

**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.21-05-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**

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**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”), 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 costs imposed by, directly or indirectly, the Pipeline and Hazardous Materials Safety Administration’s (“PHMSA”) amendments to 49 C.F.R. Part 191 & 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (“GTGS Rulemaking”), for which on April 8, 2016 an advanced notice of proposed rulemaking (“ANPRM”) was issued by PHMSA.<sup>1</sup>

At this time, PHMSA has 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

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<sup>1</sup> Available at <https://www.govinfo.gov/content/pkg/FR-2016-04-08/pdf/2016-06382.pdf>.

Amendments (“GTS Rule Part 1”) on October 1, 2019,<sup>2</sup> with an effective date of July 1, 2020.<sup>3</sup> PHMSA is anticipated to publish Part 2 and Part 3 of the GTGS Rulemaking at a later time.

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

## II. BACKGROUND

PHMSA is an agency of the U.S. Department of Transportation created by Congress in 2004<sup>4</sup> to oversee the nation’s pipeline infrastructure. PHMSA enforces the Natural Gas Pipeline Safety Act of 1968, the Protecting Our Infrastructure of Pipelines and Enhancing Safety (“PIPES”) Act of 2006, and 49 CFR Part 192, among other regulations.<sup>5</sup> On October 1, 2019, PHMSA issued the GTS Rule Part 1.<sup>6</sup> Published as the first of 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.<sup>7</sup> These changes took effect July 1, 2020 and mandate certain compliance obligations commencing July 1, 2021.<sup>8</sup> To comply with these new safety requirements, and the emerging regulations that may transpire from the overall GTGS

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<sup>2</sup> See 84 Fed. Reg. 52180 (Oct. 1, 2019).

<sup>3</sup> 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.

<sup>4</sup> Pub.L. 108-426.

<sup>5</sup> See “U.S. House of Representatives Committee on Transportation and Infrastructure: Hearing on Implementation of Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006,” available at [https://web.archive.org/web/20090325114950/https://transportation.house.gov/media/file/rail/20080625/sm\\_rr\\_6-25-08.pdf](https://web.archive.org/web/20090325114950/https://transportation.house.gov/media/file/rail/20080625/sm_rr_6-25-08.pdf).

<sup>6</sup> On April 8, 2016, PHMSA published an Advance Notice of Proposed Rulemaking (“ANPRM”), 80 F.R. 20722, proposing to revise the Pipeline Safety Regulations, which resulted in the GTS Rule Part 1.

<sup>7</sup> 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 SMYS; or (3) transports gas within a storage field.” 49 C.F.R. § 192.3.

<sup>8</sup> See 49 CFR § 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”).

Rulemaking, Applicants will necessarily incur costs, which have been preliminarily identified but are subject to change as scoping and operational impacts are assessed. Expenses associated with the GTS Rule Part 1 may include, but are not limited to, the following activities:

- Where MAOP reconfirmation is required for segments not in the scope of the Pipeline Safety Enhancement Plan (“PSEP”), implementing procedures to reconfirm MAOP in accordance with 49 C.F.R. § 192.624;
- Assessments on segments outside of high consequence areas (“HCAs”) as required in 49 C.F.R. § 192.710, which may not be covered under the Transmission Integrity Management Program (“TIMP”) (49 C.F.R. Part 192, Subpart O); and
- Implementing procedures in accordance with 49 C.F.R. § 192.607 to opportunistically verify – through nondestructive or destructive testing, examinations, and assessments – the material properties and attributes of transmission pipelines and associated components that do not have “traceable, verifiable, and complete”<sup>9</sup> records.

Due to the publication’s timing, the GTS Rule Part 1 was not considered in Applicants’ General Rate Case (“GRC”) applications for Test Year (“TY”) 2019 filed in October 2017. The GTS Rule Part 1 was published two years later on October 1, 2019,<sup>10</sup> the same day that Applicants’ GRC decision was issued.<sup>11</sup> The GTS Rule 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.<sup>12</sup> Therefore, the above-referenced compliance activities were not presented in their last GRC.

Similarly, both the timing of, and final requirements of the GTGS Rulemaking Part 2 and Part 3 remain uncertain; however, Applicants believe a memorandum account is appropriate to

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<sup>9</sup> GTS Rule Part 1 at 39-40; available at <https://www.govinfo.gov/content/pkg/FR-2019-10-01/pdf/2019-20306.pdf>.

<sup>10</sup> 84 Fed. Reg. 52180 (Oct. 1, 2019).

<sup>11</sup> See Decision (D.) 19-09-051.

<sup>12</sup> 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>.

allow for Applicants to execute any new safety and compliance requirements expeditiously by providing for a mechanism to track incremental costs for a reasonableness showing at a later time.

Furthermore, the PIPES Act was signed on December 27, 2020.<sup>13</sup> The PIPES Act “strengthens PHMSA’s safety authority and includes many provisions that will help PHMSA fulfill its mission of protecting people and the environment by advancing the safe transportation of energy and other hazardous materials.”<sup>14</sup> At this time, however, Applicants are unable to specify whether any additional compliance obligations may be imposed by this new law because the comprehensive set of corresponding regulations have not been issued and may continue to emerge and evolve. SoCalGas and SDG&E, though, have initiated the planning and development for the PIPES Act compliance obligations in order to execute the safety requirements in a reasonable and prudent manner.

Since the timing of publication for final regulations associated with the GTGS Rulemaking and PIPES Act is not knowable at this time and may not align with Applicants’ future GRC periods, the costs associated with the PIPES Act and GTGS Rulemaking, along with associated evolving and emerging regulations, are anticipated to be tracked in the memorandum account proposed in this Application and will be presented for recovery at a later time as discussed below. As laws and regulations evolve, it is likely that Applicants may be subjected to new regulatory compliance requirements.

### **III. MEMORANDUM ACCOUNT TREATMENT IS APPROPRIATE**

The GTS Rule Part 1 amendments expand previous safety requirements, including those of the TIMP. In considering the expanded requirements outside of TIMP as activities not covered

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<sup>13</sup> See <https://www.phmsa.dot.gov/legislative-mandates/pipes-act-2020-overview>.

<sup>14</sup> *Id.*

by the TIMPBA, the Applicants seek to track in the GRRMA costs associated with the PIPES Act and GTGS Rulemaking and other emerging regulations that would not already be accounted for in existing balancing accounts or cost recovery mechanisms.<sup>15</sup>

The Commission has decided that a memorandum account is appropriate to allow for tracking of incremental costs incurred upon a reasonableness showing at a later time.<sup>16</sup> The Commission has also decided that a memorandum account should be approved unless “the costs are recoverable in a general rate case, the costs are not substantial, or the existence of the costs is speculative.”<sup>17</sup> In D.19-09-025, the Commission adopted Pacific Gas & Electric Company’s (PG&E) proposed New Gas Statutes, Regulations, and Rules Memorandum Account to allow PG&E to track capital expenditures and expenses that were not forecasted in their 2019-2022 Revenue Requirement for Gas Transmission and Storage Service case, but are necessary to comply with anticipated new regulations.<sup>18</sup>

Here, the GTS Rule Part 1 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 TY 2019 GRC proceeding. Based on the timing of the GTS Rule Part 1 publication and the compliance timeframes prescribed by PHMSA, the cost estimates and

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<sup>15</sup> 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>.

<sup>16</sup> *See* D.06-01-018, at 5-6.

<sup>17</sup> D.18-06-029 at 7; *see* D.18-11-051 at 10, Conclusions of Law (“COL”) 2 and 4 (finding Southern California Edison request to establish a Wildfire Expense Memorandum Account reasonable as of date the application was filed with the recovery of costs recorded in that account to be addressed in separate rate recovery proceedings); D.10-12-026 at 6 (authorizing memorandum accounts to record expenses for AB 32 administration fees despite uncertainty as to whether and when AB 32 fees would be assessed); *see also*, D.21-04-015 at 26 (“In past decisions, we have found it appropriate to authorize use of a memorandum account to record costs that are (1) incremental to the utilities’ general ratemaking case or other ratemaking applications, (2) substantial, and (3) nonspeculative”) (citing D.19-09-026 at 8-10).

<sup>18</sup> *See* D.19-09-025 at 7.

operational implications continue to be determined. All the impacts that will result from complying with the PIPES Act and GTGS Rulemaking, and any other emerging safety and integrity regulations that may result, are uncertain.<sup>19</sup> The costs, however, will not be inconsequential. The costs' existence is not speculative and are anticipated to be substantial.<sup>20</sup>

Applicants will likely begin to incur compliance costs prior to the Commission's disposition of this Application. Under Cal. PUC Section 1731(a), the Commission "may set the effective date of an order or decision before the date of issuance." In light of 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.<sup>21</sup> Applicants plan to propose a cost recovery mechanism and seek recovery for their respective costs once those costs are known and in connection within their applicable general rate case proceedings and/or other applicable proceedings, as needed.

Accordingly, Applicants request that the GRRMA be made effective as of date of this filing or no later than 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 by no later than Fall 2021, without the need for prepared testimony or evidentiary hearings.<sup>22</sup>

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<sup>19</sup> As described previously, certain costs incurred from the various compliance obligations may already be accounted for in existing balancing accounts and/or existing cost recovery mechanisms.

<sup>20</sup> 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").

<sup>21</sup> 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).

<sup>22</sup> 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).

Attached hereto as Attachments A and B, SoCalGas and SDG&E submit their proposed GRRMA preliminary statements, respectively. 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.

#### **IV. 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. 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) 244-4375  
Email: [PDeang@SoCalGas.com](mailto:PDeang@SoCalGas.com)

A copy should also be sent to:

ISMAEL BAUTISTA, JR.

*Attorney for:*

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**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 propose the following schedule for this Application:

Event	Date
Application	May 14, 2021
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)	July 2021
Proposed Decision on Application (waive or shorten time for comments if appropriate)	August 2021
Final Decision on Application (if comment period waived or shortened)	September 2021
Final Decision on Application (if regular comment period)	October 2021

**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’ Application (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 Application, 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



**OFFICER VERIFICATION**

I am an officer of the applicant corporations herein Southern California Gas Company and San Diego Gas & Electric Company, and I 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 14<sup>th</sup> day of May, 2021 at Eastvale, California.

By:   /s/ Gina Orozco    
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 not already accounted for in existing balancing accounts or cost recovery mechanisms associated with complying with the Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act, the Pipeline and Hazardous Materials Safety Administration's Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines Rulemaking (GTGS Rulemaking) and related emerging regulations.

This memorandum account is established pursuant to Decision (D.) XX-XX-XXX and is effective July 1, 2021.

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 the PIPES Act, GTGS Rulemaking and related emerging regulations;
- 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**

