

Company: Southern California Gas Company (U 904)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (consolidated)
Exhibit: SCG-206

REBUTTAL TESTIMONY OF
RICK CHIAPA, STEVE HRUBY AND RENE GARCIA
(GAS TRANSMISSION OPERATIONS AND CONSTRUCTION)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
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 (GAS TRANSMISSION OPERATIONS AND CONSTRUCTION)**

I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2021 (\$000)					
	Base Year	Test Year	Change		
SOCALGAS	47,226	52,057	4,831		
CAL ADVOCATES	47,226	49,557	2,331		
TURN	47,226	48,863	1,637		
TOTAL CAPITAL - Constant 2021 (\$000)					
	2022	2023	2024	Total	Difference
SOCALGAS	182,494	150,742	106,651	439,887	
CAL ADVOCATES	182,494	150,172	104,943	437,609	(2,275)
TURN	179,028	146,020	106,478	431,526	(8,361)

II. INTRODUCTION

This rebuttal testimony (1) adopts the direct testimony of Aaron Bell supporting Southern California Gas Company’s (SoCalGas’s) request for Gas Transmission Operations and Construction costs¹ and (2) addresses the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates), as submitted by Maricela Sierra (Exhibit (Ex.) CA-02), dated March 27, 2023.
- Cal Advocates, as submitted by Greg Wilson (Ex. CA-06), dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by Rod Walker (Ex. TURN-05), dated March 27, 2023.

As a preliminary matter, the absence of a response to any 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 were selected to reflect the most accurate expected level of expenditures anticipated at the time for 2022, 2023, and 2024.

¹ November 2022, Second Revised Direct Testimony of Rick Chiapa, Steve Hruby and Aaron Bell, Ex. SCG-06-2R; Ex. SCG-06-WP-R; Ex. SCG-06-CWP-R, adopted by Rene Garcia from Aaron Bell.

1 SoCalGas requests the Commission adopt its forecast for capital expenditures in 2022,
2 2023, and 2024 of \$182,494,000, \$150,742,000, and \$106,651,000, respectively, in furtherance
3 of promoting the safety and reliability of delivering natural gas on its transmission system.
4 Approval of the forecasts in this testimony and the direct testimony will further SoCalGas's
5 objective of providing safe and reliable delivery of natural gas to customers at a reasonable cost.
6 SoCalGas also requests the Commission adopt its O&M forecast for TY 2024, of \$52,057,000.

7 **A. Cal Advocates**

8 The following is a summary of Cal Advocates' positions on the requests in the Gas
9 Transmission Operations and Construction² testimony:

- 10 • Cal Advocates recommends a reduction of \$2.5 million in the Gas
11 Control shared O&M expenses category.
- 12 • Cal Advocates recommends a reduction of \$570,000 in 2023 and
13 \$1.7 million in 2024 for the Control Center Modernization capital
14 category.
- 15 • Cal Advocates opposes the creation of a Litigated Project Cost
16 Memorandum Account (LPCMA).³

17 **B. The Utility Reform Network (TURN)**

18 The following is a summary of TURN's positions on Gas Transmission Operations and
19 Construction⁴:

- 20 • TURN takes issue with the O&M increase in FTEs associated with
21 the CCM project. TURN asserts the increase from 25.2 to 59.2
22 FTEs in 2024 is unreasonable.
- 23 • TURN proposed a reduction of 25% for 2022 and 2023 in addition
24 to a disallowance of \$173k for 2024 for New Pipeline capital
25 projects.

² March 27, 2023, Cal Advocates Report of SCG Gas Operations (Part 1) Ex. CA-02 (Sierra).

³ March 27, 2023, Cal Advocates Report of SDG&E Electric Distribution Capital Expenditures (Part 1), Ex. CA-06 (Wilson).

⁴ March 27, 2023, TURN Addressing Gas Distribution, Gas Transmission, Gas Engineering, and Integrity Management Topics, Ex. TURN-05 (Walker).

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

2 **A. Shared Services O&M**

SHARED O&M - Constant 2021 (\$000)			
	Base Year	Test Year	Change
SOCALGAS	\$9,008	\$13,301	\$4,293
CAL ADVOCATES	\$9,008	\$10,752	\$1,744
TURN	\$9,008	\$9,347	\$339

3 The following Shared O&M forecasts were unopposed: Pipeline & Instrumentation
4 Operations; Compressor Station Operations; Cathodic Protection Operations; Technical Services;
5 Storage Products Manager; Control Center Modernization; Director Gas Transmission; FOM
6 East Transmission; FOM Compressor Station Operations; Governance & Compliance;
7 Transmission & Storage Strategy Manager; Capacity Products Support; Gas Scheduling; Gas
8 Transmission Planning; and SCADA Operations.

9 **1. Gas Control**

10 **a. Cal Advocates**

11 Cal Advocates takes issue with the Test Year O&M forecast for Cost Center 2200-2289
12 Gas Control.⁵ Cal Advocates incorrectly asserts that SoCalGas has not provided supporting
13 documentation demonstrating incremental costs. Cal Advocates also proposes using the 2022
14 adjusted forecast of \$4.1 million as the basis for a “reasonable funding level” in TY2024,⁶ as
15 opposed to the SoCalGas proposed forecast of \$6.7 million (thereby limiting SoCalGas’s ability
16 to realize the safety and operational benefits associated with fully staffing Gas Control in
17 preparation for monitoring the Gas Distribution network and additional end points on the
18 Transmission system). Additionally, Cal Advocates’ proposed reduction of \$2.6 million is based
19 on its belief that the complete installation and integration of transmission field assets will not be
20 completed prior to Gas Control occupying the new Control Center facility in 2024 because
21 SoCalGas will continue to deploy and integrate transmission assets into the Gas Control Center
22 through 2028.

⁵ Ex. CA-02 (Sierra) at 14.

⁶ *Id.*

1 SoCalGas disagrees with Cal Advocate’s assertion that the documentation provided is
2 insufficient, as a detailed description of roles and FTEs required was provided in SoCalGas’s
3 testimony.⁷

4 SoCalGas also disagrees with Cal Advocates Shared O&M forecast and finds Cal
5 Advocates’ spending recommendation to be unsubstantiated. There does not appear to be any
6 basis or analysis for Cal Advocates’ proposal. The proposed forecast is substantiated as the
7 requirements⁸ for the Gas Control Room structure were driven by the CCM project objectives
8 and Gas Control staff will need to assume incremental tasks, activities, and responsibilities
9 across both the transmission and the distribution pipeline networks. Additionally, external factors
10 such as PHMSA-CRM⁹ regulations and the importance of effective management of fatigue and
11 operator alertness contributed to the organizational structure.

12 Cal Advocates also demonstrates a lack of understanding in their assessment of the
13 integration of field asset data to Gas Control when they state in their testimony that not all
14 “transmission assets will be integrated by 2024.”¹⁰ SoCalGas’s CCM project is not simply
15 integrating more transmission assets into Gas Control but is also integrating new and existing
16 distribution assets¹¹ and plans to integrate data from 7,514 assets to Gas Control by the end of
17 2024.¹² This integration will expand Gas Control’s current monitoring and control environment
18 into the Gas Distribution system for the first time, a system that includes over 100,000 miles of
19 pipeline, and is integral to serving SoCalGas’s customers. By repeatedly citing “transmission
20 assets” only, Cal Advocates demonstrates that apparently did not consider the intricacies of the
21 integration of the distribution system into Gas Control and the incremental work, training,
22 process development, and increase in information that will be managed.

23 Without proper O&M funding, SoCalGas cannot effectively staff the Control Room in
24 time for the integration of data from the 7,514 new and existing field assets. Reducing

⁷ Ex. SCG-06-2R (Chiapa/Hruby/Bell) at CHB-57-58.

⁸ SoCalGas’s Shared O&M forecast was developed by internal subject matter experts working in tandem with an experienced 3rd party contractor who has helped 20 other utilities worldwide define their resource requirements and modernize their control centers.

⁹ [Control Room Management | PHMSA \(dot.gov\)](#)

¹⁰ Ex. CA-02 (Sierra) at 14.

¹¹ Ex. SCG-06-2R (Chiapa/Hruby/Bell) at CHB-55.

¹² *Id.* at CHB-115.

1 SoCalGas’s requested forecast would delay or impede the realization of safety-related benefits
2 associated with the increased digitalization of SoCalGas’s pipeline system. Authorizing
3 SoCalGas’s proposed O&M forecast will allow Gas Control to safely and effectively oversee the
4 Distribution system, expand its oversight within the Transmission system, and enable SoCalGas
5 to begin maximizing the CCM-related safety and system reliability benefits.

6 **b. TURN**

7 TURN takes issue with the Test Year O&M forecast for Gas Control 2200-2289. TURN
8 argues that any additional FTEs beyond the existing staff plus 20% should be disallowed,
9 resulting in a Test Year disallowance of \$3.954 million.¹³ TURN claims that a 20% increase in
10 FTEs should be sufficient to comfortably perform Gas Control activities given the efficiency
11 claims made by SoCalGas.

12 TURN’s testimony makes several inconsistencies and errors. SoCalGas disagrees with
13 TURN’s recommendation and maintains that a 20% increase in existing staff would not be
14 sufficient to fully realize the safety-related benefits associated with the CCM project. SoCalGas
15 is unable to deduce TURN’s methodology for calculating its recommended reductions to Shared
16 O&M. In testimony, TURN states that SoCalGas should be allotted an FTE increase of 20%
17 compared to BY 2021. However, TURN recommends a disallowance of \$3.954 million,¹⁴ which
18 is actually lower than SoCalGas’s BY 2021 actual costs.¹⁵ This reduction would not allow for a
19 20% increase in FTEs, but it would in fact result in a six percent decrease to the 2021 FTE count.
20 Although the reasoning behind TURN’s proposed reduction to SoCalGas’s forecast is not clear,
21 SoCalGas does not consider any reduction to its proposed forecast appropriate. In addition,
22 TURN does not define which areas of Gas Control operations they would recommend
23 eliminating in order to comply with only a 20% increase over the Base Year. As stated above,
24 SoCalGas’s proposed forecast was developed by internal subject matter experts working in
25 tandem with an experienced third-party contractor who has assisted 20 other utilities worldwide

¹³ In their testimony, TURN referred to the Gas Control O&M forecast as capital. It is unclear to SoCalGas why TURN referred to the O&M forecast in this manner. SoCalGas assumes this was written in error. Additionally, TURN provided a different disallowance amount of \$3.194 million in their testimony on Table 7 and in their workpapers. SoCalGas cannot discern which of the two values were intended to be presented by TURN.

¹⁴ Ex. TURN-05 (Walker) at 63.

¹⁵ *Id.* at 63, Table 7.

1 to modernize their control centers and define their resource requirements. The requirements for
2 the Gas Control Room structure were driven by the CCM project objectives as Gas Control
3 would need to take on incremental tasks, activities, and responsibilities across both the
4 transmission and the distribution pipeline networks. Additionally, external factors such as
5 PHMSA-CRM regulations and the importance for the effective management of fatigue and
6 operator alertness contributed to the organizational structure.

7 TURN implies that SoCalGas’s CCM-related operational efficiencies should result in a
8 disallowance of its proposed forecast. However, SoCalGas’s stated “operational efficiencies”¹⁶
9 were in reference to enhancing the Company’s ability to more quickly identify and respond to
10 abnormal operating conditions, not in reference to a reduction in operating expenses – not simple
11 cost efficiencies just for the project. As stated in SoCalGas’s testimony, through the continuous
12 24/7 monitoring as well as real-time data collection, Gas Control personnel, in conjunction with
13 Gas Engineering and Field Operations, will be able to provide faster response times to detected
14 incidents and will be able to quickly act on and communicate potential impacts as well as
15 identify opportunities for proactive preventative maintenance.¹⁷ The proposed costs will allow
16 Gas Control to safely and effectively oversee the Distribution system, expand its oversight within
17 the Transmission system, and enable SoCalGas to begin maximizing the safety and system
18 reliability benefits associated with the enhanced digitalization of its pipeline network.

¹⁶ Ex. SCG-06-2R (Chiapa/Hruby/Bell) at CHB-D-4.

¹⁷ *Id.* at CHB-117.

1 **IV. REBUTTAL TO PARTIES' CAPITAL PROPOSALS**

TOTAL CAPITAL - Constant 2021 (\$000)					
	2022	2023	2024	Total	Difference
SOCALGAS	182,494	150,742	106,651	439,887	---
CAL ADVOCATES	182,494	150,172	104,943	437,609	2,275
TURN	179,028	146,020	106,478	431,526	8,361

2 The following Capital workpapers were unopposed by any party: Pipeline Replacements:
 3 Pipeline Relocation – Freeway; Pipeline Relocation – Franchise/Private/Row; Compressor
 4 Stations; Cathodic Protection; M&R Stations; Security & Auxiliary Equipment; Buildings &
 5 Improvements; Capital Tools; and Compressor Station Modernization.

6 **A. New Pipeline**

7 **1. TURN**

NEW CONSTRUCTION PIPELINE TOTAL CAPITAL - Constant 2021 (\$000)					
	2022	2023	2024	Total	Difference
SOCALGAS (Table	13,864	18,890	173	32,927	---
TURN	10,398	14,167	0	24,565	8,362

8 TURN takes issue with the capital forecast for New Pipeline, which consists of one
 9 project being executed at a customer’s request that will solely benefit that customer. TURN fails
 10 to recognize that the single project that comprises this forecast is a Collectible project and
 11 therefore the costs were not included in revenue requirement.

12 TURN states that the Company has not been transparent in its use of a discrete estimate
 13 based on projects of similar size and scope to form a zero-based forecast in this category. They
 14 reference historical costs in workpapers to conclude that prior years did not have projects of
 15 similar size and scope. This assessment is inaccurate since pipeline project estimates are not
 16 limited to this category alone. While there have been limited projects in this category over the
 17 last five years, there have been hundreds of projects in other pipeline project categories that
 18 helped develop the estimate for this one collectible project in this New Pipeline category.

19 TURN also incorrectly asserts that this pipeline “does not necessitate an evaluation of the
 20 technical merits of the pipeline and its impact to the system” due to the nature of the project.¹⁸
 21 SoCalGas disagrees with the claim that the Company adds pipeline to the system without

¹⁸ Ex. TURN-05 (Walker) at 47.

1 evaluation, as all pipelines added to the Transmission system are evaluated by Gas Transmission
2 Planning as described in the Gas Transmission Operations and Construction testimony (Ex.
3 SCG-06-2R) under Description of Costs and Underlying Activities for Gas Transmission
4 Planning.¹⁹

5 Additionally, TURN has misinterpreted SoCalGas’s testimony. TURN states “The
6 construction of [this] new pipeline is required to provide the backbone of the local gas
7 transmission system with additional resiliency, capacity, and reliability to serve load and to
8 provide gas supply reinforcement to existing areas and to supply new areas where natural gas
9 service is required.” However, SoCalGas’s testimony speaks generally to the purpose of new
10 pipeline construction when discussing the backbone of the system, not specifically the collectible
11 project. SoCalGas here clarifies its testimony, as stated in response to a data request (WSI-SCG-
12 001, Question 6.1.5): “The construction of new pipeline is required to provide the backbone of
13 the local gas transmission system with additional resiliency, capacity, or reliability to serve load
14 and to provide gas supply reinforcement, or to supply new areas where new natural gas service is
15 required.” For collectible projects, the Company does not use funds collected from the customer
16 to add resiliency, capacity, or reliability to the system.

17 TURN also recommends a 25% reduction (\$8.18 million) in 2022-2023 and a reduction
18 of \$173k in 2024. As TURN notes, SoCalGas’s testimony states “The Lakewood project has
19 costs associated with it in 2022 and 2023.” SoCalGas acknowledges an error in its testimony
20 and this statement will be revised in SoCalGas’s errata to state, “The Lakewood project has costs
21 associated with it in 2022, 2023, and 2024.”²⁰ Regardless, TURN’s proposed recommendation to
22 disallow a collectible project that has not been included in rate base should be rejected.

23 **B. Control Center Modernization**

24 **1. Cal Advocates**

25 Cal Advocates takes issue with the capital forecast for the Control Center Modernization
26 Project. Cal Advocates disputes SoCalGas’s request of \$2.608 million for 2023, and \$3.746
27 million for 2024. Cal Advocates did not dispute the 2022 forecast of \$2.038 million. However,
28 Cal Advocates recommends that the 2022 forecasted amount of \$2.038 million, be replicated in

¹⁹ Ex. SCG-06-2R (Chiapa/Hruby/Bell at CHB-53).

²⁰ *Id.* at CHB-65.

1 years 2023 and 2024. Replicating the forecast in those years results in a reduction of \$2.278
2 million.²¹

3 Cal Advocates provides the following reasons for their proposal:

- 4 • The installation and integration of transmission field assets ahead of
5 construction completion do not all need to be completed for the Gas
6 Control Center to be functional.
- 7 • A decrease in methane sensors will be installed, and the installation
8 schedule has been extended over a longer period, ending in 2028.
- 9 • The CCM Project did not fully spend the authorized amount from the 2019
10 GRC.

11 The point of Cal Advocates' argument that not all transmission assets need to be installed
12 and integrated before the new CCM building is constructed is unclear and unfounded. Cal
13 Advocates' does not appear to provide any analysis or in-depth explanation for this argument.
14 The installation schedule put forth by the CCM project allows for the safe and gradual ramp-up
15 of data integration from transmission assets to the Gas Control Room. The gradual ramp-up of
16 deployment activities is a critical aspect to the measured integration of the staff with the new
17 systems. This deployment ramp-up ensures that the team is successfully trained and familiar with
18 the new processes in order to fully realize the safety-related benefits of monitoring this data.

19 While it is true that the methane sensor deployment schedule will extend through 2028,
20 Cal Advocates recommendation to use a flat level of funding every year is unsubstantiated and
21 would slow down and delay the deployment of these assets beyond 2028. As stated above for
22 transmission assets, the installation schedule set by the CCM project allows for the safe and
23 gradual ramp-up of methane sensor data integration to Gas Control through 2028.

24 SoCalGas acknowledges that the 2019 GRC authorized amount for Distribution
25 Operations Control Center project (now the CCM project) was not fully spent, however, as
26 addressed in the Gas Transmission Operations and Construction direct testimony (Ex. SCG-06-
27 2R), the CCM project underwent a full scope reevaluation which impacted the schedule,
28 resourcing needs, and costs.²² Therefore, SoCalGas's forecasted costs for TY 2024 are the most

²¹ Ex. CA-02 (Sierra) at 15.

²² Ex. SCG-06-2R (Chiapa/Hruby/Bell) at CHB-114.

1 up-to-date and accurate estimates for the project and should not be impacted by the prior 2019
2 GRC.

3 SoCalGas urges the Commission to reject Cal Advocate’s recommended flat level of
4 funding because it will limit and restrict SoCalGas’s project ramp-up and could delay
5 deployment beyond 2028. SoCalGas’s forecast is reasonable and appropriate and should be
6 authorized by the Commission.

7 **C. Litigated Project Cost Memorandum Account (LPCMA)**

8 **1. Cal Advocates**

9 SoCalGas has proposed to create a LPCMA²³ to record capital-related costs associated
10 with projects that are intended to qualify as a collectible project to be recovered from third-party
11 customers (*e.g.*, Contributions in Aid of Construction from a local governmental entity) instead
12 of ratepayers, but later are deemed by a court to be non-collectible from third-party customers.
13 Cal Advocates opposes the creation of the LPCMA. Cal Advocates states, “given the rarity of
14 these types of court-ordered classification reversals, it is Cal Advocates’ judgment that Sempra is
15 not at a significant risk of experiencing systematic major unfunded capital costs”²⁴ and that this
16 account “would not similarly track the costs that ratepayers had incurred (between the time a
17 Non-Collectible capital project had been added to rate base and the time that a court ruled that
18 the same project should be considered a Collectible project) for an eventual return to ratepayers.
19 In Cal Advocates’ judgment, ratepayers should receive the same type of financial protection as
20 does the utility.”²⁵ SoCalGas disagrees with Cal Advocates and affirms that an LPCMA is
21 needed to track project costs at the onset of a litigation that challenges the project classification
22 Cal Advocates’ arguments on this point are further addressed in Ex. SCG-204 (Aguirre).
23

24 **V. CONCLUSION**

25 To summarize, SoCalGas respectfully requests that the Commission adopts a TY 2024
26 O&M forecast of \$52,057,000. The forecast is composed of \$38,754,000 for non-shared service
27 activities and \$13,303,000 for shared service activities. SoCalGas further requests the

²³ Ex. SCG-38-R (Yu) at RMY-20-21.

²⁴ Ex. CA-06 (Wilson) at 13.

²⁵ *Id.* at 14.

1 Commission adopt its forecast for capital expenditures of \$182,492,000 (2022), \$150,742,000
2 (2023), and \$106,651,000 (2024). The second revised direct testimony, workpapers, and
3 SoCalGas's responses to numerous data requests provide substantial justification for the
4 Commission to authorize SoCalGas's Gas Transmission Operations & Maintenance, Gas Control
5 & System Planning, Construction, and CCM O&M and Capital requests. As described in this
6 rebuttal testimony, the proposals of the intervenors to reduce funding are based on inappropriate
7 forecasting methodology, inaccurate assumptions, incomplete understanding of SoCalGas's
8 natural gas pipeline operations, and/or discounting of information presented by SoCalGas.

9 This concludes our prepared rebuttal testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Rene Garcia. My business address is 1801 S. Atlantic Blvd., Monterey Park.
3 I am currently the Director of the Control Center Modernization Project and I have been with the
4 Sempra family of companies for nearly 25 years. I have held roles of increasing responsibility at
5 the Company focusing mostly on large information technology and/or energy infrastructure
6 projects, including SoCalGas' multi-year AMI project. I've also previously advised Sempra's
7 former South American Electric Utility (Chilquinta Energia) with AMI Strategy and Planning
8 and was based in Valparaiso, Chile. I have a Bachelor of Arts in Economics from Cal State
9 University, San Bernardino. I have previously testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

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ACRONYM	DEFINITION
A.	Application
Cal Advocates	The Public Advocates Office of the California Public Utilities Commission
CCM	Control Center Modernization
Commission	California Public Utilities Commission
D.	Decision
FTE	Full Time Equivalent
FOM	Field Operations Manager
GRC	General Rate Case
LPCMA	Litigated Project Cost Memorandum Account
M&R	Measurement and Regulation
O&M	Operations and Maintenance
PHMSA	Pipeline and Hazardous Materials Safety Administration
SCADA	Supervisory Control and Data Acquisition
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
ROW	Right of Way
TURN	The Utility Reform Network
TY	Test Year
WP	Workpaper