

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SCG-18-R-E

REVISED

PREPARED DIRECT TESTIMONY OF

MICHAEL FRANCO

(FLEET SERVICES)

ERRATA

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



May 2023~~August 2022~~

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Summary of Fleet Services Costs and Activities.....	1
B.	Support To and From Other Witnesses.....	5
C.	Organization of Testimony	6
II.	RISK ASSESSMENT MITIGATION PHASE INTEGRATION	6
A.	RAMP Risk and Cross-Functional Factor Overview.....	7
B.	GRC Risk and CFF Activities.....	8
C.	Changes from RAMP Report.....	9
III.	SUSTAINABILITY AND SAFETY CULTURE	9
IV.	NON-SHARED COSTS	12
A.	Lease and License Costs	13
1.	Description of Cost and Underlying Activities.....	15
2.	Forecast Method.....	21
3.	Cost Drivers	24
B.	Maintenance Operations	25
1.	Description of Costs and Underlying Activities	25
2.	Forecast Method.....	25
3.	Cost Driver.....	27
C.	Fleet Management.....	28
1.	Description of Cost and Underlying Activities.....	28
2.	Forecast Method.....	29
3.	Cost Driver.....	29
D.	Telematics	30
1.	Description of Cost and Underlying Activities.....	30
2.	Forecast Method.....	31
3.	Cost Driver.....	31
E.	Director	31
1.	Description of Cost and Underlying Activities.....	31
2.	Forecast Method.....	31

3. Cost Driver..... 31

V. CONCLUSION.....32

VI. WITNESS QUALIFICATIONS.....33

APPENDICES

Appendix A – Glossary of Terms MF-A-1

[Revision Log](#).....[Log-1](#)

SUMMARY

TESTIMONY AREA (in 2021\$)			
O&M	2021 Adjusted-Recorded (\$000)	Estimated TY 2024 (\$000)	Change (\$000)
Non-Shared	56,814	<u>85,74082,510</u>	<u>28,92625,696</u>
Total O&M	56,814	<u>85,74082,510</u>	<u>28,92625,696</u>

Summary of Requests

- Southern California Gas Company’s (SoCalGas or the Company) total Test Year (TY) 2024 estimated Operations and Maintenance (O&M) expenses for Fleet Services is \$85.74082.510 million.
- SoCalGas’s Fleet Services’ O&M request of \$85.74082.510 million, an increase from base year (BY) of \$28.92625.696 million, is driven primarily by costs to: (1) replace standard vehicles; (2) purchase additional vehicles needed to support gas distribution, engineering, transmission, storage, gas integrity programs, gas system staff, safety management system and construction; (3) retire diesel units to comply with the California Air Resources Board (CARB) ~~Truck and Bus~~ Regulations; (4) purchase zero emission vehicles (ZEVs), including Battery Electric Vehicles (BEVs) and Hydrogen Fuel Cell Electric Vehicles (HFCEVs) which are Risk Assessment Mitigation Phase (RAMP) costs, to support California Governor Gavin Newsom Executive Order mandating that all new passenger trucks and cars sold in the state be emissions-free by 2035,¹ the Advanced Clean Truck Regulation which accelerates a large-scale transition of zero-emission medium-and heavy-duty vehicles² and SoCalGas’s ASPIRE 2045 Climate Commitment (Climate Commitment); and (5) purchase Renewable Natural Gas Vehicles (RNGVs) to help the State reach its climate and carbon neutrality goals.

¹ Ca. Exec. Order N-79-20 (September 23, 2020), available at <https://test.sites.ca.gov/wp-content/uploads/2020/09/9.23.20-EO-N-79-20-text.pdf>.

² California Air Resources Board, *Accelerating Zero-Emission Truck Markets*, available at <https://ww2.arb.ca.gov/resources/fact-sheets/advanced-clean-trucks-fact-sheet>.

- SoCalGas requests \$~~49.322~~48.333 million³ for Fleet Lease and License Costs, an increase from base year of \$~~24.193~~25.182 million. The increase from base year is primarily driven by existing lease obligations, committed orders for vehicle acquisitions and planned vehicle replacements, which require new leases, including BEVs, HFCEVs, RNGVs and vehicle additions to the Fleet required by various operating groups to meet operational demands of each business unit.
- SoCalGas requests \$~~27.912~~30.153 million for Maintenance Operations, an increase from base year of \$~~0.271~~2.512 million to maintain, repair, and fuel Fleet vehicles and power-operated equipment at ~~46~~forty-six maintenance garages throughout the service territory.
- SoCalGas requests \$5.783 million for Fleet Management, an increase from base year of \$1.676 million primarily driven by a new Telematics system and incremental headcount in support of compliance-related goals.

³ SoCalGas believes it has identified immaterial errors during the finalization of this testimony regarding SoCalGas's TY 2024 calculation of Fleet Lease and License costs. These items will be revised at another available opportunity.

**ERRATA REVISED PREPARED DIRECT TESTIMONY OF
MICHAEL FRANCO
(FLEET SERVICES)**

I. INTRODUCTION

A. Summary of Fleet Services Costs and Activities

My prepared direct testimony supports the SoCalGas Fleet Services' 2022, 2023, and 2024 O&M cost forecasts for Test Year 2024 non-shared services. SoCalGas Fleet Services requests \$~~82.51085.740~~ million in O&M expense for TY2024 non-shared services, an increase of \$~~25.69628.926~~ million above 2021 adjusted-recorded costs. Table MF-1 below summarizes my sponsored costs. SoCalGas Fleet Services does not have any shared services expenses.

**TABLE MF-1
Southern California Gas Company
Test Year 2024 Summary of Total Costs**

Non-Shared Services	2021 Adjusted-Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
A. Ownership Costs	24,140	48,333 <u>49,322</u>	24,193 <u>25,182</u>
B. Maintenance Operations	27,641	27,912 <u>30,153</u>	2712 <u>,512</u>
C. Fleet Management	4,107	5,783	1,676
D. Director	926	482	-444
Total O&M Non-Shared Services	56,814	82,510<u>85,740</u>	25,696<u>28,926</u>

Fleet Services acquires, maintains, repairs, and salvages vehicles and related equipment to support the delivery of energy to 21.8 million consumers through 5.9 million gas meters in more than 500 communities. Fleet Services manages a mix of vehicles consisting of over-the-road (OTR) vehicles (for example, automobiles, light-, medium-, and heavy-duty trucks) and non-over-the-road (Non-OTR) vehicles (for example, power-operated equipment, trailers, and forklifts). Fleet Services provides daily critical support to the gas distribution and transmission operating crews, advanced meter operations, customer services field operations, and the Company's capital construction program. This section of my testimony intends to describe the key activities performed by the Fleet Services organization and to provide context for Fleet Services' general rate case (GRC) request.

SoCalGas Fleet Services manages and maintains a fleet of over 5,000 vehicles and power-generated equipment. The aging fleet composition at the end of 2021 is shown in Table

1 MF-2 below. SoCalGas's Fleet is also represented by vehicle type, fuel type, and renewable fuels
 2 and ZEV counts in Table MF-3.

3
 4
 5
 6

TABLE MF-2
Southern California Gas Company
SoCalGas Vehicle Types & Unit Age
(Year-End 2021)

VEHICLE TYPES	Unit Count	0 - 7 Years	Age 8 Years	Age 9 Years	Age 10+ Years
Automobiles (≤ 6,000lbs.)	290	138	14	33	105
Compact Trucks & Vans (≤ 6,000lbs.)	449	127	3	56	263
Light Duty Trucks & Vans (6,001 to 10,000 lbs.)	2,854	775	231	45	1803
Medium Duty Trucks & Vans (10,001 to 20,000 lbs.)	616	303	8	74	231
Heavy Duty Trucks & Vans (30,001 to 60,000lbs.)	75	28	0	25	22
Subtotal over-the-road (OTR)	4,284	1,371	256	233	2,424
Mechanized Trailer	89	24	0	5	60
Non-Mechanized Trailer	626	91	7	64	464
Construction Equipment	278	65	1	14	198
Subtotal non-over-the-road (NON-OTR)	993	180	8	83	722
Total	5,277	1,551	264	316	3,146
% of Fleet		29%	5%	6%	60%

7

TABLE MF-3
Southern California Gas Company
Fleet Composition by Major Group and Fuel Type
(Year-End 2021)

MAJOR GROUP	DIESEL	ELECTRIC	FUEL CELL HYDROGEN	LPG	NON PLUG IN HYBRID	NONE	SOLAR	UNLEADED	RNGV	Grand Total
AUTOMOBILES			50		67				173	290
COMPACT TRUCK VANS					4			445		449
HEAVY DUTY TRUCK	54								21	75
LIGHT TRUCK VANS								1,864	990	2,854
MECHANIZED TRAILER	74					9			6	89
MEDIUM DUTY TRUCK	349							71	196	616
NON MECHANIZED TRAILER		2				537	90			629
P.O.E. / M.W.E.	103	62		56				54		275
Grand Total	580	64	50	56	71	546	90	2,434	1,386	5,277

1 The key activities of Fleet Services include the following:

- 2 a) Provide the necessary quantity, type, and configuration of vehicles and equipment
3 required daily by gas operations to meet new business demands, respond to gas
4 service outages and service requests, support infrastructure replacement, and
5 conduct the corrective maintenance programs central to maintaining reliable
6 service.
- 7 b) Maintain vehicles and equipment to reliably meet daily availability requirements
8 for operations to provide a swift response to any issues with the gas infrastructure
9 and new business demands. This standard requires that vehicles be available 24
10 hours a day, seven days a week.
- 11 c) Manage the vehicle and equipment asset portfolio through the design, acquisition,
12 financing, and replacement of vehicles.
- 13 d) Implement standardization of fleet equipment and technological changes in
14 vehicles to manage acquisition costs and maintenance costs effectively.
- 15 e) Provide specialized equipment and manage fuel acquisition and maintenance
16 operations.
- 17 f) Implement Fleet Services' systems and processes to minimize the costs and
18 optimize operations.
- 19 g) Comply with federal, state, and local laws on air quality, waste, hazardous
20 materials, natural resources, safety, and alternative fuel vehicles. The following
21 laws specifically impact Fleet Services:
- 22 • Energy Policy Act (EPAct) requirements regarding the federally-mandated
23 procurement of alternative-fuel vehicles. As an Alternative Fuel Provider
24 fleet, 90% of SoCalGas's annual light-duty vehicle purchases are required
25 under the EPAct to be approved alternative-fuel vehicles. To achieve the
26 90% annual requirement, SoCalGas may need to purchase EPAct credits.
 - 27 • CARB's Advanced Clean Truck Rule which is designed to accelerate the
28 adoption of zero-emission medium and heavy-duty vehicles.
 - 29 • Evolving CARB regulations requiring the reduction of diesel emissions by
30 replacing diesel vehicles and off-road equipment and by mandating that all
31 new trucks sold in California will be zero-emission vehicles by 2045.

- 1 • Evolving California Highway Patrol (CHP) mandated training and
2 regulations applicable to heavy-duty fleet vehicles and equipment such as
3 Basic Inspections of Terminals (BIT) when used in conducting business.
- 4 • Occupational Safety and Health Administration (OSHA) and California
5 Division of Occupational Safety and Health (Cal/OSHA) mandated
6 inspections, training, and other regulations applicable to Fleet Services'
7 operations and equipment acquisition.
- 8 • Environmental Protection Agency (EPA) requirements governing air
9 quality, water quality, waste, hazardous materials, safety, and natural
10 resources, including mandated inspections and repairs applicable to
11 underground storage tanks, aboveground storage tanks, fuel island
12 components, and hazardous waste management.
- 13 • California Governor Gavin Newsom's Executive Order mandating that all
14 new passenger trucks and cars sold in the state be emissions-free by 2035.
- 15 • The Advanced Clean Truck Regulation, which accelerates a large-scale
16 transition ~~to~~ zero-emission medium-and heavy-duty vehicles.

- 17 h) Maintain proper training of Fleet Services Maintenance Technicians.
- 18 i) Comply with hazardous waste disposal requirements of fleet materials.
- 19 j) Evaluate changes in technology, regulation, and operational trends so that they
20 can be appropriately incorporated into all Fleet Services related plans and
21 activities.

22 **B. Support To and From Other Witnesses**

23 My testimony also references the testimony and workpapers of several other witnesses,
24 either in support of their testimony or as referential support for mine.

- 25 • Mario Aguirre; Gas Distribution – Ex. SCG-04;
- 26 • Wallace Rawls; Gas System Staff & Technology – Ex. SCG-05;
- 27 • Rick Chiapa, Steve Hruby, and Aaron Bell; Gas Transmission Operations and
28 Construction – Ex. SCG-06;
- 29 • Maria T. Martinez; Gas Engineering – Ex. SCG-07;
- 30 • Amy Kitson and Travis Sera; Gas Integrity Management Programs – Ex. SCG-09;

1 • Larry Bittleston and Steve Hruby; Gas Storage Operations and Construction – Ex.
2 SCG-10;

3 • Brenton Guy; Real Estate & Facility Operations – Ex. SCG-19; and

4 • Neena Master; Safety & Risk Management Systems – Ex. SCG-27.

5 **C. Organization of Testimony**

6 My testimony is organized as follows:

7 • Introduction

8 • Lease and License

9 • Maintenance Operations

10 • Fleet Management

11 • Director

12 • Conclusion

13 **II. RISK ASSESSMENT MITIGATION PHASE INTEGRATION**

14 Certain costs supported in my testimony are driven by activities described in SoCalGas’s
15 and SDG&E’s respective 2021 Risk Assessment Mitigation Phase (RAMP) Reports (the 2021
16 RAMP Reports).⁴ The 2021 RAMP Reports presented an assessment of the key safety risks for
17 SoCalGas and SDG&E and proposed plans for mitigating those risks. As discussed in the
18 testimony of the RAMP to GRC Integration witnesses R. Scott Pearson and Gregory S. Flores
19 (Ex. SCG-03/SDG&E-03, Chapter 2), the costs of risk mitigation projects and programs were
20 translated from the 2021 RAMP Reports into the individual witness areas.

21 SoCalGas is committed to decarbonizing its fleet of vehicles and equipment to help
22 reduce greenhouse gas (GHG) emissions. As an example, SoCalGas has already converted over
23 30% of its fleet to fRNGVs and has built a network of internal-facing renewable natural gas
24 (RNG) refueling stations. As new zero-emission vehicles and equipment come to market
25 (including BEVs and HFCEVs), SoCalGas plans to accelerate transitioning its fleet to support
26 SoCalGas’s Climate Commitment.⁵ The Climate Commitment identifies goals to replace 50% of

⁴ See Application (A.) 21-05-011/014 (cons.) (RAMP Proceeding). Please refer to the RAMP to GRC Integration testimony of R. Scott Pearson and Gregory S. Flores (Ex. SCG-03/SDG&E-03, Chapter 2) for more details regarding the 2021 RAMP Reports.

⁵ See SoCalGas, *ASPIRE 2045, Sustainability and Climate Commitment to Net Zero*, available at https://www.socalgas.com/sites/default/files/2021-03/SoCalGas_Climate_Commitment.pdf.

1 the SoCalGas Fleet with less carbon intense vehicles by 2025 and 100% zero-emissions vehicles
 2 by 2035.⁶ SoCalGas plans to diversify its fleet further by investing in BEVs and HFCEVs, and
 3 related infrastructure to advance SoCalGas’s climate goals.

4 In preparing the SoCalGas Fleet Services GRC forecasts, SoCalGas continued to evaluate
 5 the scope, schedule, resource requirements, and synergies of RAMP-related projects and
 6 programs. Therefore, the final presentation of RAMP costs may differ from the ranges shown in
 7 the 2021 RAMP Reports. Table MF-4 below provides a summary of the RAMP-related costs
 8 supported in my testimony:

9 **TABLE MF-4**
 10 **Summary of RAMP O&M Costs**

RAMP Report Chapter	BY 2021 Embedded Costs	TY 2024 Total	TY 2024 Estimated Incremental
RAMP CFFs			
SCG-CFF-2 – Energy System Resilience BEVs, ZEVs & RNGVs	120	<u>15,38413,30</u> ‡	<u>15,26413,181</u>
Sub-Total RAMP CFF Costs	120	<u>15,38413,30</u> ‡	<u>15,26413,181</u>
Total RAMP O&M Costs	120	<u>15,38413,30</u> ‡	<u>15,26413,181</u>

11 **A. RAMP Risk and Cross-Functional Factor Overview**

12 As summarized in Table MF-4 above, my testimony includes costs to mitigate the safety-
 13 related risks and cross-functional factors included in the RAMP report. These risks and factors
 14 are further described in Table MF-5 below:

15 **TABLE MF-5**
 16 **RAMP Chapter Description**

SCG-CFF-2 – Energy System Resilience	This describes how Energy Resilience activities impact the risks described in SoCalGas’s other Risk Assessment Mitigation Phase (RAMP) Chapters.
--------------------------------------	--

17 In developing my request, priority was given to these key safety risks to assess which risk
 18 mitigation activities SoCalGas Fleet Services currently performs and what incremental efforts
 19 are needed to mitigate these risks further. While developing the GRC forecasts, SoCalGas

⁶ *Id.* at 9.

1 evaluated the scope, schedule, resource requirement, and synergies of RAMP-related projects
 2 and programs to determine costs already covered in the base year and those that are incremental
 3 increases expected in the test year.

4 Messrs. Pearson and Flores (Ex. SCG-03/SDG&E-03, Chapter 2) discuss the risks and
 5 CFFs included in the 2021 RAMP Reports and the RAMP to GRC integration process.

6 **B. GRC Risk and CFF Activities**

7 Table MF-6 below summarizes the TY2024 forecast by workpaper associated with the
 8 RAMP activities.

9 **TABLE MF-6**
 10 **RAMP Activity O&M Forecasts by Workpaper**
 11 **In 2021 Dollars (\$000)**

Workpaper	RAMP ID	Activity	2021 Embedded-Recorded	TY 2024 Estimated	Change
<u>2RF003.001</u>	<u>SCG-CFF-2</u>	<u>Energy System Resilience – Hydrogen Vehicles</u>	<u>0</u>	<u>165</u>	<u>165</u>
<u>2RF003.001</u>	<u>SCG-CFF-2</u>	<u>Eergy System Resilience – Renewable Natural Gas Vehicles</u>	<u>0</u>	<u>1,835</u>	<u>1,835</u>
2RF004.000	SCG-CFF-2	Energy System Resilience – Electric Vehicles	0	770 <u>762</u>	762 <u>770</u>
2RF004.000	SCG-CFF-2	Energy System Resilience – Hydrogen Vehicles	14	1,393 <u>1374</u>	1,379 <u>1360</u>
2RF004.000	SCG-CFF-2	Energy System Resilience— Zero Emission Vehicles & Renewable Natural Gas Vehicles	106	11,229 <u>11,157</u>	11,123 <u>11,051</u>
		Total	\$ 120	\$ 15,384 <u>13,301</u>	\$ 15,264 <u>13,181</u>

1 For the workpaper identified in Table MF-6 above, additional descriptions of the RAMP
2 controls and mitigations comprising these forecasts are discussed below in the cost category
3 sections.

4 The costs for these activities are shown as adjustments to my forecasts and are provided
5 in greater detail in my workpapers, entitled Zero Emission Vehicles & Renewable Natural Gas
6 Vehicles, Exhibit (Ex.) SCG-18-WP. In my workpapers, RAMP mitigation costs are presented as
7 “RAMP-Base” to represent the RAMP-related costs that are embedded in the BY 2021 adjusted-
8 recorded costs and “RAMP-Incremental” to represent TY 2024 estimated incremental costs.

9 C. Changes from RAMP Report

10 Changes from the 2021 RAMP Report presented in my testimony, including updates to
11 forecasts and the amount and timing of planned work, are summarized as follows:

- 12 • Forecasted dollars for RAMP were not included in the RAMP report. The costs
13 identified below are primarily driven by the addition of ownership costs for
14 renewable vehicles in support of:
 - 15 ○ California Governor Gavin Newsom Executive Order mandating that all
16 new passenger trucks and cars sold in the state be emissions-free by 2035.
17 Following Newsom’s Executive Order, the California Air Resources
18 Board ~~are~~is developing regulations to mandate that 100 percent of in-state
19 sales of new passenger cars and trucks are zero-emission by 2035. In
20 addition, CARB will also develop regulations to mandate that all
21 operations of medium- and heavy-duty vehicles shall be 100 percent zero
22 emission by 2045.⁷
 - 23 ○ The Advanced Clean Truck Regulation which accelerates a large-scale
24 transition of zero-emission medium-and heavy-duty vehicles from Class
25 2b to Class 8.⁸

26 III. SUSTAINABILITY AND SAFETY CULTURE

27 Sustainability at SoCalGas focuses on continuous improvement, innovation, and
28 partnerships to advance California’s climate objectives by incorporating holistic and sustainable

⁷ See FN 1, *supra*.

⁸ See FN 2, *supra*.

1 business practices and approaches. SoCalGas’s sustainability strategy, ASPIRE 2045, integrates
2 five key focus areas across the Company’s operations to promote the public interest and the well-
3 being of utility customers, employees, and other stakeholders. Please refer to the Sustainability
4 and Climate Change Policy testimony of Michelle Sim and Naim Jonathan Peress (Ex. SCG-02)
5 for a more detailed discussion of SoCalGas’s sustainability and climate policies.

6 Safety is foundational to SoCalGas and SoCalGas’s sustainability strategy. As the
7 nation’s largest gas distribution utility, the safety of SoCalGas’s customers, employees,
8 contractors, system, and the communities served has been – and will remain – a fundamental
9 value for the Company and is interwoven in everything SoCalGas does. This safety-first culture
10 is embedded in every aspect of SoCalGas’s business. The tradition of providing safe and reliable
11 service spans more than 150 years of the Company’s history and is summarized in SoCalGas’s
12 Leadership Commitment statement, which is endorsed by the entire senior management team:

13
14 *SoCalGas leadership is fully committed to safety as a core value. SoCalGas’s*
15 *Executive Leadership is responsible for overseeing reported safety concerns and*
16 *promoting a strong, positive safety culture and an environment of trust that*
17 *includes empowering employees to identify risks and to “Stop the Job.”*

18
19 SoCalGas’s approach to safety is one of continuous learning and improvement where all
20 employees and contractors are encouraged and expected to engage in areas of opportunity for
21 learning and promote open dialogue where learning can take place. To learn about SoCalGas’s
22 overall safety approach, please see the Safety & Risk Management System testimony of Neena
23 Master (Exhibit SCG-27).

24 Sustainability and Climate Policy

25 SoCalGas is committed to decarbonizing its fleet of vehicles and equipment to help
26 reduce GHG emissions 40% below 1990 levels by 2030 and align with recent Executive Orders
27 put in place by Governor Newsom to have five million zero-emission vehicles on the road by
28 2030.⁹ As new ZEVs come to market, SoCalGas has committed to replacing 50% of the

⁹ See FN 1, *supra*.

1 SoCalGas OTR Fleet with less carbon-intense vehicles, including BEVs, RNGVs, and HFCEVs
2 by 2025, and by 2035 SoCalGas will be operating an OTR fleet consisting of 100% ZEVs.

3 Included in this request and detailed in the Ownership Cost and Incremental Vehicle
4 section of my testimony is the ZEV and RNGV plan for 2022 through 2024 that will increase
5 SoCalGas's BEV, HFCEV and RNGV vehicle count by 1,098 units from 34% to 54% of the
6 overall fleet. More information is included in my workpapers titles 'Zero Emission Vehicles &
7 Renewable Natural Gas Vehicles' and 'Vehicle Additions' workpapers, Exhibit SCG-18-WP.

8 In addition, SoCalGas plans to increase its population of BEVs by ~~14198~~ units ~~through~~
9 ~~the acquisition of 45 Ford Lightning BEV pickup trucks and 53 Ford E-Transit connect BEV~~
10 ~~vans~~. These acquisitions will grow SoCalGas's overall BEV fleet from 1% at the time of this
11 forecast to 3% by year-end 2024. SoCalGas will require BEV charging infrastructure to support
12 the increasing number of battery electric vehicles in the Fleet, specifically, Level 2 EV charging
13 stations at each SoCalGas site. The costs and calculations for this additional vehicle charging
14 infrastructure can be found in the direct testimony of Brenton Guy; Real Estate & Facility
15 Operations – Ex. SCG-19.

16 Further, and included in the ZEV totals above, SoCalGas plans to purchase a total of 126
17 commercially available HFCEVs to better understand the technology, duty cycles, range,
18 maintenance requirements, and determine future application of this emerging and promising
19 technology for SoCalGas fleet vehicles, particularly in medium-duty and heavy-duty vehicle
20 applications that require long duty cycles and short refueling times.

21 SoCalGas will require the construction of a dedicated hydrogen refueling station to
22 accommodate this new technology. The details of the new SoCalGas hydrogen fuel-cell refueling
23 site can be found in the direct testimony of Brenton Guy; Real Estate and Facility Operations –
24 Ex. SCG-19 and Armando Infanzon; Clean Energy Innovations- Ex. SCG-12

25 Additionally, included in this request and detailed in the incremental vehicle section of
26 my testimony is a total of 45 BEVs and 300 RNGVs. SoCalGas forecasts that executing a
27 renewable fleet strategy will see SoCalGas achieve a 50% AFV fleet by 2025.

28 SoCalGas continues to look for additional opportunities to convert to RNGVs and ZEVs
29 wherever economically feasible and is in constant contact with market participants. SoCalGas
30 will continue to monitor and engage with industry for new ZEV market offerings and will look to
31 take advantage of new platforms as they become commercially available in California. For more

1 information, please see my workpapers titled ‘Zero Emission Vehicles & Renewable Natural Gas
2 Vehicles’ and ‘Vehicle Additions’ Exhibit SCG-18-WP.

3 Safety Culture

4 SoCalGas’s longstanding commitment to safety focuses on three primary areas: (i)
5 employee safety, (ii) customer safety, and (iii) public safety. This safety focus is embodied in the
6 full spectrum of Fleet Services’ activities – from initial employee training to the operation and
7 maintenance of our fleet vehicles, and to our commitment to provide safe and reliable service to
8 our customers.

9 SoCalGas Fleet Services regularly assesses its safety culture and encourages two-way
10 communication between employees and management to identify and manage safety risks. At
11 SoCalGas, safety is a core value, so we provide all employees with the training necessary to
12 perform their job responsibilities safely.

13 **IV. NON-SHARED COSTS**

14 Non-Shared Services are activities that are performed by a utility solely for its own
15 benefit. Corporate Center provides certain services to the utilities and other subsidiaries¹⁰. For
16 this general rate case, SoCalGas treats costs for services received from Corporate Center as Non-
17 Shared Services costs, consistent with any other outside vendor costs incurred by the utility.

18 For TY 2024, Fleet Services Non-Shared Services is requesting \$~~82.51~~85.74 million,
19 an increase of \$~~25.69~~28.92 million above 2021 adjusted-recorded costs. Non-Shared costs for
20 Fleet Services include the O&M costs to acquire, maintain, repair, and salvage more than 5,000
21 vehicles and power-operated equipment. Table MF-7 summarizes the total non-shared O&M
22 forecasts for the listed cost categories.

23 **TABLE MF-7**
24 **Non-Shared O&M Summary of Costs**

Non-Shared Services	2021 Adjusted- Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
A. Lease and License	24,140	<u>48,333</u> 49,322	<u>24,193</u> 25,182
B. Maintenance Operations	27,641	<u>27,912</u> 30,153	<u>2712</u> 512
C. Fleet Management	4,107	5,783	1,676

¹⁰ Ex. SCG-23/SDG&E-27 Cooper at DRC-1:16-20.

D. Director	926	482	-444
Total	56,814	<u>82,510</u> 85,740	<u>25,696</u> 28,926

A. Lease and License Costs

For TY 2024, SoCalGas requests \$48.333~~49.322~~ million for Fleet Lease and License Costs, an increase of \$24.193~~25.182~~ million above 2021 adjusted-recorded costs, as summarized in Table MF-8

below. A majority of this request is for ZEVs and RNGVs, as SoCalGas is committed to decarbonizing its fleet of vehicles to help reduce greenhouse gas emissions. These vehicles are scheduled to be acquired from 2022 through 2024.

**TABLE MF-8
Southern California Gas Company
Ownership O&M Summary of Costs**

Lease and License	2021 Adjusted- Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
1. Existing Fleet Leases & Fees	25,860	20,215	-5,645
2. Salvage & Replacement	-1,840	<u>7,981</u> 10,183	<u>9,821</u> 12,023
3. Vehicle Additions	0	<u>6,753</u> 5,623	<u>6,753</u> 5,623
4. Zero Emission Vehicles & Renewable Natural Gas Vehicles	120	<u>13,384</u> 13,301	<u>13,264</u> 13,181
Total	24,140	<u>48,333</u> 49,322	<u>24,193</u> 25,182

To further explain the ownership O&M request, Table MF-9 below outlines TY 2024 Fleet ownership costs obligations based on contractual commitments and state and federal mandates. TY 2024 Fleet ownership costs obligations correspond with the columns in Table MF-9: (a) vehicles already under lease agreements at year-end (YE) 2021; (b) vehicles delivered year-to-date (YTD) (as of March 23, 2022); (c) vehicles already ordered with future delivery dates; (d) CARB mandated Airborne Toxic Control Measure (ATCM) replacements. The amount in column (e) vehicle leases fully amortized for TY 2024; (f) net proportionate salvage; (g) represents the sum of the amounts in columns (a) through (f). The amount in column (h) represents non-committed amounts; (i) incremental business needs; (j) GRC Request TY2024.

1
2
3
4

TABLE MF-9¹¹
SoCalGas Vehicle Ownership Costs TY 2024
(As of March 23, 2022)
(\$000)

	Current Commitments		Future Commitments	State and Federal Mandates	(e) Vehicles with Leases Fully Amortized TY 2024	(f) Net Proportionate Salvage ¹²	(g) TY 2024 Obligations ¹³	(h) Non-Committed Replacements TY 2024	(i) Incremental Business Needs	(j) GRC Request TY 2024
	(a) Vehicles on Lease (as of YE 2021)	(b) Vehicles delivered YTD ¹⁴	(c) Vehicles Ordered with Future Delivery Dates ¹⁴	(d) ATCM (CARB Mandated) ¹⁴						
Existing Fleet Leases & Fees	\$25,860	\$0	\$0		(\$5,645)	\$0	\$20,215	\$0	\$0	\$20,215
Salvage & Replacement	(\$1,840)	(\$171)	\$8,134 <u>5,757</u>	\$489	\$0	(\$488)	\$7,961 <u>5,587</u>	\$2,222 <u>3,394</u>	\$0	\$10,183 <u>7,981</u>
Vehicle Additions	\$0	\$0	\$0		\$0	\$0	\$0	\$0	\$5,623	\$5,623 <u>6,753</u>
Alternative Fuel Vehicles:										\$0
Renewable Natural Gas Vehicles	\$1060	\$39	\$6,914 <u>6,809</u>		\$0	\$0	\$7,059 <u>6,954</u>	\$4,084 <u>4,275</u>	\$0	\$11,143 <u>11,229</u>
Hydrogen	\$14	\$0	\$0		\$0	\$0	\$14	\$1,374 <u>1,379</u>	\$0	\$1,388 <u>1,393</u>
Electric Vehicles	\$0	\$0	\$0		\$0	\$0	\$0	\$770 <u>762</u>	\$0	\$770 <u>762</u>
Total	\$24,140	(\$132)	\$15,045 <u>12,566</u>	\$489	(\$5,645)	(\$488)	\$35,249 <u>32,770</u>	\$8,450 <u>8,810</u>	\$5,623	\$49,322 <u>48,333</u>

5

¹¹ SoCalGas believes it has identified an ~~immaterial~~immaterial error during the finalization of this testimony after the point at which it could be corrected prior to filing. The corresponding calculation will be revised at another available opportunity.

¹² Salvage proceeds are proportionate to commitments in (a) through (d). 2021 salvage proceeds are excluded from the summation in (g) because they relate to units eligible for auction related to the timing of vehicle deliveries.

¹³ Total Ownership TY 2024 is the sum of (a) through (f).

¹⁴ Ownership impacts to TY 2024.

1 Table MF-10 below summarizes SoCalGas’s committed TY 2024 Ownership compared
2 to SoCalGas’s TY 2024 forecast.

3 **TABLE MF-10**
4 **SoCalGas Ownership Cost Summary (\$000)**

Total Committed Ownership Costs TY 2024	\$35,249 32,
based on current commitments	<u>770</u>
	\$14,073 15,
Non-Committed Replacements TY 2024	<u>563</u>
	\$49,322 48,
GRC Request TY 2024	<u>333</u>

5 **1. Description of Cost and Underlying Activities**

6 SoCalGas acquires vehicles through long-term lease agreements ranging from ~~sixty-60~~
7 months to one-hundred ~~twenty-120~~ months at fixed interest rates and fixed payment amounts.
8 SoCalGas Fleet Services incurs monthly lease payments and CA use tax for each vehicle over
9 the term of each lease as well as annual CA DMV license fees.

10 SoCalGas’s Fleet Services TY 2024 Leasing costs request of ~~\$49.322-48.333~~ million is
11 comprised of the following; (1) Existing Leases and License Fees request is \$20.215 million,
12 or 41% of the overall Lease and License costs request, and includes repayment of principal,
13 interest, CA use tax and CA DMV license fees on existing lease obligations at the time of this
14 forecast; (2) Replacement Plan and Salvage request is ~~\$10.183-7.981~~ million, or ~~21~~17% of the
15 overall Lease and License cost request, and includes the repayment of principal, interest, and CA
16 use tax on vehicles SoCalGas plans to acquire to replace existing vehicles as well as offsetting
17 salvage proceeds from the sale of replaced vehicles; (3) Vehicle additions request is ~~\$5.623~~
18 6.753 million, or ~~11~~14% of the overall Lease and License cost request, and includes the
19 repayment of principal, interest, and CA use tax on vehicles SoCalGas plans to add to the Fleet
20 to meet operating group’s needs; (4) ZEV and RNGV request is ~~\$13.301-13.384~~ million, or
21 ~~27~~28% of the overall Lease and License cost request, and includes the repayment of principal,
22 interest, and CA use tax on HFCEVs SoCalGas plans to acquire to replace existing vehicles as
23 well as offsetting salvage proceeds from the sale of replaced vehicles.

1 SoCalGas leases its vehicles and incurs annual repayment of principal and interest
2 (amortization) for each vehicle over the term of each lease. Replacement scheduling is based on
3 the targeted useful life of vehicles by various classes, including age, mileage, estimated use per
4 year, condition of the asset, zero emissions and renewable natural gas options. Ownership costs
5 for each year are forecasted using a cash-flow model that considers the purchase price of each
6 asset, financing date, lease terms, and estimated salvage proceeds from the replaced asset; the
7 cash flows are then calculated on a monthly basis for each asset in the fleet, ordered assets,
8 intended replacements, and incremental vehicles needed by the operating groups.

9 As noted above, SoCalGas leases its fleet of vehicles. The ownership cost category is
10 comprised of: (1) existing fleet leases & fees; (2) salvage & replacement; (3) vehicle additions;
11 and (4) zero-emission vehicles & renewable natural gas vehicles. Below is a description of the
12 components of ownership costs:

13 Existing Leases & License Fees

14 Existing leases and License Fees include monthly lease payments, CA use tax, and CA
15 DMV license fees on existing lease obligations. This category of expenses will peak in Base
16 Year + 1 as it represents all existing lease obligations with 12 monthly lease payments and an
17 annual CA DMV license fee payment. As assets are paid off and individual lease obligations
18 decrease to zero, payment of that lease will end, and thus this category of expense will decrease
19 over time as more assets become fully paid off. Refer to my workpapers entitled, “Existing Fleet
20 Leases & Fees,” Exhibit SCG-18-WP, for additional information on this topic.

21 Replacement Plan and Salvage

22 Replacement plan and salvage includes monthly lease payments and CA use tax for
23 committed vehicle acquisition with executed purchase orders as well as planned vehicle
24 acquisitions that replace an existing vehicle in the Fleet and includes offsetting salvage proceeds
25 from the sale of replaced vehicles. This category of expense will be at its lowest in Base Year + 1
26 as it represents new lease obligations and will increase over time as more acquisitions are
27 complete and added to the lease portfolio. As an example, a new lease with an effective date of
28 July 1, 2022, will have a partial year of expenses recorded in 2022, with payments for July –
29 December, or 6 payments in 2022, but will have a full year of payments, or 12 payments, in 2023
30 and 2024; as a result, this single lease obligation will be one-half of payments (expenses) in 2022
31 and a full stream of payments (expenses) in 2023, and 2024.

1 SoCalGas replaces vehicles based on a targeted useful life of each vehicle or equipment
2 by asset class; this is typically set by an age & mileage threshold but is adjusted to account for
3 vehicle condition, maintenance history, repair history, the criticality of the asset to business unit,
4 and in some instances, the availability of suitable commercially available BEV or ZEV
5 replacements. In addition, as mentioned in the Sustainability, Climate Policy, and Safety Culture
6 section above, SoCalGas intends to reduce ~~our~~its sustainability footprint by converting the Fleet
7 to renewable natural gas and zero-emission vehicles.

8 In addition to age & mileage replacements, SoCalGas must also replace some assets
9 irrespective of useful life, age, mileage, or condition to comply with Federal, State, and local
10 regulations like CARB's Truck & Bus requirements which require the replacement of 2008 and
11 older diesel engine vehicles with newer & cleaner engines;¹⁵ CARB's Off-Road-Diesel Program
12 (ORD), which requires off-road diesel assets to meet a specific emissions standard through
13 replacement, retirement, and/or use of a credit system;¹⁶ Large Spark Ignition (LSI), which
14 requires off-road assets to meet a specific emission standard through replacement or retirement;¹⁷
15 CARB's Portable Equipment Registration Program (PERP), which requires replacement or
16 retirement of 50HP and above portable engines on a tiered schedule to meet specific emissions
17 standards;¹⁸ and EPA's Act, which requires 90% of light duty-vehicle¹⁹ purchases to be AFV and/or

¹⁵ California Code of Regulations (CCR) Title 13 Division 3 Chapter 1 Article 4.5, *available at*
<https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I587C03705F7C11DFBF66AC2936A1B85A&bhcp=1&bhhash=1&transitionType=Default&contextData=%28sc.Default%29#IAD71C3DED7D147A094D6836C6CB107E3>.

¹⁶ CCR Title 13 Division 3 Chapter 9 Article 4.8, *available at*
<https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IF5BA3790D46911DE8879F88E8B0DAAAE&transitionType=Default&contextData=%28sc.Default%29#ID1C693E02DDD11E197D9B83B68A61150>.

¹⁷ CCR Title 13 Division 3 Chapter 15 Article 2, *available at*
[https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I1725AAE0D46A11DE8879F88E8B0DAAAE&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I1725AAE0D46A11DE8879F88E8B0DAAAE&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)).

¹⁸ CCR Title 13 Division 3 Chapter 9 Article 5, *available at*
[https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IF73761B0D46911DE8879F88E8B0DAAAE&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=IF73761B0D46911DE8879F88E8B0DAAAE&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default)).

¹⁹ As defined by EPA's Act - Light Duty Vehicle means a light duty truck or light duty vehicle, as such terms are defined under section 216(7) of the Clean Air Act ([42 U.S.C. § 7550\(7\)](#)), having a gross

1 invest in AFV infrastructure, and/or use credits, and/or obtain half credits for medium-duty AFV
2 acquisitions, and/or procure bio-diesel fuels and and/or utilize other compliance mechanisms
3 within the regulation.²⁰

4 As shown in Table MF-11 below, 3960% of all vehicles in the SoCalGas's forecast were
5 fully amortized (\$0 amortization, \$0 interest, \$0 sales tax) at YE 2021. Vehicles that are fully
6 amortized at YE 2021, contributed nearly \$0 to ownership costs. Refer to my workpapers
7 entitled, "Salvage & Replacement," Exhibit SCG-18-WP, for additional information on this
8 topic.

vehicle weight rating of 8,500 pounds or less, before any after-market conversion to alternative fuel operation. *See* Code of Federal Regulations, *Part 490 – Alternative Fuel Transportation Program*, available at <https://www.ecfr.gov/current/title-10/chapter-II/subchapter-D/part-490>.

²⁰ As defined by EPC Act – Alternative Fuel means methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; natural gas, including liquid fuels domestically produced from natural gas; liquefied petroleum gas; hydrogen; coal-derived liquid fuels; fuels (other than alcohol) derived from biological materials (including neat biodiesel); three P-series fuels (specifically known as Pure Regular, Pure Premium and Pure Cold Weather) as described by United States Patent number 5,697,987, dated December 16, 1997, and containing at least 60 percent non-petroleum energy content derived from methyltetrahydrofuran, which must be manufactured solely from biological materials, and ethanol, which must be manufactured solely from biological materials; and electricity (including electricity from solar energy). *See* Code of Federal Regulations, *Part 490 – Alternative Fuel Transportation Program*, available at <https://www.ecfr.gov/current/title-10/chapter-II/subchapter-D/part-490>.

1
2

**Table MF-11
SoCalGas Fleet Vehicles (Leased vs. Fully Amortized)**

VEHICLE TYPES	SoCalGas Vehicle Inventory YE 2021	Vehicles Under Lease
Automobiles	290	131
Compact Trucks & Vans	449	129
Light Duty Trucks & Vans	2,854	1026
Medium Duty Trucks & Vans	616	366
Heavy Duty Trucks & Vans	75	59
Subtotal over-the-road (OTR)	4,284	1,711
<u>Lease Balance</u>		
<u>Fully Amortized</u>		
Trailers	715	283
Construction Equipment	278	67
Subtotal non-over-the-road (NON-OTR)	993	350
<u>Lease Balance</u>		
<u>Fully Amortized</u>		
Total	5,277	2,061

3
4
5
6
7
8
9
10
11

Vehicle Additions

Vehicle additions includes monthly lease payments and CA use tax for incremental vehicles needed by various operating departments over the three-year forecast period, 2022 – 2024 that are net-additions to the Fleet and do not replace an already existing asset. This category of expense will be at its lowest in Base Year + 1 as it represents new lease obligations and will increase over time as more acquisitions are complete and added to the lease portfolio. As an example, a new lease with an effective date of July 1, 2022, will have a partial year of expenses recorded in 2022, with payments for July – December, or six payments in 2022, but will have a full year of payments, or 12 payments, in 2023 and 2024; as a result, this single lease

1 obligation will be one-half of payments (expenses) in 2022 and a full stream of payments
2 (expenses) in 2023, and 2024. Please see the direct testimony of the witnesses listed below in this
3 section for specific justification for these vehicle additions to the Fleet. For additional
4 information, please refer to my workpapers entitled, ‘Vehicle Additions’ Exhibit SCG-18-WP.

- 5 • Mario Aguirre; Gas Distribution – Ex. SCG-04;
- 6 • Wallace Rawls; Gas System Staff & Technology – SCG-05;
- 7 • Rick Chiapa, Steve Hruby, and Aaron Bell; Gas Transmission Operations and
8 Construction – Ex. SCG-06;
- 9 • Maria T. Martinez; Gas Engineering – Ex. SCG-07;
- 10 • Amy Kitson and Travis Sera; Gas Integrity Management Programs – Ex. SCG-09;
- 11 • Larry Bittleston and Steve Hruby; Gas Storage Operations and Construction – Ex.
12 SCG-10; and
- 13 • Neena Master; Safety & Risk Management Systems – Ex. SCG-27.

14 Zero Emission Vehicles & Renewable Natural Gas Vehicles

15 SoCalGas’s mission is to build the cleanest, safest, and most innovative energy company
16 in America. The utility is working to realize this future through innovation and decarbonization
17 defined in its ASPIRE 2045 sustainability plan. In support of this goal, SoCalGas is committed
18 to decarbonizing its fleet of vehicles and equipment to help reduce greenhouse gas emissions
19 with the goal of operating a 100% ZEV fleet by 2035. Further, SoCalGas proposes to support the
20 state initiative to grow its RNGV fleet by replacing traditional petroleum and diesel-powered
21 utility service body trucks and crew trucks with units powered by RNGVs. RNG will play an
22 important role in meeting the state’s SB 1383 Short-Lived Climate Pollutants reduction goal of
23 forty percent (40%) methane reduction from 2013 levels by 2030. Methane can be captured and
24 cleaned to produce renewable gas for use in transportation, as well as in homes and businesses.
25 Because RNG reduces fugitive methane emissions from the agricultural and waste sectors and
26 displaces traditional natural gas, it will be integral to the State reaching its climate and carbon
27 neutrality goals. As roughly 80% of the methane emissions in California come from agriculture,
28 landfills, and wastewater treatment facilities,²¹ RNG presents a significant opportunity for

²¹ California Air Resources Board, California Methane Inventory for 2000-2019, *available at*
https://ww3.arb.ca.gov/cc/inventory/data/tables/ghg_inventory_scopingplan_2000-19ch4.pdf.

California’s existing natural gas system to play an active role in reducing GHG emissions and helping the State achieve its climate change goals. In support of this goal, SoCalGas plans to purchase a total of 599 RNGVs for 2022 through 2024, as listed in Table MF-12 below. RNGVs can reduce emissions by up to 95% compared to those fueled by gasoline or diesel on a lifecycle basis.²² Today, there are no options to purchase BEV or HFCEV that meet the weight requirement demands of these 599 utility-working vehicles thus SoCalGas will continue to purchase RNGVs for these vehicle classes. Although as new zero-emission vehicles for these vehicle classes become available over the next 7-10 years, SoCalGas plans to transition its fleet to support the States ZEV goals and SoCalGas’s ASPIRE 2045 Climate Commitment. Refer to my workpapers entitled, ‘Zero Emission Vehicles & Renewable Natural Gas Vehicles’ Exhibit SCG-18-WP, for additional information on this topic.

**Table MF-12
SoCalGas Vehicle Type**

	TY 2024 Unit Count	2021 Adjusted- Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
Renewable Natural Gas Vehicles	599	\$106	\$11,157 <u>11,229</u>	\$11,051 <u>11,123</u>
Hydrogen Vehicles	126	\$14	\$1,374 <u>1,393</u>	\$1,360 <u>1,379</u>
Electric Vehicles	118	\$0	\$770 <u>762</u>	\$770 <u>762</u>
Total	843	\$120	\$13,301 <u>13,384</u>	\$13,181 <u>13,264</u>

2. Forecast Method

SoCalGas forecasted ~~\$49.322~~48.333 million for non-shared Fleet Services ownership costs. SoCalGas’s forecasted amount is primarily due to leasing of existing vehicles and the need for additional fleet replacement vehicles, which include gasoline vehicles, zero-emission vehicles, and renewable natural gas vehicles, to support Gas Distribution, Transmission, and Storage, and Customer Field Services. Operating departments estimate the need for 482 additional vehicles over the three-year period, 2022, 2023, and 2024. Of these 482 vehicles, ~~300~~383 are RNGVs and ~~4590~~4590 are BEVs. The increase in vehicles also impacts the costs for

²² Argonne National Laboratory, *Renewable Natural Gas (RNGV) for Transportation, Frequently Asked Questions*, (“Compared to conventional gasoline and diesel, RNG can reduce GHG emissions by 95%”), available at [RNGV for Transportation FAQs.pdf \(anl.gov\)](https://www.anl.gov/rngv-for-transportation-faqs).

1 associated services such as (1) maintenance and fuel costs and (2) activities required to meet
2 compliance. These estimates for the ownership cost categories are derived using a zero-based
3 method, as explained below.

4 SoCalGas has experienced the effects of global supply chain disruptions that continue to
5 impact vehicle deliveries. SoCalGas must rely on delivery date estimates from purchase orders or
6 estimates provided by Fleet vehicle vendors to create our Lease costs forecasts. Wherever
7 possible, SoCalGas has taken into consideration the latest delivery date estimate for each vehicle
8 and potential delays due to global supply chain shortages. SoCalGas anticipates delays in vehicle
9 deliveries into 2023 that will affect 2022 and 2023 estimates; however, SoCalGas anticipates
10 these issues to be resolved by 2024. As described above, the timing of deliveries affects the
11 number of payments that are captured in each forecast year, thus delivery delays could shift costs
12 from one month to another. Adding to the example utilized above, if instead of a vehicle being
13 added to the lease on July 1, 2022, it was delayed and added on October 1, 2022, this would
14 decrease the number of payments in 2022 from 6 to 3 and subsequently reduce the expenses by
15 half for 2022, however this delay would not reduce the number of payments (expenses) in 2023
16 or 2024.

17 For this forecast, SoCalGas provides supplemental workpapers that summarize the
18 detailed individual asset repayment schedules, forecasted on a month-by-month basis, into
19 annualized figures, including all related terms and conditions required to calculate committed
20 payment amounts.

21 Previously acquired assets under the Citizens Bank agreement are amortized in a straight-
22 line method, have a variable interest rate based on London Interbank Offered Rate (LIBOR) plus
23 a bank margin percentage, include payment of CA use tax, and conclude with a balloon payment
24 between one and two percent. Assets acquired under the new Bank of America Leasing and
25 Capital LLC agreement have a fixed repayment methodology with a guaranteed interest rate
26 through the life of the schedule and include payment of CA use tax. For the purposes of this
27 forecast, future interest rates for leases not already active have been locked utilizing January 1,
28 2022, interest rates for future periods. Included in this cost category is the payment of CA DMV
29 license fees. License fees are paid annually for each over-the-road vehicle SoCalGas owns and
30 operate on California roadways and vary depending on several factors like vehicle type, vehicle
31 purchase price or declared value, purchase date, city/county of business, declared gross vehicle

1 weight (GVW) and the number of axles on the vehicle, license plate type, California Highway
2 Patrol (CHP) fees, transportation improvement fees, and county/district fees.²³ License fees are
3 difficult to calculate on a vehicle-specific basis for future periods as the many factors that make
4 up the license fee cannot be accurately calculated or forecasted. SoCalGas instead relies on the
5 ratio of 2021 license fees paid to the CA DMV divided by the principal paid on all lease
6 obligations in 2021 to come up with a license-to-principal percentage. This percentage is applied
7 to future anticipated principal payment forecasts to estimate the license fees due.

8 Existing Fleet Leases & Fees

9 A zero-based forecast is appropriate because costs vary according to lease amortization
10 schedules for units currently in the fleet. Therefore, historical trends or averages will not
11 properly represent the costs. Costs are determined based on each vehicle's lease schedule. The
12 cost associated with existing fleet leases for 2022 through 2024 is based on year-end 2021 actual
13 vehicles under lease financing.

14 A zero-based forecast, where the 2021 ratio of license fees is used to determine the
15 license fee costs, is the most reasonable forecasting method because historical trends or averages
16 will not properly represent the costs for license fees. This methodology is considered reasonable
17 as the calculation to replicate the California Department of Motor Vehicles (DMV) formulae for
18 SoCalGas's fleet, which is comprised of more than five thousand fleet vehicles, is too complex.
19 This estimating method has proven to be a reasonable approximation.

20 Salvage & Replacement

21 **Salvage**

22 A zero-based forecast is appropriate because estimates of salvage proceeds for each
23 forecast year are determined by multiplying the number of vehicles expected to be replaced
24 during the year by the salvage received based on the 3-year average per-unit salvage amount by
25 vehicle type. The use of alternate forecast method(s) or certain historical trends is not
26 appropriate because the value of the salvage proceeds is directly related to the forecasted number
27 of vehicle replacements. More information is included in my workpapers entitled, 'Salvage &
28 Replacement' Ex. SCG-18-WP.

²³ See State of California Department of Motor Vehicles, Registration Fees, available at <https://www.dmv.ca.gov/portal/vehicle-registration/registration-fees/>.

1 **Replacement**

2 The forecast method for replacement units is the same as the forecast method for the
3 Existing Fleet Leases & Fees section. Refer to Existing Fleet Leases & Fees section above for
4 more information. The cost associated with replacement for 2022 through 2024 is based on the
5 planned replacement vehicles scheduled each year. The replacement cost in 2024 follows the
6 required replacement lifecycles.

7 **Vehicle Additions**

8 The forecast method for incremental vehicles is the same as the forecast method for the
9 Existing Fleet Leases & Fees section. Refer to Existing Fleet Leases & Fees section above for
10 more information. The cost associated with vehicle additions for 2022 through 2024 is based on
11 the requested incremental vehicle additions each year. The vehicle additions cost in 2024 follows
12 the requests for incremental vehicles required by other SoCalGas business units. Please see the
13 direct testimony of the following witnesses for specific justification for the vehicle additions.

- 14 • Mario Aguirre; Gas Distribution – Ex. SCG-04;
- 15 • Wallace Rawls; Gas System Staff & Technology – SCG-05;
- 16 • Rick Chiapa, Steve Hruby, and Aaron Bell; Gas Transmission Operations and
17 Construction – Ex. SCG-06;
- 18 • Maria T. Martinez; Gas Engineering – Ex. SCG-07;
- 19 • Amy Kitson and Travis Sera; Gas Integrity Management Programs – Ex. SCG-09;
- 20 • Larry Bittleston and Steve Hruby; Gas Storage Operations and Construction – Ex.
21 SCG-10; and
- 22 • Neena Master; Safety & Risk Management Systems – Ex. SCG-27.

23 **Zero Emission Vehicles & Renewable Natural Gas Vehicles**

24 The forecast method for ZEVs and RNGVs is the same as the forecast method for the
25 Existing Fleet Leases & Fees section. Refer to Existing Fleet Leases & Fees section above for
26 more information. The cost associated with this category for 2022 through 2024 is based on the
27 planned replacement vehicles and SoCalGas’s commitment to replace 50% of the SoCalGas
28 OTR Fleet with less carbon-intense vehicles by 2025.

29 **3. Cost Drivers**

30 The cost drivers behind this forecast are attributable to the cost and timing of replacement
31 vehicles; additional vehicles needed to support gas distribution, transmission, and customer field

services; future interest rate increases; environmental and regulatory compliance-related costs associated with the purchase and maintenance of vehicles and power-operated equipment; and purchase of zero-emission vehicles and renewable natural gas vehicles.

B. Maintenance Operations

For TY 2024, the Maintenance Operations and Fuel O&M request is \$~~30.153~~27.912 million, an increase of \$~~2.512~~0.271 million above 2021 adjusted-recorded costs, as summarized in Table MF-13 below.

TABLE MF-13
Southern California Gas Company
Maintenance Operations O&M Summary of Costs
(\$000)

Maintenance Operations	2021 Adjusted- Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
1. Maintenance Operations	\$16,330	\$17,821 <u>15,810</u>	\$1,491 <u>520</u>
2. Automotive Fuels	\$11,311	\$12,332 <u>12,102</u>	\$1,021 <u>791</u>
Total	\$27,641	\$30,153<u>27,912</u>	\$2,512<u>271</u>

1. Description of Costs and Underlying Activities

Inspection and maintenance are carried out in 45 operating garage locations distributed throughout the SoCalGas territory. The Maintenance Operations organization performs vehicle safety inspections and other routine maintenance, replaces worn and defective parts, and repairs damaged vehicles. In addition, this group facilitates compliance with applicable federal, state, and local environmental, safety, and emissions regulations. Technician and fleet assistants' labor and training costs are included in this forecast.

The cost of fuel is a function of both price and quantity consumed. While improved fuel economy units will likely have a beneficial impact on fuel costs, the price of fuel will remain the dominant factor.

2. Forecast Method

A five-year historical average is appropriate to forecast Maintenance Operations O&M because the use of five-year averaging is generally recognized as a reasonable and valid methodology where costs fluctuate from year to year.

1 **a. Maintenance Operations**

2 The five-year average is appropriate for Maintenance Operations’ forecast because costs
3 for Maintenance Operations are prone to fluctuations due to the volatility in commodity prices.
4 SoCalGas cannot predict the changes in commodity prices and must therefore rely on averaging
5 to arrive at a reasonable cost estimate. In the TY 2024 GRC, a 4-year average was selected as
6 more appropriate than a 5-year average for automotive fuel due to the increase of the base excise
7 tax starting November 2017 from the new California legislation.²⁴ More information is included
8 in my workpapers entitled, “Maintenance Operations,” Exhibit SCG-18-WP.

9 **b. Automotive Fuels**

10 For TY2024, SoCalGas has elected to utilize a four-year historical average to forecast
11 Automotive Fuels rather than a five-year historical average primarily due to Senate Bill (SB) 1
12 going into effect beginning November 1, 2017, which implemented new gasoline and diesel
13 taxes.²⁵ The 2018 – 2021 historical cost represents SoCalGas’s Automotive Fuel costs that
14 include the effects of SB No.1 and therefore represents the best estimate of expenses in this
15 activity. Further, the costs included in Automotive Fuels vary year-to-year due to fluctuations in
16 commodity pricing for gasoline and diesel fuels, with the vast majority of this workpaper
17 representing the commodity costs for gasoline or diesel fuel, therefore the largest historical cost
18 dataset feasible should be used to represent the variability possible in this activity. Costs for
19 automotive fuel are prone to fluctuations because of the volatility of fuel prices due to political,
20 social, and economic concerns. The use of alternate forecast method(s) is not applicable because
21 of the fluctuations in the price of fuel. Such volatility makes predicting the forward-cost of fuel
22 over an extended period difficult. The cost of fuel is a function of both price and quantity
23 consumed. Fuel prices will remain the dominant factor, and a historical 4- year average annual
24 fuel cost is a reasonable predictor of cost.

²⁴ In April 2017, the Legislature enacted Senate Bill 1, also known as the Road Repair and Accountability Act. Starting November 1, 2017, the transportation funding package adds a 12 cent per gallon base excise tax—bringing total base excise taxes to 30 cents per gallon; see Legislative Analyst’s Office, *Overview of the 2017 Transportation Funding Package*, available at <https://lao.ca.gov/reports/2017/3688/2017-transportation-package-060817.pdf>.

²⁵ California Senate Bill 1 (Stats. 2017), available at https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB1.

1 **3. Cost Driver**

2 **a. Maintenance Operations**

3 The cost drivers behind this forecast include the maintenance and repair costs associated
4 with a fleet of more than 5,000 vehicles and power-operated equipment, including technician and
5 fleet assistance labor and technical training, replacement parts, and contracted repair services.
6 The cost driver for this request also includes backfilling positions with an average workforce
7 turnover of 20% per year and incremental positions to meet the continued workload increases
8 and expected growth. The increased workload is due to the implementation and training of (1)
9 Training for 40 fleet technicians to administer the SoCalGas’s smog program, which accounts for
10 248 training hours per technician to acquire their smog inspection and repair licenses to service
11 4,282 vehicle models year 2000 and newer; (2) CHP BIT program which requires trained fleet
12 technicians to administer the necessary inspections; ~~and (3) a labor training program to support~~
13 ~~the 40% increase of AFV’s from 2019 and increased complexity of modern fleet vehicles such as~~
14 ~~those powered by hydrogen.~~ Fleet Services conducts audits to maintain compliance with CHP’s
15 BIT Program, which includes the review of vehicle and employee driver records. To comply
16 with the new revisions, SoCalGas must have a Driver Proficiency document on file stating that
17 the employee is trained to operate the Company vehicle(s) they utilize. The revised regulation
18 also requires that each driver perform a pre-trip and documented post-trip inspection and
19 complete a Driver Vehicle Inspection Report (DVIR) each day they operate a BIT vehicle;²⁶
20 ~~and (3) a labor training program to support the 40% increase of AFV’s from 2019 and increased~~
21 ~~complexity of modern fleet vehicles such as those powered by hydrogen.~~ SoCalGas’s mix of
22 vehicle types adds to the complexity of training SoCalGas technicians to appropriately service
23 the combination of vehicles with both new and old technologies.

²⁶ Dep’t of California Highway Patrol, Welcome to BIT, The Basic Inspection of Terminals Program, available at <https://www.chp.ca.gov/CommercialVehicleSectionSite/Documents/O%20chp800h.pdf>.

1 **b. Automotive Fuels**

2 The cost drivers for this forecast include a gasoline and diesel fuel price level adjustments
3 to account for the elevated pricing levels experienced in the current market, incremental costs
4 due to Additional Vehicles required by operating groups, and fuel savings from renewable
5 natural gas vehicles and ZEV replacements. SoCalGas utilized a four-year average for 2023 and
6 2024, although for 2022, SoCalGas omitted the 4-year average and calculated the total cost using
7 actuals and Natural Gas Intelligence index due to the uncertainty of fuel cost brought forth by the
8 war in Europe. Details of these calculations and the methodology used to calculate 2022 and
9 2023-2024 forecasts can be found in my Maintenance Operations and Automotive Fuels
10 workpapers, Exhibit SCG-18-WP.

11 **C. Fleet Management**

12 For TY 2024, Fleet Management requests \$3.148 million, a decrease of \$.959 million
13 above 2021 adjusted-recorded costs, as summarized in Table MF-14 below.

14 **TABLE MF-14**
15 **Southern California Gas Company**
16 **Fleet Management O&M Summary of Costs**
17 **(\$000)**

	2021 Adjusted- Recorded (000s)	TY 2024 Estimated (000s)	Change (000s)
1. Fleet Management	\$4,107	\$3,148	\$-959
Total	\$4,107	\$3,148	\$-959

18 **1. Description of Cost and Underlying Activities**

19 This activity consists of all the SoCalGas Fleet Services management staff and non-
20 vehicle-specific expenses not covered elsewhere, including Asset Management; Financial &
21 Systems; Maintenance Operations Management & Supervision; and Commutation Fee Credits.

22 Asset Management

23 Asset Management activity includes a team of Fleet professionals who manage vehicle
24 replacement planning, vehicle design, specification creation, project management, acquisition,
25 quality assurance inspections, and disposal of replaced vehicles. The planning, design,
26 acquisition, inspection, and in-service of each new vehicle can take months to years, primarily
27 driven by vehicle complexity, with smaller, less complex vehicles having shorter lead times and
28 heavier, more complex vehicles having longer lead times.

1 Financial & Systems

2 Financial & Systems activity consists of administrative and operational support for
3 financial transactions, Sarbanes-Oxley Act (SOX) controls and testing, DMV license
4 administration, lease administration, metrics reporting, Fleet management system support,
5 project management, fuel system management and support, and vehicle compliance and
6 reporting.

7 Maintenance Operations Management & Supervision

8 Maintenance Operations Management & Supervision activity consists of the operation
9 manager, maintenance manager, trainers, training manager, and garage supervisors. The Fleet
10 maintenance manager and supervisor staff provide oversight and leadership to union-represented
11 Fleet maintenance technicians and Fleet assistants. This team is also responsible for reviewing
12 maintenance and repairs performed on Fleet vehicles, reviewing and processing work orders and
13 associated invoices related to parts and services performed by the garage staff, ensuring a safe
14 work environment and vehicles for SoCalGas employees.

15 Commutation Fee Credits

16 The Commutation Fee Credits activity consists of employee commutation fee credits to
17 help offset Fleet vehicle costs for take-home vehicles. Take-home vehicles for management staff
18 incur a fee to the employee to recoup the cost of fuel and wear and tear on vehicles due to
19 employee commute to and from the office/worksite.

20 **2. Forecast Method**

21 A five-year historical average was used as the basis for our TY 2024 forecast. The five-
22 year historical average is most appropriate because recorded costs for this activity have
23 fluctuated in the past five years. In addition, this methodology accurately reflects the current and
24 future staffing levels and the recent economic trends.

25 **3. Cost Driver**

26 The cost drivers behind this forecast include the labor required to provide supervision and
27 management to the Maintenance Operations organization and the collection of employee
28 commutation fees for take-home fleet vehicles. Cost drivers also include one incremental Fleet
29 Services compliance advisor to support the expanded CHP BIT inspection program. In addition,
30 the cost drivers for this request are due to the need to provide supervision and oversight for (1)
31 SoCalGas’s smog program for 4,282 vehicle models year 2000 and newer, and (2) CHP BIT

1 program, which requires trained fleet technicians to administer the necessary inspections; ~~(3) a~~
 2 ~~labor training program to support the 40% increase of AFV's from 2019 and the increased~~
 3 ~~complexity of modern fleet vehicles.~~ Fleet Services conducts audits to maintain compliance with
 4 CHP's BIT Program, which includes reviewing vehicle and employee driver records. To comply
 5 with the new revisions, SoCalGas must have Driver Proficiency documents on file stating that
 6 the employee is trained to operate the Company vehicle(s) they utilize. The revised regulation
 7 also requires that each driver perform a pre-trip and documented post-trip inspection and
 8 complete a DVIR each day they operate a BIT vehicle.²⁷ ~~(3) a labor training program to support~~
 9 ~~the 40% increase of AFV's from 2019 and the increased complexity of modern fleet vehicles.~~
 10 SoCalGas's mix of vehicle types adds to the complexity of training SoCalGas technicians to
 11 appropriately service the mix of vehicles with both new and old technologies. These cost drivers
 12 are further described in my Maintenance Operations and 'Fleet Management' workpapers,
 13 Exhibit SCG-23-WP.

14 **D. Telematics**

15 For TY 2024, Telematics request is \$2.635 million, as summarized on Table MF-15
 16 below.

17 **TABLE MF-15**
 18 **Southern California Gas Company**
 19 **Telematics O&M Summary of Costs**
 20 **(\$000s)**

Telematics	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Telematics Service Fees	0	\$2,635	\$2,635
Total	0	\$2,635	\$2,635

21 **1. Description of Cost and Underlying Activities**

22 SoCalGas intends to install a telematics system on all existing and new fleet over-the-
 23 road vehicles. A Telematics system is a technology used to gather vehicle data and monitor a
 24 wide range of information, including vehicle location, driver behavior, and vehicle activity. This
 25 will help Fleet Services to manage resources, increase efficiency, and improve reliability and

²⁷ *Id.*

1 driver safety. More information is included in my workpapers entitled, ‘Telematics Service Fee’
2 Exhibit SCG-18-WP.

3 **2. Forecast Method**

4 A zero-based forecast is appropriate because this is a new project starting in 2022. Costs
5 are determined based on the annual software maintenance fees for existing and new vehicles.

6 **3. Cost Driver**

7 The cost driver for this activity is the software maintenance fees for existing and new
8 vehicles.

9 **E. Director**

10 For TY 2024, Director request is \$.482 million, as summarized on Table MF-16 below.

11 **TABLE MF-16**
12 **Southern California Gas Company**
13 **Telematics O&M Summary of Costs**
14 **(\$000s)**

Director	2021 Adjusted- Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Director	\$926	\$482	(\$444)
Total	\$926	\$482	(\$444)

15 **1. Description of Cost and Underlying Activities**

16 This activity includes the allocated portion of the Support Services director, who provides
17 overall leadership and direction to the Fleet Services organization. More information is included
18 in my workpapers entitled, ‘Director,’ Exhibit SCG-18-WP.

19 **2. Forecast Method**

20 A 5-year historical average is most appropriate because recorded costs for this activity
21 have fluctuated in past years. In addition, this methodology accurately reflects the current and
22 forecasted staffing levels.

23 **3. Cost Driver**

24 The cost driver for this activity includes labor for the department Director and an
25 administrative associate. Non-labor includes consulting fees.

1 **V. CONCLUSION**

2 Fleet Services provides the underlying tools and support necessary to field crews who
3 maintain the reliability and safety of our gas systems and are often the first contact between the
4 customer and the Company. The quality of our fleet maintenance & equipment, while enabling
5 productive work, is also fundamental to the safety of our work crews, permitting them to restore
6 service, provide services to new customers, and perform routine inspection and maintenance.

7 The requested forecast for Fleet Services is essential to continuing our efforts and commitment to
8 public and employee safety. SoCalGas requests that the Commission adopt the O&M forecasts
9 presented in this testimony. The forecasts were carefully developed and represent a prudent level
10 of funding for the critical activities in this GRC term. The amounts requested for TY 2024 for
11 Fleet Services are necessary to meet the needs of SoCalGas. Where applicable, they are based on
12 an evaluation of cost trends adjusted for known incremental increases and decreases and then
13 forecasted for the 2022 through 2024 period.

14 This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Michael S. Franco. My business address is 8101 S. Rosemead Blvd., Pico
3 Rivera, CA 90660. I am employed by Southern California Gas Company (SoCalGas) as the Fleet
4 Financial and Systems Manager, and I am responsible for vehicle finance, compliance,
5 acquisition, and fuel. I have been in this position since 2015.

6 I received a Bachelor of Science degree from the School of Engineering and Technology
7 at California State University, Los Angeles, and a Master's degree in Business Administration
8 from Brandman University. I have been employed by SoCalGas in various positions and
9 responsibilities since 2001. I have experience in numerous areas, including Customer Energy
10 Solutions, Regulatory Affairs, and Fleet Services.

11 I have not previously testified before the California Public Utilities Commission.

APPENDIX A
Glossary of Terms

APPENDIX A
Glossary of Terms

Acronym	Definition
AFV	Alternative Fuel Vehicle
ATCM	Airborne Toxic Control Measure
BEV	Battery Electric Vehicle
BIT	Basic Inspections of Terminals
BY	Base Year
CARB	California Air Resources Board
CHP	California Highway Patrol
DMV	Department of Motor Vehicles
DVIR	Driver Vehicle Inspection Report
EPA	Environmental Protection Agency
EPAct	Energy Policy Act
Ex.	Exhibit
GHG	Greenhouse Gas
GRC	General Rate Case
GVW	Gross Vehicle Weight
HFCEV	Hydrogen Fuel Cell Electric Vehicle
LIBOR	London Interbank Offered Rate
NGV	Natural Gas Vehicle
Non-OTR	Non-Over-The-Road
O&M	Operations and Maintenance
OSHA	Occupational Safety and Health Administration
OTR	Over-The-Road
RAMP	Risk Assessment Mitigation Phase
RNG	Renewable Natural Gas
RNGV	Renewable Natural Gas Vehicle
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company

Acronym	Definition
TY	Test Year
YTD	Year-To-Date
ZEV	Zero Emission Vehicle