

Company: Southern California Gas Company (U904G)  
Proceeding: 2016 General Rate Case  
Application: A.14-11-004  
Exhibit: SCG-207

**SOCALGAS**

**REBUTTAL TESTIMONY OF RAYMOND K. STANFORD  
GAS ENGINEERING AND GAS TRANSMISSION CAPITAL**

June 2015

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





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1                   **SOCALGAS REBUTTAL TESTIMONY OF RAYMOND K. STANFORD**  
2                   **GAS ENGINEERING AND GAS TRANSMISSION CAPITAL**

3 **I. SUMMARY OF DIFFERENCES**

4

<b>TOTAL O&amp;M - Constant 2013 (\$000)</b>			
	<b>Base Year 2013</b>	<b>Test Year 2016</b>	<b>Change</b>
SoCalGas	<b>\$24,716</b>	<b>\$34,128</b>	<b>\$9,412</b>
ORA	<b>\$24,716</b>	<b>\$29,044</b>	<b>\$4,328</b>

<b>TOTAL CAPITAL - Constant 2013 (\$000)</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
SoCalGas	<b>\$64,102</b>	<b>\$103,795</b>	<b>\$141,595</b>
ORA	<b>\$47,059</b>	<b>\$86,881</b>	<b>\$145,756</b>

5                   My direct testimony, Exhibit SCG-07, addressed Gas Engineering O&M expenses and  
6 Gas Transmission capital. The following rebuttal addresses parties' recommendations for those  
7 two areas. The Office of Ratepayer Advocates (ORA) and Southern California Generation  
8 Coalition (SCGC) made specific funding recommendations to my testimony.

9 **II. INTRODUCTION**

10 **A. ORA**

11                   ORA issued its report on Gas Engineering and Gas Transmission Capital on April 24,  
12 2015.<sup>1</sup> The following is a summary of ORA's position(s):

- 13                   • ORA recommended that requested incremental increases for Gas Engineering O&M  
14 from 2014 to 2016 be allowed, but adjusted their forecast to reflect the use of the  
15 2014 recorded-adjusted amount. ORA's recommendations result in a reduction of  
16 \$5.084 million from SoCalGas' proposed \$34.128 million, ORA's recommendations  
17 are derived by incorporating the 2014 actual expense data into the forecast and  
18 accepting SoCalGas' requested incremental increases.
- 19                   • ORA expresses support for many of the projects proposed by SoCalGas, although  
20 recommends adopting the 2014 adjusted-recorded expenditures in all Gas  
21 Transmission Capital categories, resulting in a reduction of \$17.043 million in 2014.
- 22                   • ORA's recommendations result in some reductions and shifting some funds from  
23 2015 to 2016 yielding a reduction of \$16.914 million in 2015, and an increase of  
24 \$4.161 million in 2016.

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<sup>1</sup> Ex. ORA-11, Lee, Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2016 General Rate Case, SoCalGas – Gas Transmission, Underground Storage, Engineering, and Pipeline Integrity, April 24, 2015.

1 **B. SCGC**

2 SCGC submitted testimony on May 15, 2015.<sup>2</sup> SCGC’s recommendations targeted two  
3 specific capital categories. The following is a summary of SCGC’s position:

- 4 • Reduce the land acquisition of the North Coastal reliability project known as the Taft-  
5 Gaviota project to zero.
- 6 • Reduce compressors investments tied to MDAQMD Rule 1160 in 2015 by 50%.

7 **III. REBUTTAL TO PARTIES’ O&M PROPOSALS**

8 **A. Non-Shared Services O&M**

<b>NON-SHARED O&amp;M - Constant 2013 (\$000)</b>			
	<b>Base Year 2013</b>	<b>Test Year 2016</b>	<b>Change</b>
SoCalGas	<b>\$9,891</b>	<b>\$14,950</b>	<b>\$5,059</b>
ORA	<b>\$9,891</b>	<b>\$12,307</b>	<b>\$2,416</b>

9 **1. Disputed Cost for Gas Engineering Non-Shared O&M**

10 **a. ORA**

11 ORA generally supports SoCalGas’ strategy to provide pipeline safety and reliability  
12 improvements.<sup>3</sup> ORA also generally supports the work and direction of Gas Storage and  
13 Pipeline Integrity as presented by Witnesses Phillip Baker and Maria Martinez, respectfully.  
14 ORA’s recommendations on Gas Engineering expense, however, is somewhat disconnected from  
15 their support in other areas. Simply put, in order for SoCalGas, to appropriately execute on its  
16 capital projects, SoCalGas needs adequate Gas Engineering resources.

17 As discussed in my testimony and acknowledged by ORA,<sup>4</sup> Gas Engineering provides  
18 the technical and engineering support needed to complete the SoCalGas capital projects through  
19 its non-shared services (NSS) functions. Gas Engineering provides the same technical and  
20 engineering support to SDG&E through the Utility-Shared Services (USS) functions. As capital  
21 projects are initiated, Gas Engineering will work collaboratively with the respective operating  
22 groups to develop the specifications and engineering design packages, which includes technical  
23 reviews to validate compliance with regulatory obligations and internal standards. As the capital

<sup>2</sup> Ex. SCGC Testimony of Catherine Yap.

<sup>3</sup> Ex. ORA-11, page 17 (“ORA supports many of the projects to enhance safety and system reliability, such as the areas of cathodic protection, compressor station upgrades, measurement and regulation (M&R) stations enhancements, and storage and transmission building upgrades and enhancements.”)

<sup>4</sup> Ex. ORA-11, page 12, lines 5 thru 8 (“Gas Engineering performs activities that provide technical guidance to support, both non-shared and shares day-to-day functions for Pipeline Integrity, Gas Transmission, Storage and Gas Distribution.”)

1 projects are being constructed, Gas Engineering is called upon to clarify and resolve technical  
2 and compliance issues encountered. Lastly, Gas Engineering will be called upon to help with the  
3 startup, documenting the operating procedures and providing training to the field operating  
4 groups. The value of training cannot be understated, particularly with new equipment and  
5 advances in equipment controls. To support the operations with new capital equipment and  
6 maximize the value of new technology, Gas Engineering will also develop and/or revise policies  
7 and procedures to support safety and reliability that benefit the employee and public. At issue  
8 with ORA's forecasting methodology is the use of the 2014 adjusted-recorded value as  
9 representative of the resources needed to, not only do its work, but to also conduct the  
10 incremental work that ORA recommended.<sup>5</sup>

11 ORA provides minimal detail in its recommendation, but does state that the 2014  
12 adjusted-recorded should be utilized as the base value to forecast 2016 costs.<sup>6</sup> ORA argues that  
13 using the 2014 adjusted-recorded data is generally consistent with the data from 2009 to 2013.  
14 We do not agree with ORA's generalization. ORA's recommended O&M funding will hinder  
15 core Gas Engineering undertakings because these areas experienced 2014 spending below  
16 forecast.

17 As noted in my direct testimony, I used a five-year average as the baseline for forecasting  
18 the existing resource needs and then added resource requirements for various incremental  
19 programs. As I state in my testimony, the five-year average accounts for cyclical nature of the  
20 work that can occur in a mature organization.<sup>7</sup> In contrast, ORA's forecast methodology uses a  
21 single point in time and is inappropriate because it ignores the ebbs and flows of work and  
22 incremental resources needed.

23 There is a certain level of workforce needed for Gas Engineering to perform its core  
24 duties, and this is reflected in the five-year average. The 2014 adjusted-recorded value for Gas

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<sup>5</sup> Ex. ORA-11, page 14 ("ORA recommends that for both non-shared and shared operations, the SCG's requested incremental increases from 2014 to 2016 be allowed, but adjusted to reflect the use of the 2014 recorded-adjusted amount instead of the 2014 forecast as the baseline for the incremental increases. These incremental increases will be added to the 2014 adjusted recorded amounts.")

<sup>6</sup> Ex. ORA-11, page 14, lines 1 to 5.

<sup>7</sup> Ex. SCG-07, page 13 ("The forecast method developed for all four of these cost categories is a five-year average because it best reflects the costs associated with a mature organization and better accounts for the work that ebbs and flows over time. As compared to the 2013 recorded expense, the five-year average corrects for the low recorded expenses, and provides the expected increase in work that cycles over a five-year period.")

Engineering Non-Shared Service cost center is below the five-year average as a direct result of numerous retirements and transfers. This has resulted in a need to fill vacancies in Gas Engineering. For example, from 2009 to 2012, the average FTE count in NSS Gas Engineering was approximately 75. From 2013 to 2014, the average FTE count was approximately 48. My proposal in this GRC is to fill vacancies and bring the FTE count back to the levels historically experienced in Gas Engineering. The above changes are illustrated in the table below:<sup>8</sup>

		In 2013\$ (000) Incurred Costs								
		Adjusted-Recorded					Adjusted-Forecast			
Years		2009	2010	2011	2012	2013	2014	2014	2015	2016
Labor		6,639	6,681	6,515	5,868	4,677	3,950	6,280	6,392	6,503
Non-Labor		2,035	1,871	1,605	1,550	1,485	1,999	1,727	1,727	1,727
NSE		0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>8,674</b>	<b>8,552</b>	<b>8,119</b>	<b>7,418</b>	<b>6,162</b>	<b>5,949</b>	<b>8,007</b>	<b>8,119</b>	<b>8,230</b>
FTE		79.2	77.1	74.9	69.1	52.8	43.7	72.3	73.3	74.3

As such, SoCalGas believes that use of a single data point for Gas Engineering’s NSS cost center is inappropriate. SoCalGas respectfully requests the Commission adopt it is 2016 TY forecast of \$8.23 million for Gas Engineering Non-Shared Services because it is appropriate, reasonable and prudent.

**2. Disputed Cost – Non-Shared and Shared-Service Public Awareness**

**a. ORA**

Public Awareness is a risk management tool to help improve safety. ORA did not object to the activities that appeared in my direct testimony. In testimony, ORA even supports the inclusion of shared and non-shared incremental activities.<sup>9</sup> However, ORA’s forecasting methodology constrains SoCalGas’ ability to enhance its Public Awareness program or to implement recommendations from the Commission.

As noted above, ORA provides minimal detail in its recommendation, but does state that the 2014 adjusted-recorded should be utilized as the base value to forecast 2016 costs.<sup>10</sup> ORA argues that using the 2014 adjusted-recorded data is generally consistent with the data from 2009 to 2013. ORA’s use of a single value to develop their forecast is inappropriate. Although they supported the incremental increases, ORA calculated their 2016 test year recommendation by

<sup>8</sup> The Table below was extracted from my workpapers, but modified to include the 2014 adjusted recorded value. Ex. SCG-07-WP page 5, modified to include 2014 Adjusted-Recorded value.

<sup>9</sup> Ex. ORA-11, page 14.

<sup>10</sup> Ex. ORA-11, page 14, lines 1 to 4.

1 adding the incremental to the 2014 adjusted-recorded value. Their approach ignores my direct  
 2 testimony and workpapers, where I developed my forecast using a linear trend to forecast the  
 3 growing requirements of this pipeline safety and risk management program. As such, ORA's  
 4 recommendation will hinder SoCalGas' ability to effectively address the growing demands and  
 5 expectations of regulatory bodies and the Commission's own recommendation stemming from  
 6 their most recent audit of the program.

7 As I explained in direct testimony, Public Awareness forecast were developed to  
 8 accurately represent the new work variations and represent the future activity of the Public  
 9 Awareness group.<sup>11</sup> Had ORA opted to use a linear trend to account for historical values, which  
 10 could have included 2014 adjusted-recorded, this would have recognized the resource needs of  
 11 the program. Rather ORA simply opted to use a single value. To illustrate the growing needs, in  
 12 SoCalGas' most recent Public Awareness audit, conducted by the CPUC's Safety and  
 13 Enforcement Division (SED), SED requested increased communication to schools.<sup>12</sup> As noted in  
 14 my direct testimony,<sup>13</sup> SoCalGas is requesting funding that will allow implementation of CPUC  
 15 audit recommendation. The communications to schools requires additional collateral materials  
 16 and must be done so as not to detract or dilute from the primary message to this audience.  
 17 Further the development of communication media, the transmittal costs and the subsequent and  
 18 periodic effectiveness measurement all require additional funding. The survey measurements  
 19 can be the most expensive depending on frequency.<sup>14</sup>

20 ORA's use of a single-value is inappropriate, ignores the justification for use of  
 21 SoCalGas method and hinders our ability to enhance Public Awareness. As such, SoCalGas  
 22 respectfully requests the Commission adopt its original forecast of \$1,613,000 for both NSS and  
 23 USS.

24 **B. Shared Services O&M**

<b>SHARED O&amp;M - Constant 2013 (\$000)</b>			
	<b>Base Year 2013</b>	<b>Test Year 2016</b>	<b>Change</b>
SoCalGas	<b>\$14,827</b>	<b>\$19,178</b>	<b>\$4,351</b>
ORA	<b>\$14,827</b>	<b>\$16,737</b>	<b>\$1,910</b>

<sup>11</sup> Ex. SCG-07, page 22, lines 25-27.

<sup>12</sup> Ex. SCG-07, page 23, lines 27-29.

<sup>13</sup> Ex. SCG-07, page 23, lines 27-29.

<sup>14</sup> Such measurements can run between \$25,000 to \$40,000 per measurement.



1                   **1. Disputed Cost—Gas Engineering Shared O&M**

2                   **a. ORA**

3                   ORA’s forecast methodology inadequately addresses and considers cost drivers for  
4 shared services in Gas Engineering. This again occurs because this workgroup experienced 2014  
5 spending below forecast.

6                   As noted above, ORA provides minimal detail in its recommendation, but does state that  
7 the 2014 adjusted-recorded should be utilized as the base value to forecast 2016 costs.<sup>15</sup> ORA  
8 argues that using the 2014 adjusted-recorded value is generally consistent with the data from  
9 2009 to 2013. ORA’s recommended O&M funding, however, would hinder core Gas  
10 Engineering program efforts because this area experienced 2014 spending below forecast.

11                   As noted in my direct testimony, I used a five-year average as the baseline for forecasting  
12 the existing resource needs<sup>16</sup> and then added the resource requirements for various incremental  
13 programs. In contrast, ORA uses a single point in time, namely the 2014 adjusted-recorded  
14 value. This is inappropriate because it ignores the ebbs and flows of work that occurs,  
15 particularly as the group experiences shifts in work priorities.

16                   SoCalGas has presented its rebuttal arguments for the utility non-shared service cost  
17 center groupings as a basis for rejecting ORA’s recommendations and adopting SoCalGas’ 2016  
18 TY forecast. Put simply, ORA’s forecast methodology constrains Gas Engineering. For the  
19 utility to support and deliver on its mission of supporting operations and capital programs and  
20 managing and issuing policies to promote compliance (especially with increasing regulatory  
21 requirements) Gas Engineering requires adequate resources. In using the 2014 adjusted-recorded  
22 value to forecast 2016 costs, ORA does not allow adequate technical and engineering resources  
23 to accomplish these goals.

24                   As such, SoCalGas respectfully requests that the Commission adopt its 2016TY USS  
25 forecasts of \$18.249 million.

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<sup>15</sup> Ex. ORA-11, page, 14, lines 1 to 4.

<sup>16</sup> Ex. SCG-07, page 7, lines 2 through 7.

1                   **2. Disputed Cost— Shared Services Public Awareness**

2                   **a. ORA**

3                   ORA’s forecast methodology inadequately addresses and considers cost drivers for  
4 shared services in Public Service. This again occurs because this workgroup experienced 2014  
5 spending below forecast.

6                   As noted above, ORA provides minimal detail in its recommendation, but does state that  
7 the 2014 adjusted-recorded should be utilized as the base value to forecast 2016 costs.<sup>17</sup> ORA  
8 argues that using the 2014 adjusted-recorded data is generally consistent with the data from 2009  
9 to 2013. ORA’s recommended O&M funding, however, would hinder core Public Awareness  
10 program efforts because this area experienced 2014 spending below forecast.

11                   To adequately address the growing resource needs and as noted in my direct testimony, I  
12 used a zero-based forecast for the labor resources. Since there is very little history for this cost  
13 category, it is not appropriate to use a single-value without accounting for changes that are to  
14 occur. Use of the single value, 2014 adjusted-recorded, understates the resource need. The 2014  
15 adjusted-recorded data was below forecast due to attrition and compounded by the challenge to  
16 locate specific expertise in this area.

17                   As in previous instances, we object to ORA’s use of a single value for this cost category  
18 because it understates the resource needs. SoCalGas needs the resources it has put forth in its  
19 USS showing for Public Awareness. To reiterate what I stated under the Public Awareness  
20 discussion for Non-Shared Service (NSS), SoCalGas respectfully requests the Commission adopt  
21 its original forecast of \$1,613,000 for both NSS and USS.

22 **IV. REBUTTAL TO PARTIES’ CAPITAL PROPOSALS**

23                   **A. Accepted Capital Cost**

24                   **1. ORA**

25                   ORA generally agrees with SoCalGas’ forecast for its capital categories. There are,  
26 however, a few notable exceptions that warrant discussion.

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<sup>17</sup> Ex. ORA-11, page 14, lines 1 to 4.

1           **B.     Disputed 2015 Cathodic Protection Cost**

2                   **1.     ORA**

3           ORA takes issue with SoCalGas' Cathodic Protection capital forecast for the 2015.

4           While ORA explicitly states it supports cathodic protection,<sup>18</sup> ORA recommends \$2 million for  
5           2015; \$6.986 below SoCalGas' forecast of \$8.986 million. ORA made this recommendation  
6           based on a SoCalGas data response. The data request was issued in February of 2015 and  
7           requested the current status of cathodic protection efforts. In response, SoCalGas indicated:  
8           "Currently, SoCalGas anticipates delays in these projects due to factors such as timing and  
9           permitting. Although the current plan is to spend approximately \$2 million in Cathodic  
10          Protection Transmission capital for 2015, this number can change considerably in future  
11          months."<sup>19</sup> Based on this response, ORA proposes \$2 million for Cathodic Protection in 2015.

12          SoCalGas disagrees with ORA's proposed Cathodic Protection capital reduction because  
13          ORA uses an approximation that SoCalGas provided without giving merit to the Cathodic  
14          Protection work that still must be completed. SoCalGas does not have the ability to update its  
15          forecast; however SoCalGas provided the current plan in February based on timing and  
16          permitting issues. Although up-to-the-minute resources restrained SoCalGas to the \$2 million  
17          amount in February, when the data request response was provided, for GRC purposes there  
18          remains \$8.986 million worth of Cathodic Protection related capital work that could and may be  
19          performed. The work remains and any reduction in activity in 2015 merely delays that activity  
20          until a later date. Similar to the approach adopted by ORA in Storage and Transmission  
21          Buildings, at a minimum, reductions in 2015 Cathodic Protection funding should result in  
22          increases in 2016.

23          SoCalGas respectfully requests that the Commission adopt its original 2015 forecast of  
24          \$8.986 million.<sup>20</sup>

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<sup>18</sup> ORA-11, page 17 ("ORA supports many of the projects to enhance safety and system reliability, such as in the areas of cathodic protection, compressor station upgrades, measurement and regulation (M&R) station enhancements, and storage and transmission building upgrades and enhancements.")

<sup>19</sup> See ORA-SCG-DR-060-KCL, Q2.

<sup>20</sup> Additionally, the capital requested in my testimony is largely independent of Witness Beth Musich's Transmission O&M testimony for cathodic protection field operations. There, because of ORA's proposed reduction to Cathodic Protection capital, ORA proposes reductions to Cathodic Protection O&M. In reality, the opposite may be true if Cathodic Protection capital is reduced. Meaning, SoCalGas could see a net increase in field activity to troubleshoot and make repairs. The capital I am requesting would help avoid increased O&M cost.

1           **C.     Disputed 2014 and 2015 Auxiliary Equipment Cost**

2                   **1.     ORA**

3           ORA recommends a \$1.355 million reduction in SoCalGas' 2015 Auxiliary Equipment  
4 2015 forecast (from \$9.556 million to \$8.201 million). ORA's rationale is that SoCalGas should  
5 only be awarded for 2015 its 2014 recorded costs plus "an incremental amount for the High  
6 Pressure Data Synchronization program" (HPDSP).<sup>21</sup> ORA takes no issue with HPDSP in the  
7 text of its analysis and it should be construed that the work under HPDSP must move forward.

8           SoCalGas respectfully disagrees with ORA's proposed reduction. The forecast I  
9 provided are the amounts necessary to operate, maintain, replace and improve services,  
10 infrastructure and systems under Gas Engineering. SoCalGas objects to ORA's use of a single-  
11 data value to construct its forecast, especially since ORA does not oppose HPDSP. SoCalGas  
12 therefore feels that ORA errs in recommending reductions that are based solely on 2014  
13 spending. This is especially true since SoGalGas' estimate for 2015 is simply the five-year  
14 average of recorded costs for Auxiliary Equipment, plus an incremental amount for HPDSP.<sup>22</sup> In  
15 fact, lower spending in 2014 due to project delays will require increased spending in the  
16 following year as the project team ramps-up activity to make up for the previous delays. This is  
17 particularly true for the HPDSP on which less was spent in 2014 than anticipated due to  
18 competing demand for resources for other high-value projects. To fully complete this HPDSP,  
19 full funding in this category is required because SoCalGas' estimated amount for 2015 is the  
20 five-year average plus a full increment for HPDSP.

21           By recommending a \$1.355 million reduction in this category, ORA is, in effect,  
22 reducing the component which is SoCalGas' five-year average and its increment for HPDSP.  
23 Currently, HPDSP is on track and work should be completed if full funding is received.  
24 Furthermore, as shown in table 11-10 from ORA's testimony,<sup>23</sup> SoCalGas' spending in this  
25 category has been higher than the five-year average in 2013 and 2014; thus, a further indication  
26 that ORA's proposed reduction is inappropriate.

27           As such, SoCalGas requests the Commission adopt is 2015 forecast amount \$9.556  
28 million, which represents the five-year average and the incremental funding for HPDSP.

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<sup>21</sup> Ex. ORA-11, page 18, lines 6-7.

<sup>22</sup> Based on its testimony, it appears that ORA supports SoCalGas' continued HPDSP efforts.

<sup>23</sup> Ex. ORA-11, page 16, line 3.

1 **D. Disputed Measurement and Regulation Stations Costs**

2 **1. ORA**

3 ORA recommends a reduction of \$3.438 million<sup>24</sup> in SoCalGas’ estimate for 2015 (from  
4 \$9.423 million to \$5.985 million) and a reduction of \$0.974 million for 2016 (from \$9.321  
5 million to \$8.347 million). To support its proposed reduction, ORA states: “This adjusted-  
6 recorded expenditures for 2014 is actually less than any of the recorded amounts from 2009 to  
7 2013. Therefore, ORA uses the average of five-year recorded expenditure from 2009 to 2013,  
8 which is \$5.985 million, as its recommendation for 2015. The \$5.985 million is \$2.362 million  
9 above the 2014 adjusted-recorded amount of \$3.623 million. ORA recommends adding the  
10 \$2.362 million incremental to the recommended \$5.985 million for 2015 to arrive at the \$8.347  
11 million for 2016.”<sup>25</sup> SoCalGas disagrees with ORA for the following reasons.

12 First, ORA included a calculation in the Gas Engineering and Transmission capital that  
13 contained a discrepancy that was corrected and clarified in an ORA data request response, which  
14 is included in Appendix A.<sup>26</sup> The discrepancy originates from the inclusion of the value of  
15 \$4.101 million for GT – M&R Stations into the total of \$7.510 million for Compressor Stations,  
16 and the exclusion of that same \$4.101 million from its proper category of Measurement &  
17 Regulation (M&R) Stations. As a result, with this correction, the 2014 adjusted recorded value  
18 is close to the 2014 forecast. Therefore, SoCalGas disagrees with ORA’s statement, “the  
19 adjusted-recorded expenditure for 2014 is actually less than any of the recorded amount from  
20 2009-2013,”<sup>27</sup> because correcting the discrepancy will result in an M&R Stations’ adjusted-  
21 recorded expenditure of \$7.724 million. In fact, this correction to ORA’s table results in the  
22 2014 adjusted recorded being close to the SoCalGas 2014 forecast. The table below illustrates  
23 how the correction to ORA’s original recommendation for 2014 closely matches SoCalGas’  
24 forecast.

	ORA		SoCalGas
	Original	Revised <sup>28</sup>	Forecast
<b>M&amp;R--2014</b>	\$3,623	\$7,724	\$7,991

<sup>24</sup> Ex. ORA-11, Page 17, lines 18 to 20.

<sup>25</sup> Ex. ORA-11. page 17, lines 21 to 27.

<sup>26</sup> See Appendix A (ORA Data response, SEU-ORA-DR-11, dated June 5, 2015).

<sup>27</sup> Ex. ORA-11, page 17, lines 21 to 22.

<sup>28</sup> See Appendix A (ORA Data response, SEU-ORA-DR-11, dated June 5, 2015).

1 As such, ORA's forecast is built on a calculation error, by omitting a significant expense from  
2 this budget category.

3 Second, ORA supports the reasonableness of its forecast by noting that 2014 adjusted  
4 recorded for M&R Stations was the lowest value ever recorded in the most recent history.<sup>29</sup>  
5 Once the correction is made, 2014 is the highest value in the most recent six-year history. The  
6 table below shows that adopting ORA's recommendations would inhibit SoCalGas' ability to  
7 perform the work it has outlined in my testimony because the difference is almost \$5 million.

	<u>ORA</u>	<u>SoCalGas</u>
	<u>Revised^</u>	<u>Forecast</u>
<b>M&amp;R--2014</b>	\$7,724	\$7,991
<b>2015</b>	\$5,985	\$9,423
<b>2016</b>	\$8,347	\$9,321
<b>Total</b>	\$22,056	\$26,735

^includes revision to ORA's 2014 actual

8 Therefore, after clarifying the basis for ORA's recommended reduction, SoCalGas  
9 respectfully requests that its 2014 spending of \$7.724 million, its 2015 forecast of \$9.423  
10 million, and its 2016 forecast of \$9.321 million be adopted.

## 11 **E. Disputed Compressor Stations Costs**

### 12 **1. Southern California Generation Coalition (SCGC)**

13 SCGC proposes reduced funding for air quality work associated with Mojave Desert Air  
14 Quality Management Department's rule 1160. Specifically, SCGC recommends that air quality  
15 work associated with Rule 1160 be cut by 50% for 2015, which represents about \$8.3 million.  
16 Mojave Desert Air Quality Management Department (MDAQMD) is proposing amendments to  
17 Rule 1160 to comply with Reasonable Achievable Control Technology (RACT) requirements.<sup>30</sup>  
18 The Environmental Protection Agency (EPA) requires the local air districts to adopt new rules or  
19 modify existing rules to address the RACT requirements. The question of amending Rule 1160  
20 is not if, but when will the rule be amended.

21 As stated in my testimony,<sup>31</sup> SoCalGas has been working with MDAQMD, and the  
22 requested funds are based on the cost for the expected requirements of Rule 1160. The retrofits  
23 required by Rule 1160 will require a significant effort on SoCalGas in order to comply with the

<sup>29</sup> Ex. ORA-11, page 17, lines 21 to 22.

<sup>30</sup> See <http://www.mdaqmd.ca.gov/index.aspx?recordid=607&page=211>

<sup>31</sup> Ex. SCG-07, page 68, lines 8 to 13.

1 new emission standards and although the adoption of the rule may be delayed the deadlines have  
2 not. Simply reducing the amounts because MDAQMD has delayed adoption of the amendments  
3 does not reduce the amount of funding required to comply. As such, SoCalGas requests that its  
4 2015 forecast of \$32.250 million be adopted by the Commission.

5 **F. Disputed New Pipeline Category Costs**

6 **1. Southern California Generation Coalition (SCGC)**

7 SCGC proposes reduced funding for SoCalGas request for the land acquisition associated  
8 with a potential pipeline project to increase supply reliability in the North Coastal system.  
9 Specifically, SCGC has recommended denying the \$10 million dollars associated with land  
10 acquisition. SoCalGas respectfully disagrees with SCGC. The land acquisition is in support of  
11 reliability efforts and is only one component in SoCalGas' estimates for this Budget Category,  
12 which is the five-year average.

13 SCGC apparently misinterprets the intent of the discussion on the land acquisition for a  
14 potential North Coastal system project, also referenced as the Taft to Gaviota project. This is not  
15 an incremental project. Rather, SoCalGas is requesting funding in anticipation of a potential  
16 need for land acquisition. Indeed, the costs associated with this potential project are only one  
17 aspect of the SoCalGas' five-year average. SoCalGas' forecast methodology in this case was to  
18 rely upon the five-year average. The five-year average is \$17.845 million. We have proposed  
19 some land acquisition of over \$1,000,000. We have chosen to provide our forecast of known  
20 projects in excess of \$1,000,000. One of those incremental projects is land acquisition for a new  
21 source of supply. The land acquisition is not incremental to that average. Therefore, SCGC's  
22 proposed reduction would reduce the funding below SoCalGas' five-year average—the forecast  
23 basis for this budget category.

24 Additionally, it is incorrect for SCGC to characterize the Taft to Gaviota pipeline as “poorly  
25 conceived” because SoCalGas is not requesting funding for a new pipeline from Taft to Gaviota  
26 during this GRC cycle; instead SoCalGas has included a potential land acquisition that it  
27 reasonably foresees as being part of the requested five-year average for this category. SoCalGas  
28 requests the Commission adopt SoCalGas' forecast of \$17.845 million for years 2015 and 2016  
29 because it represents the cyclical nature of this category.

1           **G.     Disputed / Clarification for Storage & Transmission Building**

2                   **1.     ORA**

3           SoCalGas does not oppose ORA’s recommendation to push a portion of the project into  
4 2016 with the understanding that SoCalGas expects to complete this by end of first quarter 2016.  
5 ORA specifically recommended that Storage Building be apportioned into 2016 as follows:  
6 “...\$0.795 in 2015 and \$0.819 in 2016 and for Transmission Buildings the expenditures would  
7 be \$4.340 million in 2015 and \$4.351 million in 2016.<sup>32</sup> Further, SoCalGas accepts the  
8 lengthened scheduled, but again with the understanding that SoCalGas will complete the projects  
9 during the first quarter of 2016.

10           **V.     CONCLUSION**

11           To summarize, SoCalGas respectfully request the Commission adopt:

- 12           • SoCalGas’ recommendation for Gas Engineering of NSS O&M of \$14.952 million  
13           and USS O&M of \$19.178 million for test year 2016.
  - 14                   ○ For Core Gas Engineering NSS spending O&M (Workpaper 2EN000), use a five-  
15                   year average methodology to establish a 2016 forecast in this category of \$8.230  
16                   million.
  - 17                   ○ For SoCalGas Public Awareness, the original forecast of \$1.613 million combines  
18                   NSS and USS for test year 2016.
  - 19                   ○ For Core Gas Engineering USS, the original forecast of \$18.249 million for test  
20                   year 2016.
  - 21                   ○ For the other USS category entitled Pipeline Safety and Compliance Manager,  
22                   SoCalGas does not oppose ORA’s recommendations for TY 2016.
  - 23                   ○ For other NSS workpaper categories (e.g., Major Projects and Emergency  
24                   Services), SoCalGas does not oppose ORA’s recommendations for TY 2016.
- 25           • ORA’s capital recommendation for 2014 and SoCalGas’ capital for 2015 and 2016 to  
26           include SoCalGas recommendation in the Cathodic Protection, M&R Stations, and  
27           Auxiliary Equipment categories resulting in the capital forecasts of \$47.059 million  
28           for 2014, \$98.660 million for 2015, and \$146.730 million in 2016.

29           This concludes my prepared rebuttal testimony.

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<sup>32</sup> Ex. ORA-11, page 18, lines 25 to 26 to page 19, lines 1 to 2.



1 **VI. WITNESS QUALIFICATIONS**

2 My name is Raymond K. Stanford. My business address is 555 W. Fifth Street,  
3 Los Angeles, California, 90013. I am employed by SoCalGas as the Engineering Design  
4 Manager in Gas Engineering for SoCalGas and SDG&E. In this position, I am responsible for  
5 providing centralized gas infrastructure design engineering and technical utility support to  
6 operations for distribution, transmission, and storage. To accomplish this responsibility, I  
7 manage an organization of approximately 40 employees with technical expertise in specific  
8 engineering fields.

9 In addition, I possess a broad background in engineering and natural gas pipeline  
10 operations with over 30 years of experience with SoCalGas. I have held a number of managerial  
11 positions with increasing responsibility in the Engineering, Distribution, and Transmission  
12 Departments. I have been responsible for various areas related to the design, construction,  
13 operation, and maintenance of natural gas system facilities. I have held my current position as  
14 Engineering Design Manager since January 2008.

15 I earned a Bachelor of Science degree in Chemical Engineering from California State  
16 Polytechnic University, Pomona, and have completed the Masters in Business Administration  
17 from the University of Redlands, School of Business.

18 I have previously testified before the Commission.

**APPENDIX A**  
**SEU-ORA DR-11, June 5, 2015**

**ORA Response to Sempra Energy Utilities' Data Request**  
**San Diego Gas & Electric Co. Test Year 2016 General Rate Case, A.14-11-003**  
**Southern California Gas Co. Test Year 2016 General Rate Case, A.14-11-004**

**Origination Date:** May 29, 2015  
**Due Date:** June 5, 2015  
**Response Date:** June 5, 2015

**To:** Chuck Manzuk  
cmanzuk@semprautilities.com  
1-858-654-1782

Billie Overturf  
boverturf@semprautilities.com  
1-858-654-1779

**From:** Clayton Tang and Truman Burns, Project Coordinators  
Office of Ratepayer Advocates  
505 Van Ness Avenue, Room 4205  
San Francisco, CA 94102

**Response by:** Kelly Lee  
**Phone:** 415-703-1795  
**Email:** kcl@cpuc.ca.gov

**Data Request No:** SEU-ORA-DR-11  
**Exhibit Reference:** ORA-11  
**Subject:** Gas Transmission Capital

***The following is ORA's response to Sempra's data request. If you have any questions, please contact the responder at the phone number and/or email address shown above.***

Q.1: The testimony presented in ORA-11 included a calculation in the Gas Engineering and Transmission capital that appears to contain a discrepancy. The apparent discrepancy is shown in the table below, and the images that follow (an extract from the 2014 adjusted-recorded data provided to ORA via e-mail dated March 6, 2015) illustrate the workpapers and total adjusted recorded values for the categories in question. SoCalGas suspects the discrepancy originates from the inclusion of the value of \$4,101 for GT – M&R Stations into the total of \$7,510 for Compressor Stations, and the exclusion of that same \$4,101 from its proper category of Measurement & Regulation Stations. If this is the case, please provide revised 2014, 2015, and 2016 ORA recommendations for Compressor Stations and Measurement and Regulator Stations categories. If

this is not the case, please explain the discrepancy. Numbers are in thousands and in 2013\$.

A.1: ORA has no objection to moving the \$4.101 million for GT – M&R Stations from Compressor Stations to M&R Stations, thus changing ORA's 2014 recommendations for Compressor Stations to \$7.510 million and M&R Stations to \$7.724 million. ORA's recommendation for 2014 Gas Engineering expenditures total will remain unchanged at \$47.059 million. ORA's 2015 and 2016 recommendations of capital expenditures for Compressor Stations and M&R Stations will stay the same as described in Exhibit ORA-11. A slightly lower 2016 capital expenditures forecast would result for M&R Stations had ORA chosen to use a forecast method based on five- or six-year averages of recorded expenditures.

**END OF RESPONSE**

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