Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015
Exhibit: SCG-20-R

REVISED

PREPARED DIRECT TESTIMONY OF

ALBERT J. GARCIA

(ENVIRONMENTAL SERVICES)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 2022

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SUMMARY

O&M Environmental Services (in $2021)	2021 Adjusted-Recorded ($000)	Estimated Test Year 2024 ($000)	Change ($000)
Non-Shared Environmental Compliance	$7,230	$9,126	$1,896
Non-Shared NERBA (Two-Way Balancing Account)	$16,438	$16,684	$246
Total O&M	$23,668	$25,809	$2,142

Summary of Requests

- SoCalGas's Environmental Services department is requesting adoption of its Test Year (TY) 2024 forecast of $25,810,000, of which $9,126,000 is for operations and maintenance (O&M) expenses for Environmental Compliance activities. This represents an increase of $1,896,000 from adjusted recorded base year costs of $7,230,000.
- The aforementioned O&M expenses for Environmental Compliance activities include costs to support the day-to-day activities conducted by Environmental Services related to, among other things, hazardous materials, cultural resources, natural resources, air quality compliance matters, greenhouse gas emissions matters, water quality compliance matters and programmatic permits to help streamline the permitting processes, provide uniform compliance requirements, and reduce project costs.
- Additionally, as part of the overall O&M request, SoCalGas is also requesting authorization to continue the New Environmental Regulatory Balancing Account (NERBA), for which Environmental Services estimates TY 2024 O&M expenses of $16,684,000. This represents an increase of $246,000 from adjusted recorded base year costs of $16,438,000.

REVISED PREPARED DIRECT TESTIMONY OF ALBERT J. GARCIA (ENVIRONMENTAL SERVICES)

I. INTRODUCTION

My testimony supports the TY 2024 forecasts for O&M costs for non-shared services for the forecast years 2022, 2023, and TY2024, associated with Environmental Services for SoCalGas. Table AJG-1 summarizes my sponsored costs.

TABLE AJG-1
Non-Shared O&M Summary of Environmental Compliance and NERBA Costs

SoCalGas Environmental Services (In 2021 $)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. Environmental Compliance	$7,230	$9,126	$1,896
B. New Environmental Regulatory Balancing Account (NERBA)	$16,438	$16,684	$246
Total	**$23,668**	**$25,810**	**$2,142**

A. Environmental Services Compliance Costs

TABLE AJG-2
TY 2024 Summary of Total Environmental Compliance Costs

SoCalGas Environmental Services (In 2021 $)			
Categories of Management	**2021 Adjusted-Recorded (000s)**	**TY2024 Estimated (000s)**	**Change (000s)**
Environmental Compliance Total	7,230	9,126	1,896

Environmental Services consists of employees who provide guidance and support to SoCalGas on compliance in the areas of natural resources, water quality, hazardous materials and waste (HazMat), air quality, and land planning. Environmental Services assists in SoCalGas' efforts to comply with federal, state, regional, and local environmental laws, rules, regulations, and ordinances, as well as internal company policies and procedures. Environmental Services' responsibilities include: (i) tracking and analyzing environmental regulations; (ii) developing compliance policies, procedures, and tools; (iii) developing and delivering training materials; (iv) developing and implementing internal quality assurance and quality control procedures; (v) screening projects for environmental compliance, (vi) developing plans to avoid and/or minimize potential project environmental impacts; and (vii) developing and obtaining environmental

permits and plans. Environmental Services is also responsible for managing two SoCalGas Treatment, Storage, and Disposal Facilities (TSDFs), the remediation of contaminated media at current and former utility and third-party sites, and for responding to emergency release events.

There are numerous acronyms for the various programs, agencies, and requirements encountered by Environmental Services and described in this testimony. In addition to describing each acronym in this text, I have included a Glossary of Terms in an appendix as a reference.

B. Environmental Services' NERBA Costs

My testimony also supports the TY 2024 forecasts for New Environmental Regulatory Balancing Account (NERBA) costs for non-shared services for the forecast years 2022, 2023, and TY 2024 for SoCalGas. Table AJG-3 summarizes my sponsored costs for NERBA.

TABLE AJG-3
TY 2024 Summary of Total NERBA Costs

SoCalGas Environmental Services (In 2021 $)			
Categories of Management	**2021 Adjusted-Recorded (000s)**	**TY2024 Estimated (000s)**	**Change (000s)**
New Environmental Reg Balancing Account (NERBA) Total	16,438	16,684	246

In the TY 2012 GRC, the Commission approved the NERBA as a two-way balancing account and adopted cost forecasts for the costs SoCalGas proposed to record in the NERBA. The costs currently authorized to be recorded to the NERBA include (i) Assembly Bill 32 (AB32) Administrative Fees; (ii) Subpart W of Part 98 of Title 40 of the Code of Federal Regulations (CFR); and (iii) LDAR Impact Program related costs. The intent of the NERBA is to record costs meeting the following key criteria: (i) uncertainty as to the scope, magnitude and mechanics of the compliance requirements associated with new, proposed or evolving environmental rules or regulations; and (ii) potential for incurring significant incremental costs.

C. Support To and From Other Witnesses

In addition to sponsoring my own organization's costs, my testimony also supports the following testimony and workpapers of several other witnesses, either in support of their testimony or as referential support for mine:

- Mr. Rick Chiapa, Mr. Steve Hruby, and Mr. Aaron Bell, witnesses for SoCalGas Gas Transmission and Construction (Exhibit (Ex.) SCG-06) which discuss leak detection and repair activities addressed in Section IV.B.1.c within my testimony below.
- Ms. Amy Kitson and Mr. Travis Sera, witnesses for SoCalGas Gas Integrity Management Programs. (Ex. SCG-09) which discuss wellhead leak detection and repair activities addressed in Section IV.B.1.c within my testimony below.
- Mr. Larry Bittleston and Mr. Steve Hruby, witnesses for SoCalGas Gas Storage Operations and Construction (Ex. SCG-10), which discuss wellhead leak detection and repair activities addressed in Section IV.B.1.c within my testimony below.
- Mr. William J. Exon, witness for SoCalGas Information Technology (Ex. SCG-21, Chapter (Ch.) 2) is supporting capital costs for a new fully integrated digitalized Environmental Management System (EMS) to manage environmental compliance-related activities, processes, and best practices with a focus on reducing the potential for environmental non-compliance and increasing operational efficiencies.
- Ms. Rae Marie Yu, witness for Regulatory Accounts (Ex. SCG-38), requesting that the existing structure of the NERBA balancing account be authorized to continue during this GRC cycle.

D. Organization of Testimony

My testimony is organized as follows:

- Introduction
- RAMP
- Sustainability and Safety Culture
- Environmental Compliance Non-Shared Costs
    - Environmental Director

- Environmental Field Services
- Environmental Programs
- Planning, Cultural & Natural Resources
- Major Project Support
- Air Quality/Greenhouse Gas (GHG) Support

- NERBA Non-Shared Costs
  - Subpart W
  - Leak Detection and Repair (LDAR)
  - AB32 Administrative Fees (AB32)
- Conclusion

II. RISK ASSESSMENT MITIGATION PHASE INTEGRATION

Certain costs supported in my testimony are driven by activities described in SoCalGas and SDG&E's respective 2021 Risk Assessment Mitigation Phase (RAMP) Reports (the 2021 RAMP Reports).[1] The 2021 RAMP Reports presented an assessment of the key safety risks for SoCalGas and SDG&E and proposed plans for mitigating those risks. As discussed in the testimony of the RAMP to GRC Integration witnesses R. Scott Pearson and Gregory S. Flores (Ex. SCG-03/SDG&E-03, Ch. 2), the costs of risk mitigation projects and programs were translated from the 2021 RAMP Reports into the individual witness areas.

In the course of preparing the Environmental Services GRC forecasts, SoCalGas continued to evaluate the scope, schedule, resource requirements, and synergies of RAMP-related projects and programs. Therefore, the final presentation of RAMP costs may differ from the ranges shown in the 2021 RAMP Reports. Tables AJG-4 and AJG-5 provide summaries of the RAMP-related costs supported in my testimony.

[1] *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, Ch. 2) for more details regarding the 2021 RAMP Reports.

TABLE AJG-4
Summary of RAMP O&M Costs

SoCalGas Environmental Services Summary of RAMP O&M Costs (In 2021 $)			
Total RAMP O&M Costs	**BY2021 Embedded Base Costs (000s)**	**TY2024 Estimated Total (000s)**	**TY2024 Estimated Incremental (000s)**
SCG-Risk-4 Incident Related to the Storage System (Excluding Dig-in)	7,196	5,800	-1,396

A. RAMP Risk Overview

As summarized in Table AJG-4 above, my testimony includes costs to mitigate the safety-related risks included in the 2021 RAMP report.[2] This risk is further described in Table AJG-5 below:

TABLE AJG-5
RAMP Risk Chapter Description

SCG-Risk-4 – Incident Related to the Storage System (Excluding Dig-In)	The risk of damage to the storage system, including wells, reservoirs, and surface assets (compressors, laterals, oil/brine systems, etc.) which results in consequences such as injuries, fatalities, or outages.

In developing my request, priority was given to this key safety risk to assess which risk mitigation activities Environmental Services currently performs and what incremental efforts are needed to mitigate this risk further. While developing the GRC forecasts, SoCalGas evaluated the scope, schedule, resource requirement, and synergies of RAMP-related projects and programs to determine costs already covered in the base year and those that are incremental increases expected in the test year.

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

B. GRC Risk Activities

Table AJG-6 below provides a narrative summary of the forecasted RAMP-related activities that I sponsor in my testimony.

[2] Unless otherwise indicated, references to the 2021 RAMP Report refer to SoCalGas's RAMP Report.

TABLE AJG-6
Summary of RAMP Risk Activities

RAMP ID	Activity	Description
SCG-Risk-4-C04	Wellhead Leak Detection and Repair	This activity is aligned with CARB Oil & Gas regulatory compliance, specifically wellhead leak detection, component repair and replacement within the storage system, caused by fugitive emissions.

These activities are discussed further below in Section IV.B.c. as well as in my workpapers. For additional information and a roadmap, please refer to Appendix B, which contains a table identifying by workpaper the TY 2024 forecast dollars associated with activities in the 2021 RAMP Report that are discussed in this testimony.

The RAMP risk mitigation efforts are associated with specific actions, such as programs, projects, processes, and utilization of technology. For each of these mitigation efforts, an evaluation was made to determine the portion, if any, that was already performed as part of historical activities (*i.e.*, embedded base costs) and the portion, if any, that was incremental to base year activities. Furthermore, for the incremental activities, a review was completed to determine if any portion of incremental activity was part of the workgroup's base forecast methodology. The result is what SoCalGas considers to be a true representation of incremental increases over the base year.

C. Changes from RAMP Report

As discussed in more detail in the RAMP to GRC Integration testimony of Messrs. Pearson and Flores (Ex. SCG-03/SDG&E-03, Ch. 2), in the RAMP Proceeding, the Commission's Safety Policy Division (SPD) and intervenors provided feedback on the Companies' 2021 RAMP Reports. Appendix B in Ex. SCG-03/SDG&E-03, Ch. 2 provides a complete list of the feedback and recommendations received and the Companies' responses.

General changes to risk scores or Risk Spend Efficiency (RSE) values are primarily due to changes in the Multi-Attribute Value Framework (MAVF) and RSE methodology, as discussed in the RAMP to GRC Integration testimony. Other than these changes, the RAMP-related activities described in my GRC testimony are consistent with the activities presented in the 2021 RAMP Report.

III. SUSTAINABILITY AND SAFETY CULTURE

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

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

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

> *SoCalGas leadership is fully committed to safety as a core value. SoCalGas's Executive Leadership is responsible for overseeing reported safety concerns and promoting a strong, positive safety culture and an environment of trust that includes empowering employees to identify risks and to "Stop the Job."*

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

The activities described in this testimony advance the state's climate goals and align with SoCalGas's sustainability priorities. Environmental Services' work enables SoCalGas's implementation of innovative clean energy solutions consistent with California's decarbonization leadership, including but not limited to operational and compliance support for projects, subject matter expertise on environmental services regulations, environmental program development, and training and metrics oversight to ensure inclusion, diversity, and impact.

Specifically, the execution of my testimony will drive progress in the key focus area(s) of Protecting the Climate and Improving Air Quality in Our Communities, Advancing a Diverse, Equitable, and Inclusive Culture, and Achieving World-Class Safety.

A. Protecting the Climate and Improving Air Quality in Our Communities

Environmental Services supports the implementation of projects, many of which include components that support decarbonization, including fuel cell technology, photovoltaics, electrolyzers, building and equipment modernization. Environmental Services' support includes work towards permitting, compliance, program development, and environmental impact assessments that are necessary for environmentally responsible projects.

Additionally, the relationships with environmental agencies, such as California Air Resources Board (CARB), local air districts, and the Environmental Protection Agency (EPA) Natural Gas STAR administration, are actively engaged through Environmental Services' research support, demonstration of best practices, and reporting. In addition, SoCalGas holds itself accountable in advancing California's air emissions reduction goals as well as achieving carbon neutrality. Further, SoCalGas continues supporting California climate policies that reduce, abate, and mitigate greenhouse gas emissions through leak detection and repair and pipeline safety enhancement programs. SoCalGas's Environmental Services is actively engaged in efforts to reduce greenhouse gas emissions in order to achieve our climate objectives, including those addressed below in my NERBA-related testimony.

B. Advancing a Diverse, Equitable and Inclusive Culture

Environmental Services also supports the organizational strategy and programs that promote doing business with enterprises owned by minorities, service-disabled veterans, LGBTQ persons, women, and persons with disabilities, in support of the goals set in Commission General Order (GO) 156. As another example, the Environmental Programs group within Environmental Services engages and partners with local, diverse suppliers to reduce the distance among destinations of materials, conserve fuel and time on transportation and staff footprints, and help SoCalGas achieve 91% California-based diverse suppliers across the company.[3]

[3] Southern California Gas Company, *Supplier Diversity 2021 Annual Report* at 3, *available at* https://www.socalgas.com/sites/default/files/2021-02/SupplierDiversity_AnnualReport.pdf.

C. Achieving World Class Safety

SoCalGas's safety focus area with accountability is another priority for Environmental Services. Clear and measurable key metrics for environmental-related safety training are tracked within Environmental Services. Environmental Services, in concert with SoCalGas's Safety organization, manages the Environmental and Safety Compliance Management Program (ESCMP). ESCMP is an environmental, health and safety management system process to plan, set priorities, inspect, educate, train, and monitor the effectiveness of environmental, health, and safety activities. Environmental Services' commitment to safety is also illustrated in its management of hazardous waste and materials operations. As part of ESCMP, Company employees must, among other things, complete and pass mandatory environmental trainings and specific supplemental trainings as they correspond to their current position responsibilities. Requiring these trainings has the potential to reduce the likelihood that an environmental incident or hazardous exposure will occur. In doing so, Environmental Services not only supports a culture of organizational safety, it also supports the direct safety of our workforce, as well as the safety of our customers and the general public.

As part of our future efforts to enhance our environmental compliance and environmental safety efforts, IT, on behalf of Environmental Services, will support the development of the EMS. The EMS is a digitalized system that will be designed to manage various, disparate regulatory compliance activities, processes, and best practices across sub-disciplines within Environmental Services (e.g., Air Quality, GHG, Hazardous Materials, Water Quality, and Species Protection) in efforts to reduce risk of project non-compliance and increase operational efficiency. The system will fully integrate multiple hard copy retention practices currently in place to manage multiple multifaceted compliance programs, manage permits, establish metrics that may lead to less environmental impacts from projects and mitigate undue environmental and safety hazards, monitor and measure project progress and hours spent on activities in real-time supported by data analytics, and provide transparency and access to information by multiple internal stakeholders, which could lead to safer work practices. As discussed in Mr. Exon's testimony (Ex. SCG-21, Ch. 2), the IT organization sponsors the capital costs of this system and the EMS is to be part of the existing Environmental, Health & Safety Management value stream transformation initiative, shared with SDG&E and managed by the IT group.

IV. NON-SHARED COSTS

"Non-Shared Services" are activities that are performed by a utility solely for its own benefit. SoCalGas's Non-Shared Services costs that are addressed in this testimony are identified in two primary cost categories: (i) Environmental Compliance and (ii) NERBA. Table AJG-7 summarizes the total non-shared O&M forecasts for the listed cost categories.

TABLE AJG-7
Non-Shared O&M Summary of Environmental Compliance and NERBA Costs

SoCalGas Environmental Services (In 2021 $)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. Environmental Compliance	$7,230	$9,126	$1,896
B. New Environmental Regulatory Balancing Account (NERBA)	$16,438	$16,684	$246
Total	**$23,668**	**$25,810**	**$2,142**

A. Environmental Compliance

Non-Shared O&M Categories for Environmental Compliance

The compliance activities in this non-shared O&M cost category are forecasted to total $9,126,000 for TY 2024, which includes an increase in costs in the amount of $1,896,000 from 2021 Adjusted Recorded. These activities include the Environmental Services Director; Environmental Field Services; Environmental Programs; Planning, Cultural & Natural Resources; Major Project Support; and Air Quality/GHG Support.

1. Description of Costs and Activities

The costs included in this category include employee labor costs and non-labor costs that are described in more detail within the individual categories of management in Table AJG-8 below.

2. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is most appropriate because it identifies specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs. Starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures and cost reductions described for each activity below.

3. Cost Drivers

The cost drivers are described for each activity below. Table AJG-8 summarizes the total non-shared O&M forecasts for the listed cost categories based on activity.

TABLE AJG-8
Non-Shared O&M Categories and Costs for Environmental Compliance

Non-Shared O&M Environmental Compliance Category	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
a. Environmental Services Director	$272	$272	$0
b. Environmental Field Services	$1,265	$1,552	$287
c. Environmental Programs	$2,419	$3,024	$605
d. Planning, Cultural & Natural Resources	$1,449	$1,936	$487
e. Major Project Support	$267	$467	$200
f. Air Quality/GHG Support	$1,558	$1,875	$317
TOTAL O&M COSTS	**$7,230**	**$9,126**	**$1,896**

a. Environmental Services Director

i. Description of Costs and Activities

The Director provides leadership and strategic direction to Environmental Services at SoCalGas.

ii. Forecast Method

A base year forecast methodology was used to determine cost requirements. This methodology is appropriate because it includes costs that are applicable to the oversight, leadership, and strategy of the overall Environmental Services department. The specific cost drivers and incremental costs are best applied to a base year spending level instead of using historical averages or trending that may not be reflective of recent spending patterns. The base year represents the most accurate manner of forecasting costs since it is the most recent and reliable indicator of current cost drivers for the department, which is expected to continue through the test year.

iii. Cost Drivers

The primary cost drivers are straight time labor, employee non-labor costs, consulting fees, and costs related to department-wide functions. There are no upward or downward pressures associated with this activity in the forecast period, as the base year funding appears to be sufficient to fund estimated expenses in the TY 2024 GRC forecast period.

b. Environmental Field Services

i. Description of Costs and Activities

The compliance activities in this O&M cost category are associated with managing and maintaining environmental compliance for the company's natural gas storage facilities, compressor stations, and other facilities throughout SoCalGas' service territory. Additionally, this group manages the environmental portion of the company-wide ESCMP, which includes facilitating regulatory inspections (approximately 250 per year), facilitating corporate audits and conducting internal self-assessments (approximately 95 per year), developing and facilitating mandatory training (over 3,689 employee completions per year), and annually certifying compliance metrics. Non-labor expenditures include facility-based regulatory fees and assessments, permits, and consultant-supported employee training development.

ii. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is appropriate because it includes specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs. Starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures and cost reductions described for each activity below.

iii. Cost Drivers

The primary cost drivers for this activity are employee labor charges and non-labor charges for permits and associated fees. The operations and compliance activities at SoCalGas's compressor stations and storage facilities are driven by increasingly stringent regulations that govern the operational activities, including leak detection and repair activities, as well as the California Accidental Release Prevention (CalARP) Program,[4] which applies to the use of ammonia for air quality regulatory compliance measures at compressor stations.

[4] *See* https://dtsc.ca.gov/california-accidental-release-prevention-program-calarp-fact-sheet/ for more information.

c. Environmental Programs

i. Description of Costs and Activities

The Environmental Programs section manages and oversees the hazardous materials and waste operations at SoCalGas, which include: the operation of two TSDFs, conducting and managing cleanup activities from gas operations, construction activities, and other company operations. The group is also primarily responsible for managing underground storage tanks and refueling equipment for fleet operations.

ii. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is appropriate because it includes specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs. Starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures and cost reductions described for each activity below.

iii. Cost Drivers

The primary cost drivers for this activity include employee labor charges and non-labor charges related to contracted services with outside vendors, permitting fees, and disposal costs to transport hazardous waste. Particular non-labor cost drivers include those associated with updating California Proposition 65 (Prop. 65) signage at each of our SoCalGas facilities, including bases and storage facilities as a result of recent changes in Prop. 65 regulations. Additionally, Underground Storage Tank (UST) regulatory compliance costs are also rising. USTs are regulated at the federal, state, and local levels. UST systems are continuously monitored to ensure leak prevention, and they require various annual and triennial testing to ensure all equipment, sensors, and containment in place are in working order and functioning according to the operating permit. The local Certified Unified Program Agencies (CUPAs) oversee the annual testing and certification of the UST leak detection equipment, spill containment, and monitoring systems. In addition, the CUPA requires triennial hydrostatic testing to ensure the integrity of the secondary containment of the tank and piping system. The local air pollution control districts (APCDs) oversee the annual reverification testing of the equipment designed to minimize emissions during gasoline fuel deliveries and dispensing at the pump.

d. Planning, Cultural and Natural Resources

i. Description of Costs and Activities

The Planning, Cultural, and Natural Resources section supports SoCalGas's day-to-day operations. This section is engaged in various matters, including environmental screening of maintenance and operations activities such as valve replacements, pipeline maintenance projects, and storage facility maintenance activities. Once screened, this section assists in the project planning process with the primary aim of minimizing environmental impacts and disturbances, as well as assisting in proper regulatory compliance during construction activities. The organization is staffed by subject matter experts in the fields of biology, archeology, water quality, and other disciplines. The Planning, Cultural, and Natural Resources section works with federal, state, and local agencies to develop and implement related permits and protocols.

ii. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is appropriate because it includes specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs. Starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures and cost reductions described for each activity below.

iii. Cost Drivers

The primary cost drivers for these activities are employee labor charges. The net upward pressure is primarily related to increased labor costs with additional employees added in 2022 and 2023, respectively. These added positions are necessary to support upcoming construction and maintenance projects as well as other efforts that are subject to CEQA review, compliance with cultural and historical records obligations. Therefore, SoCalGas has included these upward pressures for our TY 2024 GRC forecast. See workpapers for Environmental Compliance in Ex. SCG-20 2EV000.000.

e. Major Project Support

i. Description of Costs and Activities

The Major Project Support team within Environmental Services is engaged in environmental planning, permitting, and implementation support for: (i) large-scale capital infrastructure projects (Major Projects), (ii) Pipeline Safety Enhancement Program (PSEP)

projects, and (iii) Pipeline Integrity (PI) projects. Because of their scale and magnitude, large-scale infrastructure projects require environmental subject matter experts and managers that are well versed in multiple environmental disciplines. Staff assigned to support Major Projects coordinate with, and seek the support of, the Planning, Cultural, and Natural Resources team for in-depth resource and project needs. The activities supported by Major Projects team are often also subject to the CEQA, which requires each of the Major Project team members to be familiar with the rules and regulations associated therewith. PSEP and PI projects occur in high volume and the timelines associated with these projects often demand environmental staff that are well versed in construction activities associated with these projects. Staff assigned to support PSEP and PI projects rely on support from the Planning, Cultural and Natural Resources team, particularly when support is needed to address cultural resource issues on these projects. These projects also require that Environmental Services staff be well coordinated with construction teams to effectuate the timely support of PSEP and PI projects.

ii. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is most appropriate because it includes specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs. Starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures and cost reductions described for each activity below.

iii. Cost Drivers

Cost drivers for Major Projects Support are primarily dependent on the needs of projects implemented by SoCalGas in the categories set forth above (Major Projects, PSEP, and Pipeline Integrity), including legal and regulatory compliance requirements.

f. Air Quality/Greenhouse Gas (GHG) Support

i. Description of Costs and Activities

The Air Quality/GHG Support team within Environmental Services provides in-house support to SoCalGas for compliance with a myriad of rules and regulations relating to air quality and greenhouse gas emissions. In air quality matters, the Support team has the subject matter expertise for compliance with the rules of the nine Air Pollution Control Districts (APCDs) within SoCalGas' service territory. The team also provides subject matter expertise and support

to staff within the Field Environmental Services team, supporting over 50 locations within the service territory with existing APCD permits on an as-needed basis. In addressing greenhouse gas emissions, the support team is responsible for subject matter expertise in compliance with the California Air Resources Board (CARB) Oil and Gas Rule for methane emissions associated with SoCalGas facilities.

ii. Forecast Method

A base year forecasting methodology was used to forecast labor and non-labor costs for this cost category. This method is appropriate because it includes specific new environmental regulatory and program-related requirements and costs impacting the company during the TY 2024 GRC forecast period, which are incremental to historically incurred costs.

iii. Cost Drivers

The primary cost drivers for these activities are employee labor charges and non-labor charges. SoCalGas must address increased air quality and greenhouse gas emission responsibilities at each of SoCalGas' storage fields, which range from new project support to increased air district inspection activities related to CARB Oil & Gas rule requirements, and impending operational changes to address company goals. These requirements increase the demand on resources. Activities of the team currently include agency inspections (Air & LDAR), quarterly compliance reporting and operational support efforts. See workpapers for Environmental Compliance in Ex. SCG-20 2EV000.000.

B. New Environmental Regulatory Balancing Account (NERBA)

1. Description of Costs and Activities

In the TY 2012 GRC, the Commission approved the NERBA as a two-way balancing account and adopted cost forecasts for the costs SoCalGas proposed to record in the NERBA. The intent of the NERBA is to record costs meeting the following key criteria: (i) uncertainty as to the scope, magnitude and mechanics of the compliance requirements associated with new, proposed or evolving environmental rules or regulations; and (ii) potential for incurring significant incremental costs. Effective December 15, 2017, LDAR was included as an approved Sub-account of the NERBA via the modification of Advice Letter 5234-G. The costs currently authorized to be recorded to the NERBA include, but are not limited to: (a) Assembly Bill 32 (AB32) Administrative Fees; (b) Subpart W of Part 98 of Title 40 of the CFR; and (c) LDAR

Impact Program related costs. The MS4 Subaccount costs, previously included as part of NERBA in the 2019 GRC, are not being requested in this testimony.

As mentioned in the Regulatory Accounts testimony of Ms. Yu (Ex. SCG-38), SoCalGas is requesting that the existing structure of the NERBA balancing account be authorized to continue during this GRC cycle. SoCalGas's proposed NERBA-related costs are shown below in Table AJG-9.

TABLE AJG-9
Non-Shared Balanced O&M Summary of Costs for NERBA

NERBA Category	BY 2021 Adjusted Recorded ($000)	TY 2024 Estimated ($000)	Change ($000)
a. Subpart W	**$76**	**$90**	**$14**
b. AB32 Administrative Fees	**$9,168**	**$10,795**	**$1,627**
c. LDAR Impact Program	**$7,195**	**$5,800**	**($1,395)**
Total NERBA	**$16,438**	**$16,684**	**$246**

a. Subpart W

i. Description of Costs and Activities

Both the federal and state mandatory GHG Reporting Rules require Petroleum and Natural Gas Systems to report GHG emissions annually. The federal requirement is embodied in Title 40, CFR, Part 98, Subpart W. The state requirement is contained in Title 17, California Code of Regulations (CCR), Sub-Article 5, beginning with section 95150. Both the federal and state mandatory GHG Reporting Rules require Petroleum and Natural Gas Systems to report GHG emissions annually. The federal requirement is embodied in Title 40, CFR, Part 98, Subpart W. The state requirement is contained in Title 17, California Code of Regulations (CCR), Sub-Article 5, beginning with section 95150. See workpapers for NERBA in Ex. SCG-20 2EV001.001.

ii. Forecast Method

A base year forecasting methodology was used to forecast this cost category because starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures for Subpart W NERBA items described within the cost drivers below. The base year represents the accurate manner of forecasting costs since it is the

most recent and reliable indicator of specific cost drivers during the forecasting period. As Subpart W NERBA items are not readily predictable given the attributes as described earlier, traditional averaging of historical costs would not be a representative forecast method.

iii. Cost Drivers

The activities and costs associated with Subpart W include leak survey activities using EPA Method 21 for Transmission, Storage, and Distribution facilities, and Compressor Vent Measurements for Transmission and Storage facilities. Incremental costs, including those for third-party vendor services for leak detection and compressor vent measurements, were added to the base year for TY 2024.

b. AB32

i. Description of Costs and Activities

Since 2010, SoCalGas has paid administrative fees as required by California's Global Warming Solutions Act of 2006 (AB32), which are intended to allow CARB to recover its costs to implement AB32. AB32 requires public utility gas corporations, such as SoCalGas, to pay annual administrative fees for each therm of natural gas they deliver to any end-user in California, excluding natural gas delivered to electric generating facilities and to wholesale providers.

ii. Forecast Method

A zero-based forecasting methodology was used to determine the cost requirements for this category. The cost category for AB32 incorporates the cost history over a longer period of time than the traditional forecasting methodologies. AB32 Administrative Fees, which comprise the largest portion of NERBA, began in 2010 and have experienced year-over-year changes that range between a low of -17.6% in 2013 and a high of 35.5% in 2017. Consequently, the forecast is based on an 11-year average (2010-2021) of these year-over-year fluctuations. The 11-year change average is more appropriate than a three or five-year change average because a three- or five-year average would yield an unreasonably low and high forecast, respectively. Refer to Ex. SCG-20 -WP – A. Garcia – 1EV001, Supplemental Workpaper 1, for detailed calculations.

iii. Cost Drivers

AB32 Administrative Fees are determined by the Common Cost of Carbon (CCC), which are dependent on legislative updates made by California. The annual administrative fees for each therm of natural gas delivered to any end-user in California, excluding natural gas delivered to

electric generating facilities and to wholesale providers, are paid by SoCalGas. The CCC is determined by CARB and based on projected expenditures for the program. The cost drivers for the administrative fees are the amount of gas delivered multiplied by a CCC. See Ex. SCG-20 - WP – A. Garcia – 1EV001, Supplemental Workpaper 1, for detailed calculations. As these costs are unknown in advance of the subsequent CARB reporting, AB32 Administrative fees are unknown until both variables (fuel and CCC) can be assessed. SoCalGas cannot determine either the fuel delivered to customers or the exact common carbon cost.

c. LDAR

i. Description of Costs and Activities

Beginning in 2017, SoCalGas has incurred labor and non-labor costs associated with the implementation of the Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities (CARB Oil and Gas Rule). The rule requires the annual reporting of quarterly Leak Detection and Repair (LDAR) activities for both storage fields and compressor stations as well as extensive ambient and well monitoring at underground natural gas storage facilities. Finally, the rule requires storage facilities to incorporate procedures to notify the public about well blowouts. See my workpapers for NERBA in Ex. SCG-20 2EV001.003.

a. RAMP Activities

RAMP-related costs for LDAR include the costs related to incidents to the Storage System (excluding dig-ins) (see TABLE-AJG-5). In particular, for Wellhead Leak Detection and Repair, identified in TABLE-AJG-6 above, SoCalGas's Wellhead Leak Detection and Repair activities align with CARB Oil & Gas regulatory compliance to mitigate the risk of incidents related to the storage system caused by fugitive emissions. LDAR activities entail performing a daily audio-visual inspection, as well as a quarterly leak survey with the use of an EPA Method 21 with a toxic vapor analyzer (TVA). Inspections are performed on each active and idle injection/withdrawal wellhead assembly owned and operated by SoCalGas. SoCalGas also has implemented and follows a CARB-approved monitoring plan for its underground storage facilities in compliance with the CARB Oil & Gas Rule, 17 CCR § 95668(h) as of August 6, 2019. This monitoring plan addresses three CARB Oil & Gas Rule regulatory requirements: (1) continuous ambient air monitoring, (2) wellhead daily or continuous leak screening, and (3) well blowout procedures. The CARB Oil & Gas Rule requires daily or continuous leak screening at each injection/withdrawal wellhead assembly and attached pipelines according to one or both of

the following methods: (1) daily leak screening with the use of a U.S. Environmental Protection Agency Reference Method 21 instrument, or the use of Optical Gas Imaging, or (2) continuous leak screening with the use of automated instruments and a monitoring system with an alarm system. Table AJG-10 below provides the RAMP activity, its respective cost forecast, and the RSEs for this workpaper. For additional details on these RAMP activities, please refer to my workpapers SCG-20-WP 2EV001.003.

TABLE AJG-10

SoCalGas Environmental Services
RAMP Activity O&M Forecasts by Workpaper (In 2021 $)

Workpaper	RAMP ID	Description	BY2021 Embedded Base Costs (000s)	TY2024 Estimated Total (000s)	TY2024 Estimated Incremental (000s)	GRC RSE*
2EV001.003	SCG-Risk-4 - C04	Wellhead Leak Detection and Repair	7,196	5,800	-1,396	0

*An RSE was not calculated for this activity.

ii. Forecast Method

The forecast method developed for this cost category is base year. This method is appropriate because starting with the most recent base year represents a conservative base upon which to apply forecasted incremental cost pressures for LDAR. The proposed LDAR costs are treated as incremental costs to the base year amount. The base year forecast includes several years of operation and capital investments that have been implemented and normalized in advance of the base year. Because the range of activities is more focused on operations and maintenance, future projections do not include the same level of capital investment. However, some operational costs and capital investments are anticipated to maintain and accomplish continuous process improvements. As NERBA items are not readily predictable given the attributes for NERBA as described earlier, traditional averaging of historical costs would not be a representative forecast method.

iii. Cost Drivers

In accordance with the CARB Oil and Gas Rule, LDAR costs are driven by activities such as testing, inspection, monitoring, and repair of all leaks throughout SoCalGas's underground storage fields and transmission compressor stations. The number of wellheads,

components, and storage fields vary depending on operational needs, and LDAR activities apply to compressor engines, pneumatic controllers, tanks, wells, piping, and other equipment.

Unforeseen regulatory requirements may present themselves within the TY 2024 GRC forecast period that may require incremental costs to comply, but it is anticipated that cost efficiencies such as staff training and digitalized systems will reduce the costs of the LDAR program by $1,395,000 through TY 2024.

V. CONCLUSION

My testimony and workpapers provide support for the costs that I sponsor for Environmental Services and the reasonableness of the methodologies used to derive those costs. Environmental Compliance is a critical element of our business and ecological stewardship. Our 2024 Test Year GRC forecasts represent a modest and justified increase over base year costs, and we respectfully ask the Commission to fully fund our important work so SoCalGas can continue to meet its obligations to applicable regulations and environmental stewardship.

This concludes my revised prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Albert J. Garcia. My business address is 555 West Fifth Street, Los Angeles, 21 California, 90013. My current position is Director of Environmental Services. The Environmental Services organization provides environmental compliance services and support to SoCalGas. I joined SoCalGas in 2009 as a Senior Environmental Counsel. I have been in my current position since 2019.

I hold a Bachelor of Art Degree in Political Science from California State University, Fullerton and Juris Doctorate from Columbia University School of Law.

I have not previously testified before the Commission.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A – Glossary of Terms

Acronym	Definition
AB	Assembly Bill
ACOE	Army Corps of Engineers
ATCM	Airborne Toxic Control Measures
BLM	Bureau of Land Management
BMP	Best Management Practice
CARB	California Air Resources Board
CCC	Common Carbon Cost
CFR	Code of Federal Regulations
CO2	Carbon Dioxide
EA	Environmental Assessment
EPA	Environmental Protection Agency
GHG	Greenhouse Gas
HazMat	Hazardous Materials and Waste
HSCCA	Hazardous Substance Cleanup Cost Account
LDAR	Leak Detection Abatement Repair
MS4	Municipal Separate Storm Sewer System
NERBA	New Environmental Regulatory Balancing Account
NOx	Nitrogen Oxides
NPDES	National Pollution Discharge Elimination System
PCB	Polychlorinated biphenyls
PM	Particulate Matter
RECLAIM	Regional Clean Air Incentives Market
RTC	RECLAIM Trading Credit
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SCAQMD	South Coast Air Quality Management District
SF6	Sulfur Hexafluoride
SOx	Sulfur Oxides
TSDF	Treatment Storage and Disposal Facility
TVA	Toxic Vapor Analyzer
WDR	Waste Discharge Requirement
WQC	Water Quality Certification
WQIP	Water Quality Improvement Plan

APPENDIX B

RAMP ACTIVITIES SORTED BY WORKPAPER

APPENDIX B - RAMP Activities Sorted By Workpaper

SoCalGas Environmental Services RAMP Activity O&M Forecasts by Workpaper (In 2021 $)						
Workpaper	**RAMP ID**	**Description**	**BY2021 Embedded Base Costs (000s)**	**TY2024 Estimated Total (000s)**	**TY2024 Estimated Incremental (000s)**	**GRC RSE***
2EV001.003	SCG-Risk-4 - C04	Wellhead Leak Detection and Repair	7,196	5,800	-1,396	0
Total			**7,196**	**5,800**	**-1,396**	

*****An RSE value was not calculated for this activity.

SoCalGas 2024 GRC Testimony Revision Log –August 2022

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-20	Albert J. Garcia	AJG-ii	Summary Table	Revised table
SCG-20	Albert J. Garcia	AJG-ii	Bullet One	Changed "$25,809,000" to "$25,810,000"
SCG-20	Albert J. Garcia	AJG-ii	Bullet Three	Changed "$16,683,000" to "$16,684,000" and "$245,000" to "$246,000"
SCG-20	Albert J. Garcia	AJG-1	AJG-1	Revised table
SCG-20	Albert J. Garcia	AJG-2	AJG-3	Revised table
SCG-20	Albert J. Garcia	AJG-10	AJG-7	Revised table
SCG-20	Albert J. Garcia	AJG - 17	Line 6	Changed "ALG-9" to "AJG-9"
SCG-20	Albert J. Garcia	AJG - 17	Line 7	Changed "ALG-9" to "AJG-9"
SCG-20	Albert J. Garcia	AJG-17	AJG-9	Revised table
SCG-20	Albert J. Garcia	AJG-18	Line 24	Changed "a ten-" to "an 11-"; "(2011-" to "(2010-"; and "10-year" to "11-year"