/12)]$

Interest rate:	0.13%	0.15%	0.21%	0.63%	0.87%	1.08%	1.07%	2.44%	2.57%	3.16%	3.81%	4.25%
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ATTACHMENT B

Advice No. 6224-G

Summary of Natural Gas Transportation Rates

Attachment B
Advice No. 6224-G
Natural Gas Transportation Rate Revenues
Southern California Gas Company
DIMPBA

	Proposed Rates			Proposed Rates			Changes			
	Nov-1-23	Proposed	Nov-1-23	2024	Proposed	2024	Revenue	Rate	% Rate	
	Volumes	Rate	Revenues	Volumes	Rate	Revenues	Change	Change	change	
	Mth	\$/therm	\$000's	Mth	\$/therm	\$000's	\$000's	\$/therm	%	
	D	E	F	D	E	F	G	H	I	
1	CORE									
2	Residential	2,346,353	\$1.13872	\$2,671,832	2,346,353	\$1.16523	\$2,734,043	\$62,210	\$0.02651	2.3%
3	Commercial & Industrial	992,706	\$0.62516	\$620,597	992,706	\$0.63785	\$633,197	\$12,600	\$0.01269	2.0%
4										
5	NGV - Pre Sempra-Wide	178,769	\$0.31302	\$55,959	178,769	\$0.31777	\$56,808	\$849	\$0.00475	1.5%
6	Sempra-Wide Adjustment	178,769	\$0.01274	\$2,278	178,769	\$0.01227	\$2,194	(\$84)	(\$0.00047)	-3.7%
7	NGV - Post Sempra-Wide	178,769	\$0.32577	\$58,237	178,769	\$0.33004	\$59,002	\$765	\$0.00428	1.3%
8										
9	Gas A/C	416	\$0.28455	\$118	416	\$0.28847	\$120	\$2	\$0.00393	1.4%
10	Gas Engine	22,302	\$0.23060	\$5,143	22,302	\$0.23060	\$5,143	\$0	\$0.00000	0.0%
11	Total Core	3,540,545	\$0.94786	\$3,355,927	3,540,545	\$0.96920	\$3,431,504	\$75,577	\$0.02135	2.3%
12										
13	NONCORE COMMERCIAL & INDUSTRIAL									
14	Distribution Level Service	919,735	\$0.19487	\$179,233	919,735	\$0.19776	\$181,890	\$2,657	\$0.00289	1.5%
15	Transmission Level Service (2)	626,080	\$0.04889	\$30,611	626,080	\$0.04959	\$31,049	\$438	\$0.00070	1.4%
16	Total Noncore C&I	1,545,814	\$0.13575	\$209,844	1,545,814	\$0.13775	\$212,939	\$3,095	\$0.00200	1.5%
17										
18	NONCORE ELECTRIC GENERATION									
19	Distribution Level Service									
20	Pre Sempra-Wide	331,442	\$0.18380	\$60,919	331,442	\$0.18669	\$61,876	\$957	\$0.00289	1.6%
21	Sempra-Wide Adjustment	331,442	\$0.00072	\$240	331,442	\$0.00033	\$110	(\$130)	(\$0.00039)	-54.0%
22	Distribution Post Sempra Wide	331,442	\$0.18452	\$61,159	331,442	\$0.18702	\$61,986	\$827	\$0.00250	1.4%
23	Transmission Level Service (2)	2,246,336	\$0.04978	\$111,817	2,246,336	\$0.05048	\$113,388	\$1,571	\$0.00070	1.4%
24	Total Electric Generation	2,577,778	\$0.06710	\$172,976	2,577,778	\$0.06803	\$175,374	\$2,398	\$0.00093	1.4%
25										
26	TOTAL RETAIL NONCORE	4,123,593	\$0.09284	\$382,820	4,123,593	\$0.09417	\$388,313	\$5,493	\$0.00133	1.4%
27										
28	WHOLESALE									
29	Wholesale Long Beach (2)	79,646	\$0.04395	\$3,501	79,646	\$0.04465	\$3,556	\$56	\$0.00070	1.6%
30	Wholesale SWG (2)	66,431	\$0.04395	\$2,920	66,431	\$0.04465	\$2,966	\$46	\$0.00070	1.6%
31	Wholesale Vernon (2)	96,890	\$0.04395	\$4,259	96,890	\$0.04465	\$4,326	\$68	\$0.00070	1.6%
32	International (2)	116,299	\$0.04395	\$5,112	116,299	\$0.04465	\$5,193	\$81	\$0.00070	1.6%
33	Total Wholesale & International	359,267	\$0.04395	\$15,791	359,267	\$0.04465	\$16,042	\$251	\$0.00070	1.6%
34	SDG&E Wholesale	1,118,614	\$0.03913	\$43,773	1,118,614	\$0.03989	\$44,626	\$852	\$0.00076	1.9%
35	Total Wholesale Incl SDG&E	1,477,881	\$0.04030	\$59,564	1,477,881	\$0.04105	\$60,668	\$1,104	\$0.00075	1.9%
36										
37	TOTAL NONCORE	5,601,473	\$0.07898	\$442,384	5,601,473	\$0.08015	\$448,981	\$6,597	\$0.00118	1.5%
38										
39	Unbundled Storage (4)			\$16,502			\$16,502	\$0		
40	System Total (w/o BTS)	9,142,019	\$0.41728	\$3,814,813	9,142,019	\$0.42627	\$3,896,987	\$82,174	\$0.00899	2.2%
41	Backbone Transportation Service BTS	2,531	\$0.54908	\$507,187	2,531	\$0.54908	\$507,187	\$0	\$0.00000	0.0%
42	SYSTEM TOTAL w/BTS	9,142,019	\$0.47276	\$4,322,000	9,142,019	\$0.48175	\$4,404,174	\$82,174	\$0.00899	1.9%
43										
44	EOR Revenues	208,941	\$0.11842	\$24,743	208,941	\$0.12042	\$25,161	\$419	\$0.00200	1.7%
45	Total Throughput w/EOR Mth/yr	9,350,960			9,350,960					

- 1) These rates are for Natural Gas Transportation Service from "Citygate to Meter." The Backbone Transportation Service (BTS) rate is for service from Receipt Point to Citygate.
- 2) These Transmission Level Service (TLS) amounts represent the average transmission rate, see Table 7 for detailed list of TLS rates.
- 3) BTS charge (\$/dth/day) is proposed as a separate rate. Core will pay through procurement rate, noncore as a separate charge. Charge is for both core and noncore customers
- 4) Unbundled Storage costs are not part of the Core Storage or Load Balancing functions (those are included in transport rates).
- 5) All rates include Franchise Fees & Uncollectible charges.

ATTACHMENT C

Advice No. 6224-G

DREAMS Planning and Construction Overview

Attachment C: DREAMS Planning and Construction Overview

The Distribution Risk Evaluation and Monitoring System (DREAMS) is a component of the Distribution Integrity Management Program (DIMP) which addresses risk-based pipeline replacements. The DREAMS was developed to prioritize risk mitigation on early vintage plastic and steel pipeline segments through the Vintage Integrity Plastic Plan (VIPP) and the Bare Steel Replacement Plan (BSRP). This document provides an overview of the planning and construction activities that occur as a part of Southern California Gas Company's (SoCalGas's) DREAMS pipeline replacement work.

Risks and Threats – VIPP and BSRP

The VIPP addresses the threat of failure on early vintage Aldyl-A polyethylene plastic pipe by using a replacement selection process that focuses on the highest risk locations in SoCalGas's natural gas distribution network. Vintage plastic piping has been found to exhibit brittle-like cracking characteristics and low ductile inner wall tendencies, which expedite crack initiation when external loads are applied. This issue arises in the manufacturing process and has been the subject of previous notifications released by the manufacturer, DuPont, and by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Additionally, the California Public Utilities Commission published the *Hazard Analysis & Mitigation Report on Aldyl A Polyethylene Gas Pipelines in California Report* in 2014, which found that, "All early vintage Aldyl A pipes have low resistance to slow crack growth."¹

The BSRP addresses the threat of poor-performing, non-cathodically protected steel pipe identified by the DREAMS safety-based risk analysis results. Bare steel piping does not have protective coating or cathodic protection. Due to these conditions, PHMSA has indicated that

¹See Hazard Analysis & Mitigation Report
On Aldyl A Polyethylene Gas Pipelines in California By Steven Haine, P.E. California Public Utilities Commission dated June 11, 2014; available here:<https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/reports/ra-doc-10-aldyla.pdf>

pipeline operators consider bare steel pipe as candidates for accelerated replacement or rehabilitation.²

DREAMS Risk Analysis

The DREAMS utilizes a risk assessment tool which prioritizes individual non-state-of-the-art pipe segments based on risk analytics, such as, historical performance (leakage) as well as pipe attributes, construction practices, and location relative to populated areas. Priority is given to poor performing segments by utilizing a relative risk analytics and dynamic segmentation that considers the threat of corrosion for steel and material and construction defects for plastic pipes. They then validate the scope through evaluation of existing pipeline documentation. The total footage included in the project scope is developed and adjusted through these validation efforts before project planning is initiated.

DREAMS Project Planning and Scheduling

The Distribution Program Management Office (PMO) and the DIMP Program Management departments work together to make sure project targets, budgets, and strategies are in alignment with overall DIMP objectives. Projects are scoped by DIMP Program Management and planned and executed by Distribution Planning, Distribution PMO, Distribution Construction, and Distribution Project Support Services organizations.

Initiation and Planning

The Distribution PMO provides the segment to the Distribution Planning team, who then initiates a notification in SAP. The Planning team prepares projects for construction based on the risk results provided by the DIMP Program Management team. The projects progress from initiation to the planning stage with the preparation and design of necessary components for successful project construction.

² *Pipeline Replacement Background*. (n.d.). PHMSA. <https://www.phmsa.dot.gov/data-and-statistics/pipeline-replacement/pipeline-replacement-background>

The first phase of planning consists of referencing applicable site visit findings, designing the project, and initiating a construction package. During this phase, the Planning Associate coordinates with the construction personnel for additional constructability issues that may need to be considered for the final construction sketch and gas handling plan. The gas handling and final construction plans are first reviewed by the Lead Planning Associate (LPA) and then by the Technical Supervisor.

In the second phase of planning, the Distribution Planning team, with assistance from Distribution Project Support Services, focuses on the submittal of applicable permits that are required for construction activities. The process for acquiring permits is initiated once a preliminary route alignment is determined. Permits typically involve long lead times, negotiation of conditions, and the incorporation of last-minute agency requirements into the project design. In addition, there are site visits for permit applications and site walks with agency inspectors which can change permit conditions and impact the project schedule or scope.

Once the permit is approved and received, the Planning Associate prepares a DIMP Construction Package. The package is reviewed by the LPA and Technical Supervisor before being submitted to the Area Manager who will then assign the project for construction. Material sourcing is initiated when the Area Manager establishes a schedule. Pipeline materials are procured and prepared for turnover to Distribution Construction or the selected contractor once the detailed design is finished, construction documents are completed, and the necessary permits are attained.

Managing Scope Changes

Scope changes may be required when unforeseen circumstances develop during planning and construction activities. Many of the DIMP segments are in dense urban environments, which significantly increases the complexity of construction activities. Urban construction challenges faced by Distribution Construction include limited space for large equipment to operate,

congested areas, substructure conflicts, unknown (undocumented) substructures beneath street surfaces, highly traveled roadways requiring extensive traffic control and/or reduced working hours, complicated railway or highway work areas, night work requirements, and noise abatement activities. Many of these issues are mitigated by segment changes during planning while others are unanticipated and must be addressed as they arise in the field. The unanticipated activities which arise outside the original work plan may result in changes to the project's estimated costs.

Throughout the PMO planning and execution process, constructability, or scheduling hurdles may require mitigation, partial, or complete redesign. Examples of the challenges frequently encountered are permit and/or land use restrictions, environmental constraints, customer impacts, traffic and other community impacts, system constraints, or actual pipe conditions identified once the pipe is exposed through potholing efforts. Any last-minute restrictions imposed on a project by an inspector from an external agency, such as limiting the work hours or project scope, may result in redesigning or increased costs. In some instances, a project is sectionalized and the sections that can be completed as soon as practicable are scheduled for construction while the remaining sections are postponed until identified obstacles have been addressed. Such redesign efforts may add to the project cost, but Distribution PMO works with other departments to effectively implement scope changes and mitigate additional costs. The final project design considers cost-effectiveness, system operating efficiencies, mitigation of customer and community impacts, and system capacity constraints.

DREAMS Project Construction

Once a project is ready to be released for construction, Distribution Planning coordinates with Distribution PMO to verify that a project may be released while also confirming resource availability and schedules with the Construction Inspection team. Depending on the length of the replacement and field conditions, construction averages two to three months per project. The Construction Inspection team is responsible for overseeing DREAMS project construction activities, such as proper installation, adherence to schedule, contractor performance, and

costs controls. Once a project is released to them, the Construction Inspection team coordinates with the Area Resource Scheduling Organization and Distribution Construction so that the project may be assigned and given a start date.

Prior to the start of construction, preparation of the project area is required. These preparation activities may include, but are not limited to: potholing, surveying, controlling traffic, trenching, and locating and marking construction right-of-way (ROW) to identify other substructures. Surveying and locating activities help to determine what will be needed for temporary construction easements, possible substructure conflicts, and other issues that will need to be accounted for in the project layout. Trenching operation begins with a saw-cutting the pavement for excavation. Depending on field conditions, trenching operations may require hand digging in some locations, which may be labor and time intensive.

After the construction area is exposed, pipeline sections and other components are laid out for installation. An approved pipe joining procedure is followed by Distribution Construction for both plastic and steel pipe. Pipe joints are then inspected, coating is applied (on steel pipe), and survey crews record the location of the pipe and various valves and fittings. After the pipe segment is installed and inspected, the new pipe segments are leak tested to discover any leaks on the pipeline prior to being put into service. Once this is completed the backfilling process begins. The final step in the construction process is to restore the street, ROW, and close the lay-down yard.

DREAMS Closeout

Once construction is complete and the construction package has been received, the DREAMS project is processed by the Reconciliation team. As part of this, the Sketching department produces a final completion sketch which is uploaded to the company's mapping system. It is the Reconciliation team's responsibility to verify records and system updates are completed, reflecting the final actual construction route and materials.

ATTACHMENT D

Advice No. 6224-G

**Derivation of DIMP
Authorized O&M and Capital Expenses
in the 2019 GRC**

Attachment D: Derivation of DIMP Authorized O&M & Capital Expenditures in the 2019 GRC

The adopted post-test year (PTY) ratemaking mechanism in the 2019 GRC Decision adjusts the authorized revenue requirement in the attrition years, 2020-2023, by applying separate attrition mechanisms for O&M expenditures and capital revenue requirement, as detailed below. Authorized capital expenditures are imputed based on the authorized PTY capital revenue requirement.

Authorized PTY O&M Expenditures

To derive the PTY imputed DIMP authorized O&M expenditures, 2019 adopted expenditures (presented in base year 2016 dollars) are escalated to 2019 dollars based on the adopted labor and non-labor escalation rates. The 2020-2023 authorized O&M attrition factors are then applied to this expenditure level to derive the imputed authorized O&M expenditure in the post-test years.

Authorized PTY Capital Revenue Requirement and Imputed Capital Expenditures

Beginning with the 2019 GRC, PTY capital expenditures are not forecasted at a project-specific level in the adopted PTY model. The adopted TY 2019 rate base and associated capital revenue requirement (i.e., depreciation, taxes, and return) is based on the approved DIMP capital project forecasts estimated to be placed in-service in the years 2017-2019. The 2019 GRC Decision also adopted an escalated seven-year average of capital additions to calculate the capital revenue requirement for the post-test years. SoCalGas calculates the total authorized DIMP direct capital expenditures by:

1. Calculating a seven-year average of capital expenditures for the years 2013 through 2019 (2013-2016 recorded, 2017-2019 adopted values) in base year dollars,
2. Escalating the seven-year average to 2019 dollars, and
3. Applying the adopted capital attrition factors to the escalated seven-year average of capital expenditures.

Calculation of Imputed PTY Capital Expenditures													
	Adjusted Recorded (2016\$)				Authorized (2016\$)			7 Yr Avg 2013-2019 (2016\$)	PTY Escalation Rates: 7 Yr Avg 2013-2019 (2019\$)	1.93%	1.58%	1.18%	2.13%
	2013	2014	2015	2016	2017	2018	2019						
DIMP Direct CapEx (BC 277)	7	14	31	61	74	74	160	60	68	70	71	72	73

35% Threshold Calculation

Pursuant to Decision (D.) 19-09-051 (pg. 694), SoCalGas is authorized to submit a Tier 3 advice letter to seek recovery of any DIMP under-collections of revenue requirement associated with overspending up to 35% of the total authorized O&M and capital expenditures for the entire cycle. The threshold is calculated by applying 35% to total authorized O&M and capital expenditures of \$683 million. The table below provides an illustration of the 35% threshold calculation. The maximum 35% threshold for SoCalGas to file a Tier 3 advice letter seeking recovery for the under-collections in the DIMPBA occurs once actual O&M and capital expenditures reach \$922 million.

	SoCalGas DIMP					
	(Dollars in millions, nominal)					
	2019 GRC					
	2019	2020	2021	2022	2023	Total
O&M	41	42	43	44	45	217
Capital Expenditures	181	70	71	72	73	466
Direct O&M and Capex	222	112	114	116	118	683
35% Threshold	78	39	40	41	41	239
Total Direct Expense	300	151	154	156	160	922
Cumulative Direct Expense	300	452	606	762	922	

*Note- 2019 Expenses are directly authorized in the 2019 GRC. 2020-2023 values are imputed using the methodology described above.