Company: Southern California Gas Company (U904G)
Proceeding: 2019 General Rate Case
Application: A. 17-10-007/-008 (cons.)
Exhibit: SCG-209R

SOCALGAS

REVISED REBUTTAL TESTIMONY OF DEANNA R. HAINES

(GAS ENGINEERING)

JULY 09, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SoCalGas

A Sempra Energy utility®

TABLE OF CONTENTS

LIST OF APPENDICES

SOCALGAS/SDG&E REVISED REBUTTAL TESTIMONY OF DEANNA HAINES (SUBJECT MATTER)

I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2016 ($000)			
	Base Year 2016	**Test Year 2019**	**Change**
SOCALGAS	**17,223**	**26,629**	**9,406**
ORA	**17,223**	**25,549**	**8,326**
TURN	**17,223**	**25,548**	**8,325**

TOTAL CAPITAL - Constant 2016 ($000)					
	2017	**2018**	**2019**	**Total**	**Variance**
SOCALGAS	**12,622**	**13,361**	**14,101**	**40,084**	**-**
ORA	**10,911**	**11,809**	**12,220**	**34,940**	

My revised direct testimony, the Gas Engineering testimony of Deanna R. Haines (Exhibit SCG-09-R), addressed Southern California Gas Company (SoCalGas) Gas Engineering's Operating and Maintenance (O&M) and capital expenditures. The following rebuttal addresses parties' recommendations for those two areas. The Office of Ratepayer Advocates (ORA) recommends alternative funding amounts for both O&M and capital. The Utility Reform Network (TURN) recommend a minor O&M adjustment, and partially contest the establishment of regulatory accounts to record costs associated with the expiration of rights-of-way agreements with the Morongo Band of Mission Indians (Morongo).

II. INTRODUCTION

This rebuttal testimony regarding SoCalGas' request for Gas Engineering addresses the following testimony from other parties:

- ORA, as submitted by Yakov Lasko (Exhibit ORA-13), dated April 13, 2018.
- TURN, as submitted by William Perea Marcus (TURN-03) and Robert Finkelstein (Exhibit TURN-07), dated May 14, 2018.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SoCalGas with the proposal or contention made by these or other parties. The forecasts contained in SoCalGas' revised direct testimony are based on sound estimates of its revenue requirements at the time of testimony preparation.

SoCalGas maintains its request in the Revised Direct Testimony, Exhibit SCG-09-R -- that the California Public Utilities Commission (CPUC or Commission) adopt its Test Year 2019 (TY 2019) forecast with the adjustments discussed herein.

The forecasts presented in my testimony support the engineering aspects of SoCalGas' and SDG&E's (jointly, "the Utilities") gas infrastructure for satisfying federal and state environmental and safety requirements. The Utilities' commitment to these requirements demonstrate that the engineering programs, training guidance, policies, designs, and data analytics focus on providing safe, compliant, resilient, reliable, and cost-effective energy infrastructure for the customers and communities served by both Utilities.

Certain costs in Gas Engineering's activities help mitigate Risk Assessment Mitigation Phase (RAMP)-related risks.[1] My testimony sponsors incremental costs associated with Records Management and Climate Change Adaptation, as well as capital investments related to Catastrophic Damage Involving High-Pressure Pipeline Failure. ORA recommends a reduction of O&M expenditures in Land and Right of Way, Engineering Design, Engineering Analysis Center and in capital investments supporting risk-related programs and projects. The activities performed by these different Gas Engineering groups are key in supporting the program and projects listed in the Records Management, Climate Change Adaptation, and Catastrophic Damage Involving High-Pressure Pipeline Failure. This rebuttal, along with direct testimony, provides a transparent discussion of O&M and capital expenditures supporting mitigation of RAMP risks and ongoing system reliability.

Morongo Rights-of-Way

In direct testimony, I presented the background, timeline, and steps SoCalGas has taken to reach agreement with the Morongo Band of Mission Indians (Morongo) for renewal of rights-of-way for three transmission pipelines operating across the federal land held in trust for Morongo. In Application (A.) 16-12-011, SoCalGas requested authorization to establish a memorandum account to record potential pre-construction pipeline relocation costs. The Commission denied this request, without prejudice, in Decision 18-04-012 (April 26, 2018).[2]

[1] I.16-10-016, Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, *available at* https://socalgas.com/regulatory/I16-10-016.shtml

[2] Decision (D.) 18-04-012 at Ordering Paragraph (OP) 1.

At this time, SoCalGas and Morongo continue to negotiate in an effort to reach mutually agreeable terms for renewal of the right-of-way for Line 2001, Line 5000 and a distribution system that run through federal lands held in trust for Morongo. The right-of-way agreement for Line 2000 expired on March 29, 2018. As such, SoCalGas ceased operations of Line 2000 within the rights-of-way.[3] While SoCalGas continues to actively pursue renewal of the expiring rights-of-way for Lines 2001 and 5000 in an effort to reach an agreement on terms that are reasonable for customers, SoCalGas must move forward with relocation of Line 5000 around tribal lands to enable SoCalGas to continue to serve customers in the Cabazon area in the event that SoCalGas cannot reach agreement with Morongo prior to the expiration of the right-of-way for Line 2001 in March 2020. These relocation activities are for the purpose of maintaining safe and reliable service at just and reasonable rates for customers and SoCalGas' request to establish a memorandum account to record pre-construction costs associated with possible pipeline relocation around tribal lands is reasonable.

In addition, for the reasons set forth in my direct testimony and below, SoCalGas' request to establish a two-way balancing account to record and recover costs associated with renewal of expiring transmission rights-of-way is reasonable.

A. ORA

ORA issued its report on SoCalGas' Gas Engineering on April 13, 2018.[4] The following is a summary of ORA's position(s):

Morongo Accounts:

- ORA recommends that a memorandum account be established to track the cost for the renewal of the rights-of-way (renewal payment), subject to reasonableness review, and opposes SoCalGas' proposed balancing account.

---

[3] *See* SoCalGas ENVOY Pipeline/Station Maintenance Schedule, *Line 2000 Right of Way Expiration*, March 29, 2018, *available at:* https://scgenvoy.sempra.com/ebb/attachments/1527112440564_SYSIMPT.pdf

[4] May 14, 2018, Prepared Direct Testimony of Yakov Lasko Addressing the SoCalGas – Gas Major Projects & Gas Engineering and SDG&E – Gas Engineering Expenditures, on behalf of The Office of Ratepayer Advocates [ORA], Exhibit ORA-13 (Lasko).

- ORA opposes SoCalGas' request to establish a memorandum account to track pre-construction costs associated with the potential relocation of transmission pipelines around tribal lands.

Non-Shared Expenses:

- ORA does not oppose SoCalGas' non-shared proposed expenses for test year 2019.
- ORA recommends a year-on-year (YOY) growth of 9.6% between 2017-2019 for land services and right-of-way,[5] which is $854,000 less than SoCalGas' request.

Shared Expenses:

- ORA recommends a forecast of $4.225 million in 2019 for shared services, which is $151,000 less than SoCalGas' forecast of $4.376 million for engineering design.
- ORA recommends a $75,000 adjustment for the engineering analysis center because SoCalGas is not requesting a new management position.

Capital:

- ORA recommends applying SoCalGas' 2017 adjusted-recorded capital expenditures of $3.892 million for land and right-of-way, and applying $4.680 million for 2018 and 2019, which is an average of 2016 and 2017 capital expenditures. This is $3,152,000 less than the amount requested by SoCalGas collectively between 2017 and 2019.
- ORA recommends applying SoCalGas' 2017 adjusted-recorded capital expenditures of $2.515 million for capital tools and lab equipment and does not oppose 2018 and 2019 expenditure forecast. This is $270,000 more than the amount requested by SoCalGas collectively between 2017 and 2019.
- ORA recommends applying SoCalGas' 2017 adjusted-recorded capital expenditures of $4.504 million and a year-on-year growth of 8.4% for 2018 and 2019 for supervision and engineering overheads, which is the average of the two-year growth in 2016 and 2017. This is $ 2,262,000 less than the amount requested by SoCalGas.

[5] Ex. ORA-13 (Lasko) at 3:14-16.

B. TURN

The Utility Reform Network (TURN) submitted testimony on May 14, 2018.[6] The following is a summary of TURN's position(s):

Morongo Accounts:

- TURN recommends that the Commission deny both the request for a Morongo Right-of-Way Memorandum Account and a Morongo Right-of-Way Balancing Account.
- TURN claims that SoCalGas' Land and Right-of-Way O&M expenditures from 2014 to 2016 include Morongo-related costs.
- TURN also claims that Morongo-Related costs may be included in gas infrastructure capital costs related to franchise relocations in Gas Transmission and Major Projects organizations.
- TURN argues that SoCalGas can record the pre-construction costs through working cash and Construction Work In Progress (CWIP).
- TURN recommends a reduction of $877 (in whole dollars, not thousands) in the Gas Engineering workpaper for clothing and other gear expenses containing the utilities' name and logo (excluding uniforms, hard hats, etc.).[7]

III. REBUTTAL TO PARTIES' O&M PROPOSALS

A. Non-Shared Services O&M

NON-SHARED O&M - Constant 2016 ($000)			
	Base Year 2016	**Test Year 2019**	**Change**
SoCalGas	**7,786**	**12,226**	**4,440**
ORA	**7,786**	**11,372**	**3,586**

---

[6] May 14, 2018, Prepared Direct Testimony of Robert Finkelstein, Addressing the Proposals of SDG&E and SoCalGas in Their Test Year 2019 GRC Related to Depreciation, The Morongo Rights-of-Way Balancing and Memorandum Accounts, and SDG&E's Extraordinary Attempt to Re-Direct Federal Tax Savings, on behalf of TURN, Exhibit TURN-07 (Finkelstein); May 14, 2018, TURN Report on Various Results of Operations Issues in SoCalGas and SDG&E's 2016 Test Year General Rate Cases, on behalf of TURN, Exhibit TURN-03 (William P. Marcus).

[7] Ex. TURN-03 (Marcus) at 77-78.

1. Gas Engineering

ORA does not oppose SoCalGas' non-shared services costs for Gas Engineering in the amount of $8.6 million for TY2019. Gas Engineering includes the cost categories for (i) Engineering Analysis Center & Measurement, Regulation, and Control, and (ii) Civil, Structural, and Hazard Mitigation Engineering.[8] SoCalGas requests that the Commission adopt SoCalGas' Gas Engineering O&M forecast as reasonable.

2. Land Services and Right-of-Way

a. ORA

ORA takes issue with the TY O&M forecast for Land Services and Right-of-Way and recommends $2.772 million, which is $854,000 less than SCG's request.[9] ORA argues that the reduction is appropriate because ORA relies on the 2017 recorded costs, which were $398,000 less than SoCalGas 2017 forecast and then adjust the forecast for 2018 and 2019 based on the 2017 recorded costs.

SoCalGas disagrees with ORA's approach and recommendation of reducing the Land Services and Right-of-Way Test Year 2019 request to $2.772 million compared to the forecast presented by SoCalGas of $3.626 million because using 2017 recorded cost does not represent a reasonable forecast methodology for year 2019, does not account for historical activities, does not account for staffing level increases due to increased governmental fees and FOF initiatives proposed to enhance the Land Services and Right-of-Way records.[10] For SoCalGas' Land and

---

[8] "ORA…does not oppose SCG's proposed 2019 O&M expenses for gas engineering." Ex. ORA-13 (Lasko) at 14.

[9] "ORA recommends a year-on-year (YOY) growth of 9.6% between 2017-2019 for land services and right-of-way, which is the YOY growth for 2016-2017 based on actual recorded expense in 2017. ORA recommends a $2.772 million forecast for land services and right-of-way in 2019, which is $854,000 less than SCG's request." *Id*. at 13.

[10] "The cost drivers and forecasts contain a high level of uncertainty however historical expenditure in this cost category shows a steady increase. This uncertainty level is often driven by negotiated terms based on contractual arrangements and influenced by the perceived value of the access and possible viable alternatives as well as governmental fee schedule updates. For example, the Bureau of Land Management has a 10-year forecasted fee schedule with the ability to increase fees every five years." December 2017, Revised Direct Testimony of Deanna R. Haines Addressing Gas Engineering, on behalf of SoCalGas, Exhibit SCG-09-R (Haines) at 16.

Right-of-Way department to appropriately execute renewals of right-of-way and ongoing land services preliminary estimates, SoCalGas' Land and Right-of-Way needs adequate resources.

ORA's Table 13-12,[11] below, illustrates the annual recorded costs and trends the Land Services and Right-of-Way department have experienced due to negotiated terms, contractual arrangements and governmental fee schedule updates as indicated in my revised testimony (Ex. SCG-09-R).[12] ORA proposes that a Year-On-Year (YOY) growth of 9.6% be applied to 2018 and 2019; however, the YOY growth does not consider other drivers to the Land Services and Right-of-Way costs that SoCalGas considered when selecting the five-year trend methodology. First, 2017 is an attrition year for expenditures that were approved in the previous GRC (TY 2016) and funds for attrition years have already been approved for that year. SoCalGas uses forecast methodologies to match the cost of running the business for year 2019. Second, many O&M expenses are driven by governmental fees that are anticipated to increase as evidenced in the Bureau of Land Management's schedule.[13] ORA's 9.6% YOY increase would not cover these increased expenses. Finally, there is one additional expenditure that is an expected O&M cost which is to implement and deploy the Land Services and Right-of-Way central database. As shown in ORA's table 13-12, the Land Services and Right-of-Way department has experienced an upward trend and the highest percent increase in SoCalGas' original forecast was between 2016 and 2017 with an increase of 28.4%, which reflect the adjustments for the initial forecast to operate the department and to forecast the test year 2019.

---

[11] Ex. ORA-13 (Lasko) at 15, Table 13-12, *Year-on-Year Growth, with 2012-2017 Recorded Costs and SCG and ORA 2019 Forecasts*.

[12] *Supra* note 10, Ex SCG-09-R (Haines) at 16.

[13] See Bureau of Land Management, *Calendar Years 2016-2025 Per-Acre Rent Schedule*, illustrating annual zone fee increases from 2016 to 2025, *available at* https://www.blm.gov/sites/blm.gov/files/2016-2025_linear_rent_schedule_0.pdf

Table 13-12
Year-on-Year Growth
With 2012-2017 Recorded Costs and SCG and ORA 2019 Forecasts

Description	2012	2013	2014	2015	2016	2017	2018	2019
(1) Land Services & Right-of-Way	$551	$514	$1,587	$1,942	$2,106	$2,706	$3,110	$3,625
(2) SCG's Proposed YOY growth		-6.7%	209%	22.4%	8.4%	28.4%	15.0%	16.6%
(3) SCG's Proposed with actual 2017	$551	$514	$1,587	$1,942	$2,106	$2,308	$3,110	$3,625
(4) SCG's Proposed YOY growth with 2017 recorded exp.		-6.7%	209%	22.4%	8.4%	9.6%	25.40%	13.10%
(5) ORA proposed						$2,308	$2,530	$2,772
(6) ORA proposed YOY growth							9.6%	9.6%

3. Morongo Right-of-Way

a. ORA

SoCalGas requested the establishment of: (1) a memorandum account to record pre-construction costs associated with the possible relocation of transmission pipeline around the Morongo Reservation, which would facilitate SoCalGas' efforts to study, design, and make informed decisions regarding potential relocation or renewal options; and (2) a separate and distinct Morongo Right-of-Way Balancing Account (MROWBA), to record and recover costs associated with renewal of expiring rights-of-way for pipelines that cross Morongo lands. Both accounts would track costs incurred beginning January 1 of TY 2019.

ORA opposes, in part, SoCalGas' request and instead, recommends that *only* a memorandum account be established to track the cost for the renewal of the rights-of-way (renewal payment), subject to reasonableness review, and opposes SoCalGas' request to establish a balancing account.[14]

ORA's position is not supported by testimony setting forth any reasons why SoCalGas' request should not be granted. As such, ORA presented no specific factual or policy testimony for SoCalGas to rebut in this testimony and SoCalGas reiterates its requests to establish the

[14] ORA clarified its recommendation in an email on May 11, 2018, stating "ORA does not recommend the Commission establish any other accounts (balancing or memo) to track costs, except for the renewal payment (to be tracked in the memo account)." The email is attached to this testimony in Appendix A.

Morongo Right-Of-Way Memorandum Account (MROWMA) and Morongo Right-Of-Way Balancing Account (MROWBA) for the reasons set forth in my direct testimony.

b. TURN

TURN opposes establishment of a Morongo Right-of-Way Memorandum Account and Morongo Right-of-Way Balancing Account. TURN asserts that SoCalGas should have forecasted the costs associated with renewal of the expiring rights-of-way agreements in its TY 2019 GRC.[15] SoCalGas did not include a forecast of the costs to renew the expiring rights-of-way agreements with Morongo in its TY 2016 GRC because discussions with the Morongo were ongoing, complex, and sensitive, and there was great uncertainty as to terms, price, and extent of activities to maintain continued operation of the three transmission lines and the distribution facilities located on the Morongo land.[16] Under the circumstances, SoCalGas determined it was not in the best interest of customers to present a speculative forecast of right-of-way renewal costs in the rate case.

TURN also claims that the forecast for Gas Engineering's Land Services and Right-of-Way group includes Morongo-related costs because SoCalGas used a linear forecast method.[17] SoCalGas reviewed the Land and Right-of-Way forecast for O&M that TURN cites to and did not find any Morongo-related cost; however, SoCalGas widened its search to Land and Right-of-Way capital workpapers (budget code 617). SoCalGas found $56,712, $56,203, $246,025,

---

[15] TURN states: "In D. 18-04-012, the Commission noted that SoCalGas had provided no evidence indicating that it was "prohibited, precluded, or otherwise incapable" of including the costs in question in its 2016 GRC forecasts. The same is true here with regards to the 2019 GRC forecasts." Ex. TURN-07 (Finkelstein) at 15: 15-18.

[16] "Because ongoing discussions with Morongo are complex, sensitive, and uncertain as to terms, price, and extent of activities to maintain continued operation of the three transmission lines and the distribution facilities located on the Morongo reservation, SoCalGas cannot at this time estimate a cost for the MROWBA. For example, as stated earlier the price range proposals are far apart with SoCalGas offering a one-time upfront payment of $6.43 million compared to Morongo's demanded upfront payment of $308 million which is equivalent to $1.25 billion for annual payments of $25 million over the next fifty years." Ex. SCG-09-R (Haines) at 21.

[17] Ex. TURN-07 (Finkelstein) at 17: 1-10. SoCalGas also notes that SCG-09-WP, the workpaper for Land Services & Right of Way (p. 33 of 153), contains two typos. The first sentence in the "Forecast Explanation Non-Labor 5-Yr-Linear" discussion should be revised to indicate "non-labor" not "labor." The last sentence in the "Forecast Explanations Labor – 5-YR Linear" discussion and the "Forecast Explanations Non-Labor – 5-YR Linear" should be revised to indicate the use of a "five year linear" methodology, not "five year average."

$377,425, and $178,811 in historical costs for years 2012, 2013, 2014, 2015, and 2016, respectively. TURN also suggests that the Utility's Gas Transmission and Major Projects groups includes a capital forecast for pipeline relocations that include pre-construction expenses for Morongo right-of-way renewal activities.[18] SoCalGas widened its search criteria to include both the terms "Morongo" and "Cabazon" in all GRC witness areas and to both capital and O&M budgets in franchise and relocation. SoCalGas confirms Franchise and Relocation Externally Driven (budget code 314), included in capital workpaper 00304 includes historical expenses of $6,866, $32,539, and $7,306 for years 2014, 2015, and 2016, respectively. SoCalGas also confirms that the 2017 adjusted recorded expenses in budget code 314 include a Morongo-related expense of $353,286. Although historical costs for budget code 314 were included in capital workpaper 003040, the forecast prepared for capital workpaper 003040 only include projects related to budget code 304. Thus, SoCalGas stimulates that its forecast for workpaper 003040 should not be adjusted to exclude the historical costs because they don't represent forecast for budget code 314. SoCalGas stresses that these amounts significantly underrepresent its expected costs for resolution of the Morongo ROW going forward, and that a forecast based on these costs alone will grossly understate the expected future needs.

TURN further argues that SoCalGas can record the pre-construction costs through: (a) the "preliminary survey and investigations" balance sheet item included in the working cash calculation (citing SCG-38-2R (Chan)); and (b) Construction Work In Progress (CWIP) – i.e., that the amounts recorded in CWIP, if reasonable, are added to rate base.[19] SoCalGas disagrees because the costs were too speculative at the time the forecast was prepared and continue to be very uncertain and could not be reasonably forecasted to be included in this GRC for recovery

[18] TURN states: "Therefore, as with the O&M expenses addressed in the preceding section, to the extent SoCalGas has identified pre-construction costs for gas pipeline projects similar in nature to those regularly undertaken by the Gas Transmission and Major Projects groups, the Commission should reach two conclusions. First, SoCalGas has not presented any compelling reason why it could not develop a forecast of the costs, given that they are similar in nature to the costs already included in its forecast. Second, given the significant increase in the forecast for "blanket" capital spending that is intended to cover unplanned natural gas transmission pipeline relocations that may be required within the forecasted period, that forecast should be found to be sufficient to cover any pre-construction costs associated with gas infrastructure work associated with the outcome of the rights-of-way renewal activities." *Id*. at 20.

[19] Ex. TURN-07 (Finkelstein) at 20-21.

through working cash and rate base. Past and current negotiation efforts, as discussed in my direct testimony demonstrate that the potential cost of renewal of the rights-of-way is uncertain. For this reason, SoCalGas' proposal for the balancing and memorandum accounts to record and recover costs associated with spending as of January 1, 2019 is appropriate and reasonable.

In addition, TURN argues that there is no precedent for SoCalGas' request.[20] SoCalGas disagrees. The basis for this disagreement is that other regulatory accounts have been approved (e.g. NERBA) where the expectation and nature of costs is considered reasonable but the full range and level of those costs are either unforeseeable or uncertain. If the CPUC agrees that pursuing rights-of-way or other options to serve the Cabazon area and continue gas deliveries to customers beyond is necessary, we should not be precluded from recording and recovering costs through a regulatory account mechanism (e.g., balancing and memorandum), of course subject to a reasonableness review.

SoCalGas disagrees with TURN's recommendation to deny both the request for a Morongo Right -of-Way Memorandum Account and a Morongo Right-of-Way Balancing Account.

B. Shared Services O&M

SHARED O&M - Constant 2016 ($000)			
	Base Year 2016	**Test Year 2019**	**Change**
SoCalGas	**9,437**	**14,403**	**4,966**
ORA	**9,437**	**14,177**	**4,740**

1. Gas Engineering Director

a. ORA

ORA does not dispute the forecast of $808,000 for the workpaper associated with the activities and expenses within the Gas Engineering Director.

2. Measure, Regulation, and Control (MRC)

a. ORA

ORA does not dispute the forecast of $6,648,000 for the workpaper associated with the activities and expenses within the Measurement, Regulation and Controls department.

[20] *Id*. at 21:15-17.

3. Engineering Design

a. Engineering Design Manager, Design Drafting and Process Design; Pipeline Engineering; Mechanical Design; and Electrical Engineering Design

i. ORA

ORA does not dispute the forecast of $3,086,000 for the workpapers associated with the activities and expenses in the Engineering Design Manager, Design Drafting, Process Design, Pipeline Design, Mechanical Design and Electrical Engineering Design groups.

b. High Pressure and Distribution Engineering Network Design (HPDEND)

i. ORA

ORA recommends a forecast of $1.142 million, which is $148,000 less than SoCalGas' forecast of $1.290 million. ORA does not oppose SoCalGas' incremental adjustment of $640,000 in 2019 for the Gas Engineering's High Pressure and Distribution Engineering Network Design (HPDEND).[21] However, ORA takes issue with the Test Year O&M forecast for the Gas Engineering's design group responsible for design and policy related to high pressure distribution engineering and network design (HPDEND). ORA recommends using actual adjusted-recorded 2017 expenses of $502,000 as the base forecast for 2019.

SoCalGas disagrees with ORA for using the 2017 expenses because ORA's recommendation does not reflect the increased trending cost associated with the HPDEND. As stated in my revised direct testimony, a key cost driver for HPDEND is support for an increasing number of Renewable Gas (RG) projects that require an assessment of system capability to receive RG sources.[22] Examples of the increasing number of RG projects include biogas from landfills, waste treatment facilities and dairy farm operations (SB 1383).

[21] "ORA does not oppose SCG's projected adjustment of $640,000 in 2019." Ex. ORA-13 (Lasko) at 23.

[22] Ex. SCG-09R (Haines) at 34.

4. Engineering Analysis Center (EAC)

a. ORA

ORA recommends an adjustment of $75,000 for the EAC based on SoCalGas' response in data request ORA-SCG-154-YNL.[23]

SoCalGas agrees with ORA's recommended adjustment as it is consistent with its response to data request ORA-SCG-154-YNL.

5. Gas Operations Research and Materials

ORA does not dispute the forecast of $438,000 for the workpaper associated with the activities and expenses within the Gas Operations Research and Material department.

IV. REBUTTAL TO PARTIES' CAPITAL PROPOSALS

TOTAL CAPITAL - Constant 2016 ($000)					
	2017	**2018**	**2019**	**Total**	**Variance**
SOCALGAS	**12,622**	**13,361**	**14,101**	**40,084**	
ORA	**10,911**	**11,809**	**12,220**	**34,940**	**(5,144)**

A. Land and Right-of-Way (Budget Code 617)

1. ORA

ORA recommends a forecast of $3.892 million, $4.680 million, and $4.680 million for Land Services for years 2017, 2018, and 2019, respectively, which is $1.576 million, $788,000, and $788,000 less than SoCalGas' forecast for years 2017, 2018, and 2019, respectively. ORA does not oppose SoCalGas' 2017 adjusted-recorded capital expenditures for Land and Right-of-Way.

SoCalGas' forecast methodology was the base year[24] of $5.468 million for each year in 2017, 2018, and 2019. SoCalGas accepts ORA's recommended forecast of $3.892 million for year 2017 and confirms that the 2017 expenses in workpaper 0617 do not include Morongo-

[23] ORA-SCG-154-YNL, SoCalGas Response to Q.1, see Appendix B.

[24] Please note a correction to Ms. Haines' direct revised testimony (SCG-09-R) page DRH-38, lines 20-22. The testimony reads "The forecast method used is the five-year average of recorded costs in these budget codes. The five- year average was selected because historically it has best represented the capital expenditures projected in this category." It should read, "The forecast method used is base year of recorded costs in these budget codes".

related expenses. SoCalGas also accepts ORA's forecast method to use average of the last two years (2016 and 2017) to forecast years 2018 and 2019. With this newly found information, SoCalGas stipulates that its forecast for capital budget workpapers 0617 should be adjusted to exclude these costs if the Morongo Memorandum Account and the Morongo Balancing Account are authorized and created to capture future expenses for the Morongo ROW resolution. Excluding the $178,811 of Morongo-related charges from workpaper 0617 would result in an average of $4.591 million. Therefore, SoCalGas acceptance of ORA's recommendation will adjust SoCalGas forecast to $3.892 million, $4.591 million, and $4.591 million for Land Services for years 2017, 2018, and 2019, respectively, which is $1.576 million, $877,000, and $877,000 less than SoCalGas' original request for 2017, 2018, and 2019, respectively.

B. Capital Tools and Lab Equipment

1. ORA

ORA recommends $2.515 million, $2.245 million, and $2.245 million for Capital Tools and Lab Equipment for years 2017, 2018, and 2019, respectively, which is $270,000 more than SoCalGas' forecast for year 2017. ORA does not oppose SoCalGas' use of the five-year average of recorded costs for Capital Tools and Lab Equipment and does not offer any recommendations on SoCalGas' proposed 2018 and 2019 capital expenditures but recommends using 2017 adjusted-recorded costs of $2.515 million.

SoCalGas agrees with ORA's recommendation as SoCalGas anticipates purchasing and replacing high-value tools and equipment that are used daily by Gas Transmission, Storage, and Engineering Analysis Center employees. In addition, several tools are used to mitigate risk-related activities as shown in the RAMP filing. One of those tools and lab equipment is the odorization equipment used for mitigation of risk.[25]

---

[25] "Part of the SCG-4 Catastrophic Damage Involving High Pressure Pipeline Failure chapter is included in my testimony and GRC request. It is included because the Engineering Analysis Center within Gas Engineering provides the mandatory 49 Code of Federal Regulations (CFR) 192 Subpart L – Operations requirements to odorize the gas in the gas infrastructure and gas facilities. The capital request in this testimony addresses investments in odorization equipment and techniques for pipeline systems. An alternative could be to rely on a third party to ensure adequate odorization. However, given the mandatory odorization requirements in 49 CFR Part 192, it is not reasonably viable to rely on a third party for a primary critical safety issue." Ex. SCG-09-R (Haines) at 10.

C. Supervision and Engineering Overheads

1. ORA

ORA recommends $4.504 million, $4.884 million, and $5.295 million for 2017, 2018, and 2019, respectively, which is $405,000, $764,000, and $1,093,000 less than SoCalGas' request for 2017, 2018, and 2019, respectively. ORA takes issue with SoCalGas' five-year linear method for capital forecast for Supervision and Engineering overheads. ORA proposed a year-on-year (YOY) growth of 8.43% between 2017-2019, which is the average of growth in 2016 and 2017.

SoCalGas disagrees with ORA's recommended reduction and its approach because ORA is using only two years of historical data to average a growth rate and does not consider the variability with a historical increasing trend from year 2012 to 2017.[26] SoCalGas anticipates the Supervision and Engineering overheads to continue to increase as they are impacted by the capital projects in other areas such as Major Projects, Storage, and Gas Transmission.[27]

V. CONCLUSION

To summarize, SoCalGas respectfully requests the Commission adopt a Test Year 2019 (TY 2019) forecast of $26,629,000 for Gas Engineering Operations and Maintenance (O&M) expenses, which is composed of $12,226.000 for non-shared services activities and $14,403,000 for shared services activities as well as the capital requests.

My revised direct testimony, workpapers and SoCalGas' responses to numerous data requests provide justification for the Commission to authorize SoCalGas' Gas Engineering O&M request in full as presented in my direct testimony and corresponding workpapers.

It is important to note the following overall observations:

- ORA's forecasts were mainly based on comparison of expending in 2016 and 2017 spending, which for the areas in my testimony are not the most suitable indicator of future expectations or newly created programs.

---

[26] "However, ORA recommends a year-on-year growth of 8.43% between 2017-2019, which is an average of two-year growth in 2016 and 2017." Ex. ORA-13 (Lasko) at 30.

[27] "These capital projects will safeguard the long-term safety and integrity of the system. SoCalGas anticipates this type of work to continue to increase as it manages aging infrastructure and responds to changing regulatory and legislative requirements." Ex. SCG-07 (Bermel) at MAB-iv.

- TURN's recommendation to deny both a two-way balancing account and a memorandum account regarding Morongo does not account for the complexity of this project.

These observations are all discussed in more detail in the specific rebuttal sections.

In summary, SoCalGas' forecasts reflect sound judgment and represent the impact from regulatory expectations to continuously enhance the safety of the SoCalGas natural gas system and providing safe, compliant, resilient, reliable and cost-effective energy infrastructure for both Utilities. SoCalGas requests that the Commission adopt the forecasted expenditures discussed in this testimony because they are prudent and reasonable estimates of future requirements.

This concludes my prepared rebuttal testimony.

VI. WITNESS QUALIFICATIONS

My name is Deanna R. Haines. My business address is 555 W. Fifth St., Los Angeles, California, 90013. My current position is Director of Energy and Environmental Policy, and I was previously Director of Gas Engineering under the Gas Engineering and Major Projects organization at the Southern California Gas Company (SoCalGas). The Gas Engineering organization provides gas engineering oversight and support to both SoCalGas and SDG&E. I joined SoCalGas in 1988 and have been in my current position since April 2018 and Director of Gas Engineering since December 2013. Before that date, I was the Director of Environmental Services.

I have a Bachelor of Science Degree in Chemical Engineering from University of Southern California and a Master's Degree in Business Administration from University of Redlands. I have previously testified before the Commission.

APPENDIX A

ORA E-MAIL RESPONSES

Email - Peter Girard and Yakov Lasko:

From: Lasko, Yakov [mailto:yakov.lasko@cpuc.ca.gov]
Sent: Monday, May 07, 2018 2:31 PM
To: Girard, Peter G.
Subject: [EXTERNAL] RE: Discuss your recommendation regarding Morongo Right Of Way Memorandum Account (MROWMA)

Hello Peter,

I hope this response will provide you with some clarity. Please let me know if you have further questions.

"At page 18, the recommendation reads "ORA reviewed SoCalGas' request and recommends that the Commission establish a Morongo Right-of-Way Memorandum Account to track the cost for the renewal of the rights-of-way (renewal payment), subject to reasonableness review." Your testimony does describe our request for both a Morongo Right-of-Way Memorandum account (MROWMA), as well as a separate Morongo Right-of-Way Balancing Account (MROWBA). The recommendation appears to address the 'cost for renewal of the rights-of-way (renewal payment)' as part of the Memorandum Account, while shortly above that recommendation, at line 8, shows our proposal to include those costs-for-renewal in the Balancing Account. We are uncertain regarding the intended result: perhaps approving the Memo Account (which only addressed certain preconstruction costs), or the Balancing Account, which does include the renewal costs, or perhaps both."

ORA only recommends that a memorandum account be established to track the cost for the renewal of the rights-of-way (renewal payment), subject to reasonableness review. Sempra proposed that the renewal payment be tracked in the balancing account. We are proposing it to be tracked in the memo account.
ORA does not recommend the Commission establish any other accounts (balancing or memo) to track costs, except for the renewal payment (to be tracked in the memo account).

"Additionally, in the page 3 summary bullet "ORA recommends a memorandum account to track the cost for the renewal of rights-of-way, subject to reasonableness review" (also at page 13), absent a reference to Morongo, we are uncertain if your recommendation pertains only to the request regarding Morongo, or to all ROW renewals."

My recommendations only pertain to the request regarding Morongo. It does not pertain to all ROW renewals.

Yakov

From: Girard, Peter G. [mailto:PGirard@semprautilities.com]
Sent: Monday, April 30, 2018 12:32 PM
To: Lasko, Yakov
Cc: Tang, Clayton K.
Subject: Discuss your recommendation regarding Morongo Right Of Way Memorandum Account (MROWMA)

Yakov,
We are reviewing your recommendation recommending the Commission establish a Morongo Right-of-Way Memorandum Account, your exhibit ORA-13 at page 18, and we are uncertain of the intended interpretation:

At page 18, the recommendation reads "ORA reviewed SoCalGas' request and recommends that the Commission establish a Morongo Right-of-Way Memorandum Account to track the cost for the renewal of the rights-of-way (renewal payment), subject to reasonableness review." Your testimony does describe our request for both a Morongo Right-of-Way Memorandum account (MROWMA), as well as a separate Morongo Right-of-Way Balancing Account (MROWBA). The recommendation appears to address the 'cost for renewal of the rights-of-way (renewal payment)' as part of the Memorandum Account, while shortly above that recommendation, at line 8, shows our proposal to include those costs-for-renewal in the Balancing Account. We are uncertain regarding the intended result: perhaps approving the Memo Account (which only addressed certain preconstruction costs), or the Balancing Account, which does include the renewal costs, or perhaps both.

Additionally, in the page 3 summary bullet "ORA recommends a memorandum account to track the cost for the renewal of rights-of-way, subject to reasonableness review" (also at page 13), absent a reference to Morongo, we are uncertain if your recommendation pertains only to the request regarding Morongo, or to all ROW renewals.

We thought a meet-and-confer conference call might help us to better understand your recommendation. Could we arrange a conference call for that? If agreeable please let me know a convenient time and I can sent a call meeting notice.

Thanks!

###

Pete Girard

APPENDIX B

DATA REQUEST RESPONSES

ORA DATA REQUEST
ORA-SCG-154-YNL
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 6 2018
DATE RESPONDED: MARCH 22, 2018

Exhibit Reference: SCG-09-WP-R; SCG-08-R
SCG Witness: Deanna R. Haines; Michael A. Bermel
Subject: Gas Engineering; Gas Major Projects

Please provide the following:

1. Referring to Ex. SCG-09-WP-R, p.127-128 of 153, SCG requests additional funding for one incremental FTE in 2017 and one management position in 2018. Please provide engineering analysis center's current organization chart as well as proposed organization chart showing where the new FTE and manager would work and in the case of the proposed manager position who the manager will manage.

SOCALGAS Response 01:
The current Engineering Analysis Center organization chart is shown in the first image below, which includes the Chemical and Environmental (Chem/Envl) section. The second image depicts the organization within the Chemical and Environmental (Chem/Envl) section and shows a box labeled "Meas Tech #1, New FTE" where the one new position would appear on the organization chart. This new FTE is being requested for BTU Testing – Compliance. SoCalGas is not requesting a new management position.