Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SCG-204

REBUTTAL TESTIMONY

OF SHAENA WALKER and CODY QUEZADA

(GAS DISTRIBUTION)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 2023

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REBUTTAL TESTIMONY OF SHAENA WALKER AND CODY QUEZADA (GAS DISTRIBUTION)

I. SUMMARY OF DIFFERENCES

Table CQ/SW-1
Summary of Differences in Operations & Maintenance (O&M) Expense

TOTAL O&M - Constant 2021 ($000)			
	Base Year 2021	**Test Year 2024**	**Change**
SOCALGAS[1]	171,169	168,290	-2,879
CAL ADVOCATES-02	171,169	166,783	-4,386
CAL ADVOCATES-23	171,169	165,114	-6, 055
TURN[2]	171,169	162,282	-8,887

Table CQ/SW-2
Summary of Differences in Capital Expenditures

TOTAL CAPITAL – Constant 2021 ($000)					
	2022	**2023**	**2024**	**Total**	**Difference**
SOCALGAS	388,786	413,355	391,525	1,193,666	
CAL ADVOCATES-02[3]	382,280	405,952	390,991	1,179,223	-14,443
TURN[4]	388,414	412,971	391,129	1,192,514	-1,152
CEJA[5]	388,786	413,355	382,102	1,174,820	-18,846

[1] Due to errors discovered when responding to various data requests and in the course of review, SoCalGas corrects its Base Year (BY) value from $171,306 to $171,169 and Test Year (TY) 2024 O&M forecasted value from $168,427 to $168,290 to reflect this correction.

[2] SoCalGas discovered what appear to be errors in TURN's Table 2 for the TY 2024 forecast. (*See* Ex. TURN-05 (Testimony of Rod Walker on behalf of The Utility Reform Network), March 27, 2023, at 10, Table 2.) The values included here reflect what SoCalGas believes is the correct amount based on its understanding of the proposal by TURN as stated in Exhibit TURN-05, at 12-14.

[3] While compiling information, SoCalGas discovered what appear to be errors in Cal Advocates' Table 2-2 for the TY 2024 forecast. (*See* Ex. CA-02 (Testimony of Maricela Sierra on behalf of Cal Advocates), March 27, 2023, at 3, Table 2-2.) The values included here reflect what SoCalGas believes is the correct amount based on its understanding of the proposal by Cal Advocates as stated in Exhibit CA-02, at 10, Table 2-9.

[4] TURN proposes reductions for various workpapers but does not specify the reduction amount for all workpapers. Therefore, this amount only includes TURN's specified proposed reductions. (*See* Ex. TURN-05 (Prepared Testimony of Rod Walker on behalf of TURN), March 27, 2023, at 24-32.)

[5] SoCalGas acknowledges Decision (D.) 22-09-026, the Building Decarbonization OIR proceeding, will impact the collectible and the non-collectible amounts as further discussed below. It is unclear if CEJA is proposing a reduction to the forecast from the total SoCalGas Gas Distribution forecast or a further transfer from the non-collectible to the collectible portion. In either case, SoCalGas has reduced the non-collectible portion and accounted for D.22-09-026 as further discussed below.

II. INTRODUCTION

This testimony (1) adopts the direct testimony of Mario Aguirre supporting Southern California Gas Company's (SoCalGas or the Company) Gas Distribution request;[6] and (2) provides rebuttal testimony regarding SoCalGas's request for Gas Distribution, addressing the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) as submitted by Maricela Sierra (Exhibit CA-02), Gregory Wilson (Exhibit CA-06), and Stephen Castello (Exhibit CA-23C-WP), all dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by Rod Walker (Exhibit TURN-05) and Garrick Jones (Exhibit TURN-10), both dated March 27, 2023.
- The California Environmental Justice Alliance (CEJA), as submitted by Matthew Vespa, Sara Gersen, Sasan Saadat, Rebecca Barker (Exhibit CEJA-01), dated March 27, 2023.
- The Environmental Defense Fund (EDF), as submitted by Michael Colvin, Richard McCann, Ph.D, and Joon Hun Seung (Exhibit EDF-01), dated March 27, 2023.

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

SoCalGas's O&M and Capital requests are reasonable and fully justified and support SoCalGas's aim to achieve operational excellence, while providing safe and reliable delivery of natural gas to customers at a reasonable cost. SoCalGas requests the California Public Utilities Commission (CPUC or Commission) adopt its Test Year 2024 (TY 2024) General Rate Case (GRC) forecast of $168,290,000 for Gas Distribution Operations and Maintenance (O&M) expenses, which is composed of $167,880,000 for non-shared service activities and $410,000 for

[6] Ex. SCG-04-R (Revised Prepared Direct Testimony of Mario A. Aguirre), April 2022.

shared service activities.[7] SoCalGas further requests the Commission adopt its forecast for Capital expenditures in 2022, 2023, and 2024 in the amounts of $388,786,000, $413,355,000, and $391,525,000, respectively.[8]

The Commission should find SoCalGas's forecast reasonable and fully justified in that the activities: (1) maintain and enhance the delivery of clean, safe, and reliable service to customers; (2) are consistent with operational laws, codes, and standards established by local, state, and federal authorities; (3) support SoCalGas's commitment to mitigate risks associated with hazards to customer/public and employee/contractor safety, infrastructure integrity, and system reliability; (4) are reasonable in light of historical spending and anticipated work increases; (5) respond to operations, maintenance, and construction needs associated with the projected customer and system growth, and the demands of city, county, and state agencies under the Company's franchise agreements; (6) support the transition to clean energy; (7) maintain and strengthen a qualified workforce; and (8) support new field technologies.

SoCalGas carefully and thoroughly evaluated the historical costs and the corresponding unit of measure within each of the workpapers to develop an appropriate forecast to maintain the safe and reliable operation of the distribution system. These forecasts were developed based on an analysis of historical spending and prudent consideration of future work and economic growth that is reasonably expected. Most of the activities and projects within the Distribution witness area have been and will continue to be performed on a regular basis, and thus, have robust and reliable historical data to leverage when forecasting the near future. For workpapers where the recorded costs and/or unit of measure do not necessarily reflect the forecast, SoCalGas still evaluated the historical data and leveraged the applicable aspects, such as the unit cost or historical ratios of labor and non-labor costs, to derive the most appropriate forecast. The data-driven forecasts for the O&M and the capital costs are accurate and reliable, as evidenced by

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[7] Ex. SCG-04-WP-R (Revised Workpapers to Prepared Direct Testimony of Mario A. Aguirre), August 2022, at 1. Due to errors discovered when responding to various data requests and in the course of review, SoCalGas corrects its BY value from $171,306,000 to $171,169,000 and TY 2024 O&M forecasted value from $168,427,000 to $168,290,000 to reflect this correction.

[8] Ex. SCG-04-CWP-R (Revised Capital Workpapers to Prepared Direct Testimony of Mario A. Aguirre), August 2022, at 1.

SoCalGas's report of the 2022 recorded costs provided on March 15, 2023, in which the O&M and the capital costs were lower than the forecasts by five percent and one percent, respectively.[9]

As the Commission reviews SoCalGas's proposal, SoCalGas highlights that this GRC cycle covers the test year 2024 and the post-test years 2025 – 2027, a relatively short period of time. As new regulations and changes are developed, proposed, and implemented for a long-term transition, data of their impacts will be captured and incorporated into future rate cases. Throughout this transition, continuing to prioritize safety and reliability is imperative, and SoCalGas's evaluation, maintenance, and replacement activities help mitigate the risks associated with the distribution system, as presented to the Commission in this GRC and in the 2021 RAMP Report.[10]

In addition, for new regulations that directly impact this area within the forecast period, such as Senate Bill (SB) 1371 and the elimination of gas line extension allowances in D.22-09-026, SoCalGas updated its forecast to the extent that the immediate impacts can be analyzed using available and rational data to support just rates.[11] SoCalGas's revised forecast for New Business is presented in Section 1 below, which represents a change of $4.0 million and $44.9 million from non-collectible to collectible costs in 2023 and 2024, respectively.

SoCalGas remains committed to invest in its employees, pipeline assets, and support services that mitigate risks and support safety, system reliability, and infrastructure integrity. These commitments require Gas Distribution to respond to regulations, implement changes to business practices, increase data analysis, affect changes impacting Gas Standards, update technology to synchronize with business process changes, and adequately train employees to implement changes in work processes and technology. Therefore, consistent with the scope and the framework of the TY 2024 GRC, the costs included in our witness area reflect a reasonable, data-driven forecast of activities that are aligned with SoCalGas's commitment to provide

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[9] In accordance with the Administrative Law Judge's Ruling Modifying The Procedural Schedule And Partly Denying Sempra Utilities' Joint Motion To Amend The Assigned Commissioner's Scoping Memorandum And Ruling, issued on December 6, 2022, SoCalGas provided the 2022 recorded expenditures on March 13, 2023. (*See* Appendix C [2022 Recorded Expenditures] for relevant excerpts.)

[10] A.21-05-014, SoCalGas 2021 Risk Assessment and Mitigation Phase (RAMP), May 17, 2021.

[11] Appendix B, at CCQ/SAW-B-1 – CCQ/SAW-B-4, SoCal Response to CEJA-SEU-007_Supplemental, Question 7.

service to its customers and to mitigate risks to public safety, reliability, and the integrity of the natural gas system.

The following are summaries, by intervenor, of the positions on Gas Distribution O&M and Capital expense:

A. Cal Advocates

1. Cal Advocates EX. CA-02

The following is a summary of Cal Advocates' positions on Gas Distribution's O&M expenses as presented in Cal Advocates Exhibit CA-02:[12]

- For Locate and Mark, recommends $19.7 million compared to SoCalGas's request of $21.3 million for TY 2024.
- For Locate and Mark, opposes SoCalGas's request for a two-way balancing account.
- Does not oppose SoCalGas's Regional Public Affairs (RPA),[13] Asset Management, Operations and Management, and Field Service Leadership & Assessment requests for TY 2024.
- Does not oppose the reasonableness of the expenditures incurred on the Mobilehome Park (MHP) Utility Upgrade Program as per D.14-03-021.

The following is a summary of Cal Advocates' positions on Gas Distribution's capital expenditures as presented in Cal Advocates Exhibit CA-02:[14]

- For the Control Center Modernization (CCM) Distribution Project, recommends $17.0 million, $19.0 million, and $21.0 million compared to SoCalGas's request of $23.5 million, $26.4 million, and $21.5 million for 2022, 2023, and 2024, respectively.

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[12] Ex. CA-02 (Maricela Sierra) at 1-2.

[13] *Id*. at 2. While Cal Advocates does not oppose SoCalGas Gas Distribution's RPA funding requests in Ex. CA-02, Cal Advocates does so in Ex. CA-23C-WP. (*See* Ex. CA-23C-WP (Testimony of Stephen Castello on behalf of Cal Advocates), March 27, 2023, at 26-27.) For rebuttal testimony addressing the recommendations in Cal Advocates' Ex. CA-23C-WP, please see SoCalGas's Ex. SCG-245 (Rebuttal Testimony of Sara P. Mijares).

[14] Ex. CA-02 (Maricela Sierra) at 2-3.

2. Cal Advocates EX. CA-06

The following is a summary Cal Advocates' position regarding the proposed Litigated Project Costs Memorandum Account (LPCMA):[15]

- Recommends rejecting the request for the LPCMA.

3. Cal Advocates EX. CA-23

The following is a summary of Cal Advocates' positions on Gas Distribution's O&M expenses as presented in Cal Advocates Exhibit CA-23C-WP:[16]

- For Regional Public Affairs, recommends $0.794 million compared to SoCalGas's request of $3.970 million for TY 2024.[17]

B. The Utility Reform Network (TURN)

The following is a summary of TURN's positions on Gas Distribution's O&M expenses:[18]

- For Leak Survey, recommends $4.2 million ($3.3 million disallowance) compared to SoCalGas's request of $7.5 million for TY 2024.
- For Main Maintenance, recommends $5.9 million ($3.1 million disallowance) compared to SoCalGas's request of $9.0 million for TY 2024.
- For Locate and Mark, opposes SoCalGas's request for a two-way balancing account.
- Recommends that SoCalGas supply transparent accounting of Business as Usual ("BAU") and SB 1371 activities that overlap and define the full impact of activities under SB 1371 on cost forecasting within the GRC.

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[15] Ex. CA-06 (Testimony of Gregory A. Wilson on behalf of Cal Advocates), March 27, 2023, at 12-14.

[16] Ex. CA-23C-WP (Stephen Castello) at 2. Due to errors discovered for Regional Public Affairs in the course of SoCalGas's review or when responding to various data requests, SoCalGas corrects its BY 2021 value from $3.982 million to $3.845 million and its TY 2024 O&M forecasted value from $4.107 million to $3.970 million to reflect these corrections.

[17] For rebuttal testimony addressing the recommendations in Cal Advocates' Ex. CA-23C-WP, please see SoCalGas's Ex. SCG-245 (Rebuttal Testimony of Sara P. Mijares).

[18] Ex. TURN-05 (Prepared Testimony of Rod Walker on behalf of TURN), March 27, 2023, 10-14.

The following is a summary of TURN's positions on Gas Distribution's capital expenditures:[19]

- For New Business Construction, recommends that SoCalGas identify the reasons for the underspend in 2022 and reevaluate its budgets for the following years to ensure that excess capital is not being approved.
- For Pressure Betterments, recommends that SoCalGas change its forecast method to one that utilizes historic unit costs along with actual planned work and a small additional budget for unknown projects that may appear.
- For Regulator Stations, recommends that SoCalGas change its forecast method that utilizes a discrete project forecast method with small variance for unexpected station failures.
- For Capital Tools, recommends that SoCalGas remove costs associated with the purchase of potential detection equipment for hydrogen.
- For Field Capital Support, recommends that SoCalGas transfer costs associated with training to O&M.

The following is a summary TURN's position regarding Gas Distribution's request for fleet vehicles:[20]

- Recommends denying 100% of Gas Distribution's request for incremental fleet vehicles.

C. California Environmental Justice Alliance (CEJA)

The following is a summary of CEJA's positions on Gas Distribution's capital expenditures: [21]

[19] *Id*. at 10-12.

[20] Ex. TURN-10 (Prepared Testimony of Garrick Jones on behalf of TURN), March 27, 2023, at 6.

[21] Ex. CEJA-01 (Prepared Testimony of Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker on behalf of CEJA), March 27, 2023, at 2-3.

- For New Business Construction, recommends $50.7 million ($9.6 million disallowance) and $15.5 million ($46.7 million disallowance) compared to SoCalGas's request of $60.3 million and $62.2 million for 2023 and 2024, respectively.
- Recommends excluding the remaining TY 2024 for New Business Construction from the post-test year ratemaking mechanism to account for the impact of D.22-09-026's elimination of gas line extension allowances (LEAs).
- For Pressure Betterments, recommends $9.4 million ($9.4 million disallowance) compared to SoCalGas's request of $18.8 million for TY 2024.

D. Environmental Defense Fund (EDF)

The following is a summary of EDF's positions on Gas Distribution's expenditures:[22]

- Asserts gas demand is declining, which should lead to a decline in gas distribution capital.
- Asserts that without alignment with gas demand, SoCalGas's current forecast's impact will result in unaffordable rates to customers.

III. GENERAL REBUTTAL

This section discusses and addresses comments and proposals from various intervenors, including, CEJA, Cal Advocates, EDF, and TURN, regarding the forecast of gas demand as it relates to the Gas Distribution witness area, the request for regulatory accounts, and the difference in activities between SB 1371 and this GRC where applicable.

A. Parties' Proposals to Decrease Funding for Gas Distribution Based on Anticipated Lower Gas Demand are Unfounded

Several parties recommend disallowances to the Gas Distribution request based on declining gas demand.[23] These recommended disallowances should not be adopted. SoCalGas

[22] Ex. EDF-01 (Direct Testimony of Michael Colvin, Richard McCann, Ph.D, and Joon Hun Seong on behalf of EDF), March 27, 2023, at 9, 28-30.

[23] Ex. EDF-01 (Colvin, McCann, and Seong) at 9, Ex. CEJA-01 (Vespa, Gerson, Saadat, and Barker) at 2.

has affirmed its support of a gas system planning process that is designed to drive the gas system transition forward to reach the State's decarbonization goals while preserving safety, reliability, and affordability.[24] As stated by EDF in its testimony: "Decarbonizing the natural gas system is not simply electrification; it can also occur with reduction in leaks, efficiency gains in natural gas use (either through demand response or energy efficiency), in conservation or via fuel substitution, such as responsibly procured biomethane," and a long-term plan is required.[25] As stated by SoCalGas in comments in Rulemaking (R.) 20-01-007, in considering a Gas Infrastructure Decommissioning Proposal, SoCalGas strongly supports a combination of workshops and pilot programs that could be very valuable in better understanding these alternatives and developing a long-term framework.[26] As additional data is made available in the future, SoCalGas will continue to support the transition with justifiable and reasonable forecasts.

While various decarbonization, efficiency, and other initiatives and policies may lead to an overall decline in gas demand, the immediate and direct impact of these activities within Gas Distribution is uncertain, speculative, and not fully quantifiable, thus, challenging to account for in the forecast for the GRC period. The pace and penetration of electrification is highly uncertain, and promoting a safe and reliable gas system requires continued investment that cannot be abandoned. Recent policies, identified by both EDF and CEJA, such as the latest Title 24 building code requirements or local ordinances that require all-electric new construction, have taken effect only in the past two years or are effective starting in 2023.[27] While these policies may impact the future number of new customers onto the gas distribution system, the data of *how much* and *how soon* of an impact is not yet available. Many of these policies and regulations were recently announced or yet to be fully formulated, making their exact impact on customer additions in the future uncertain at best.

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[24] *See e.g.*, Rulemaking (R.) 20-01-007, Joint Reply Comments of SoCalGas and SDG&E on Staff Gas Infrastructure Decommissioning Proposal, March 16, 2023 (hereinafter, SoCalGas Decommissioning Comments), at 1, *available at* https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M503/K824/503824399.PDF.

[25] Ex. EDF-01 (Colvin, McCann, and Seong) at 3.

[26] R.20-01-007, SoCalGas Decommissioning Comments, at 4.

[27] Ex. EDF-01 (Colvin, McCann, and Seong) at 20; Ex. CEJA-01 (Vespa) at 9; see also *California Restaurant Assn. v. City of Berkeley*, 65 F.4th 1045 (9th Cir. 2023) (The Ninth Circuit reversed the District Court's ruling and held Berkeley's gas prohibition ordinance is preempted by the federal Energy Policy & Conservation Act (EPCA).)

Further, it is important to note that gas demand is not the same as gas customer additions when evaluating the activities and projects related to the distribution system. The various policies that encourage the conversion of gas to electric equipment in both residential and nonresidential sectors may cause a decrease in gas demand on the distribution system but may have little or no impact on customer count or on the gas infrastructure in place. Meaning, throughput decline and customer count are not linear. Unless a given distribution asset can feasibly be retired, continuing evaluation, maintenance, and, if necessary, replacement activities are imperative. For this reason, and contrary to the suggestion by EDF,[28] a decrease in customer growth will not necessarily lead to a corresponding immediate decrease in distribution expenditures. As this long-term transition occurs and additional data is collected naturally and/or through supplemental pilot programs, the impact of these various policies and initiatives may become more available for analysis and impact the forecasts in future GRCs of Gas Distribution requirements. However, this rate case cycle covers the period of 2024 to 2027 and any dramatic changes to gas demand will take place over a significantly longer period of time, as Cal Advocates recognizes in its statement "as natural gas building policy is slowly being integrated throughout California."[29] For this rate case cycle, SoCalGas's request for Gas Distribution is still needed to support the activities described in our direct testimony. For further discussion of Gas Customer Forecast, see the rebuttal testimony of Mr. Eduardo Martinez (Exhibit SCG-235 – Customer Forecast).

As it relates to SoCalGas's New Business forecast, the immediate impact of line extension allowance elimination per D.22-09-026 has been accounted for in SoCalGas's revised forecast for New Business Construction, discussed more below.[30] The decision to eliminate line extension allowances in D.22-09-026, among other objectives, is intended to create ratepayer savings.[31] As stated in that decision, this elimination does not remove customer choice as builders and customers can continue to select their choice of fuel.[32] Therefore, the decision is

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[28] Ex. EDF-01 (Colvin, McCann, and Seong) at 35.

[29] Ex. CA-04 (Testimony of Chauncey Quam on behalf of Cal Advocates), March 27, 20223, at 15.

[30] *See* Appendix B, at CCQ/SAW-B-1 – CCQ/SAW-B-4, SoCal Response to CEJA-SEU-007_Supplemental, Question 7.

[31] D.22-09-026 at 2-3.

[32] *Id*. at 32.

intended to reduce the ratepayer contribution to the costs included in the New Business Construction forecast, but it does not necessarily represent nor quantify a reduction in new customer count. In light of D.22-09-026, SoCalGas revised a portion of the forecasted New Business Construction expenditures in 2023 and 2024 from non-collectible (*i.e.*, ratepayer funded) to collectible (*i.e.*, not ratepayer funded), thereby reducing the revenue requirement while retaining the overall new customer meter forecast.

B. Regulatory Accounts

1. SoCalGas's Proposed Locate & Mark Balancing Account (LMBA) Should be Adopted

SoCalGas requests a balancing account for the Locate and Mark workpaper to address potential uncertainty related to expenses within the workpaper. The extent of increased expenses for Locate and Mark activities are difficult to accurately predict, making the authorization of SoCalGas's proposed LMBA, a two-way balancing account, appropriate. Cal Advocates and TURN oppose the creation of the LMBA.

Cal Advocates states:

> Cal Advocates opposes SCG's two-way LMBA for TY2024. Both SB 661 and SB1198 were in effect in 2021. In addition, SB297, Subsurface Installations, was also passed in 2021. Therefore, the GRC forecasts should provide adequate funding for these activities. The Cal Advocates test year forecast which is based on the utilities most recent adjusted 2022 forecast captures the level of activities and procedures associated with the Senate Bills and other activities for this function.[33]

TURN states:

> The Companies have an effective damage prevention approach that has led to decreasing rates of damages to gas facilities due to excavation despite the hundreds of thousands of locate tickets received annually between the two utilities. As such, my concerns with this cost category are not with the practices, operational procedures or cost per locate – but rather with the Companies claims concerning the expected exponential growth of demand for locates in response to SB 297.[34]
>
> . . .
>
> My concerns are firstly, that the Companies have access to sufficient data to predict with reasonable accuracy the scope of activities that will need to be performed for Locate and Mark activities, and secondly, the Companies have

[33] Ex. CA-02 (Maricela Sierra) at 9.

[34] Ex. TURN-05 (Rod Walker) at 37.

> experienced similar legislation in the past that impacts locate ticket volume. Namely SB 661, (AKA the Dig Safe Act of 2016) which provided the California Underground Facilities Safe Excavation Board enforcement authority to assess penalties for violations of California excavation law. The Companies can utilize the impact of SB661 (arguably likely greater than that of BS 297) on Locate and Mark activities to further refine is forecast.[35]
>
> . . .
>
> Therefore, it is my recommendation to the Commission that the LMBA be disallowed and SoCalGas and SDG&E continue to manage their Locate & Mark cost forecasting inside of existing structures.[36]

The Commission should reject Cal Advocates and TURN's recommendation and approve the LMBA for Locate & Mark expense. SB 661, also known as the Dig Safe Act, established an enforcement entity known as the California Underground Facilities Safe Excavation Board, and SB 1198, also known as the Wade Kilpatrick Gas Safety and Workforce Adequacy act of 2021, allows the California Underground Facilities Safe Excavation Board to increase fines that were previously limited to $50,000 to $100,000 if the violation to the Dig Safe Act involves a natural gas pipeline. As with any new entity, it takes time to evolve from creation to an entity that has reached its full potential. The California Underground Facilities Safe Excavation Board only started enforcement actions in 2020, four years after the Board was established. Most of the enforcement actions taken by the Board have been education based. Over time, and with new legislation such as SB 1198, it is anticipated the Board may take stronger action against willful violators of the Dig Safe Act. Therefore, SoCalGas believes it is fair to assume that the California Underground Facilities Safe Excavation Board has not yet reached its full potential and the effects of the Board and any potential fines the Board is authorized to levy against violators of the Dig Safe Act have not been seen at this time.

In addition to the above regulations, SoCalGas has efforts underway to increase awareness of the requirement to call "one-call" before digging. While it is State law that contractors and individuals call before they dig, SoCalGas continues to respond to damaged pipelines from excavators without a proper USA ticket in place. Likely due in part to increased public awareness, SoCalGas has been experiencing a decline in excavation damages and an increase in the volume of USA tickets as shown in the figure below. SoCalGas expects to

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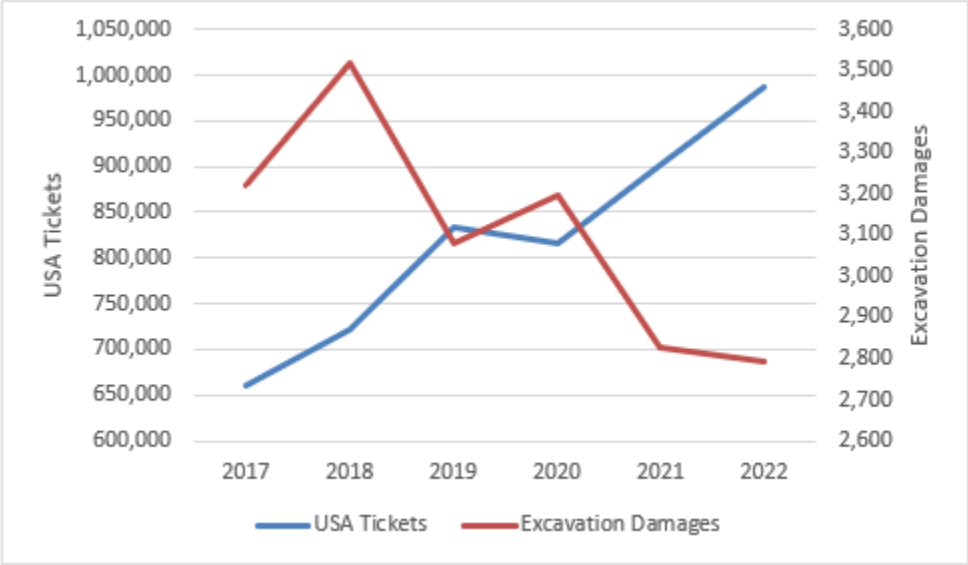
[35] *Id*.

[36] *Id*. at 38.

continue to see an increase in USA tickets. SoCalGas believes the combination of raised awareness and the legislation discussed above have not been fully realized and will have an even greater impact on USA ticket volume over this rate case cycle than has been experienced during the historic period used to inform this rate case.

Figure CQ/SW-1
USA Tickets and Excavation Damages



Based on this rapidly growing unit of work, SoCalGas believes that the post-test year mechanism does not adequately cover the expected expenses in the Locate and Mark workpaper. The post-test year mechanism in previous GRCs has generally provided between three and four percent annual increases. USA tickets have been increasing at approximately 9% per year, and the associated costs have historically increased at approximately 5.4% annually. In 2022, USA tickets increased by 9.5% and expenses increased by 11%. Locate and Mark activities are mandated by federal and state regulations, and therefore, SoCalGas is required to perform them. If these activities continue on the same trend as recent history, the authorized expenditure based on the post-test year mechanism will be inadequate. The recorded cost and work volume in 2022 is an early indicator of the possible exponential growth as a result of greater awareness of the requirement to call 811 prior to excavation work. Thus, the post-test year mechanism may potentially authorize an amount that is significantly lower than the necessary funding levels. The two-way balancing account proposed by SoCalGas can provide certainty that any exponential growth that may occur within this activity will not adversely impact other important Distribution O&M activities.

Conversely, SoCalGas also acknowledges the potential for USA ticket volume to decrease. Economic conditions generally drive USA ticket volume significantly. For example, during 2020, USA ticket volume decreased to 815,669 from the previous total of 832,913. SoCalGas believes this lower ticket volume is directly associated with the COVID-19 pandemic and the associated shutdown of many industries for extended periods of time. The proposed two-way balancing account provides a level of revenue to implement a program, while allowing for the exact amount of expenditure to be recovered, with any over-collection being refunded to ratepayers, thereby providing a fair mechanism. For these reasons, SoCalGas respectfully requests that the Commission reject Cal Advocates and TURN's recommendation and approve the LMBA for Locate and Mark expense.

2. SoCalGas's Proposed Litigated Project Costs Memorandum Account (LPCMA) Should Be Approved

SoCalGas has proposed to create a LPCMA to record capital-related costs associated with projects that are intended to qualify as a collectible project to be recovered from third-party customers (*e.g.*, Contributions in Aid of Construction from a local governmental entity) instead of ratepayers, but later are deemed by a court to be non-collectible from third-party customers. Doing so would allow SoCalGas the opportunity to litigate whether the third-party customer should bear the cost at issue, while preserving the ability to later seek recovery of the incremental capital-related costs from ratepayers associated with the projects that can no longer be collected from a third-party customer if the litigation is unsuccessful. Establishing the LPCMA would also serve to avoid the prohibition against retro-active ratemaking.

Cal Advocates objects to the LPCMA, stating that "given the rarity of these types of court-ordered classification reversals, it is Cal Advocates' judgment that Sempra is not at a significant risk of experiencing systematic major unfunded capital costs…."[37] Cal Advocates also objects to the LPCMA on the grounds that this account "would not similarly track the costs that ratepayers had incurred (between the time a Non-Collectible capital project had been added to rate base and the time that a court ruled that the same project should be considered a Collectible project) for an eventual return to ratepayers. In Cal Advocates' judgment, ratepayers

[37] Ex. CA-06 (Gregory Wilson) at 13.

should receive the same type of financial protection as does the utility."[38] SoCalGas disagrees on both counts.

First, whether these types of third-party customer disputes are "rare" is not an adequate reason to deny the LPCMA. Moreover, there is a trend in third parties challenging the handling of these costs, resulting in uncertainty. For many years prior to the Riverside County Transportation Commission litigation referenced in SoCalGas's direct testimony,[39] which litigation SoCalGas pursued to avoid ratepayers bearing the burden of paying for the relocation of gas facilities (in public railroad crossings) to accommodate government transit projects, the handling of collectability of relocation costs with third parties was settled. The third parties paid. SoCalGas, however, has now seen a trend in third parties challenging the handling of these costs, resulting in uncertainty, and making the proposed LPCMA the best solution to handle these scenarios.

In addition to the Riverside County Transportation Commission litigation, SoCalGas recently faced litigation with the Los Angeles Metropolitan Transportation Authority over financial responsibility for relocation costs to accommodate Los Angeles Metropolitan Transportation Authority's rail transit project. As noted by the Los Angeles Metropolitan Transportation Authority in that litigation, what was at stake was $60 million in costs for relocation of SoCalGas gas lines in connection with the Los Angeles Metropolitan Transportation Authority's transit projects over the next 10 years. SoCalGas prevailed in that litigation.

As a direct result of the decision in the Riverside County Transportation Commission litigation, which was against SoCalGas and its position that the ratepayers should not bear the burden of such relocation costs, SoCalGas is currently involved in litigation with the Orange County Transportation Agency over the Orange County Transportation Agency's demand that ratepayers bear responsibility for the nearly $4 million in costs to accommodate its light rail project.

Thus, the recent trend is that third parties are aggressively pushing back on SoCalGas's position that ratepayers are not responsible for funding relocation of gas facilities to

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[38] *Id*. at 14.

[39] Ex. SCG-04-R (Revised Prepared Direct Testimony of Mario A. Aguirre), August 2022, at MAA-77.

accommodate their transit projects. If things continue in that direction, it is likely that SoCalGas will face more challenges to its efforts to shield ratepayers from bearing such costs. Simply put, the LPCMA is designed to account for those situations and should be approved.

Second, Cal Advocates' focus on the perceived benefits to ratepayers from authorizing the LPCMA is misplaced. As an initial matter, SoCalGas's objective in litigating disputes like the Riverside County Transportation Commission litigation and the Los Angeles Metropolitan Transportation Authority litigation is to avoid incurring ratepayer costs. But SoCalGas does not control the state court system, and a court may deem SoCalGas responsible for such costs, which then become costs of owning and operating SoCalGas's system within its service territory. Therefore, Cal Advocates' concern that the LPCMA fails to track costs that ratepayers had incurred for an eventual return to ratepayers misses the mark. In addition, if an intervenor believed costs in the memo account were unreasonable, they can challenge such costs when SoCalGas seeks recovery. Ultimately, the issue is how can SoCalGas properly track and recover operational costs that it expected to collect from a third-party entity but was legally prohibited from doing so. The opening of the LPCMA is designed to account for those situations in an open and transparent manner that avoids retroactive ratemaking. For all these reasons, the LPCMA should be approved.

C. TURN's Identification of "Cross-Over Issues with SB 1371 Expenditures" is Unfounded

This section addresses TURN's testimony and its identification of "Crossover issues with SB 1371 Expenditures". Specifically, TURN states its concerns as follows:

> 1) Many of the 'savings' in the GRC for business-as-usual (BAU) activities (O&M in particular) appear to be simply a reallocation of costs from the GRC to the SB 1371 Memorandum Account for later recovery, 2) the reallocation of activities creates concerns around cost forecasting within the GRC, and 3) the type and scale of activities associated with SB 1371 cause concerns associated with how the difference between BAU and SB 1371 activities are delineated.[40]

The Methane Leak Proceeding (R.15-01-008) was established to carry out the intent of SB 1371 (Leno, 2014), which seeks to include environmental considerations as an important factor in the way natural gas delivery companies determine their strategies to minimize emissions. The Commission initiated R.15-01-008 to adopt rules and procedures for

[40] Ex. TURN-05 (Rod Walker) at 40.

commission-regulated pipeline facilities to minimize natural gas leaks to advance greenhouse gas reduction goals. As discussed in the Safety and Enforcement Division's Staff Report, Survey of Natural Gas Leakage Abatement Best Practices:[41]

> SB 1371 changes a paradigm that has existed since the beginning of the gas industry: previously, only leaks considered hazardous to persons or property needed to be repaired immediately. Before the passage of SB 1371, intentional, non-hazardous emissions, during the course of normal operations and maintenance were considered harmless. With SB 1371 now in effect, there is a need to create a new category of hazard in addition to "gas leaks hazardous to persons and property". That new category is "gas leaks hazardous to the environment[.]"
>
> . . .
>
> We note that this definition of leak is NOT in agreement with the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) definition of leak[.] . . . The reason for the difference is that PHMSA regulations are concerned with physical safety, while SB 1371 is concerned with reducing methane emissions.[42]

Consistent with R.15-01-008, SoCalGas has been proactively reducing emissions by repairing active leaks within the Distribution system. The leaks to be repaired through SoCalGas's compliance with SB 1371 via the Methane Leak Proceeding have been identified and tracked by their initial dates of discovery, with the oldest leaks being repaired first. Since the program launch, SoCalGas has reduced the age of its leak inventory to 13 months, meaning that all of the active leaks within the Distribution system were no older than 13 months by the end of 2022. Additionally, as proposed in SoCalGas's 2022 Compliance Plan,[43] SoCalGas's goal is to further reduce the age of its leak inventory to 6 months by the end of 2024. As a part of this effort, Code 2 and Code 3 – Plastic leaks that have been historically repaired through the BAU activities funded via the GRC will be within the scope of SoCalGas's Methane Leak Proceeding in 2023 and 2024 and part of 2022. Consistent with SoCalGas's 2022 Compliance

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[41] R.15-01-008, CPUC Safety and Enforcement Division Staff Report, Survey of Natural Gas Leakage Abatement Best Practices, March 17, 2015, at 6, *available at* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/reports/ra-doc-3-sedsb1371lenonaturalgasleakageabatementbestpracticesfinal.pdf.

[42] *Id*. at 7.

[43] SoCalGas, Natural Gas Leak Abatement Program – 2022 Senate Bill 1371 Compliance Plan, March 15, 2022, *available at* https://www.socalgas.com/sites/default/files/2022-SoCalGas-SB-1371-Compliance-Plan.pdf.

Plan, SoCalGas reduced its GRC forecast of the O&M and capital workpapers that include the historical cost of Code 2 and Code 3 – Plastic leak repairs. By doing so, SoCalGas's forecast does not overstate its requirements if the Commission approves both the TY 2024 GRC request and the 2022 Compliance Plan.

It is important to note that the Code 2 and Code 3 – Plastic leaks have a specific permanent repair deadline of 15 months from the time of discovery per General Order (GO) 112-F.[44] However, to help reduce emissions, consistent with the State's decarbonization goals, SoCalGas plans to accelerate the repair of these leaks through the Methane Leak Proceeding as further detailed in its 2022 Compliance Plan. Therefore, these leaks will be repaired mandatorily, but the difference is the timing and the means of cost recovery associated with the repair. By proposing this repair through its 2022 Compliance Plan and reducing the forecast of the relevant workpapers in the TY 2024 GRC, SoCalGas is not only including a reasonable request within the rate case but is also aligning its activities with the decarbonization goal.

Given the context above, SoCalGas will address each of TURN's concerns.

1. TURN Incorrectly Represents Expenditures Related to SB 1371[45]

TURN misrepresents SoCalGas's expenditures related to SB 1371 in its testimony. TURN states:

> In compliance with these directives, SoCalGas has spent hundreds of millions of dollars per year performing incremental work to reduce emissions. The last two years' totals were $623,801,334 for 2021 and $485,744,146 for 2022. This approximately one billion dollars was spent performing additional leak repairs, additional leak surveys, training and similar activities to be incorporated into the 2028 GRC anticipated to be filed on May 15, 2026.[46]

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[44] CPUC, General Order (GO) No. 112-F, State of California Rules Governing Design, Construction, Testing, Operation, and Maintenance of Gas Gathering, Transmission, and Distribution Piping Systems, Subpart C, Section 143.2.

[45] While TURN refers to "expenditures related to SB 1371," the correct proceeding is the Methane Leak Proceeding (R.15-01-008). "SB 1371" is a phrase used colloquially to describe the Methane Leak Proceeding and will be used throughout this section to remain consistent with TURN's concerns.

[46] Ex. TURN-05 (Rod Walker) at 40. In TURN's response to a SoCalGas data request, SCG-SDGE-TURN-007, TURN acknowledge that the values discussed in TURN-05 were incorrect and corrected the values to: "1. The total loaded program costs values for the last two advice letters related to the NGLAP should be: a. Revised AL#5950 (Rev. B), Table 1 which is $304,125,671 for 2023-2024, and b. Revised AL# 5603 (Rev. C), Table 1 which is $201,208,820 for 2021-2022. 2. The cited values in Ex. TURN-05 are referenced in sum ('one billion dollars') which is not accurate as the forecast costs in AL# 5950 and AL# 5950-B are for an overlapping period. The accurate sum of revised costs for

The total spend provided by TURN is incorrect and TURN does not reference in its testimony how these incorrect numbers were calculated. In direct dollars, SoCalGas spent $81,689,810 in 2021 and $101,282,678 in 2022 to reduce emissions, as approved in Tier 3 Advice Letter 5603-G-C[47] for the Methane Leak Proceeding (R.15-01-008). This totals to $182,972,488 in the past two years, 82% less than TURN states in its testimony. Further, leak repair and survey are only a portion of the dollars spent on the initiative; many other projects are also included within the scope of the 26 Best Practices identified in the Methane Leak Proceeding.[48]

TURN alleges that, "[m]any of the 'savings' in the GRC for BAU activities (O&M in particular) appear to be simply a reallocation of costs from the GRC to the SB 1371 Memorandum Account for later recovery"[49] and, "[i]n its most recent advice letter for the SB 1371-related Memo Account (the Natural Gas Leak Abatement Program Memorandum Account or 'NGLAPMA', SoCalGas claims costs for similar activities."[50] TURN, however, fails to recognize that the NGLAPMA is only used for program administrative costs.[51] Leak repair and other implementation costs are recovered in a two-way balancing account, subject to the procedures required in the R.15-01-008 proceeding, with preapproval for the costs received following a biannual Compliance Plan evaluation and Advice Letter (AL) approval by the Commission. In addition, when citing costs reported in the NGLAPMA in its testimony, TURN

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the last two advice letters for the NGLAP is $505,334,491 or 'over half a billion dollars'." (Appendix B, at CCQ/SAW-B-7, TURN Response to SCG-SDGE-TURN-007.) SoCalGas points out that TURN is referencing two years of revenue requirement figures, while the GRC forecasts are on an annual basis (TY 2024) using direct dollars.

47 CPUC, Resolution G-3576, December 18, 2020 (approving SoCalGas's 2020 Natural Gas Leak Abatement Compliance Plan and AL 5603-G-C).

48 R.15-01-008. CPUC Safety & Enforcement Division, Natural Gas Leakage Abatement Summary of Best Practices Working Group Activities And Revised Staff Recommendations, January 2017, *available at* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/final-best-practices-revised-staff-recommendations-with-bp-matrix-january2017.pdf.

49 Ex. TURN-05 (Rod Walker) at 40.

50 *Id*. at 41.

51 D.17-06-015 at 161-162, Ordering Paragraphs (OP) 8, 11.

incorrectly compares the revenue requirement figures in AL 5950-B to the direct dollars presented in the GRC testimony and workpapers.[52]

Moreover, the revenue requirement values in AL 5950-B are for two years of implementation, while the GRC forecasts are based on an annual basis (TY 2024). A more accurate comparison would be to list the 2024 direct dollar forecast of the selected projects, which would result in a sum of approximately $58 million, 74% less than the $224 million that TURN states. In short, TURN is comparing non-like numbers, which grossly overestimates the total forecast of the projects discussed.

2. TURN Incorrectly Interprets Forecast Reductions

TURN incorrectly interprets SoCalGas's forecast reduction as "savings", some of which are related to SB 1371 and others, which are not. TURN states:

> As O&M costs under the GRC have declined in several areas due to new work in compliance with SB 1371 by the Companies own admission, it does not appear that they have taken this into account for cost forecasting. For example, a base year, linear, or historical average forecast may see an underestimation of future costs.[53]

SoCalGas clarifies that no "costs have declined" contrary to TURN's incorrect statement. As previously explained, SoCalGas made adjustments to its forecast in the Leakage and Main Maintenance workpapers to account for activities that are expected to be covered by SB 1371, namely the Code 2 and Code 3 – Plastic leak repairs. SoCalGas anticipates that these leaks that would have been accounted for in the TY 2024 O&M activities will be covered by SB 1371 based on the leak repair schedule outlined in SoCalGas's 2022 Compliance Plan to reduce emissions associated with these leaks.

In addition, TURN seems to be suggesting that SoCalGas is not requesting enough to cover O&M expenses but does not provide a recommendation on how much to increase costs. For the Main Maintenance and Leakage workpapers that TURN has targeted in its argument related to SB 1371 "crossover issues", SoCalGas forecasted the cost within these workpapers using a base year forecast methodology with further reductions to account for expenses related to SB 1371. This demonstrates SoCalGas's elimination of any potential SB 1371 "crossover

[52] Ex. TURN-05 (Rod Walker) at 41, n. 37.

[53] *Id*. at 42.

issues" in forecasting these workpapers. Further, SoCalGas has provided a detailed account of the separation of costs between the GRC and SB 1371 in the relevant proceeding, R.15-01-008. SB 1371 initiatives will be integrated into the TY 2028 GRC, at which point, any need to delineate the costs will no longer be necessary.

3. Delineation Between Business-As-Usual and SB 1371 Activities

TURN argues that there is a problem in delineating between business-as-usual (BAU) activities related to leak repair and SB 1371 activities. SoCalGas disagrees. TURN states:

> In short, many of the activities performed in compliance with SB 1371 are identical to their BAU counterparts, they are neither defined nor delineated. Indeed, these activities are performed by the same crews with the same scope. Take, for example, additional leak repairs. When a crew performs additional leak repairs in compliance with SB 1371, it will prioritize the worst leaks and remediate them in order of severity. This is the exact same thing that a leak repair crew would do under a BAU leak repair activity. So then, how does one delineate what leaks are addressed incremental to BAU activities?[54]

As discussed above, the leaks that are being repaired according to federal, state, and local safety ordinances are considered BAU, and the leaks that are repaired faster than required by safety ordinances in order to minimize emissions are considered a part of the R.15-01-008 program scope. The Methane Leak Proceeding is in place to expedite the repair of leaks ahead of federal guidelines in order to reduce emissions. SoCalGas has reduced the base forecast for the Leakage and Main Maintenance workpapers to account for leak repairs and the associated work that it anticipates will be addressed through R.15-01-008 and not through BAU.

Further, the Leak Survey workpaper does not contain any request for funding related to SB 1371. The entirety of the request for the Leak Survey workpaper is related to federally mandated leak survey activities, which, as noted in Section 2 of this Rebuttal Testimony, are also considered a RAMP activity, SCG-Risk-3, C08 Leak Survey. Any costs incurred by SoCalGas related to SB 1371 for Leak Surveys are separate and in addition to the activities described in SoCalGas's testimony.

[54] *Id*. at 43.

IV. REBUTTAL TO PARTIES' O&M PROPOSALS

A. Non-Shared Services O&M

Table CQ/SW-3
Summary of Differences in Non-Shared Services O&M Expense

NON-SHARED O&M - Constant 2021 ($000)			
	Base Year 2021	**Test Year 2024**	**Change**
SOCALGAS [55]	170,759	167,880	-2,879
CAL ADVOCATES-02	170,759	166,373	-4,386
CAL ADVOCATES-23	170,759	164,704	-6,055
TURN[56]	170,759	161,872	-8,887

1. Locate & Mark

a. Cal Advocates

Cal Advocates takes issue with the Test Year O&M forecast for the SoCalGas Locate and Mark O&M workpaper. Cal Advocates states:

> In a data request, Cal Advocates asked SCG to provide additional supporting documentation for the estimated requested $2.2 million increase. SCG simply referred Cal Advocates to SCG's testimony and workpapers. SCG also mentioned that these Senate Bills (SB 661 and SB 1198) emphasize the need to obtain Underground Service Alert (USA) tickets before excavating. It should be noted that SB 661 and SB 1198 were passed in 2016 and 2021, respectively, and are not new. The utility's adjusted forecast for 2022 captures the level of activity and procedures related to SB 661 and SB 1198 which were in effect in 2021. For those reasons, Cal Advocates proposes 2022 adjusted forecast for TY2024 of $19.7 million.[57]

As previously discussed in Section 1, while Cal Advocates correctly identifies the years that SB 661 and SB 1198 went into effect, Cal Advocates did not consider any historical data associated with the Locate and Mark workpaper or consider the impact that either Senate Bill has had on the environment of underground utility safety within its analysis. Also, Cal Advocates

[55] Due to errors discovered when responding to various data requests and in the course of review, SoCalGas corrects its BY value from $170,896 to $170,759 and TY 2024 O&M forecasted value from $168,017 to $167,880 to reflect this correction.

[56] SoCalGas discovered what appear to be errors in TURN's Table 2 for the TY 2024 forecast. (*See* Ex. TURN-05 (Rod Walker), at 10, Table 2.) The values included here reflect what SoCalGas believes is the correct amount based on its understanding of the proposal by TURN as stated in Exhibit TURN-05, at 12-14.

[57] CA-02 (Maricela Sierra) at 8.

does not take into account another important component of the expected increase in USA ticket volume, which is the efforts on the part of SoCalGas to advertise the use of calling "one-call" before digging. The volume of USA tickets that SoCalGas's Gas Distribution department have addressed has risen significantly since 2017. The total number of USA tickets in 2017 was 661,413 and the total number of USA tickets in 2021 was 900,960. Annual expenses associated with Locate and Mark activities have also risen each year since 2017. Annual expenses (000s) in 2017 were $15,704 and annual expenses in 2021 were $19,092. The average increase in USA tickets from 2017 to 2021 is approximately 9% per year, and the average increase in expenses over the same period is approximately 5.4% per year. Cal Advocates also does not consider the most recent recorded year of 2022. USA ticket volume and expenses increased to 986,179 and $21.3 million in 2022, an increase of 9.5% in USA tickets and an increase of 11% in expenses.[58]

As discussed above, SoCalGas believes it is fair to assume that the California Underground Facilities Safe Excavation Board has not yet reached its full potential and the effects of the board and any potential fines the board is authorized to levy against violators of the Dig Safe Act have not been seen at this time. SoCalGas also believes that SB 1198, also known as the Wade Kilpatrick Gas Safety and Workforce Adequacy act of 2021, will further increase USA ticket volume.

SoCalGas has demonstrated that the volume of USA tickets has continued to increase since the Dig Safe Act has been enacted, and has reason to believe this will continue, as demonstrated by the recorded USA ticket volume in 2022. The expenses associated with Locate and Mark have risen along with the USA ticket volume. For example, even the 2022 recorded expense of $21.3 million is above the forecasted amount anticipated by SoCalGas of $19.8 million for 2022. Using the recent recorded history of expenses for the Locate and Mark workpaper, it is reasonable to conclude that expenses will continue to increase in this workpaper. Accepting a reduction to $19.7 million, as recommended by Cal Advocates, would not provide adequate funding for the Locate and Mark workpaper.

[58] *See* Appendix C, containing excerpts of SoCalGas's 2022 Recorded Expenditures.

2. Leak Survey

a. TURN

TURN disagrees with SoCalGas's forecast for Leak Survey O&M. TURN confusingly contends, "SoCalGas states that more work is necessary because the footage of pipe required to be surveyed has increased and will increase further in the future."[59] However, SoCalGas did not make any claims in its testimony related to Leak Survey that increased footages would increase leak survey work or that increased footages would take place in the future resulting in any future leak survey increases. In fact, SoCalGas used a base year forecast methodology as its base forecast and recommended reductions from the base forecast to account for expected efficiencies from improved scheduling procedures.

TURN also takes issues with SoCalGas's expected efficiencies. TURN states:

> SoCalGas then proceeds to indicate that Gas Distribution has identified ways to increase efficiency both in scheduling and in the field, which has resulted in less downtime and the ability to do more with less people. Contradictory to these efficiency gains, SoCalGas plans to hire 40 more FTEs in a newly created position called "Leak Survey Technician".
>
> . . .
>
> Therefore, I recommend that the Company be disallowed the recovery of costs for the 40 incremental leak survey technician FTEs and the 40 incremental light-duty trucks. This would result in a disallowance of approximately $3,318,000 in O&M for SoCalGas plus the cost of the 40 light duty trucks which was not readily available.[60]

TURN's recommendation should be rejected as it is based on false assumptions. SoCalGas has begun the process of hiring Leak Survey Technicians (LSTs); however, none of the expenses associated with the Leak Survey workpaper are increased as a result of this process. The amount of work expected to be performed related to the Leak Survey workpaper is unchanged by the title of employee performing the work. Hiring Leak Survey Technicians, an employment position that TURN also points out is paid at a lower rate than the current employee class that performs the same task,[61] does not increase the costs of the activity. TURN is mistaken in assuming that the hiring of these employees is an added cost within this workpaper.

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[59] TURN-05 (Rod Walker) at 35.

[60] *Id*. at 35-36.

[61] *Id*. at 35.

The hiring of LSTs allows SoCalGas to reallocate other, higher paid and more versatile employees, to other tasks within the Gas Distribution department. For every Leak Survey Technician that SoCalGas hires, a Construction Technician, Energy Technician – Distribution, or Lead Construction Technician, who would otherwise have performed leak survey duties, can be reassigned to any number of alternative tasks.

The Leak Survey workpaper and respective activities are listed as a RAMP activity in testimony and in the workpapers, SCG-Risk-3-C08.[62] The activities described by SoCalGas in this workpaper and as described in the RAMP filing are also federally mandated activities.[63] SoCalGas has presented a base year forecast methodology with reductions related to internal scheduling efficiencies that it believes will allow the Company to perform this task at a lower expense than its historical levels. The additional creation of LSTs demonstrates SoCalGas's commitment to identifying ways to control costs. Any further reduction of expenses in this workpaper would make it impossible to fully fund this federally mandated and risk reducing activity.

Separate from TURN's larger point of "crossover issues" with SB 1371, which is discussed in Section III.C, TURN also claims that the hiring of leak survey technicians has cross over implications with SB 1371. TURN states:

> [L]eak survey costs have shifted, in part, to be allocated to compliance with California SB 1371, so the perceived cost savings within the GRC for leak surveying are not indicative of total, Company-wide leak surveying activities.
>
> To the extent that escalated leak survey activities associated with SB 1371 compliance are a driver for incremental leak survey technicians, those costs should be handled separately from this GRC for both SoCalGas and SDG&E.[64]

As mentioned in Section 3, SoCalGas reiterates that the forecast reduction in the Leak Survey workpaper is not related to SB 1371, and that SB 1371 did not factor into SoCalGas's decision to create the LST classification. LST is a newly created position that is dedicated to performing leak survey at a lower cost than that of other Distribution employee classifications that have historically performed this activity. In addition, the forecast of the Leak Survey

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62 *See* Ex. SCG-04-R (Mario A. Aguirre) at MAA-24 – MAA-26; Ex. SCG-04-CWP-R.

63 49 CFR § 192.723 (Distribution systems: Leakage surveys).

64 Ex. TURN-05 (Rod Walker) at 36.

workpaper represents compliance-driven work per the Code of Federal Regulations (CFR),[65] and any leak survey activities associated with SB 1371 are in addition to and separate from the baseline activities presented in the TY 2024 GRC. The forecast reduction related to LSTs included in the Leak Survey workpaper is to reduce the cost in compliance-driven work overall, not shift it to SB 1371 in any way. Therefore, hiring LSTs is in no way a result of any incremental leak survey due to SB 1371.

3. Main Maintenance

a. TURN

TURN disagrees with SoCalGas's forecast for Main Maintenance O&M and proposes that a 5-year historical average be applied instead of SoCalGas's base year forecast. TURN states, "To calculate the difference between these two forecast methodologies, I took the base forecast from SoCalGas, and an alternate forecast using a 5-year historical average and equally applied the cost-savings adjustments that SoCalGas proposes to both forecast models. The resulting difference of $3,086,000 for TY 2024 is what I recommend the Commission disallow the Company recovery of."[66]

SoCalGas disagrees with TURN's alternate forecast and believes that its own proposed forecast best represents anticipated activities in this area. In developing its forecasts, including the forecast for Main Maintenance, SoCalGas carefully evaluates the historical cost, as well as the activities, and proposes the forecast that best represents the workpaper. SoCalGas believes that the base year forecast methodology best represents the anticipated activity in this workpaper. Further, SoCalGas reduced its forecast to account for scheduling efficiencies it expects to gain through improved scheduling techniques and to account for paving costs that it expects the SB 1371 Methane Leak Proceeding to cover that would have previously been accounted for within the historical period. SoCalGas believes that this conservative request is reasonable and should be adopted. In addition, the activities discussed in this workpaper are largely compliance activities and include two RAMP activities, SCG-Risk-3-C09/C10/C11 Pipeline Monitoring and SCG-Risk-3-C12 Valve Inspection.

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[65] 49 CFR § 192.723.

[66] Ex. TURN-05 (Rod Walker) at 38-39.

TURN's alternate forecast and proposed reduction are not appropriate. TURN's proposal would reduce the request for this workpaper by more than 1/3. SoCalGas has already proposed reductions related to scheduling improvements and costs it anticipates will be covered by the Methane Leak Proceeding. Any further reductions to this workpaper would likely not provide the necessary funding to cover the important compliance activities addressed in this workpaper.

4. Regional Public Affairs

a. Cal Advocates

In Maricela Sierra's testimony (Exhibit CA-02), Cal Advocates does not oppose SoCalGas's request for its Regional Public Affairs (RPA) group.[67] However, in Stephen Castello's testimony (Exhibit CA-23C-WP), Cal Advocates recommends a reduction of 80% in this workpaper for TY 2024 from $4.107 million to $0.821 million.[68] The Commission should adopt SoCalGas's request for RPA, consistent with Cal Advocates Exhibit CA-02 and reject the recommendation in Cal Advocates' Exhibit CA-23C-WP. For further discussion of the recommendations in Cal Advocates' Exhibit CA-23C-WP, please see the rebuttal testimony of Ms. Sara Mijares (Exhibit SCG-245).

5. Incremental Fleet

a. TURN

TURN takes issue with SoCalGas Gas Distribution's request for 360 additional vehicles on the basis that SoCalGas did not provide sufficient support to justify the additions. As a result, TURN is recommending a reduction of 100% related to incremental vehicles.[69] TURN's recommendation should be denied as these requested vehicles are necessary in order for Gas Distribution employees to be able to perform their job duties efficiently and effectively.

Included in our adopted testimony and workpapers is the business justification and request for 360 Vehicle Additions to the Fleet, the cost for which can be found in the Revised Direct Testimony of Michael Franco (Exhibit SCG-18-R – Fleet Services). The table below presents the incremental fleet by the various drivers and activities.

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[67] Ex. CA-02 (Maricela Sierra) at 1.

[68] Ex. CA-23C-WP (Stephen Castello) at 2.

[69] Ex. TURN-10 (Garrick Jones) at 6.

Table CQ/SW-4
Incremental Fleet by Categories

O&M	Incremental Fleet
Leak Survey	40
R – Locate & Mark Measurement and Regulation Cathodic Protection	38
Asset Management Operations and Management	16
Capital	
Shift in work from contractors to Company crew	266
Total	**360**

The following sections provide justification for vehicle additions. Additional justifications for vehicle additions corresponding to capital activities are found in Section V.G.

i. Leak Survey Technicians

SoCalGas requests 40 incremental vehicles to be added to the fleet to support the hiring of Leak Survey Technicians. A request to add vehicles to support the Leak Survey Technicians is necessary as the employees would be considered "single-unit operators" and need to have a vehicle to transport them to and from their respective job site. SoCalGas notes that while the FTEs in the Leak Survey workpaper does not increase in TY 2024 compared to 2021, this new classification of employees allows SoCalGas to reallocate other, higher paid and more versatile employees, to other tasks within the Gas Distribution department, as further explained in Section IV.2.a above. In addition, the utilization of these vehicles would not necessarily be limited to Leak Survey Technicians; depending on the daily needs of the workgroup, the vehicle can be reassigned to other employees as needed.

ii. O&M Activities in Response to Regulatory Codes and Standards

SoCalGas requests 38 incremental vehicles to support the increase in FTEs associated with routine activities in response to federal and state regulatory agency codes and standards. Specifically, SoCalGas forecasts an increase in FTEs in the Locate and Mark, Measurement and

Regulation, and Cathodic Protection workpapers, all of which include maintenance activities associated with various regulations, including the Code of Federal Regulation and Commission General Orders. Examples of this work include successfully responding to all USA tickets in a timely manner, inspecting and maintaining all regulator stations that control the operating pressures of the distribution system for safe and reliable delivery of gas to customers, and mitigating external corrosion on steel pipelines within the distribution system to minimize the potential for leakage. The increase in the forecasted costs of these workpapers results in an increase of 38 FTEs by TY 2024 compared to the 2021 base year. The table below summarizes the FTEs for these workpapers.

Table CQ/SW-5
FTE Forecast in O&M Workpapers

FTE per Year by O&M Workpaper		2021	2022	2023	2024
2GD002.000	R – Locate and Mark	189.1	195.2	202.1	209.1
2GD007.000	Measurement and Regulation	81.0	81.5	84.4	87.6
2GD008.000	Cathodic Protection	74.7	76.5	78.9	86.1
	Total	**344.8**	**353.2**	**365.4**	**382.8**

Many of these FTEs are considered "single-unit operators" and need to have a vehicle to transport them to and from their respective job site. Given the FTE increase over 2021 levels, SoCalGas's request for 38 additional vehicles is reasonable and should be approved.

iii. O&M Activities for Support Functions

SoCalGas requests 16 incremental vehicles to support the increase in FTEs associated with field support functions, specifically in the Asset Management and the Operations and Management workpapers. The Asset Management workpaper includes SoCalGas's project management office (PMO), planning, and engineering organizations that provide the technical and administrative services required for the successful and timely completion of O&M activities. The activities include, but are not limited to, identifying construction design requirements, evaluating pressure specifications, conducting pipeline planning, providing project drawings, identifying material selection, preparing work order estimates, acquiring third-party contract services, and obtaining permits for construction from the appropriate agencies. In addition, the Operations and Management workpaper includes costs for operations leadership, field management, and operations support, all of which are necessary for SoCalGas to provide

customers with safe and reliable service. The activities include, but are not limited to, providing work direction for and supervising field operations, and managing the workforce dedicated to the planning and completion of pipeline maintenance and installation activities. The increase in the forecasted costs of these workpapers results in an increase of 23.3 FTEs by TY 2024 compared to the 2021 base year. The table below summarizes the FTEs for these workpapers.

Table CQ/SW-6
FTE Forecast in O&M Workpapers

FTE per Year by O&M Workpaper		2021	2022	2023	2024
2GD009.000	Asset Management	121.5	127.6	132.4	137.3
2GD010.000	Operations and Management	84.5	84.9	88.5	92.0
	Total	**206.0**	**212.5**	**220.9**	**229.3**

While many of these FTEs within these workpapers are also considered "single-unit operators", not all of these employees require dedicated vehicles to transport them to and from their respective job site. With an estimate of 2:1 ratio and 1:1 ratio of FTE to vehicle for Asset Management and Operations and Management, respectively, SoCalGas's request for 16 additional vehicles is reasonable and should be approved.

V. REBUTTAL TO PARTIES' CAPITAL PROPOSALS

Table CQ/SW-7
Summary of Differences in Capital Expenditures

TOTAL CAPITAL - Constant 2021 ($000)					
	2022	**2023**	**2024**	**Total**	**Difference**
SOCALGAS	388,786	413,355	391,525	1,193,666	
CAL ADVOCATES[70]	382,280	405,952	390,991	1,179,223	-14,443
TURN[71]	388,414	412,971	391,129	1,192,514	-1,152
CEJA	388,786	413,355	382,102	1,174,820	-18,846

[70] While compiling information, SoCalGas discovered what appear to be errors in Cal Advocates' Table 2-2 for the TY 2024 forecast. (*See* Ex. CA-02 (Maricela Sierra) at 3, Table 2-2.) The values included here reflect what SoCalGas believes is the correct amount based on its understanding of the proposal by Cal Advocates as stated in Exhibit CA-02, at 10, Table 2-9.

[71] TURN proposes reductions for various workpapers but does not specify the reduction amount for all workpapers. Therefore, this amount only includes TURN's specified proposed reductions.

A. New Business Construction

1. SoCalGas's Revised Forecast

In light of D.22-09-026, SoCalGas revised its New Business Forecast as shown in the table below. SoCalGas decreased its non-collectible capital new business forecast by $3.993 million in 2023 and $44.945 million in 2024 (total of $48.938 million less for the 2022-2024 period) and increased the collectible portion of new business by the same amount over the same period.

Table CQ/SW-8
Updated New Business Construction Capital Forecast

SOCALGAS GAS DISTRIBUTION (In 2021 $)			
A. New Business	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated 2024 (000s)
1. New Business (NC)	63,171	65,170	26,082
2. New Business (CO)		3,993	44,945
3. New Business (CO) (forfeiture)	(8,863)	(8,863)	(8,863)
Total	54,308	60,300	62,164

2. TURN

TURN takes issue with the capital forecast for New Business Construction. TURN states:

> SoCalGas provided 2022 actuals that show an underspend of approximately $15.7MM or an approximate deviation of -29% from its budget with an actual spend of $38,606,000 vs. the forecast $54,308,000[.] . . . the underspend was related to less work being done – specifically by contractors. SoCalGas spent 100% of its in-house labor budget to the dollar, and almost all of its non-labor budget, but did not use $12.6MM of its expected NSE budget. [TURN recommends that SoCalGas] identify the reasons that this underspend occurred, and reevaluate its budgets for the following years with the findings of the 2022 variance in mind to ensure that excess capital is not being approved.[72]

In preparing the forecast of this workpaper, SoCalGas utilized the 2021 historical average cost per meter set – the cheapest unit cost during the 2017-2021 period that reflects a mix of work anticipated to construct new main extensions and associated service laterals – and the

[72] Ex. TURN-05 (Rod Walker) at 26.

projected meter set installations, as presented in Ex. SCG-04-CWP-R.[73] SoCalGas's use of 2021 as the base year for the labor and the non-labor cost and a 5-year average for the forfeiture cost to prepare the forecast is the most appropriate method and consistent with the TY 2024 GRC framework, where the forecast should be based on a specific moment of time rather than being updated continuously. While 2022 recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Furthermore, the actual volume of work measured by the number of new meters installed was consistent with the forecast, indicating that the underspending does not necessarily represent less work being done. While the 2022 cost per meter was lower than that of 2021, SoCalGas still utilized the lowest unit cost at the time of preparing the forecast and accurately forecasted the work volume of 41,259 new meters versus the actual quantity of 39,857 meters. While 2022 recorded data may indicate lower spending than forecasted in some areas, it may also indicate higher spending than forecasted in others. Therefore, SoCalGas does not agree with adjusting the remaining forecast based on the 2022 recorded cost.

In addition, SoCalGas clarifies that the "NSE budget" referenced by TURN[74] is the new business forfeiture amount that reduces the recorded cost and that $12.6 million is incorrectly referenced by TURN. Forfeiture amounts included as NSE represent residual portions of Customer Advances for Construction as described under Rule 20 – Gas Main Extensions and Rule 21 – Gas Service Extensions and depend on customer gas throughput levels incurred over a three- to ten-year period after commencement of service.[75] This amount depends on customer throughput, a factor outside of SoCalGas's control, and therefore, SoCalGas cannot "use the NSE budget." SoCalGas forecasted the forfeitures using a 5-year average to estimate approximately $8.8 million of credit to the forecasted cost (not $12.6 million); however, the 2022 recorded amount was approximately $11.7 million, yielding an additional reduction of approximately $2.9 million. Further, the actual volume of work measured by the number of new meters installed was consistent with the forecast, indicating that the underspending does not necessarily represent less work being done.

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[73] Ex. SCG-04-CWP-R (Mario A. Aguirre) at 16.

[74] Ex. TURN-05 (Rod Walker) at 26.

[75] Ex. SCG-04-CWP-R (Mario A. Aguirre) at 80.

3. CEJA

CEJA takes issue with the revised capital forecast for New Business Construction. CEJA states that "SoCalGas's request for the capital costs of new business construction do not account for the Commission's elimination of line extension allowances (LEAs) in D.22-09-026 or the decrease in new business from increased all-electric new construction," and recommends that SoCalGas reduce the revised request for New Business Construction in 2023 and 2024 by an additional ten percent.[76]

SoCalGas disagrees with CEJA's statement that SoCalGas did not account for the impact of the line extension allowances elimination in D.22-09-026. SoCalGas revised its forecast, as presented above, and provided this revised forecast to CEJA prior to the submittal of its intervenor testimony, as acknowledged by CEJA.[77] CEJA's statement of "SoCalGas [being] unable to provide an estimate of any remaining costs once applications for gas LEAs submitted prior to July 1, 2023 are fully processed"[78] is not true. SoCalGas reiterates that gas demand is not synonymous with new customer count as it pertains to the Distribution witness area, and that the elimination of line extension allowances is intended to reduce the ratepayer contribution to New Business Construction activities but not necessarily result in a decrease in new customer count. To calculate the portion of the collectible forecast cost, SoCalGas evaluated the percentage of the previous years' recorded costs compared to the projects' application dates – robust and reliable historical data based on the volume of past projects and their lifecycles – to reasonably estimate the percentage of 2023 and 2024 costs that would result from applications that SoCalGas receives on or after July 1, 2023, the effective date for the elimination of line extension allowances, as provided in D.22-09-026.[79]

CEJA also states that "SoCalGas's estimate does not account for reduced LEA request due to increased all-electric construction," and for this reason, recommends 2023 and 2024 cost requests be reduced by an additional ten percent.[80] This proposed reduction should be rejected

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[76] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 1, 16-17.

[77] *See* Appendix B, at CCQ/SAW-B-1 – CCQ/SAW-B-4, SoCal Response to CEJA-SEU-007_Supplemental, Question 7.

[78] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 13.

[79] D.22-09-026 at 2.

[80] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 16.

because any potential reduction in new customer requests due to all-electric construction is not yet quantifiable and CEJA's proposed ten percent is arbitrary.

CEJA also proposes eliminating the New Business Construction cost entirely starting in 2026 on the basis that SoCalGas provided no forecasts for 2026 and thereafter and to account for increased all-electric new construction.[81] SoCalGas disagrees with CEJA's proposal on the basis that the TY 2024 GRC framework requests SoCalGas to forecast for the 2024 test year and to provide a post-test year mechanism for the 2025-2027 period. SoCalGas clarifies that the post-test year mechanism does not use specifically forecasted costs for the post-test years to derive the revenue requirement, and instead uses an average level of capital additions, consistent with the mechanism approved in the TY 2019 GRC cycle.

B. Pressure Betterments

1. TURN

TURN takes issue with the capital forecast for Pressure Betterments. TURN states that "SoCalGas be required to switch to a forecast method that utilizes historic unit costs along with actual planned work and a small additional budget for unknown projects" on the basis that "a utility will typically have identified projects as far out as 5-10 years or even 20 years that it needs to complete to ensure reliability."[82] TURN further proposes that "the Commission direct SoCalGas to make use of the hundreds of millions of dollars' worth of data collecting and data analysis equipment, systems, and FTEs to perform longer-range forecasting of Pressure Betterment work at least to the test year, if not beyond for this and all future GRCs"[83]

SoCalGas disagrees with TURN's assumptions that SoCalGas has identified projects as far out as 5-10 years to incorporate in the forecast and that SoCalGas is not "making use" of data, equipment, systems, and FTEs. SoCalGas carefully considers all capital projects prior to investment, including those within this workpaper. SoCalGas continuously monitors the pressure data as an indicator of the capacity of the distribution system and evaluates new load proposals from its customers to promote reliability. Because the demand from the system is constantly changing, some pressure betterment projects may be identified and initiated for

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[81] *Id*. at 17.

[82] Ex. TURN-05 (Rod Walker) at 27.

[83] *Id*. at 28.

planning but later deemed as unnecessary, and thus, postponed or even canceled. When a pressure betterment project is initiated due to the proposed load from a specific new business project, the timeline of the betterment project depends on the new business project schedule and is executed only when the new business project has been confirmed for construction, at which point, SoCalGas is confident that the proposed load will be added to the existing system. Until then, the betterment project is placed on hold, and, at times, eventually canceled if the new business project is never executed. Therefore, while there may be numerous projects that are planned based on their respective scopes, accurately forecasting the investment more than a year based on all known projects would not account for the uncertainty of the projects and result in overestimating. For these reasons, SoCalGas utilized the base year methodology for this workpaper based on the identified projects at the time of the forecast, which is consistent with TURN's proposal to consider known projects, but only those that were anticipated to be executed.

2. CEJA

CEJA also takes issue with the capital forecast for Pressure Betterments. CEJA states that "SoCalGas's Pressure Betterment costs be reduced by 50% to $9.423 million for TY 2024. In addition, because these costs should decrease, rather than increase over time due to declining gas demand, these costs should be excluded from SoCalGas's proposed post-test year ratemaking mechanism" on the basis that "given the rapid changes in the gas system and declining gas demand, it is no longer reasonable to use historic forecast to estimate future costs for expenses."[84]

SoCalGas disagrees with CEJA's proposal for a 50% reduction in 2024 based on anticipated declining gas demand and the elimination of gas LEA per D.22-09-026. As stated above, the immediate impacts of various policies addressing natural gas are still premature and have not been quantified. As such, CEJA's proposed reduction amount of 50% is arbitrary and baseless. SoCalGas has identified and considered numerous pressure betterment projects in planning that have the possibility to be executed at the time of the forecast, some of which are driven by new business projects that have been initiated prior to the line extension allowance elimination. In addition, SoCalGas disagrees with CEJA that SoCalGas did not make any

[84] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 18.

adjustments to account for the elimination of gas Line Extension Allowances per D.22-09-026, as any adjustments to be made for LEA would be in New Business Construction and not Pressure Betterments. While the exact timing to initiate and complete the projects is unpredictable, larger projects can take several months to be constructed. SoCalGas proposed the base year forecast methodology to not only mirror the pressure betterment cost that is most representative of the latest demand conditions, but also to forecast the lowest expenditures and prevent overstating the anticipated cost.

Also in Pressure Betterments are expenditures for projects performed on an ongoing basis to maintain system reliability and service to all customers. Pressure betterment projects are performed in areas where there is insufficient capacity or pressure to meet load due to unusual cold weather causing increasing demand on the existing infrastructure in areas where a strategic pipeline back-tie would be beneficial for system reliability. These projects are necessary to maintain reliable service to existing customers. Although New Business or growth can be a driver for costs in this area, it is not the sole driver. Therefore, a reduction in the forecast for Pressure Betterment is unwarranted and risks jeopardizing SoCalGas's ability to provide sustainable, safe, and reliable service to its existing natural gas customers. SoCalGas has the obligation to serve its customers. For these reasons, the Commission should reject CEJA's recommended reduction and instead adopt SoCalGas's total forecasted TY 2024 expenditures for Pressure Betterments.

C. Regulator Stations

1. TURN

TURN takes issue with the capital forecast for Regulator Stations. TURN proposes that "SoCalGas be required to use a discrete project forecast method with some small variance for unexpected station failures and that this methodology be applied to all forecast years in this GRC" on the basis that "a utility will typically have identified projects as far out as 5-10 years that it needs to complete to ensure reliability."[85] TURN further states that "the treatment of a regulator station replacement as almost entirely reactive/unplanned on a per-project basis for

[85] Ex. TURN-05 (Rod Walker) at 29-30.

forecasting purposes is surprising and inconsistent with the Company's claims to use proactive replacement practices."[86]

SoCalGas disagrees with TURN's assumptions that SoCalGas has identified projects as far out as 5-10 years to incorporate in the forecast and that SoCalGas treats this workpaper as entirely "reactive/unplanned." SoCalGas proposes a base year forecast methodology of $8.3 million with incremental funding of $1.7 million per year to replace additional stations based on the relative risk scores as a part of RAMP[87] – a proactive approach to replace aging stations to reduce the risk to public safety and increase operational reliability. To clarify, workpapers 002650.002 and 002650.003 represent the cost and unit of measure as a part of RAMP, which are based on already identified projects to replace the assets that scored relatively high in risk. In addition, workpaper 002650.001 represents the expenditures for other capital activities related to regulator stations that are not necessarily known at the time of the forecast. Overall, SoCalGas's forecast for Regulator Stations already accounts for TURN's proposal by forecasting the RAMP portion of the workpaper for identified projects and assets and the non-RAMP portion of the workpaper for unexpected and unknown activities.

SoCalGas utilized the base year forecast with incremental funding for this workpaper because the most recent years' accomplishments and recorded cost at the time best represented SoCalGas's projections for the future years as well, accounting for both the RAMP and the non-RAMP activities. A portion of the 2021 recorded cost was for the RAMP activity, so the base year forecast already accounts for some of the future proactive replacement, and the incremental funding is to replace additional stations as a part of the RAMP activity to mitigate risk. However, TURN seems to have an incorrect understanding that the proactive replacement identified via RAMP is in addition to the base-year forecast method, implying that the base year forecast is inadequate and inappropriate for this workpaper, and that "this capital spend category is for the construction of new installations, relocations, replacements, and abandonment of distribution regulator stations – not for maintenance of regulator stations which has its own capital category."[88] This is incorrect, as this is the only capital workpaper for regulator station

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[86] *Id*. at 29-30

[87] Ex. SCG-04-CWP-R (Mario A. Aguirre) at 75.

[88] Ex. TURN-05 (Rod Walker) at 29.

projects, and the selected forecast methodology best accounts for both the proactively identified projects and the unplanned station issues or failures. The routine maintenance and inspection of regulator stations are covered under the Measurement & Regulation workpaper as a part of the O&M expense.

D. Control Center Modernization (CCM) Project Distribution Regulator Station and Other Projects

1. Cal Advocates

Cal Advocates takes issue with SoCalGas's capital forecast for the Control Center Modernization (CCM) Project. Cal Advocates proposes a capital forecast of $17.0 million for 2022, a reduction of $6.51 million from SoCalGas's forecast of $23.51 million; a capital forecast of $19.0 million for 2023, a reduction of $7.4 million from SoCalGas's forecast of $26.40 million; and a forecast of $21.0 million for 2024, a reduction of $0.5 million from SoCalGas's forecast of $21.5 million.[89] Cal Advocates provides the following reasons for its proposed forecast:[90]

- Insufficient project status information.
- Continued installation of field assets through 2028, after the building has been commissioned and is functional.
- Incomplete spending of the Distribution Operations Control Center (DOCC) funding authorized in the TY 2019 GRC decision.[91]

SoCalGas disagrees with Cal Advocates' proposed forecast and finds Cal Advocates' spending recommendation to be arbitrary and unfounded. Cal Advocates cites a lack of sufficient information regarding the current project status. SoCalGas disagrees that the data provided to Cal Advocates was insufficient. SoCalGas provided Cal Advocates with a complete and detailed assessment of the status of the CCM project in a separate attachment to data request PAO-SCG-098-MPS that accompanied the two-page narrative Cal Advocates describes in its testimony.[92] In addition, as ordered in the October 27, 2022 Assigned Commissioner's Scoping Memorandum and Ruling, SoCalGas served its 2022 cost data to intervenors on March 13,

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89 Ex. CA-02 (Maricela Sierra) at 10.

90 *Id*. at 10-12.

91 *Id.* (referencing D.19-09-051 (Test Year 2019 General Rate Cases of SDG&E and SoCalGas).)

92 Appendix B, at CCQ/SAW-B-5, Response to PAO-SCG-098-MPS, Question 1b.

2023.[93] The CCM Distribution project's 2022 actuals totaled $23.8 million, which is in line with the original forecasted amount of $23.506 million.[94] Cal Advocates' forecast for 2022 falls $6.8 million short of the 2022 recorded actual costs, demonstrating the accuracy of SoCalGas's forecast as compared to Cal Advocates' forecast. SoCalGas also highlights that 2023 is the highest forecast year at $26.40 million. This is attributed to the peak period for the associated operations technology (OT) enhancements.[95] Unlike the distribution field assets, the OT enhancements need to be completed prior to the CCM Building being operational. Therefore, Cal Advocates' proposed disallowance in 2023 creates unnecessary risk to the completion of OT enhancements, as well as SoCalGas's ability to safely and effectively enable CCM Building operations.

Cal Advocates' argument that the installation of distribution assets will continue even after the new CCM building is constructed is not relevant. SoCalGas believes the installation schedule developed for distribution assets is operationally reasonable. The CCM Project should be allowed to continue its deployment activities as forecasted to fully realize the safety-related benefits of monitoring these assets.

Finally, SoCalGas concurs with Cal Advocates that the CCM (formerly the DOCC) project has not fully spent the amount that was authorized in the TY 2019 GRC. However, as addressed in the Gas Transmission Operations and Construction testimony (Exhibit SCG-06-2R), the DOCC project underwent a full scope reevaluation and was subsumed into the more comprehensive Control Center Modernization project which caused the delayed schedule, changes to resourcing needs, and updated project cost estimates.[96] Therefore, the forecasted spending proposed within the TY 2024 GRC is the most up-to-date and accurate proposal for the CCM project.

By authorizing SoCalGas's proposed capital forecast, the Commission will allow for a timely and full deployment of distribution field assets and OT enhancements, enabling SoCalGas

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93 *See* Appendix C, containing excerpts of SoCalGas's 2022 Recorded Expenditures .

94 *See* Exhibit SCG-04-R at MAA-97.

95 Ex. SCG-04-CWP-R (Mario A. Aguirre), Workpaper Group: 002500.002, 002500.003.

96 Ex. SCG-06-2R (Second Revised Prepared Direct Testimony of Rick Chiapa, Steve Hruby, and Aaron Bell), November 2022, at CHB-114.

to enhance the safe operation of its system for employees, customers, and surrounding communities.

E. Capital Tools

1. TURN

TURN takes issue with SoCalGas's capital forecast for Capital Tools. TURN states that "the capital costs associated with [hydrogen detection] equipment are inappropriate for inclusion in gas distribution and I recommend that they be removed" on the basis that "this does not appear to be equipment that will be used or useful in gas distribution activities across the forecast period as the Company is still researching and testing to determine if its pipeline assets are adequate to transport hydrogen. The Company also inserts doubt regarding the use or efficacy (unclear) of the equipment by calling it 'potential detection equipment.'"[97]

SoCalGas disagrees with TURN's proposal. As discussed in SoCalGas's testimony regarding Clean Energy Innovations (Exhibit SCG-12-R)[98], SoCalGas believes that costs associated with clean energy are crucial and necessary to support the State's ambitious climate and decarbonization goals. As stated in SoCalGas's Gas Distribution testimony, this workpaper has the *potential* to incur cost related to tools for clean energy, such as hydrogen and renewable natural gas, but SoCalGas clarifies that the forecasted cost does not necessarily include a specific portion attributable to this equipment since the forecasting method used was a five-year average. For these reasons, SoCalGas disagrees with any reduction to this workpaper's forecast.

F. Field Capital Support

1. TURN

TURN takes issue with SoCalGas's capital forecast for Field Capital Support. TURN states that "a total of $372,000 for 2022, $384,000 for 2023, and $396,000 for 2024 be removed from the capital budget and added to the appropriate O&M budget" on the basis that "in my experience, some of the costs listed under this capital cost category should be considered O&M costs as it would be highly unusual to find this practice among industry peers."[99] TURN further states:

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[97] Ex. TURN-05 (Rod Walker) at 30.

[98] Ex. SCG-12-R (Revised Prepared Direct Testimony of Armando Infanzon), August 2022.

[99] Ex. TURN-05 (Rod Walker) at 31-32.

> [R]egarding those subcategories which I believe to certainly be O&M expenses that should not be capitalized – these are all related to training and training program costs [and] operating expenses are usually ongoing costs incurred for regular operations that keep the business running. . . . Employee training falls squarely into the [O&M] category and is not a capital expense – regardless of its relationship to threats/risks within the RAMP framework. SoCalGas and SDG&E can and should be reimbursed for these O&M costs, but it is not appropriate for these simple training activities to generate a return.[100]

TURN also expresses concern with the off-production time within this workpaper, examples of which include attending skills training classes and participating in required safety and other meetings, and claims that this time is "spent explicitly not performing work related to the capital projects to which they are assigned, [so] the activities in this category also cease to belong in a capital expense budget."[101]

SoCalGas disagrees with TURN's recommendation that the cost related to training and off-production time should be fully a part of O&M expenditures. These training and off-production times occur throughout the employees' routine businesses, and the cost related to training and off-production times in this workpaper are from employees who support both capital and O&M activities. When employees spend time in trainings or during off-production, the resulting labor costs are recorded to the employees' default account which allocates costs between capital and O&M based on the default allocation for the account. SoCalGas reviews and updates these labor split allocations between capital and O&M costs annually so that the contributions to each type of work is accurately represented and recorded. This is consistent with SoCalGas's capitalization policy. Therefore, SoCalGas disagrees with TURN's recommendation that the cost related to training and off-production time should be fully a part of O&M expenditures.

G. Incremental Fleet

1. TURN

As discussed above, TURN takes issue with SoCalGas Gas Distribution's request for 360 additional vehicles on the basis that SoCalGas did not provide sufficient support to justify the additions. As a result, TURN is recommending a reduction of 100% related to incremental

[100] *Id*. at 31.

[101] Ex. TURN-05 (Rod Walker) at 33.

vehicles.[102] TURN's recommendation should be denied as these requested vehicles are necessary in order for Gas Distribution employees to be able to perform their job duties efficiently and effectively.

Included in our adopted testimony and workpapers is the business justification and request for 360 Vehicle Additions to the Fleet, the cost for which can be found in the Direct Testimony of Michael Franco (Exhibit SCG-18-R). The table below presents the incremental fleet by the various drivers and activities.

Table CQ/SW – 9
Incremental Fleet by Categories

O&M	Incremental Fleet
Leak Survey	40
R – Locate & Mark Measurement and Regulation Cathodic Protection	38
Asset Management Operations and Management	16
Capital	
Shift in work from contractors to Company crew	266
Total	**360**

The following sections provide justification for vehicle additions corresponding to existing staff continuing to perform capital activities. Additional justifications for vehicle additions corresponding to O&M activities are found in Section 5.

SoCalGas requests 266 incremental vehicles in support of the Company crew performing additional capital activities. As SoCalGas continues to perform capital activities to provide safe and reliable delivery of gas to its customers, mitigate various risks as identified in RAMP, reduce emissions, and respond to construction needs associated with various agencies, SoCalGas is committed to the continued long-term investment through the integrity of its distribution system. Due to the significant volume of both capital and O&M activities over the years, SoCalGas has

[102] Ex. TURN-10 (Garrick Jones) at 6.

been prioritizing O&M activities to be completed by Company employees and allocating a portion of the capital activities to qualified contractors. While SoCalGas's contractors are trained and qualified through the OpQual program and meet SoCalGas's standards when performing any activity, SoCalGas has been facing challenges with finding and maintaining the required number of qualified contractors for the work volume. SoCalGas believes that hiring additional Company crews will benefit in transferring and retaining expert knowledge and experience throughout the workforce, addressing turnover due to retirements and employee movements. It will also result in maintaining a wider range of skillsets to be able to perform various O&M and capital activities and the flexibility to quickly respond to any emergencies to SoCalGas's infrastructure, such as line breaks, damaged facilities, and leak investigations.

For these reasons, SoCalGas plans to expand the number of Company crews by creating other classifications, such as the LSTs, that allow for more versatile employees, such as Construction Technicians and Lead Construction Technicians, to perform other projects requiring a crew, and by hiring additional field employees to form crews. By expanding the number of Company crews and shifting work from the contractors, SoCalGas believes Gas Distribution employees will perform their job duties more efficiently and effectively, and therefore, requests 266 incremental vehicles to support these activities.

VI. CONCLUSION

To summarize, SoCalGas requests the Commission adopt SoCalGas's Gas Distribution capital and O&M TY 2024 forecast. In preparing the forecast for the TY 2024 GRC, SoCalGas carefully and thoroughly analyzed the historical cost and the corresponding unit of measure within each of the workpapers to present data-driven costs that are aligned with SoCalGas's commitment to mitigate risks to public safety, reliability, and the integrity of the natural gas system at a reasonable and just rate to the ratepayers. As described in this rebuttal testimony and through numerous data request responses, SoCalGas has addressed various questions and areas of concern raised by intervenors while adhering to the GRC framework established by the Commission. Intervenors' proposals to reduce funding are based on inaccurate assumptions, incomplete data or analysis, and/or a misunderstanding of SoCalGas's operation and the associated cost.

It is important to note the following overall observations:

- Cal Advocates underestimates the growth in the volume of USA tickets and the cost associated with Locate and Mark activities;
- Cal Advocates misunderstands the activities and the forecasts related to the CCM project;
- TURN incorrectly interprets SoCalGas's expenditures and proposal of forecast reductions related to SB 1371;
- CEJA applies a blanket, unsupported 50% reduction to Pressure Betterments and a ten percent reduction in New Business Construction without supporting analysis or calculation;
- Cal Advocates and TURN take issue with the:
    - Locate and Mark Balancing Account (LMBA) despite the fact that a two-way balancing account provides the fairest mechanism to provide cost recovery for the utility.
    - Litigation Project Cost Memorandum Account (LPCMA) despite the risk of SoCalGas bearing costs related to projects that are intended to qualify as collectible to be recovered form third-party customers, ultimately impacting SoCalGas's costs of owning and operating its system.

As previously mentioned, SoCalGas has affirmed its support of a gas system planning process that is designed to drive the gas system transition forward to reach the State's decarbonization goals while preserving safety, reliability, and affordability. The Gas Distribution witness area has presented its forecasts through data-driven analysis of the various activities. As this long-term transition occurs and additional data is gathered naturally and/or through supplemental pilot programs, SoCalGas will continue to analyze and incorporate the impact of these various policies and initiatives to support the transition with reasonable forecasts. Through the TY 2024 GRC and the reasonable estimate of future requirements, SoCalGas will continue to deliver clean, safe, and reliable service to its customers while working towards a more sustainable and resilient energy future.

This concludes my prepared rebuttal testimony.

VII. WITNESSES QUALIFICATIONS

A. Shaena A. Walker

My name is Shaena Walker. I assumed co-sponsorship of this area from Mario A. Aguirre. My business address is 1981 West Lugonia Avenue, Redlands, California, 92374. My title is Director – PMO and Resource Management within Gas Distribution. I have been employed by SoCalGas since 2005 and have 18 years of experience in the utility industry. While at SoCalGas, I have held various positions in staff and line functions in Distribution, Gas Engineering, Commercial and Industrial Services, Project and Program Management, and Asset Management.

My present responsibilities include providing leadership in distribution program and project management, engineering, resource and work scheduling, and continuous improvement in addition to the preparation and overall management of the O&M and capital budgets.

I received my Bachelor of Science Degree in Chemical Engineering from University of California, Riverside, and a Master of Business Administration from California State University, Fullerton.

I have not previously testified before the Commission.

B. Cody C. Quezada

My name is Cody Quezada. I assumed co-sponsorship of this area from Mario A. Aguirre. My business address is 9400 Oakdale Avenue, Chatsworth, California, 91311. My title is Director – Distribution Operations and Construction within Gas Distribution. I have been employed by SoCalGas since 1998 and have 25 years of experience in the utility industry. While at SoCalGas, I have held various positions as a field employee and in staff and line functions in Customer Services and Distribution.

My present responsibilities include providing leadership in distribution operations which include capital and maintenance activities for the Northwest Region of the Gas Distribution system. This includes the oversight of the workforce and the execution of the work, and the management of the O&M and capital budgets.

I received my Bachelor of Arts Degree in Business Administration and a Master of Business Administration from University of Arizona.

I have not previously testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

APPENDIX A

GLOSSARY OF TERMS

ACRONYM	DEFINITION
AKA	Also known as
AL	Advice Letter
BAU	Business As Usual
Cal Advocates / CA	The Public Advocates Office of the California Public Utilities Commission
CCM	Control Center Modernization
CEJA	California Environmental Justice Alliance
D.	Decision
DOCC	Distribution Operations Control Center
ED	Energy Division
EDF	Environmental Defense Fund
FEA	Federal Executive Agencies
FTE	Full-Time Equivalent
GO	General Order
GRC	General Rate Case
LEA	Line Extension Allowance
LMBA	Locate and Mark Balancing Account
LPCMA	Litigated Project Cost Memorandum Account
LST	Leak Survey Technician
O&M	Operations & Maintenance
OP	Ordering Paragraph
PG&E	Pacific Gas & Electric
PMO	Program Management Office
R.	Rulemaking
RAMP	Risk Assessment Mitigation Phase
SB	Senate Bill
SCADA	Supervisory Control and Data Acquisition
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
TURN	The Utility Reform Network
TY	Test Year
USA	Underground Service Alert

APPENDIX B

DATA REQUEST RESPONSES:

CEJA-SEU-007_Supplemental, Question 7

PAO-SCG-098-MPS, Question 1.b. and attachment to Question 1.b.

TURN Response to SCG-SDGE-TURN-007

Data Request Number: CEJA-SEU-007

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: California Environment Justice Association

Date Received: 9/19/2022

Date Responded: 10/3/2022

Date Supplemental: 1/24/2023

7. SoCalGas response to Data Request CEJA-SEU-002, Q.10(b) states that the "elimination of Line Extension Allowances (LEAs) could impact New Business Construction expenditures and customers' decisions to proceed with the installation of service, which in turn would also affect the New Business Construction expenditures."

a. Please confirm that LEA costs are contained within New Business Construction costs discussed at MAA-79 of Exh. SCG-04-R. If not, please identify where LEA costs are contained in SoCalGas' GRC Application.

b. On September 15th, the Commission adopted its Phase III Decision Eliminating Gas Line Extension Allowances. Page 15 of the Decision identifies SoCalGas' Forecasted Total Gas Line Subsidies as $57 million in 2022, $57 million in 2023 and $58 million in 2024. Under the Decision, gas LEAs will no longer be provided starting July 1, 2023. Does SoCalGas agree that costs in the GRC for LEAs should be eliminated for the second half of 2023 and all of 2024? If not, please explain SoCalGas' position on how its request for New Business Construction costs should be reduced to account for the Commission's LEA decision.

Data Request Number: CEJA-SEU-007

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: California Environment Justice Association

Date Received: 9/19/2022

Date Responded: 10/3/2022

Date Supplemental: 1/24/2023

Supplemental Response for SoCalGas 7 (a-b):
To reflect Decision (D.) 22-09-026 in the Order Instituting Rulemaking Regarding Building Decarbonization (Rulemaking 19-01-011) (Building Decarb OIR), SoCalGas first identified changes to the new business forecast as shown in the table below.

SoCalGas decreased its non-collectable capital new business forecast by $3.993 million in 2023 and $44.945 million in 2024 (total of $48.938 million less for the 2022-2024 period) and increased the collectable portion of new business by the same amount over the same period.

SOCALGAS GAS DISTRIBUTION (In 2021 $)			
A. New Business	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated 2024 (000s)
1. New Business (NC)	63,171	65,170	26,082
2. New Business (CO)		3,993	44,945
3. New Business (CO) (forfeiture)	(8,863)	(8,863)	(8,863)
Total	54,308	60,300	62,164

With this new forecast, SoCalGas identified updated revenue requirements. Customer Advances for Construction (CAC), a component of Rate Base sponsored by Pat Moersen (Ex. SCG-31-2R), was identified as being impacted by D.22-09-026. Accordingly, SoCalGas reduced the 2023 and 2024 CAC balances. Similar adjustments were made to the CAC balances used in the post-test year mechanism proposed by Khai Nguyen (Ex. SCG-40-2R). Please see attachment ED DR-1 Sempra GRC_ATTCH_Q1.xlsx.

The resulting revenue requirement impact of D.22-09-026 for Test Year (TY) 2024 through Attrition Year (AY) 2025, 2026, and 2027 is shown in the table below.

Data Request Number: CEJA-SEU-007

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: California Environment Justice Association

Date Received: 9/19/2022

Date Responded: 10/3/2022

Date Supplemental: 1/24/2023

SoCalGas
Estimated Revenue Requirement
(In '000)

	TY 2024	AY 2025	AY 2026	AY 2027
Depreciation	(946)	(2,377)	(2,846)	(3,327)
Taxes	299	(452)	(232)	(96)
Return	302	(607)	265	1,142
Total Capital Related Costs	(345)	(3,436)	(2,812)	(2,281)
FF&U	(5)	(53)	(44)	(35)
Estimated Rev Requirement	(351)	(3,489)	(2,856)	(2,317)
Rate Base	4,131	(8,283)	3,687	15,761

Data Request Number: PAO-SCG-098-MPS

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: Public Advocates Office

Date Received: 1/23/2023

Date Responded: 2/6/2023

Question 1-Continued

b) Please add another column to the Table Capital Activities indicating the status of each project under each Workpaper Reference that needs to be completed prior to the CCM building completion.

SoCalGas Response 1b:

Please see separately attached PAO-SCG-098-MPS_Q1b.

SoCalGas clarifies that data request PAO SCG-061-MPS, Question 01b requested:

> "Please explain in detail which Workpaper Reference needs to be completed for the CCM building to be completed and fully functional.";

whereas PAO-SCG-098-MPS Question 1 above asks for:

> "Activities executed prior to CCM building completion.".

SoCalGas interprets these questions as seeking slightly different status information:

- CCM building completion status: construction is complete, and the building is available for occupancy.
- CCM building is fully functional: all systems and software plus the integration of data from the commissioned field assets (e.g. DRS, Methane Detectors) is complete.

The current Gas Control will monitor and maintain an estimated 50 assets once installed. Once the building is complete and fully operational, these assets will then be transferred to the new Gas Control CCM building. The expanded Gas Control workforce relocated to the new CCM building will monitor and maintain the remaining field assets to be installed through 2024 and beyond.

ATTACHMENT PAO-SCG-098-MPS_Q1b

CCM Project Area	2024 GRC Workpaper Reference	Capital activities	Status	2022 Actuals Direct
CCM Building	Ex. SCG-19- CWP, Workpaper Group 006530 at pages 84-85	All the design and construction activities described in this workpaper at pages 84-85 are necessary to be completed before the CCM building can be occupied.	**In Construction**	See Response 1a.
SCG Distribution Field Assets & Operations Technology (OT) Enhancements	Ex. SCG-04-CWP-R, Workpaper Group 002500 at page 90-106	The SCADA enhanced distribution regulator stations, OT enhancements, and customer meter communication module replacement activities described in this workpaper began in tandem with the design and development of the CCM building. These distribution field asset activities do not all need to be completed for the Gas Control Center to be functional; however, the installation of some field assets is necessary to help identify and establish new and/or changing business processes, roles/responsibilities, engineering designs, telecoms, control room management plan updates, and OT enhancements before the Gas Control Center is operational at its new location. As new field assets are installed prior to the commissioning of the new building, they will be integrated into the existing Gas Control Center as the OT system enhancements continue to be developed. Prior to the CCM Building completion, the distribution field assets and the OT enhancement activities will include: • Enhancement of 75 distribution regulator stations with real time monitoring and control capabilities that will inform the development of foundational processes, technologies, standards, and tools. Roughly 50 of the sites will be monitored by the existing Gas Control ahead of the CCM Building completion. • Replacement or reconfiguration of 4,282 meter communication modules. • Development of OT enhancements and processes to support the integration of 2,123 electronic pressure monitors (EPMs), the regulator stations, and meters. After the CCM Building is commissioned, the Gas Control Center will be equipped for the integration of additional field asset data that will be received from the equipment to be installed through 2028 and will be ready to respond to incidents and abnormal operating conditions.	**Distribution Regulator Station Enhancements:** • 43 sites in progress in 2022: o 31 sites in planning and design status (18 are pending permit review and submission and 13 have already submitted permits) o 4 in construction o 5 have completed construction and are pending commissioning o 3 have completed construction and are in reconciliation **Meters Communication Module Replacement/Reconfiguration:** All 4,282 units are in site selection and assessment status; 2,141 units replacements and/or reconfiguration scheduled for 2023 completion. Module replacements or reconfigurations will commence in 2023, efforts to date include: Project team assembly, establishing site selection criteria and deployment strategies, developing RACI and business requirements, engineering/telecoms design requirements, testing, bulletins/standards pre-planning activities in progress **Operations Technology Enhancements:** •Completed the design and architecture of many of the foundational technologies that will be implemented. Some of these technologies include: o Field Asset Networks o SCADA System Upgrade o Advanced analytics environment o Data governance for distribution regulator station •Currently the OT team is continuing to implement OT enhancements of the above listed technologies as well as, continue the design and architecture efforts to implement the technology required to deliver and maintain the sensor data required for Gas Control and Gas Operations	See Response 1a.
SCG Transmission Field Assets	Ex. SCG-06- CWP, Workpaper Group 004050, at pages 131-135	The Optical Pipeline Monitoring (OPM) station and High Consequence Area (HCA) methane sensor installation activities described in this workpaper began in tandem with the design and development of the CCM building. These transmission field asset activities when completed will include: • 3 OPM stations • 140 methane sensors The installation and integration of these transmission field assets ahead of construction completion do not all need to be completed for the Gas Control Center to be functional; however, the installation of some of these field assets helped inform and establish new and/or changing business processes, engineering designs, roles/responsibilities, communications, control room management plan updates, and OT enhancements needed to support the transition to the new Gas Control Center. Once commissioned, the Gas Control Center will be equipped for the integration of additional field asset data that will be received from the remaining equipment to be installed through 2028 and will be ready to respond to incidents and abnormal operating conditions.	**OPM** **Stations** SCG: One station completed in 2022. Three stations (Two production, One test site) cumulatively installed. **Optical Cable** SCG: One mile installed in 2022. Over eight miles of total optical cable installed to date. **HCA Methane** Status as of the end of 2022: • Site Selection Criteria & Business Strategy: Completed site selection criteria and business strategy for optimizing the benefits of the project. • Site Acquisition: 60+ site walks were conducted which identified 20 viable installation sites. • Permitting: 20 permit applications submitted. 8 of the 20 were approved by the end of the year. • Material Procurement: Materials for installations were identified, vendors secured, and materials ordered. • Business Readiness: Business readiness activities kicked off, Business Process Designs identified, support model discussions and IT/OT efforts started.	See Response 1a.
SDGE Distribution Field Assets	Ex. SDGE-04- CWP, Workpaper Group 215740 at pages 224-238	These distribution field asset activities do not all need to be completed for the Gas Control Center to be functional; however, the installation of some of these field assets is necessary to help identify and establish new and/or changing business processes, roles/responsibilities, engineering designs, communications, and control room management plan updates, before the Gas Control Center is operational at its new location. As new field assets are installed, they will be integrated into the existing Gas Control Center as the OT system enhancements continue to be developed. Distribution field asset activities will include: • Enhancement of five distribution regulator stations • Replacement and reconfiguration of 639 customer meter communication modules • Replacement of 300 EPMs	**Distribution Regulator Station Enhancements:** • Labor Relations and training requirements gathering underway • Business process and RACI review to begin in Q1 2023 • Pilot site selection and planning process to begin Q1 2023 **Meters Communication Module Replacement/Reconfiguration:** - All 639 units are in site selection and assessment status; 319 units replacements and/or reconfiguration scheduled for 2023 - Module replacements and/or reconfigurations will commence in 2023, efforts to date include project team assembly, initiating RACI and business requirements **EPM Replacements:** - As of 1/25/23, 60 EPMs and routers have been procured, 16 EPMs have been replaced. - RACI and business process assessments and development in progress, testing/piloting of EPMs reconfigured to measure and transmit data hourly in progress	See Response 1a.
SDG&E Transmission Field Assets	Ex. SDGE-06- CWP, Workpaper Group 004190. at pages 55-64	The High Consequence Area (HCA) methane sensor installation activities described in this workpaper began in tandem with the design and development of the CCM building. These transmission field asset activities when completed will include the installation of 30 HCA methane sensors. The installation and integration of these transmission field assets ahead of construction completion do not all need to be completed for the Gas Control Center to be functional; however, the installation of some of these field assets helped inform and establish new and/or changing business processes, engineering designs, roles/responsibilities, communications, and control room management plan updates needed to support the transition to the new Gas Control Center. Once commissioned, the Gas Control Center will be equipped for the integration of additional field asset data that will be received from the remaining equipment to be installed through 2028 and will be ready to respond to incidents and abnormal operating conditions.	**HCA Methane Status as of 1/31/23:** - Readiness activities will begin 2023 for the first 10 pilot installations. Readiness activities include engineering design, business readiness, site acquisition, permitting, material procurement, and construction.	See Response 1a.

SCG-SDGE-TURN-007

REQUEST:

Exhibit TURN-05 states the following on page 40 of Direct Testimony: "In compliance with these directives, SoCalGas has spent hundreds of millions of dollars per year performing incremental work to reduce emissions. The last two years' totals were $623,801,334 for 2021 and $485,744,146 for 2022. This approximately one billion dollars was spent performing additional leak repairs, additional leak surveys, training, and similar activities to be incorporated into the 2028 GRC anticipated to be filed on May 15, 2026." Please provide all supporting documents and/or workpapers, showing how TURN derived and/or calculated the amounts "$623,801,334 for 2021 and $485,744,146 for 2022". Please provide workpapers in Microsoft Excel format, including raw data, active cells, macros, source, and links

RESPONSE:

These two values were copied from SoCalGas' recent advice letters regarding the Natural Gas Leak Abatement Program (NGLAP) in 2022 (AL #5950) and 2023 (AL #5950-B) using the total revenue requirement with no additional calculations performed. While preparing this response, TURN discovered two corrections to the cited portion of Ex. TURN-5 that need to be made:

1. The total loaded program costs values for the last two advice letters related to the NGLAP should be:
    a. Revised AL #5950 (Rev. B), Table 1 which is $304,125,671 for 2023-2024, and
    b. Revised AL# 5603 (Rev. C), Table 1 which is $201,208,820 for 2021-2022.
2. The cited values in Ex. TURN-05 are referenced in sum ("one billion dollars") which is not accurate as the forecast costs in AL# 5950 and AL# 5950-B are for an overlapping period. The accurate sum of revised costs for the last two advice letters for the NGLAP is $505,334,491 or 'over half a billion dollars'.

The sum of these edits results in the following revised portion of the cited testimony:

"In compliance with these directives, SoCalGas forecasts hundreds of millions of dollars per year performing incremental work to reduce emissions. The total loaded program costs per the last two advice letters on this matter were $201,208,820 for 2021-2022 in Advice Letter# 5603 (Rev. C) and $304,125,671 for 2023-2024 in Advice Letter #5950 (Rev. B). This over half a billion dollars is allocated to performing additional leak repairs, additional leak surveys, training, and similar activities to be incorporated into the 2028 GRC anticipated to be filed on May 15, 2026."

APPENDIX C

2022 RECORDED EXPENDITURES

2022 Adjusted-Recorded Operating Costs

	Workpaper	Base	Adj	V&S	Esc	Total Adj-Rec (2021$)
Non-Shared	2GD000.000	18,211	57	2,341	(721)	19,889
	2GD001.000	9,050		1,522	(354)	10,218
	2GD002.000	18,919	(24)	3,132	(739)	21,289
	2GD003.000	9,463	(124)	339	(376)	9,302
	2GD004.000	5,149	(36)	706	(201)	5,618
	2GD005.000	22,588		2	(917)	21,673
	2GD006.000	21,840		2,926	(860)	23,905
	2GD007.000	9,598	(465)	1,223	(360)	9,997
	2GD008.000	14,453		1,134	(576)	15,010
	2GD009.000	10,905	(1,173)	1,467	(382)	10,817
	2GD010.000	8,345		1,231	(328)	9,248
	2GD011.000	3,518	(5)	526	(138)	3,902
Non-Shared Total		152,039	(1,769)	16,550	(5,952)	160,867
Shared	2200-0431.000	470	(0)	63	(15)	518
Shared Total		470	(0)	63	(15)	518
Total		**152,509**	**(1,770)**	**16,613**	**(5,967)**	**161,385**

2022 Adjusted-Recorded Capital Expenditures

Workpaper	Base	Adj	V&S	Esc	Total Adj-Rec (2021$)
001510.000	54,129	(14,570)	1,973	(2,926)	38,606
001630.000	26,740		219	(1,900)	25,060

001640.000	6,287		2	(443)	5,846
001730.000	8,429		20	(595)	7,854
001810.000	743		17	(54)	707
001820.000	1,181		77	(89)	1,169
002500.000	19,262	4,488	711	(1,723)	22,738
002510.000	40,775		345	(2,897)	38,222
002520.000	9,671	13,670	359	(1,670)	22,030
002530.000	13,670	(13,670)	0	0	0
002540.000	13,556		407	(984)	12,979
002560.000	49,888		721	(3,566)	47,043
002610.000	935		4	(66)	873
002620.000	17,820	96	138	(1,272)	16,782
002640.000	9,331		224	(673)	8,882
002650.000	6,365	(35)	101	(453)	5,977
002700.000	3,026	7,487	164	(752)	9,924
002750.000	11,377	(11,377)	-	0	(0)
002800.000	902		35	(66)	870
002830.000	(263)	263	-	-	0
007150.000	5	(5)	0	(0)	0
007250.000	7,612	186	36	(552)	7,283
009030.000	102,814		15,278	(8,321)	109,771

	A01510.000		1,945	-	(137)	1,808
Total		**404,254**	**(11,522)**	**20,831**	**(29,139)**	**384,424**