

Application of SAN DIEGO GAS & ELECTRIC )  
COMPANY for authority to update its gas and )  
electric revenue requirement and base rates )  
effective January 1, 2028 (U 902-M) )

Application No.: A.26-06-\_\_

Exhibit No.: (SDGE-03-RRWP-NGLAPMA)

NATURAL GAS LEAK ABATEMENT PROGRAM MEMORANDUM ACCOUNT  
(NGLAPMA)  
REASONABLENESS REVIEW WORKPAPERS TO  
PREPARED DIRECT TESTIMONY  
OF AMY KITSON  
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

JUNE 2026



**Exhibit SCG-03-RRWP\_NGLAPMA**

<b>Workpaper Category/Witness Area</b>	NGLAPMA - NATURAL GAS LEAK ABATEMENT MEMORANDUM ACCOUNT REASONABLENESS REVIEW - AMY KITSON - SDGE
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Description (\$ in thousands)	DESCRIPTION									
	Prior Years Spend									
	2018	2019	2020	2021	2022	2023	2024	2025	Total	
Capital Expenditures Labor					-					-
Capital Expenditures Non-Labor										-
Capital Expenditures Direct Costs Subtotal	-	-	-	-	-	-	-	-	-	-
Capital Expenditures Indirect Costs										-
Capital Total	-	-	-	-	-	-	-	-	-	-
O&M Labor	0	1	29	46	77	81	56	62		352
O&M Non-Labor				0	4	1	0			6
O&M Direct Costs Subtotal	0	1	29	46	81	82	56	62		358
O&M Indirect Costs	0	1	481	138	180	193	42	49		1,084
O&M Total	1	2	510	184	261	275	98	111		1,443
Units										
Unit 1										-
Unit 2										-
FTE		0.0	0.2	0.3	0.7	0.7	0.5	0.5		0
Imputed Authorized Direct Capital \$										-
Imputed Authorized Direct O&M \$										-

**Direct Cost Breakdown by Cost Category:**

(\$ in thousands)	Prior Years Spend									
	2018	2019	2020	2021	2022	2023	2024	2025	Total	
<b>NGLAPMA</b>										
Capital	-	-	-	-	-	-	-	-	-	-
Labor										-
Non-Labor										-
O&M	0	1	29	46	81	82	56	62		358
Labor	0	1	29	46	77	81	56	62		352
Non-Labor				0	4	1	0			6
<b>NGLAPMA Total</b>	0	1	29	46	81	82	56	62		358

**Business Purpose:**

SDG&E is requesting recovery of costs booked to the NGLAPMA in accordance with D.17-06-015. These funds were spent to administer the Natural Gas Leak Abatement Program between 2017 - 2025, and they were authorized by prior CPUC Resolutions (G-3538, G-3577, G-3599, G-3606). The activities associated include regulatory and reporting requirements, coordination and collaboration with the CPUC during program implementation, program-level financial management, program-level tracking and planning, employee training and development, and office supplies.

**Project Justification:**

On January 22, 2015, the CPUC issued Rulemaking (R.) 15-01-008 to implement provisions of Senate Bill (SB) 1371, which set forth requirements for natural gas leak abatement. On June 15, 2017, the CPUC issued D.17-06-015 outlining the NGLAP for the utilities, pursuant to Public Utilities Code § 975, 977, and 978. D.17-06-015 ordered SDG&E to submit a Tier 1 Advice Letter to create a Memorandum Account for incremental administrative costs associated with NGLAP expenditures, and D.17-06-015 ordered SDG&E to submit Tier 3 Advice Letters to establish 2018 and 2019 revenue requirement forecasts and caps for the NGLAP. On July 17, 2017, SDG&E submitted the requisite Tier 1 Advice Letter (AL 2593-G) to establish the Natural Gas Leak Abatement Memorandum Account (NGLAMA), establish the Natural Gas Leak Abatement Balancing Account (NGLABA), and revise the New Environmental Regulatory Balancing Account (NERBA) Preliminary Statements to include the Natural Gas Leak Abatement Program Subaccount. The CPUC approved this Advice Letter on September 6, 2017, with an effective date of July 17, 2017.

**Project Scope:**

The administrative costs recorded in the NGLAPMA are for activities required by D.17-06-015 and D.19-08-020 and the costs were authorized per CPUC Resolutions (G-3538, G-3577, G-3599, G-3606). These activities include the regulatory and reporting requirements, coordination and collaboration with the CPUC during program implementation, program-level financial management, program-level tracking and planning, ESP employee training and development, and office supplies.

The regulatory and reporting requirements include developing the Annual Emissions Reports, creating Biennial Compliance Plans, preparing Advice Letters, and responding to any data requests associated with these submittals. ESP staff are responsible for these recurring tasks, and the associated costs are recorded in the NGLAPMA.

Furthermore, the costs associated with coordination and collaboration with the CPUC are recorded in the NGLAPMA. These costs include participation in workshops hosted by the CPUC and CARB, including the annual Winter Workshop hosted near the start of each year. The costs also include time spent developing and submitting proposals to improve emission calculation methodologies or revising baseline emissions to be more accurate, and the costs include time spent helping to review and provide comments on the CPUC and CARB Annual Joint Report. Following workshops, proposal presentations, or comment submittals, the CPUC and CARB have often requested additional meetings and/or provided data requests. The costs recorded in the NGLAPMA also include time spent participating in these additional meetings and responding to associated data requests.

Moreover, costs associated with program-level financial management and program-level tracking and planning are recorded in the NGLAPMA. Managing program finance requires detailed and continuous oversight, and program-level tracking and planning involves collaborating with RD&D to identify emission reduction opportunities, forecasting the emission impact of current and proposed projects, and confirming the program's ability to meet the emission reduction targets and maintain compliance with D.17-06-015 and D.19-08-020.

Finally, costs associated with training and employee development are recorded in the NGLAPMA. These costs include time spent by the ESP team to complete required training, time spent by ESP developing, reviewing, and updating job-specific training documents, and time spent by ESP members at industry conferences and workshops.

**Cost Drivers:**

The cost drivers behind this forecast are the requirements of Senate Bill (SB) 1371, D.17-06-015, and D.19-08-020. Labor expenditures are driven by program delivery and regulatory compliance functions, including:  
 Preparation of annual emissions reporting and biennial compliance plans;  
 Participation in CPUC and CARB workshops and regulatory engagements;  
 Management of ESP program and project financial activities;  
 Monitoring progress against CPUC-established emissions reduction goals;

Verification of compliance with applicable best practices;  
Response to regulatory data requests and inquiries; and  
Collaboration with CPUC, CARB, and peer utilities to enhance emissions reduction practices and calculation methodologies under NGLAP.

Non-labor cost drivers within this category primarily pertain to employee development, including training programs and other initiatives aimed at enhancing workforce capabilities in support of program objectives.

#### **Project Timing and Phases:**

Following the approval of AL 2593-G, SDG&E submitted Tier 3 AL 2621-G on October 31, 2017, to provide ratemaking forecasts for 2018 and 2019. On July 17, 2018, Energy Division instructed PG&E, SoCalGas, SDG&E, and Southwest Gas to submit a supplemental Tier 3 AL by July 31, 2018, to address a possible funding gap for 2020. In response to this request, SDG&E submitted supplemental AL 2621-G-B on July 31, 2018 containing ratemaking forecasts for NGLAPMA, NGLAPBA, and NGLAP in the NERBA for 2018, 2019, and 2020. In loaded dollars, the forecasted maximum spend for NGLAPMA for 2018, 2019, and 2020 was \$0.517 million. On October 11, 2018, the CPUC approved SDG&E's AL and Compliance Plan through Resolution G-3538. SDG&E spent within the established NGLAPMA caps and booked \$0.513 million to the NGLAPMA for 2018, 2019, and 2020, respectively.

On March 12, 2020, SDG&E submitted AL 2852-G to provide forecasted costs for its 2020 Compliance Plan, which included costs and emissions reductions for years 2021 and 2022. Pursuant to Energy Division's April 16, 2020 request on June 12, 2020, SDG&E submitted AL 2852-G-A which replaced AL 2852-G in its entirety and provided updated cost forecasts and a discussion about the emission reduction forecast. On June 25, 2020, Energy Division directed SDG&E to supplement AL 2852-G-A. SDG&E submitted AL 2852-G-B on June 29, 2020, to replace AL 2852-G-A in its entirety. On October 2, 2020, SDG&E submitted AL 2852-G-C to replace AL 2852-G-B in its entirety and correct rate impact figures. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2021 and 2022 was \$0.453 million. On December 17, 2020, the CPUC approved SDG&E's AL 2852-G-C and 2020 Compliance Plan through Resolution G-3577. SDG&E spent within the established cap for NGLAPMA and booked \$0.445 million to the NGLAPMA during 2021 and 2022.

On March 15, 2022, SDG&E submitted AL 3071-G to provide forecasted costs for its 2022 Compliance Plan, and on February 21, 2023, and April 11, 2023, SDG&E submitted revisions in AL 3071-G-A and in AL 3071-G-B, respectively. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2023 and 2024 was \$0.414 million. On June 29, 2023, the CPUC approved SDG&E's AL 3071-G-B and 2022 Compliance Plan through Resolution G-3599. SDG&E spent within the established cap for the NGLAPMA and booked \$0.373 million to the NGLAPMA during 2023 and 2024.

On March 15, 2024, SDG&E submitted its 2024 Compliance Plan and AL 3285-G to provide forecasted costs for 2025 and 2026, and on November 5, 2024, SDG&E submitted revisions in AL 3285-G-A. In loaded dollars, the forecasted maximum spend for the NGLAPMA for 2025 and 2026 was \$0.414 million. On October 30, 2025, the CPUC approved SDG&E's AL 3285-G-A and 2024 Compliance Plan through Resolution G-3606. SDG&E has spent within the established cap and booked \$0.111 million in the NGLAPMA during 2025.

#### **Approval Process/Procurement Process:**

In accordance with NGLAP decisions, SDG&E is required to forecast costs necessary for the implementation of program-related best practices, as well as for the preparation and submission of biennial compliance plans, annual emissions reports, and any additional documentation required by the CPUC and CARB for purposes of data validation and program oversight.

The costs presented in this workpaper have been previously authorized through CPUC-approved biennial compliance plans by the Safety Policy Division, as well as through Tier 3 Advice Letters (AL 5211-B, AL 5603-C, AL 5950-B, and AL 6277-G-B) approved by the CPUC's Energy Division. Accordingly, SDG&E has incurred these costs pursuant to established regulatory approval processes, operating within authorized limits and in full compliance with applicable CPUC requirements.

#### **Risk Identification and Mitigation:**

#### **Consideration of Alternative Solutions:**

#### **Coordination with Similar Programs**

The activities supported under the NGLAP are distinct and not performed elsewhere within the Company. These functions are specific to regulatory requirements under SB1371 and are intentionally centralized to support consistent execution, avoid duplication of effort, and maintain efficient program administration. Accordingly, the costs associated with these activities do not overlap with other Company programs. Costs incurred for these activities, including both labor and non-labor, are allocated and tracked through a designated program-specific NGLAPMA internal order, which provides a clear well-documented and traceable mechanism for cost attribution. This internal order structure supports accurate cost capture and segregation from other Company activities. The costs recorded in the NGLAPMA are not incurred or recorded in other departments or administrative accounts, as there are no other programs within SDG&E that perform NGLAP program administrative specific activities and there are not any other administrative accounts for SDG&E's NGLAP work. As a result, the NGLAPMA serves as the sole and centralized mechanism for tracking all administrative costs associated with NGLAP activities, supporting transparency, preventing duplication, and consistent cost reporting in accordance with CPUC requirements.

#### **Stakeholder Impact and Engagement:**

In accordance with NGLAP requirements, SDG&E maintains ongoing stakeholder engagement through a range of activities, including participation in the annual winter workshop, which serves as a collaborative forum for program review and coordination. This forum convenes representatives from the CPUC, CARB, natural gas utilities, and industry stakeholders to evaluate and refine program parameters, exchange best practices, and assess progress toward methane emissions reduction goals.

SDG&E actively participates in these proceedings and supports the collaborative process by providing insights on operational experience, lessons learned, emerging practices, and relevant research and development outcomes, supporting informed decision-making and ongoing program refinement.

#### **Utility Benchmarking:**

SDG&E's NGLAP activities are consistent with industry practices and regulatory expectations for methane emissions management. The program leverages internal expertise and qualified third-party support for emissions reporting, data validation, and compliance filings, aligning with peer utility approaches. Participation in CPUC and CARB stakeholder forums enables benchmarking, incorporation of best practices, and continuous improvement of program processes. These efforts support a mature, compliance-driven program that is aligned with industry norms and demonstrates prudent management of costs and activities.

Pictures:

