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REVISED
SOCALGAS
DIRECT TESTIMONY OF J. BRET LANE
(POLICY OVERVIEW)

March 2015

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



TABLE OF CONTENTS

| | | |
|------|---|----|
| I. | INTRODUCTION | 1 |
| II. | OVERVIEW OF GRC REQUEST | 4 |
| | A. Test Year 2016 Revenue Requirement | 4 |
| | B. Post-Test Year Ratemaking | 5 |
| | C. Bill Impacts | 5 |
| III. | OVERVIEW OF OPERATIONS | 5 |
| IV. | OPERATIONAL FOCUS | 8 |
| | A. Safety | 8 |
| | B. Reliability | 12 |
| | C. Customer Service | 13 |
| | D. Risk Management | 15 |
| | E. Cyber and Physical Security | 15 |
| | F. Environmental Stewardship | 17 |
| | G. Supplier Diversity | 17 |
| | H. Operational Efficiency | 18 |
| V. | IMPLEMENTATION ON JANUARY 1, 2016 | 18 |
| VI. | CONCLUSION | 19 |
| VII. | WITNESS QUALIFICATIONS | 20 |

SOCALGAS DIRECT TESTIMONY OF J. BRET LANE
(POLICY OVERVIEW)

I. INTRODUCTION

My name is Bret Lane, and I am the Chief Operating Officer of Southern California Gas Company (“SoCalGas” or “SCG”). This exhibit provides overarching policy testimony for SoCalGas and generally describes how the proposals and requests included in SoCalGas’ 2016 General Rate Case (“GRC”) Application reflect our strong commitment to delivering safe and reliable natural gas service to customers at reasonable rates, through a safety-first culture. Indeed, although the energy industry is changing, safety, reliability, and customer service remain the foundation of our business at SoCalGas. Moreover, we provide focus and clarity to our mission with the following aligned business priorities:

- Run our Business Safely and with Excellence – a deep-seated culture of employee, customer, and system safety that delivers value to our customers;
- Invest in our Employees – programs and policies designed to engage and foster the talent of all of our employees;
- Lead Clean Energy Solutions – promoting efficient use of clean natural gas and pursuit of new opportunities in clean technologies and services; and
- Advocate Reasonable Policies and Regulations – natural gas is a foundational fuel supporting California’s clean energy future.

California’s energy policy is constantly evolving with an increasing focus on public safety, affordability, energy efficiency and carbon emission reduction. SoCalGas meets the challenge of adapting to and supporting this changing landscape and remains committed to achieving our goals with respect to safety, reliability, and customer service. This commitment is demonstrated by the following:

- In 2013, SoCalGas achieved a very high score of 93 out of 100 in the National Safety Council’s Safety Barometer Survey of 580 participants, with only 7% of participants achieving a higher score (discussed in more detail later);
- In 2013, SoCalGas began implementing hydrostatic pressure testing, pipeline replacement, and valve upgrade/replacement projects under our Pipeline Safety and Enhancement Program (“PSEP”), which was officially approved by the California Public Utilities Commission (“Commission” or “CPUC”) in 2014;

- 1 • By June 2014, SoCalGas installed more than two million advanced meters, a major
2 milestone, completing in excess of one-third of our planned deployment of advanced
3 meters;
- 4 • In 2014, SoCalGas unveiled a new natural gas vehicle (“NGV”) refueling station in
5 Los Angeles County, offering refueling services to anyone seeking to take advantage
6 of the economic and environmental benefits of natural gas as a transportation fuel;
- 7 • In 2013 and 2014, SoCalGas received the highest business customer satisfaction
8 ranking among natural gas utilities in the Western United States, according to J.D.
9 Power & Associates;
- 10 • In 2012 and 2013, SoCalGas received the highest and second-to-highest residential
11 customer satisfaction rankings, respectively, among large natural gas utilities in the
12 Western United States, according to J.D. Power & Associates;
- 13 • In 2014, SoCalGas received two honors from the Greater Los Angeles African
14 American Chamber of Commerce: the Utility of the Year Award and the Small
15 Business Advocate Award;
- 16 • In 2014, the Greenlining Institute awarded SoCalGas an “A” in its Supplier Diversity
17 Report Card Report; and
- 18 • In 2013, SoCalGas achieved a record year with 45.4% of our contracting budget
19 allocated to women-owned, minority, and disabled veteran businesses enterprises.

20 SoCalGas values the tireless work of our employees in meeting important safety
21 deliverables, launching innovative and environmentally responsible projects, and achieving
22 distinguished recognition in customer service and diversity. Yet we know that our focus can
23 never wane, and we are always seeking ways to build upon our foundational strengths and
24 continually improve as the industry evolves. SoCalGas intends to remain a leader in providing
25 safe, reliable, efficient, and innovative energy services to our customers, while keeping rates
26 reasonable. We are also uniquely positioned to help California clean its air, boost the economy,
27 and improve our quality of life. We are pioneering new ways to help customers put this clean,
28 low-cost energy source to good use in the transportation, building and construction, and
29 agriculture sectors. We are also investing in research and technologies to achieve the equivalent
30 of near zero emissions in several technology sectors, including micro turbines and transportation
31 sector engines. All of these efforts support our work to advance responsible energy policy.

32 At the heart of SoCalGas, as one of the largest natural gas utilities in the country, is a
33 singular focus on providing safe and reliable natural gas service to our customers, and in so
34 doing, protecting the health, safety, and security of our employees who are on the front lines of
35 serving our customers and maintaining our gas system. In the aftermath of the San Bruno

1 tragedy, the gas industry, legislators, regulators, and stakeholders are fundamentally re-
2 examining current laws, regulations, and industry practices to see whether changes can be made
3 to enhance the safety of our industry. We embrace these efforts and have been working with the
4 CPUC, U.S. Department of Transportation/Pipeline and Hazardous Materials Safety
5 Administration (“DOT/PHMSA”), research groups such as the Gas Technology Institute (“GTI”)
6 and Pipeline Research Council International (“PRCI”), and others in the industry to make
7 changes in a sensible way. Despite our strong safety record, we cannot and will not rest on our
8 laurels and past accomplishments, as constant vigilance, preparedness, and investment is needed
9 to maintain our safety record.

10 To address the reliability of our natural gas system and the State’s overall energy needs,
11 SoCalGas invests in a robust underground storage program that increases the reliability of our
12 natural gas system by providing a dependable source of gas supply that mitigates the potential
13 impact of gas supply-chain constraints. This underground storage system is becoming
14 increasingly critical to sustaining system reliability as large-capacity, quick-start electric
15 generators are added within the SoCalGas territory. These large quick-start generators initiate a
16 very different load pattern on our system, causing sudden and dramatic increases in demand over
17 a very short period of time, and link the reliability of natural gas service and the reliability of the
18 electric grid to a far greater extent than in the past. Investment in our aging underground storage
19 system is therefore necessary to provide reliable gas service to the area, and potentially, to
20 support the reliability of the electric grid.

21 As a result of this evolving landscape, we have examined the specific changes we expect
22 to occur over the term of this GRC and propose corresponding investments in:

- 23 • Safety and Reliability: The safety of our customers, employees, and the communities
24 we serve is a top priority for SoCalGas, and we are an industry leader in delivering
25 reliable natural gas to our customers. Our GRC proposals will allow us to continue to
26 invest in our system so as to enhance the safety, reliability, and security and thereby
27 mitigate risks that could impact our customers, employees, and system.
- 28 • Customer Service: Providing services that our customers value is built into the fabric
29 of our company. We remain committed to meeting the needs of over 21 million
30 consumers who are increasingly more diverse in their service demands and needs by,
31 among other things, empowering customers with information and tools to better
32 manage their usage of gas.
- 33 • Risk Management: SoCalGas is focused on taking steps to continually enhance our
34 policies and practices to better manage risk, and on systemically demonstrating our

1 commitment to effective risk mitigation. One example is the continuing evolution of
2 our Transmission and Distribution Integrity Management Programs (“TIMP” and
3 “DIMP”).

- 4 • Environmental Stewardship: We provide our services in an ecologically responsible
5 manner, complying with an increasing number of regulations and requirements,
6 factoring environmental impacts in our project planning, and investing in
7 technologies that advance clean energy for our customers and the environment.
- 8 • Supplier Diversity: SoCalGas will continue to invest in efforts and programs that
9 enhance supplier diversity, including particular focus on helping our diverse small
10 business suppliers.

11 This GRC also reflects SoCalGas’ continued efforts to be cost-efficient and forward-thinking,
12 such that we are well positioned to consistently deliver safe and reliable natural gas service to
13 our customers at reasonable rates. SoCalGas has developed a post-test year ratemaking
14 mechanism that will provide us with sufficient revenues to meet the challenges we expect to face
15 beyond the 2016 test year, while maintaining incentives to continue searching for operational
16 efficiencies.

17 **II. OVERVIEW OF GRC REQUEST**

18 Our GRC request reflects SoCalGas’ forecast of revenues needed to continue delivering
19 safe and reliable gas service at reasonable rates and enhance the integrity of our system, while
20 meeting the new challenges we expect to face in the test and post-test years. The projected
21 revenue requirement, rate increases, and expected residential bill impacts from our GRC
22 proposal are discussed in more detail in the Summary of Earnings testimony of Khai Nguyen
23 (Exhibit SCG-34-R) and the Revenues at Present and Proposed Rates testimony of Gary Lenart
24 (Exhibit SCG-37-R). Post-Test Year Ratemaking testimony is sponsored by Ronald van der
25 Leeden (Exhibit SCG-35-R). The following is a brief summary.

26 **A. Test Year 2016 Revenue Requirement**

27 SoCalGas’ GRC Application requests that the Commission authorize a \$2.3 billion
28 revenue requirement, to be effective January 1, 2016. If approved, this revenue requirement
29 would be an increase of \$246 million over the authorized 2015 revenue requirement. When the
30 impact of commodity costs and other ratemaking items such as regulatory account balances are
31 included, these increases result in a 2016 system total bundled revenue increase of \$193 million
32 (or 4.3%) over authorized 2015 rates.

1 **B. Post-Test Year Ratemaking**

2 SoCalGas proposes a post-test year ratemaking mechanism to adjust the authorized
3 revenue requirement in the post-test years by applying separate attrition adjustments for
4 operating and maintenance (“O&M”) expenses (including a separate attrition adjustment for
5 medical expenses) and capital-related costs. Adoption of this mechanism will provide SoCalGas
6 with sufficient revenues during the post-test year period to continue providing safe and reliable
7 service to customers, while providing a fair opportunity for SoCalGas to earn the authorized rate
8 of return.

9 **C. Bill Impacts**

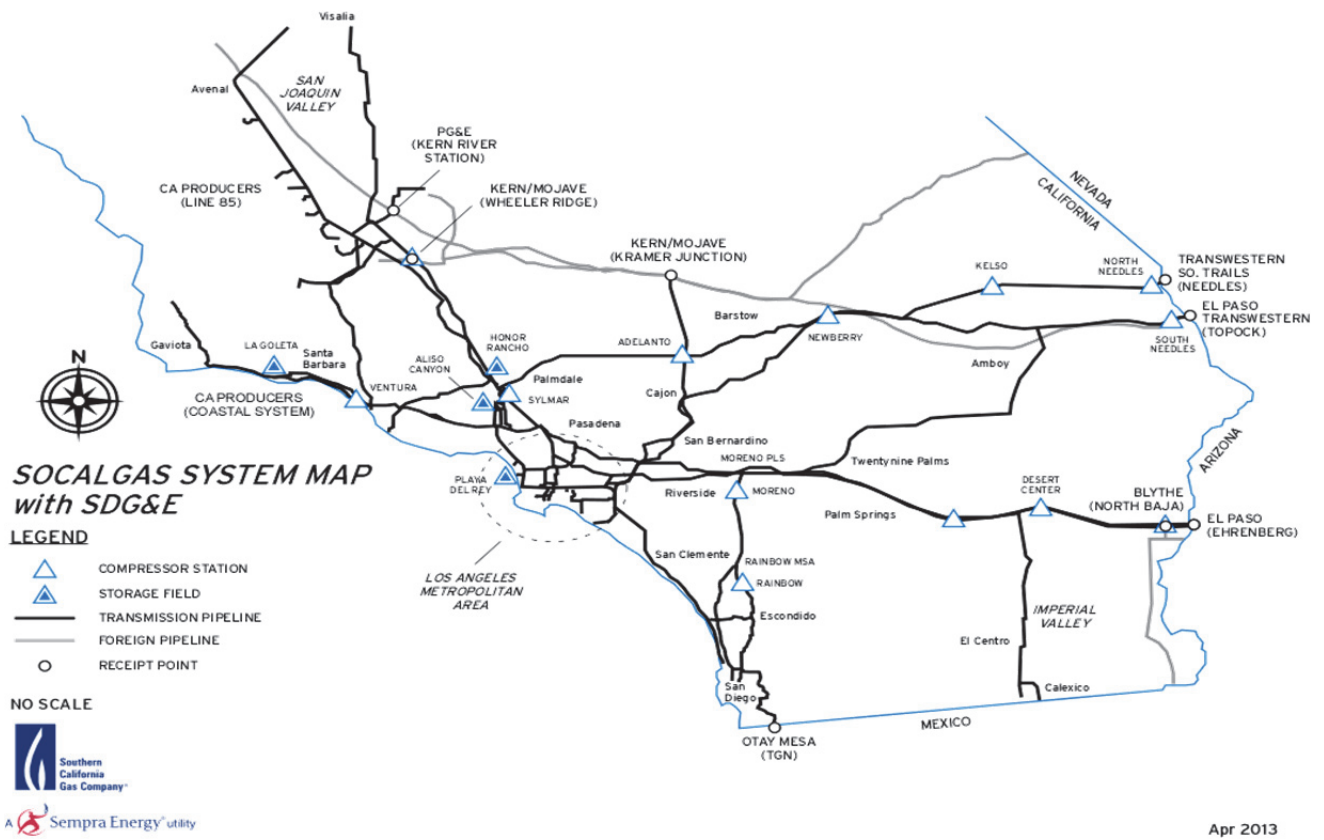
10 If the 2016 revenue requirement identified above is approved by the Commission, an
11 average residential customer (using 39 therms per month) can expect a bill increase of \$2.61 per
12 month (or 5.0%), as compared to authorized 2015 rates.

13 **III. OVERVIEW OF OPERATIONS**

14 SoCalGas’ service territory covers approximately 20,000 square miles and encompasses
15 about 500 different communities, with a population of approximately 21 million consumers
16 served through approximately 5.8 million meters. The geographic boundaries of the service
17 territory encompass Central and Southern California, from Visalia to the Mexico border.

18 SoCalGas’ transmission system is comprised of approximately 2,960 miles of
19 transmission pipelines. The transmission pipeline system is designed to receive natural gas from
20 out-of-state production via interstate pipelines, and from various California offshore and onshore
21 sources. The gas supply entering the system is measured, analyzed for quality, and is then
22 transported into the company’s distribution system, storage fields, and ultimately to end-use
23 customers. SoCalGas operates four underground storage fields with a combined working
24 capacity of approximately 134 billion cubic feet (“Bcf”), a combined firm injection capacity of
25 850 million cubic feet per day (“MMcfd”), and a combined firm withdrawal capacity of 3,195
26 MMcfd. SoCalGas’ gas transmission and underground storage system is depicted in Figure 1.

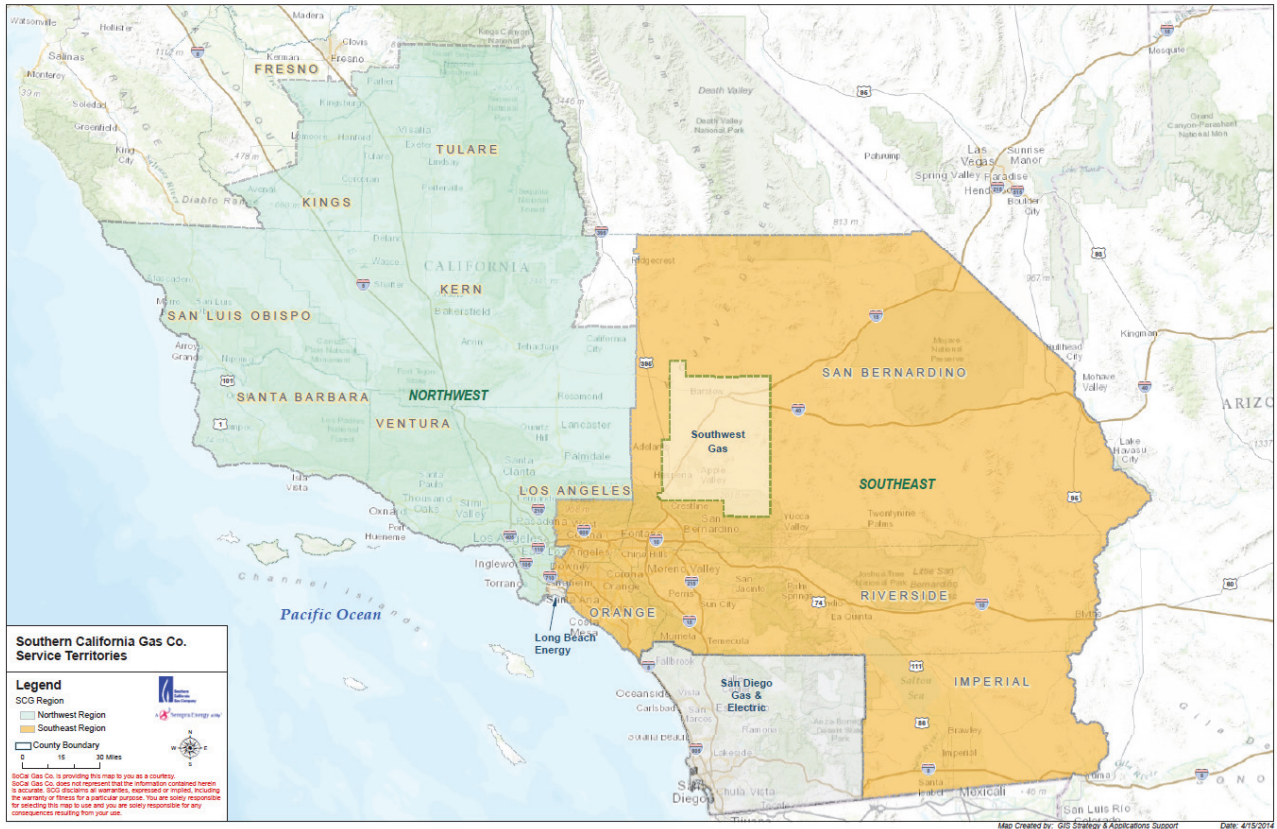
Figure 1: Gas Transmission System



2 SoCalGas’ gas distribution system consists of a network of approximately 99,400 miles
 3 of interconnected gas mains, services, and associated pipeline facilities. These mains and
 4 services, constructed of both steel and plastic materials in varying diameters, are located under
 5 most streets throughout SoCalGas’ service territory. The primary function of this distribution
 6 pipeline network is to safely and reliably deliver natural gas from SoCalGas’ transmission
 7 system to end-use customers throughout our vast service territory, as depicted in Figure 2.

1

Figure 2: Gas Distribution Service Territory



2 SoCalGas’ Gas Distribution organization maintains a network of approximately 50,400
3 miles of gas mains and approximately 49,000 miles of service lines. The distribution gas main
4 pipelines operate at either high-pressure (over 60 pounds per square inch (“psi”)) or medium-
5 pressure (60 psi and below). This system contains numerous valves capable of isolating our
6 large service territory into smaller operating areas for operational, construction, and emergency
7 purposes. To provide adequate capacity to meet customer needs, SoCalGas operates regulator
8 stations located throughout the system that maintain gas pressure and regulate the distribution
9 system. The final component of this distribution network is the gas service lines that connect
10 high- and medium-pressure mains to each customer meter.

11 SoCalGas’ customer base consists of approximately 5,568,200 residential, 246,700
12 commercial, 27,000 industrial, and 40 electric generator meters.¹ We serve our customers in the
13 following ways:

¹ Source: Southern California Gas Company 2013 Form 10-K, Annual Report (filed February 27, 2014).

- Our Customer Services Field organization consists primarily of field technicians who provide on-site services for customers by, for example, establishing gas service, conducting appliance checks, investigating reports of gas leaks, shutting off and restoring gas service for fumigation, and completing meter and regulator changes. Field technicians work from 51 different operating base locations that are dispersed throughout SoCalGas' service territory. On an annual basis, it is anticipated that field technicians will complete over four million service orders at customer premises.
- Our Customer Contact Center handles over nine million Customer Service Representative and automated telephone customer contacts annually in six different languages and provides our customers the ability to contact SoCalGas 24 hours per day, 365 days per year. Customers may also communicate with SoCalGas via the web, mobile, social media, and other channels of their choice.
- SoCalGas produces over 67 million customer bills (both paper and electronic) and processes in excess of 54 million payments through mail, electronic payment, 47 branch offices, more than 300 alternate payment locations, and through other payment channels as well. We have continued to invest in meeting customer preferences for more modern ways to view and pay bills while sustaining support for customers who wish to continue to transact via traditional channels.

IV. OPERATIONAL FOCUS

The following is provided as a general description, from a high-level policy perspective, of SoCalGas' operational focus as it relates to safety, reliability, customer service, risk management, cyber and physical security, environmental stewardship, supplier diversity, and operational efficiency. More details are provided in the testimony and workpapers of individual witnesses.

A. Safety

We view safety as a three-pronged effort that requires vigilant attention to (1) employee safety, (2) customer/public safety, and (3) the safety of our gas delivery systems. This focus is driven by our strong safety culture at SoCalGas. Our tradition of providing safe and reliable service spans more than 140 years of our company's history and is summarized in our *Commitment to Safety* statement, which is endorsed by our entire senior management team:

1 Southern California Gas Company's longstanding commitment to safety
2 focuses on three primary areas--employee safety, customer safety and public
3 safety. This safety focus is embedded in what we do and is the foundation for
4 who we are--from initial employee training, to the installation, operation and
5 maintenance of our utility infrastructure, and to our commitment to provide
6 safe and reliable service to our customers.

7 In 2013, our efforts to maintain a strong safety-first culture were subjected to an
8 independent assessment by the National Safety Council, a credible and independent third party
9 non-profit organization and a leading advocate for safety. The evaluation was based on an
10 employee perceptions study and resulted in a report indicating that SoCalGas' safety culture
11 compares very favorably to those of peer utilities and companies.² The overall benchmark
12 results were very positive and encouraging, and a number of results stand out:

- 13 • 96th percentile for supervisors enforcing safety job procedures;
- 14 • 96th percentile for supervisors maintaining a high safety performance
15 standard;
- 16 • 95th percentile for supervisors behaving in accord with safe job
17 procedures;
- 18 • 95th percentile for management including safety in job promotion reviews;
- 19 • 94th percentile for condition of employee morale;
- 20 • 93rd percentile for belief that hazards not fixed right away will still be
21 addressed;
- 22 • 92nd percentile for frequency of employee/management interactions;
- 23 • 92nd percentile for supervisors understanding workers' job safety
24 problems;
- 25 • 91st percentile for belief that employees understand safety and health
26 regulations;
- 27 • 91st percentile for belief that management does more than law requires;
- 28 • 90th percentile for supervisors providing helpful safety training;
- 29 • 90th percentile for management setting a positive safety example; and
- 30 • 90th percentile for quality of preventative maintenance system operation.

² 2013 Safety Barometer Survey Results, Southern California Gas Company, National Safety Council - March 2013.

1 Vital to SoCalGas efforts to continue to maintain and expand our safety achievements is
2 adequate funding for support services (e.g., Fleet, Real Estate, Land, Facilities) as well as for
3 employee training, compensation and benefits, and human resources. It takes a highly skilled
4 workforce, as well as mobility and infrastructure, to execute our ambitious safety expectations
5 and efforts.

6 Although our continued focus on safety is embraced and supported by all organizations
7 within our company, the safety of our gas delivery system is of utmost importance, as
8 demonstrated by our gas operational witnesses.

9 **Safety of Gas Operations**

10 SoCalGas has a strong track record in gas safety that reflects the safety-first culture that
11 is embedded in our company culture at every level. While we are proud of our safety record, we
12 know there are always opportunities to enhance the overall safety of our pipeline system and
13 infrastructure. To maintain our strong track record into the future, we cannot become
14 complacent. We must always strive to do better by applying forward-looking safety strategies,
15 and challenge ourselves to be even more diligent in maintaining the safety of our natural gas
16 system. Our aim is to continuously drive process enhancements throughout our pipeline system
17 and operations, to meet or exceed state and federal safety regulations, and to stay abreast of
18 industry leading practices, consistent with our safety-first culture.

19 In this GRC, we seek authorized funding for the maintenance, operation, and replacement
20 of gas infrastructure necessary to maintain our commitment in this area. For example,
21 maintaining the safety and integrity of our transmission and distribution pipelines is the
22 operational focus of our ongoing work in our TIMP and DIMP efforts. Our TIMP and DIMP
23 work involves continual and systematic assessment and reassessment of the integrity of our
24 pipelines to identify potential risks to our system and evaluate alternatives for addressing those
25 risks. Through our TIMP efforts thus far, approximately 82% of transmission pipelines in high
26 consequence areas, and 61% of our entire transmission system (~2,000 miles), can be inspected
27 using in-line inspection tools. Through our DIMP efforts, which we were proactive in launching
28 by leveraging our knowledge and experience from TIMP, we are performing comprehensive risk
29 analyses and launching targeted programs to mitigate identified risks to our gas distribution
30 system. As discussed in the Pipeline Integrity for Transmission and Distribution testimony of
31 Maria Martinez (Exhibit SCG-08), we propose to continue expanding our ability to in-line

1 inspect transmission pipelines, the use of new technology to assess and mitigate pipeline risk,
2 and the replacement of certain early-vintage distribution pipelines. We are also sustaining our
3 investments in major efforts, like our Sewer Lateral Inspections Program, that reduce overall
4 system risk through proactive preventative and remediation activities.

5 In furtherance of our continuous enhancement objective, SoCalGas seeks to launch an
6 integrity management effort for our underground storage fields, called the Storage Integrity
7 Management Program (“SIMP”). As discussed in the Underground Storage testimony of Phillip
8 Baker (Exhibit SCG-06), historically, safety and risk considerations for storage wells and their
9 associated valves and piping components have received less regulatory focus and attention, as
10 compared to distribution and transmission facilities. Indeed, unlike storage assets, distribution
11 and transmission facilities are governed by mandatory DIMP and TIMP regulations. The
12 proposed SIMP is a proactive plan to assess and enhance the safety and integrity of our aging
13 underground storage system by conducting more detailed assessments of our storage wells and
14 related infrastructure to identify and mitigate conditions that may otherwise remain undetected.
15 We believe it is critical that our safety and reliability objectives for our storage well assets be
16 managed and approached in a manner consistent with the approach adopted for the distribution
17 and transmission systems, whether or not regulations are in place to mandate such a program.

18 To address the operational needs of our entire gas distribution system, as discussed in the
19 Gas Distribution testimony of Frank Ayala (Exhibit SCG-04), we propose funding for main and
20 service line leak evaluation and repair work to address public safety, infrastructure condition,
21 and material failure. In addition to sustaining historical levels of leak repair work, SoCalGas
22 requests incremental funding to reduce the level of pending non-hazardous leaks below historic
23 levels. We also propose funding for locate and mark activities, whereby gas facilities are located
24 and marked to avoid third-party damage that could create a safety hazard and/or disrupt gas
25 service. Through the completion of this work, SoCalGas provides important information to
26 excavators to safeguard those working around gas facilities and protect the integrity of the
27 pipeline system. As discussed in the Gas Engineering testimony of Raymond Stanford (Exhibit
28 SCG-07), SoCalGas seeks to support legislative and regulatory efforts to enhance coordination
29 between pipeline operators and first responders by adding resources in the Emergency Services
30 organization to expand our first responder communication and education programs. Mr.
31 Stanford also discusses ways that SoCalGas fosters innovative and efficient approaches to

1 enhancing the safety of our system. For example, Mr. Stanford discusses our proposal to expand
2 our successful Process Hazard Analysis program. Through this program, our design engineers
3 conduct a technical and critical review of proposed new equipment or processes by collaborating
4 with our equipment operators out in the field. Through this collaborative, on-site review process,
5 our design engineers are able to identify potential hazards and re-design those hazards out of the
6 proposed process or equipment in order to not only enhance the safety of our system but also
7 potentially reduce costs for our customers.

8 These examples provide a glimpse of the proactive and important investments we are
9 proposing in this GRC to address the safety of our gas operations system.

10 **B. Reliability**

11 SoCalGas is also focused on delivering natural gas to its customers in a safe and reliable
12 manner, which requires investments in maintaining and/or modernizing infrastructure, leveraging
13 technology, and planning for the region's future energy needs.

14 **Reliability of Gas Operations**

15 SoCalGas requests funds to invest in the continued reliability of our system, which is
16 integral to maintaining the safety of our system. In Gas Distribution, we request costs for system
17 renewal, which includes activities to replace or abandon pipeline facilities, such as mains,
18 services, regulating and metering equipment, cathodic protection systems, and electronic
19 equipment that have reached the end of their useful lives and present risk of failure. We also
20 seek approval of costs to perform Pressure Betterment projects in areas where there is
21 insufficient capacity or pressure to meet load growth. Pressure Betterment projects are necessary
22 to maintain reliable service to existing customers as new load is added to the gas distribution
23 system. Once a pipeline system is designed and installed, the available capacity remains
24 relatively fixed. As load increases over time due to population expansion and increased
25 population density, as well as businesses coming online with added load, the existing pipeline
26 pressure decreases, which reduces the available gas flow capacity for customers. If the
27 diminishing pressure is not addressed, gas service to customers could be interrupted. See Exhibit
28 SCG-04 (Ayala) for additional information about proposed projects and activities to support the
29 continued reliability of our gas distribution system.

30 For our gas transmission system, several capital projects are proposed to address
31 reliability, such as the installation of new gas facilities to serve new or increased loads or provide

1 natural gas supply reinforcement to an existing area, and the installation and replacement of
2 compressor station equipment used in operating the transmission system. The nature of
3 compressor station operation requires consistent maintenance and replacement of key engine
4 components and controls equipment to maintain the reliability and safety of the facility. To keep
5 operating costs down, we rely on automated data gathering systems to monitor performance data
6 such as flows, pressures, and temperatures. The upgrade and replacement of outdated system
7 monitoring and control technology is a vital investment that will enable the station to continue
8 operating at high efficiency. See Exhibit SCG-07 (Stanford) for more information about
9 proposed projects and activities to support the continued reliability of our transmission system.

10 As previously discussed, we also propose to implement a new integrity management
11 program for our underground storage facilities that will enhance reliability by identifying
12 conditions that could undermine the integrity of our storage wells. We also request funds to
13 proactively replace aging storage wells with new storage wells that will provide higher
14 deliverability rates. This is an important investment, since many of our existing wells are
15 approaching the end of their useful lives and are operating at a diminishing rate of
16 deliverability. In addition, SoCalGas proposes to perform well workovers to improve the
17 deliverability of existing wells. This replacement and well maintenance activity is essential to
18 SoCalGas' efforts to maintain the current levels of storage system deliverability and overall
19 natural gas system reliability that is so critical to California energy consumers including
20 electricity generators. See Exhibit SCG-06 (Baker) for additional information about projects and
21 activities to support the continued reliability of our underground storage system.

22 These examples provide a glimpse of the proactive and important investments we
23 propose in this GRC to address the reliability of our gas operations system, and in the case of
24 storage, how our investments will also help promote the reliability of the State's electric grid.

25 **C. Customer Service**

26 SoCalGas continues to adapt services to meet the expectations of our diverse customer
27 base. SoCalGas' Customer Services organization responds to customer inquiries and basic
28 service requests, reads meters, produces and delivers bills, and processes payments. SoCalGas'
29 customers speak multiple languages, cover a wide range of income and education, and have
30 different needs and expectations of their gas utility. SoCalGas strives to make its services
31 accessible to all our customers. Customer Service employees also have responsibility for key

1 activities to protect customer safety. This includes not only prompt response to reported gas
2 leaks, but also identifying potentially unsafe conditions at customer premises.

3 In our Customer Service Field area, as discussed in the testimony of Sara Franke (Exhibit
4 SCG-10), we are requesting funding for ongoing compliance with DOT-required meter set
5 assembly inspections, for costs associated with spending additional time while on customer
6 premises to educate customers about carbon monoxide detectors, and investments for field
7 technician training enhancements to bolster the safety and proficiency of our workforce.

8 In our Customer Services Office Operations area, as addressed in the testimony of Evan
9 Goldman (Exhibit SCG-11), SoCalGas is requesting funding to meet customer expectations and
10 preferences for contacting SoCalGas, increase our ability to understand and respond to customer
11 feedback, and facilitate quicker access to customer service representatives in SoCalGas'
12 customer contact centers. Moreover, we are seeking to enhance our ability to protect customer
13 data and comply with data privacy mandates and standards.

14 For the Customer Services Information area, as addressed in the testimony of Ann Ayres
15 (Exhibit SCG-12) we are requesting funding to enhance our ability to interact with our
16 residential and business customers and to more effectively share information regarding
17 regulatory and legislative initiatives impacting gas service and energy options. Customer
18 Services Information is also seeking funding to support customer assistance programs by
19 expanding communication and outreach methods to engage hard-to-reach customers who are
20 eligible for our assistance programs and to expand our efforts in providing carbon monoxide
21 safety testing.

22 In our Customer Services Technologies, Policies and Solutions area, as addressed in the
23 testimony of Jeffrey Reed (Exhibit SCG-13), SoCalGas' proposals related to its Research,
24 Development and Demonstration program will allow us to continue to support innovation in
25 natural gas technologies on behalf of our customers and invest in the research and development
26 of innovative solutions that can greatly aid our system safety and integrity efforts. SoCalGas is
27 also proposing costs that advance our forward looking customer initiatives which continue to
28 keep SoCalGas in step with advancement in the natural gas industry and support their adoption
29 by our customers and in our operations. We see value in these efforts, as they contribute to
30 keeping natural gas an abundant, viable, and low-cost energy source for California.

1 **D. Risk Management**

2 SoCalGas is taking steps to more systemically demonstrate our continued focus on
3 managing risk. In 2012, the Commission recognized that regulatory emphasis on least-cost
4 ratemaking needs to change, and that greater emphasis must be placed on safety and security
5 risks.³ We support the Commission’s efforts to bring to the GRC process an added focus on
6 safety and security risks. Although the principles, policies, and practices for integrating safety
7 and security risk into the GRC process are still evolving, we have taken steps in this GRC to
8 expand upon existing risk management processes, and build a strong Enterprise Risk
9 Management organization. In 2014, SDG&E appointed Diana Day to the new position of Vice
10 President of Risk Management over both SDG&E and SoCalGas. In her new role, she is
11 responsible for expanding our risk management governance, policies, and practices, and
12 integrating risk management, asset management, and investment planning.

13 We take the integration of risk management, asset management, and investment planning
14 very seriously. Ms. Day’s testimony on Risk Management and Policy (Exhibit SCG-02)
15 describes our current risk management practices, our vision and commitment to evolve those
16 practices, and the investments necessary to move toward an integrated Enterprise Risk
17 Management organization. Further, the testimony of Douglas Schneider (Exhibit SCG-03),
18 SoCalGas’ Vice President of Gas Engineering and System Integrity, describes the risk policy for
19 gas operations, and provides in greater detail our systematic risk management efforts in key gas
20 operational areas. The appointment of an Enterprise Risk Management officer and inclusion of
21 two officer testimonies addressing risk in this GRC demonstrate that our leadership is committed
22 to achieving leading risk management practices.

23 **E. Cyber and Physical Security**

24 As part of our continued focus on managing risk, SoCalGas plans to enhance cyber and
25 physical security, which have become a significant source of attention and interest in recent
26 years. Publicly disclosed attacks on customer information and critical infrastructure have been
27 the focus of inquiry and appropriate attention in Sacramento and in Washington, D.C. Recent
28 events such as the cyber attack at a major retailer (that resulted in the theft of customer credit
29 card details and other customer data) and the attack at PG&E’s Metcalf Substation highlight an

³ Letter from Paul Clanon, CPUC Executive Director, dated March 5, 2012, to Tom Bottorff, PG&E Senior VP, Regulatory Affairs.

1 ever-increasing risk to our industry. The operational demand for information and physical
2 security services and capabilities for the safety and security of our customers, employees and
3 communities is growing at a historic rate. Increases in operational security costs drive
4 investments in people, process, and technology to combat the constant and ongoing presence of
5 threats targeting the energy industry.

6 As discussed in the Information Technology (“IT”) testimony of Christopher Olmsted
7 (Exhibit SCG-18), IT staff must have very specialized and sophisticated skill sets, which require
8 ongoing training to strengthen the staff’s knowledge and techniques to keep pace with the ever-
9 changing tools and methodologies used by cyber adversaries. Examples of the types of
10 cybersecurity risks facing utilities today include loss of industrial control systems, such as
11 Supervisory Control and Data Acquisition (“SCADA”); malware on company computer systems;
12 release or corruption of customer information (especially Personally Identifiable Information);
13 and loss of data and/or data center computing equipment due to natural or man-made disasters.
14 Operational technology investments are necessary to maintain operational capabilities and
15 infrastructure and gather the intelligence required for technologies to stay relevant in the
16 protection and security monitoring of systems and infrastructure. Ongoing process and policy
17 enhancements in key areas will help the company prepare to address security incidents,
18 vulnerabilities, and risk management activities. SoCalGas is also proposing to enact significant
19 measures aimed at strengthening our cybersecurity profile as it relates to our Gas Control and
20 SCADA Operations network infrastructure.

21 Regarding physical security efforts, as discussed in the testimonies of John Dagg (Exhibit
22 SCG-05) and Raymond Stanford (Exhibit SCG-07), bolstering the physical security of our
23 infrastructure and facilities is a priority we likewise take seriously. It is an effort we are
24 systematically assessing and addressing on an ongoing basis. SoCalGas is currently taking steps
25 to address physical security needs at critical facilities. For example, efforts are planned for
26 further hardening our security at critical gas compressor stations and an underground storage
27 field, including reinforcement to the perimeter security as well as installation of monitors and
28 enhanced motion sensors.

29 By enabling our information and physical security programs to continue making
30 necessary investments in new technologies, equipment, and a highly-skilled security workforce,

1 the cybersecurity and physical risks facing the company can continue to be mitigated, for the
2 protection of our employees, our customers, and the public.

3 **F. Environmental Stewardship**

4 In providing safe and reliable service to our customers, we also strive to operate our
5 business in an environmentally responsible manner. As the Environmental Services testimony of
6 Jill Tracy (Exhibit SCG-17) describes, our Environmental Services department oversees our
7 compliance efforts, and also provides the expertise, oversight, and guidance such that we can
8 identify and minimize the environmental impacts in our project designs and operations. Ms.
9 Tracy also describes the environmental regulations and pressures that are driving costs in our gas
10 operations and support services areas, and provides the policy support for several of our
11 witnesses sponsoring related costs. In addition, SoCalGas is requesting funding to staff our
12 efforts to be effective liaisons on behalf of our customers to support sensible environmental
13 reform that promotes the health and welfare of our customers and the general public while
14 keeping costs in check. See Exhibit SCG-13 (Reed).

15 **G. Supplier Diversity**

16 SoCalGas has made diversity and inclusion a cornerstone of our corporate values. As
17 addressed in the Supply Management and Supplier Diversity testimony of Richard Hobbs
18 (Exhibit SCG-14), we have been able to reach a diversity spending level with women-owned,
19 minority, and disabled veteran businesses enterprises (“WMDVBEs”) of over 40% in 2012 and
20 2013, far exceeding the Commission’s target of 21.5% under General Order 156. This
21 accomplishment has earned SoCalGas noteworthy recognition locally, regionally, and nationally.
22 Recently, SoCalGas received an “A” grade in The Greenlining Institute’s 2014 Supplier
23 Diversity Report Card. We are creating opportunities for smaller businesses through our Smaller
24 Contractor Opportunities Realization Effort (“SCORE”) program, which focuses on developing
25 and building capacity of new, small diverse suppliers who have no experience working for a
26 utility. In addition, based on our expected increase in major capital expenditures at SoCalGas,
27 Supplier Diversity will need to focus on incorporating WMDVBEs into key capital projects, such
28 as PSEP and Pipeline Integrity. We also plan to increase the number of technical assistance
29 mentoring and protégé programs that provide support in the development and capacity-building
30 of small WMDVBEs.

1 **H. Operational Efficiency**

2 Improved operational efficiency will allow SoCalGas to streamline costs and maximize
3 efficiency, while continuing to deliver safe and reliable service to our customers. We believe
4 that continuous improvement and looking for ways to serve our customers more efficiently is
5 critical to how we run our business. Accordingly, departments across SoCalGas routinely
6 undertake efforts designed to improve processes and enhance productivity. Continuous
7 improvement tools and techniques such as benchmarking, process mapping and enhancement,
8 and technological advances have helped foster operating efficiencies. For example, costs savings
9 in Customer Services Operations were achieved through facilitating the adoption of customer
10 self-service; applying continuous improvement methodologies to handle high volume phone calls
11 more efficiently; and continued focus on sustaining customer adoption of paperless billing,
12 notices, and payments. See Exhibit SCG-11 (Goldman). In the Customer Services Field
13 organization, field technician performance will also be managed to new engineering labor
14 standards study results with respect to the length of time required to complete each service order
15 type. See Exhibit SCG-10 (Franke). These improved operational efficiencies will help
16 SoCalGas continue to provide effective customer service while lowering costs.

17 **V. IMPLEMENTATION ON JANUARY 1, 2016**

18 Implementing our 2016 GRC in a timely manner will help SoCalGas continue delivering
19 safe and reliable service to customers at reasonable rates and initiate the important projects
20 detailed in our case. Thus, one of our principal goals from a procedural perspective is to urge the
21 Commission to reach a timely GRC decision so that SoCalGas can implement new rates on
22 January 1, 2016. Our 2012 GRC was implemented over 15 months after the start of the test year.
23 We realize this is a collaborative effort on the part of SoCalGas, interested parties, and the
24 Commission. For our part, SoCalGas is filing its GRC Application approximately one month
25 earlier than in past GRCs. In terms of cost presentation, SoCalGas presents and supports
26 forecasted costs on a directly-incurred basis instead of on a book expense basis, which should
27 simplify the review of those costs. SoCalGas has also standardized capital workpapers such that
28 there is now uniformity between O&M and capital. Further, SoCalGas has already received
29 Commission approval to eliminate in this GRC a total productivity factor study,⁴ thereby
30 reducing those witness areas in this GRC.

⁴ D.14-03-008 (in re: A.10-12-005/006).

1 SoCalGas is committed to keeping the GRC schedule on track, and respectfully asks the
2 Commission to keep all parties on that track. Even though some parties may consider delays as
3 the new norm, from the utility's perspective, delays are disruptive to our customers and our
4 business and are looked upon unfavorably by credit rating agencies, all of which impacts our
5 ability to begin projects, undertake proposed work, and to implement new rates to customers
6 without a rate-shock effect.

7 **VI. CONCLUSION**

8 SoCalGas remains strongly committed to delivering safe, reliable gas service at
9 reasonable rates through a safety-first culture. We are dedicated to taking steps to more
10 systemically demonstrate our continued focus on risk management and to investing in
11 technologies that advance clean energy for our customers and the environment. Finally, we will
12 continue our efforts with respect to our workforce and suppliers such that we reflect the
13 increasingly diverse face of California and maintain our historical role of providing economic
14 opportunity.

15 This concludes my revised prepared direct testimony.
16

1 **VII. WITNESS QUALIFICATIONS**

2 My name is J. Bret Lane. My business address is 555 West 5th Street, Los Angeles,
3 California, 90013. I am Chief Operating Officer (“COO”) of SoCalGas and a member of the
4 SoCalGas Board of Directors. Prior to becoming COO in 2014, I’ve worked in many different
5 organizations within SoCalGas and SDG&E. I started my career with SoCalGas in 1982 in
6 Transmission and Storage Operations. I have since held several leadership positions before my
7 services as COO began. I served as Senior Vice President of Gas Operations and System
8 Integrity at SoCalGas, where I was responsible for all aspects of gas delivery services, including
9 region operations, engineering, transmission, storage, and pipeline safety. I have also served as
10 Vice President of Environmental, Safety, and Facilities; Chief Environmental Officer at
11 SoCalGas and SDG&E; and Vice President of Labor Relations at SoCalGas.

12 I serve on the Board for the College of Engineering at Cal Poly San Luis Obispo, the
13 Board for the UC Davis Energy Efficiency Center and the Board for the CSUCI Hank Lacayo
14 Institute. I also serve on the American Gas Association Board Safety Committee. I am a former
15 board member of the American Red Cross Los Angeles Chapter and the Los Angeles Police
16 Foundation. I hold a Bachelor of Science degree in petroleum engineering from Oklahoma State
17 University.

18 This is my first sponsored testimony in a regulatory proceeding; however, I have
19 previously appeared before the Commission to address several topics on regulatory and energy-
20 related matters.

SoCal Gas 2016 GRC Testimony Revision Log – March 2015

| Exhibit | Witness | Page | Line | Revision Detail |
|----------------|----------------|-------------|-------------|--|
| SCG-1 | J. Bret Lane | JBL-4 | 23 | Changed “SCG-34” to “SCG-34-R” |
| SCG-1 | J. Bret Lane | JBL-4 | 24 | Changed “SCG-37” to “SCG-37-R” |
| SCG-1 | J. Bret Lane | JBL-4 | 25 | Changed “SCG-35” to “SCG-35-R” |
| SCG-1 | J. Bret Lane | JBL-4 | 27 | Changed “\$2.4” to “\$2.3” |
| SCG-1 | J. Bret Lane | JBL-4 | 29 | Changed “256” to “246” |
| SCG-1 | J. Bret Lane | JBL-4 | 29 | Changed “estimated” to “authorized” |
| SCG-1 | J. Bret Lane | JBL-4 | 31 | Changed “204” to “193” |
| SCG-1 | J. Bret Lane | JBL-4 | 32 | Changed “4.7” to “4.3” |
| SCG-1 | J. Bret Lane | JBL-4 | 32 | Changed “estimated” to “authorized” |
| SCG-1 | J. Bret Lane | JBL-5 | 11 | Changed “2.75” to “2.61” |
| SCG-1 | J. Bret Lane | JBL-5 | 12 | Changed “5.5” to “5.0” |
| SCG-1 | J. Bret Lane | JBL-5 | 12 | Changed “estimated” to “authorized” |
| SCG-1 | J. Bret Lane | JBL-20 | 18-20 | Modified final sentence in the Witness Qualifications section to read “This is my first sponsored testimony in a regulatory proceeding; however, I have previously appeared before the Commission to address several topics on regulatory and energy-related matters.” |