

Application No.: A.08-09-023
Exhibit No.: SCG -133
Date: June 1, 2009
Witness: Mark L. Serrano

SOUTHERN CALIFORNIA GAS COMPANY
ADVANCED METERING INFRASTRUCTURE
AMENDED REBUTTAL TESTIMONY

CHAPTER 3

SOCALGAS AMI DEPLOYMENT PLAN, COSTS,
AND OPERATIONAL BENEFITS

Prepared Amended Rebuttal Testimony
of
Mark L. Serrano

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

June 1, 2009

TABLE OF CONTENTS

I. BACKGROUND.....2

II. OFFSET TO WORK DONE DURING DEPLOYMENT BENEFITS2

A. TURN MISINTERPRETS, MISREPRESENTS OR MISCHARACTERIZES SOCALGAS’ PAST, CURRENT AND COMMISSION APPROVED METER CHANGE PRACTICES 2

B. TURN’S CALCULATIONS ARE BASED ON FLAWED ARITHMETIC EVEN WITH THEIR INCORRECT ASSUMPTION OF AN AVERAGE 38 YEARS FOR METERS REPLACED..... 7

1 **I. BACKGROUND**

2 The purpose of this Amended Rebuttal Testimony is to respond to the Errata to Prepared
3 Direct Testimony and Prepared Supplemental Testimony submitted by TURN witness Mr.
4 Nahigian served on May 28, 2009 in response to Southern California Gas Company’s
5 (SoCalGas’) Advanced Metering Infrastructure (AMI) proceeding, A.08-09-023. Pursuant to
6 ALJ Hecht’s ruling of May 28, 2009, SoCalGas is providing the attached Amended Rebuttal
7 Testimony in response to Mr. Nahigian’s Errata and Supplemental Testimony. This Amended
8 Rebuttal Testimony replaces, in its entirety, Section VI, pp. 20-24 of my Prepared Rebuttal
9 Testimony, Chapter 3, SoCalGas AMI Deployment Plan, Costs and Operational Benefits
10 submitted May 7, 2009.

11 **II. OFFSET TO WORK DONE DURING DEPLOYMENT BENEFITS**

12 During the AMI deployment period, SoCalGas plans to change approximately 1.052
13 million meters that would otherwise have been changed in future years. The costs incurred to
14 change these meters during the AMI deployment period are recorded as costs. The costs
15 SoCalGas would have incurred to change the meters during the post-deployment are recorded as
16 (Offset to Work Performed During Deployment) benefits because these activities will already
17 have been completed.

18 **A. TURN MISINTERPRETS, MISREPRESENTS OR MISCHARACTERIZES**
19 **SOCALGAS’ PAST, CURRENT AND COMMISSION APPROVED METER**
20 **CHANGE PRACTICES**

21 In TURN’s Errata testimony, TURN truncated Mr. Petersilia’s GRC TY2008 Prepared
22 Direct Testimony and excluded the escalation (inflation) factor from its calculations in order to
23 support its proposed reductions.

24 TURN requested in data request TURN DR-07, Question 1 that SoCalGas calculate the
25 PVRR associated with delaying the benefits SoCalGas estimated for the “Offset to Work
26 Performed during Deployment”. TURN subsequently argued in its Errata Testimony dated May
27 28, 2009, that the benefits associated with accelerating meter changes should be delayed to occur
28

1 at approximately 38 years in-service rather than approximately 31 years in-service, as SoCalGas
2 assumed in its Errata to Prepared Direct Testimony (SoCalGas Chapter III, pp. III-30 through
3 31). By making this assumption, TURN essentially delays the accrual of benefits associated with
4 early meter changes to begin in 2023 instead of 2016.

5 TURN has based this proposal upon a misunderstanding and thus a subsequent
6 mischaracterization of SoCalGas' past practice pertaining to meter changes. TURN cites the
7 following quote in Mr. Petersilia's GRC TY2008 testimony:

8
9 **"If it has not already been replaced, SCG typically replaces a meter between 35**
10 **and 40 years of service."** (emphasis added)¹

11
12 It does not benefit the record that TURN ignores the qualifying phrase at the beginning of
13 the above quote. The quote is not a statement about when a meter typically gets replaced. It is a
14 statement about when a meter that is 35 to 40 years old typically gets replaced; a critical
15 distinction. It is not a statement about the entire meter population and the way SoCalGas
16 manages its meter stock. It is a statement about how SoCalGas manages a very small portion of
17 its meter stock - specifically those meters over 35 years of age.

18 Significantly, TURN's unfortunate selectivity materially distorts Mr. Petersilia's TY2008
19 GRC testimony. Mr. Petersilia's Table SCG NSS-JPP-17 (Mr. Petersilia's Prepared Direct
20 Testimony) shown below shows TY 2008 planned replacements of 180,000 meters. Only 5,000
21 of those planned 180,000 meter replacements are 35 years or older, a circumstance TURN fails
22 to cite in the table used in its testimony.

23
24
25
26
27 ¹ Application 06-12-010, Exhibit No. SCG-7, p. JPP-30, lines 22-23

Table SCG-NSS-JPP-17
Proposed Meter Replacement Strategy
2008

Meter Type	Routine Field Failure/MPCP Monitoring	American Tin	Over 35 Years of Age	Sensus or Sprague	RAMR Incompatible	Total
Number of Meters	80,000	85,000	5,000	0	10,000	180,000

Further, in TURN DR-09 (Question #8), SoCalGas provided the total number of meters replaced in 2006, 2007 and 2008 and the reasons why those meters were replaced. Those data clearly indicate that in 2006 there were approximately 18,000 meters replaced ‘due to age.’ This was approximately 9 percent of all meters replaced that year. In 2007 and 2008, there were 9,000 and 3,000 meters, respectively, replaced due to age. Only 5 percent of the replacements in 2007 and 2 percent of replacements in 2008 were due to meter age. Using the same data set, looking at all of the meters that were changed, 17 percent were more than 31 years old in 2006; 8.2 percent in 2007; and, 11 percent in 2008.

This data demonstrates that only in a small percentage of cases is the age of the meter the primary consideration for its replacement. In general, meters are replaced for a variety of reasons before they get to the age of 31 years. That has been SoCalGas’ practice for many years, reaffirmed in the Annual Meter Performance Control Report and confirmed in the SoCalGas general rate case proceedings.

The simple facts supporting SoCalGas’ analysis follow. SoCalGas analyzed its **entire meter stock** and forecast which meters it would likely replace from 2009 through 2020, in the absence of an AMI program. SoCalGas then reviewed the meters that would still be in service in 2016 and beyond, and analyzed the compatibility of those meters with the gas AMI meter modules that would be installed during AMI deployment. SoCalGas identified that many of the

1 meters likely to be replaced in the 2016 through 2020 timeframe would require a new gas meter
2 module, and that the gas meter modules deployed just a few years earlier could not be re-
3 installed on the new meters. The gas meter modules could not be re-installed because the gas
4 meter modules installed on the older meters would need to have a “slant-face,” and the older,
5 “slant-face” meters are no longer manufactured. The new meters have a “flat face” and require a
6 “flat face” meter module. The “slant-faced” gas meter modules, installed just a few years earlier,
7 would need to be removed from service and rendered obsolete!

8 To avoid this result, SoCalGas made a common sense proposal – to accelerate the
9 replacement of the “slant-face” meters scheduled for replacement in 2016 through 2020 – to
10 avoid throwing away gas meter modules that would be anywhere from 1-9 years old. This was
11 done because, in the long run, it represents the most cost effective approach for ratepayers.

12 SoCalGas’ treatment of the costs and benefits associated with this strategy is transparent.
13 Very simply, the costs were scheduled to be incurred in the 2011 through 2015 deployment
14 timeframe. And the benefits were scheduled to be incurred when the meters would otherwise
15 have been replaced– in the 2016 through 2020 timeframe. Again, common sense treatment
16 should prevail.

17 In its Errata and Supplemental Testimony TURN attempts to muddy what is a clear and
18 reasonable meter and module replacement strategy. TURN took a portion of one sentence from
19 GRC testimony; misinterpreted, mischaracterized and distorted it; incorrectly applied it to only a
20 part of the entire SoCalGas meter stock; left the cost in the deployment period; and, placed the
21 benefits unreasonably far out into the future. TURN’s proposal simply does not make logical or
22 economic sense. TURN’s Supplemental Testimony, p. 4 shows that all of the calculations
23 leading to the proposed reduction of \$67.75 million of present value of revenue requirement
24 benefits are based on an incorrect interpretation of Mr. Petersilia’s GRC TY2008 Prepared Direct
25 Testimony – that the average age of SoCalGas meters that are replaced is 38 years.

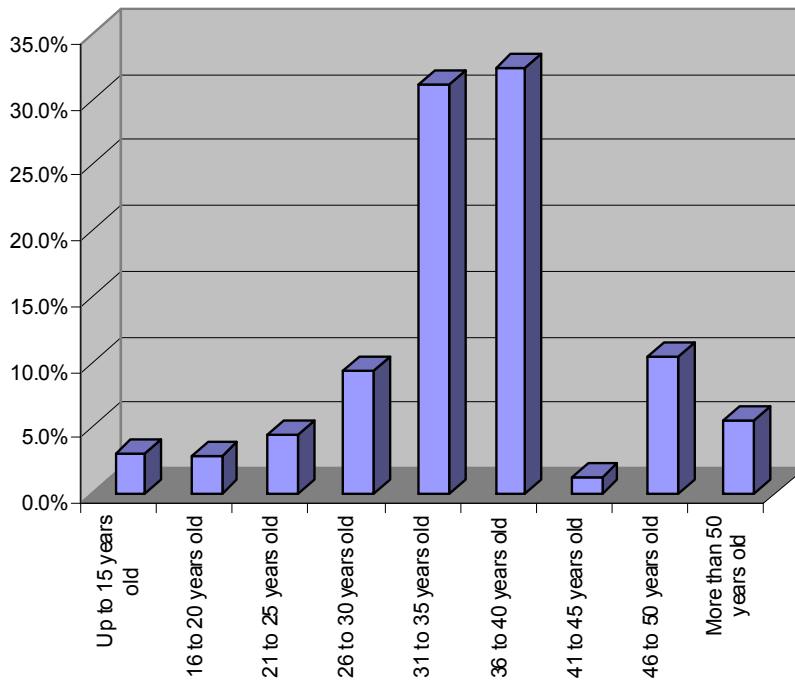
26 The “slant-faced” meters that SoCalGas would have replaced in the 2016-2020 period,
27 and that SoCalGas proposes be replaced instead during the AMI deployment period, will have an
28

1 average age of approximately 31.7 years in 2016, and 35.7 years in 2020. TURN's calculations,
2 which delay the benefits seven additional years to 2023-2027 (when on average they would be
3 between 38.7 years and 43.7 years old) are clearly inappropriate.

4 Table III-1 below illustrates the age distribution of these meters in year 2020.

9 Table III-1

11 Age of Slant-Faced Meters in 2020



1 The SoCalGas benefits associated with the “Offset to Work Performed during
2 Deployment” should correctly remain \$129.9 million (PVRR) because the SoCalGas AMI meter
3 replacement benefits assumes the proper 31 year average age of meter replacements.

4 **B. TURN’S CALCULATIONS ARE BASED ON FLAWED ARITHMETIC**
5 **EVEN WITH THEIR INCORRECT ASSUMPTION OF AN AVERAGE 38**
6 **YEARS FOR METERS REPLACED.**

7 TURN’s calculation of a reduction of \$67.75 million in benefits due to TURN’s
8 incorrect assumption of a 38 year average age is arithmetically incorrect. TURN does not appear
9 to have applied the proper escalation (i.e. applied no inflation) to its proposed deferred benefits.
10 In other words, if TURN assumes that the avoided (offset) meter replacements would not begin
11 to accrue until 2023, then the annual escalation factors should be applied to labor and materials
12 and thus TURN’s proposed benefit reductions would be significantly less than the proposed
13 \$67.75 million.

14
15 The fundamental conclusion is that TURN selectively uses only part of Mr. Petersilia’s
16 testimony in SoCalGas’ TY2008 GRC; assumes an incorrect average year for in-service meters
17 that are replaced; and uses flawed calculations that do not include the escalation factor. TURN’s
18 proposed benefit reductions in the Errata Testimony of Mr. Nahigian, Section V.C (pp. 21-22) on
19 “Offset for Work Done During Deployment” rests on no supportable, rational factual basis.

20
21 This concludes my amended rebuttal testimony.
22
23
24
25
26
27
28