Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-___
Exhibit: SCG-15

SOCALGAS

DIRECT TESTIMONY OF CARMEN L. HERRERA

FLEET SERVICES & FACILITY OPERATIONS

November 2014

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Doc #292255

TABLE OF CONTENTS

I. INTRODUCTION....1
A. Summary of Costs....1
B. Fleet Services....2
1. Summary of Fleet Services Activities....2
2. Support for Fleet Services Request....4
C. Facility Operations....4
1. Summary of Activities....4
D. Support for Facility Operations Request....6
E. Support To/From Other Witnesses....6
F. Excludes Advanced Metering Infrastructure ("AMI")....6
II. NON-SHARED COSTS....7
A. Introduction....7
B. Ownership Cost O&M Activities....7
1. Description of Costs and Underlying Activities....8
2. Forecast Method....10
3. Cost Drivers....13
C. Maintenance Operations O&M Activities....13
1. Description of Costs and Underlying Activities....14
2. Forecast Method....14
3. Cost Drivers....15
D. Fleet Management O&M Activities....15
1. Description of Costs and Underlying Activities....15
2. Forecast Method....16
3. Cost Drivers....16
E. Facility Operations O&M Activities....16
1. Description of Costs and Underlying Activities....17
2. Forecast Method....20
3. Cost Drivers....20
III. SHARED COSTS....20
A. Introduction....20
B. Shared Facility Operations....21

1. Description of Costs and Underlying Activities 21
2. Forecast Method 22
3. Cost Drivers 23
IV. CAPITAL EXPENDITURES 23
A. Introduction 23
B. Infrastructure & Improvements 23
1. Description 24
2. Forecast Method 25
3. Cost Drivers 25
C. Facility Renovations for Future Requirements 26
1. Description 26
2. Forecast Method 27
3. Cost Drivers 27
D. Sustainability Projects 27
1. Description 27
2. Forecast Method 28
3. Cost Drivers 28
E. Compliance/Systems Upgrades 28
1. Description 29
2. Forecast Method 30
3. Cost Drivers 31
F. NGV Refueling Stations 31
1. Description 31
2. Forecast Method 32
3. Cost Drivers 32
V. CONCLUSION 33
VI. WITNESS QUALIFICATIONS 34
APPENDIX A - GLOSSARY OF ACRONYMS A-1

SUMMARY

(Thousands of 2013 dollars)

O&M	2013 ($000)	2016 ($000)	Change
Total Non-Shared	58,549	84,544	25,995
Total Shared Services (Incurred)	3,479	3,479	0
Total O&M	**62,028**	**88,023**	**25,995**

Capital	2014 ($000)	2015 ($000)	2016 ($000)
	31,097	**36,050**	**38,011**

Summary of Requests

- Southern California Gas Company's ("SoCalGas" or the "Company") total Test Year ("TY") 2016 estimated Operations and Maintenance ("O&M") expenses for Fleet Services and Facility Operations, including non-shared and shared services, is $88.023 million. The TY 2016 request includes $67.672 million for Fleet Services operations, and $20.351 million for Facility Operations.
- SoCalGas forecasts capital costs of $31.097 million, $36.050 million and $38.011 million for 2014, 2015, and 2016, respectively.
- Fleet Services' request of $67.672 million, an increase from base year of $24.132 million, is driven primarily by costs to: 1) replace standard vehicles; 2) purchase Alternative Fuel Vehicles ("AFV") required by the Energy Policy Act ("EPAct"); 3) retrofit or replace units to comply with the Airborne Toxic Control Measures ("ATCM"); and, 4) purchase additional vehicles needed to support gas distribution, transmission, and customer field services.
- Facilities Operations' request of $20.351 million is driven primarily by: 1) labor costs required to manage and operate the facilities; 2) and non-labor costs associated with repair, maintenance, materials, utilities; 3) contracted services; and, 4) training of facility maintenance personnel.

SOCALGAS DIRECT TESTIMONY OF CARMEN L. HERRERA
FLEET SERVICES AND FACILITY OPERATIONS

I. INTRODUCTION

A. Summary of Costs

In this testimony, I sponsor SoCalGas' Fleet Services and Facility Operations non-shared and shared services estimated expenses for TY 2016. In addition to the O&M costs, I sponsor Facility Operations capital costs for the forecast years 2014, 2015, and 2016. For TY 2016, Fleet Services and Facility Operations (non-shared services) requests $84.544 million, an increase of $25.995 million above 2013 adjusted-recorded costs. For TY 2016, Shared Facility Operations requests $3.479 million, with no increase from 2013 adjusted-recorded costs. For TY 2016, Facility Operations capital requests $31.097 million in 2014, $36.050 million in 2015, and $38.011 million in 2016. Table CLH-1 below summarizes my sponsored costs.

TABLE CLH-1
TY 2016 Summary of Total Costs
(Thousands of 2013 dollars)

Non Shared Services	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Ownership Costs	16,644	37,139	20,495
Maintenance Operations	24,026	27,626	3,600
Fleet Management	2,870	2,907	37
Facility Operations	15,009	16,872	1,863
Total	**58,549**	**84,544**	**25,995**

Shared Services	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Shared Facility Operations	3,479	3,479	0
Total Shared Services (Incurred)	**3,479**	**3,479**	**0**

Categories of Capital	Estimated 2014	Estimated 2015	Estimated 2016
Infrastructure & Improvements	18,066	18,066	18,066
Facility Renovations for Future Requirements	5,880	7,000	12,000
Sustainability Projects	1,500	2,855	1,840
Compliance/Systems Upgrades	2,201	4,009	1,650
NGV Refueling Stations	3,450	4,120	4,455
Total	**31,097**	**36,050**	**38,011**

In addition to this testimony, please also refer to my workpapers, Ex. SCG-15-WP (for O&M) and SCG-15-CWP (for capital) for additional information on the activities described herein.

B. Fleet Services

1. Summary of Fleet Services Activities

Fleet Services acquires, maintains, repairs and salvages vehicles and related equipment to support the reliable delivery of gas to more than six million SoCalGas customers. Fleet Services manages a mix of vehicles consisting of over-the-road vehicles such as automobiles, light duty, medium and heavy duty trucks; and non-over-road vehicles such as power operated equipment including trailers and forklifts. Fleet Services provides daily support critical to the gas distribution and transmission operating crews, meter reading operations, and customer services field operations in addition to the capital construction program.

The key activities of Fleet Services include the following:

a) Provide the necessary quantity, type and configuration of vehicles and equipment required daily by gas operations to meet new business demands, respond to gas service outages and service requests, support infrastructure replacement, and conduct the corrective maintenance programs central to maintaining reliable service.

b) Maintain vehicles and equipment to reliably meet daily availability requirements. The increasing age of the gas infrastructure as well as new business requires that vehicles be available for use 24 hours a day 7 days a week.

c) Manage the vehicle and equipment asset portfolio through the design, acquisition, financing, and replacement of vehicles.

d) Implement standardization of fleet equipment and technological changes in vehicles to effectively manage acquisition costs and maintenance costs.

e) Provide specialized equipment and manage fuel acquisition and operations.

f) Implement fleet systems and processes to minimize the costs and optimize operations.

g) Comply with Federal, State and Local statutes and agency regulations pertaining to air quality, waste, hazardous materials, natural resources, safety, and alternative-fueled vehicles. Of particular impact upon the Fleet Service organization and costs include:

- EPAct requirements regarding the federally mandated procurement of alternative-fueled vehicles. As an Alternative Fuel Provider Fleet, 90% of the SoCalGas' annual light duty vehicle purchases are required under the EPAct to be approved alternative-fueled vehicles.[1] To achieve the 90% annual requirement, SoCalGas plans to buy alternative fueled vehicles at a premium. If SoCalGas cannot achieve the 90% annual requirement, SoCalGas may purchase EPAct credits.
- California Air Resources Board ("CARB") regulations requiring the reduction of diesel emissions by retrofitting or replacing diesel vehicles and off-road equipment.
- U.S. Environmental Protection Agency ("EPA") and CARB regulations requiring diesel engines to reduce oxides of nitrogen and particulate matter emissions.
- California Highway Patrol mandated inspections, training and other regulations applicable to heavy-duty fleet vehicles and equipment.
- Occupational Safety and Health Administration "OSHA" and Cal OSHA mandated inspections, training and other regulations applicable to fleet operations and equipment acquisition.
- Other Environmental Protection Agency requirements governing air quality, water quality, waste, hazardous materials, safety and natural resources, including mandated inspections and repairs applicable to underground storage tanks, aboveground storage tanks, fuel island components, and hazardous waste stream management.

h) Ensure proper training of Fleet Maintenance Technicians.

i) Ensure compliance with hazardous waste disposal requirements of fleet materials.

j) Evaluate changes in technology, regulation and operational trends to ensure they are properly incorporated into all fleet related plans and activities.

[1] U.S. Department of Energy; EPAct Fleet Information & Regulations.

2. Support for Fleet Services Request

SoCalGas' forecast of expenses for Fleet Services is needed to support SoCalGas' commitment to providing quality, safe, and reliable customer services. The request supports the Company's commitment to maintaining the quality of our fleet and maintenance equipment, while enabling productive work. The request also supports SoCalGas commitment to the safety of our work crews, who restore service, provide services to customers, and perform routine inspections and maintenance service.

Included in the Vehicle Servicing & Repair section of this testimony are costs for retrofitting the SoCalGas Fleet of over-the-road vehicles with backup cameras and backup sensors to try to help prevent the number of backup incidents. The cost is spread from 2014 through 2016 to bring the fleet in compliance with (early adoption of) the National Highway Traffic Safety Administration ("NHTSA") standard requiring manufacturers to install rear-view visibility systems in light duty vehicles by 2018.[2]

C. Facility Operations

1. Summary of Activities

SoCalGas has been delivering clean, safe and reliable natural gas to its customers for more than 140 years. SoCalGas is the nation's largest natural gas distribution utility, providing safe and reliable energy to 20.9 million consumers through 5.8 million meters in more than 500 communities. The Company's territory encompasses approximately 20,000 square miles in diverse terrain throughout Central and Southern California, from Visalia, to Arizona, to the Mexican border. Facility Operations is responsible for the operations and maintenance of utility facilities, which encompass 1.7 million square feet comprised of 80 manned locations of general offices, bases, multi-use sites, and branch offices and 26 telecommunication sites. Facility Operations supports the safe and reliable delivery of gas to SoCalGas customers. Facility Operations is also tasked with ensuring that the organization has safe, regulatory compliant, reliable, and suitable working environments for its employees.

<u>The following is a summary of some key activities for the Facilities Operations:</u>

a) Management of services and processes that support the core business of SoCalGas. Facility Operations ensures that the organization has safe, regulatory

[2] 49 CFR Part 571 (2014).

compliant, reliable, and suitable working environments for its employees and their activities throughout the SoCalGas territory.

b) Provide safe and Americans with Disabilities Act ("ADA") compliant access to our customers at the branch offices.

c) Comply with Federal, State and Local statutes and regulations pertaining, but not limited to, air quality, hazardous materials management, fire life safety, management compliance, and natural resources.

d) Ensure proper training of facility maintenance personnel to comply with all applicable rules and regulations.

e) Conduct regular preventative maintenance of SoCalGas facilities and grounds to ensure we are operating with energy efficiency, environmental awareness and safety of our employees and the public.

f) Various air quality management district's regulating, emergency standby generators, boilers and Heating Ventilation and Air Conditioning ("HVAC") equipment.

g) Local Certified Unified Program Agencies ("CUPA"s) regulating hazardous material business plans.

h) Storm water pollution control regulations addressing cleanliness of our parking lots and potential storm water runoff and discharge from our facilities, such as is required by the Municipal Separate Storm Sewer Systems (MS4) requirements. For more details, see the testimony of SoCalGas Environmental witness Jill Tracy (Ex. SCG-17).

i) Other compliance/regulation items include:

1. Reciprocating Internal Combustion Engines / National Emission Standards for Hazardous Air Pollutants ("RICE/NESHAPS") maintenance requirements for our standby emergency generators.
2. Air quality management districts and California Occupational Safety and Health Administration ("Cal OSHA"): Asbestos containing building material management.

3. Title 22 heavy metal in surface coating compliance. Any construction or disturbance of building materials to comply with Title 22 regulation could be costly.

D. Support for Facility Operations Request

SoCalGas' forecast of expenses for Facility Operations is needed to support SoCalGas' commitment to the safety of our work areas. The request is also essential to enabling our workforce to be productive, and compliant with the ADA and other State and Federal regulations to meet the needs of all our employees. Additionally, the request supports our goal of maintaining and preserving our facility assets.

E. Support To/From Other Witnesses

My testimony supports and/or references the following business areas:

1. Environmental – Ex. SCG-17, Jill Tracy
2. Gas Distribution - Ex. SCG-04, Frank Ayala
3. Engineering, Emergency Services & Land - Ex. SCG-07, Ray Stanford
4. Gas Transmission - Ex. SCG-05, John Dagg
5. Customer Service - Field & Meter Reading - Ex. SCG-10, Sara Franke
6. Underground Storage - Ex. SCG-06, Phil Baker
7. Corporate Center - Insurance – Ex. SCG-20, Katherine Carbon

F. Excludes Advanced Metering Infrastructure ("AMI")

Commission Decision ("D.") 10-04-027 authorized SoCalGas to deploy AMI to approximately 6 million customers over a period of 7 years. Based on this timing, SoCalGas will not complete AMI deployment until 2017. Accordingly, as described in Witness Rene F. Garcia's testimony (Ex. SCG-39), all SoCalGas forecasts presented in this TY 2016 General Rate Case ("GRC"), including the forecasts in this testimony, reflect business operations, processes and practices without AMI deployment (i.e., "business as usual"). However, it should be noted that implementation of AMI involves both costs (i.e., increases to revenue requirement) and benefits (i.e., decreases to revenue requirement). The combined result is a net revenue requirement that is then embedded in rates. Since a forecasted net revenue requirement for SoCalGas AMI over the 2010 through 2017 timeframe was already approved by the

Commission[3], a net revenue requirement is already embedded in SoCalGas rates. Accordingly, if the Commission authorizes operating expenses in this GRC that are materially different than those assumed in SoCalGas' approved AMI net revenue requirement that is currently in rates, then the differences will need to be reconciled in an updated advice letter to ensure that embedded AMI operating benefits are consistent with and no more or no less than what is authorized in this TY 2016 GRC.

II. NON-SHARED COSTS

A. Introduction

Non-Shared costs for Fleet Services include the acquisition, maintenance, repair and salvage of more than 5,000 vehicles. Non-shared costs for Facility Operations include the operation and maintenance of SoCalGas facilities, which encompass 1.7 million square feet (comprised of 80 manned locations of general offices, bases, multi-use sites, branch offices and 26 telecommunication sites).

For TY 2016, Fleet Services and Facility Operations Non-Shared Services requests $84.544 million, an increase of $25.995 million above 2013 adjusted-recorded costs. Table CLH-2 below summarizes the total non-shared O&M forecasts for the O&M cost categories for Fleet Services and Facility Operations.

TABLE CLH-2
Non-Shared O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Ownership Costs	16,644	37,139	20,495
Maintenance Operations	24,026	27,626	3,600
Fleet Management	2,870	2,907	37
Facility Operations	15,009	16,872	1,863
Total	**58,549**	**84,544**	**25,995**

B. Ownership Cost O&M Activities

For TY 2016, the Ownership O&M request is $37.139 million, an increase of $20.495 million above 2013 adjusted-recorded costs, as summarized on Table CLH-3 below.

[3] AL 4110 was approved by letter dated August 4, 2010.

TABLE CLH-3
Ownership O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
1. Amortization	14,598	30,751	16,153
2. Interest	1,471	3,767	2,296
3. Salvage	-1,250	-1,248	2
4. License Fees	1,825	3,869	2,044
Total	**16,644**	**37,139**	**20,495**

1. Description of Costs and Underlying Activities

Fleet Services performs the following non-labor costs: acquires, maintains, repairs and salvages vehicles and related equipment to support the reliable delivery of gas to SoCalGas customers. Fleet Services Operations provides daily support critical to the gas distribution and transmission operating crews, customer services field operations, and the capital construction program.

SoCalGas lease-finances its vehicles and incurs annual repayment of principal and interest (amortization) for each vehicle over the term of each lease. Replacement scheduling is based on targeted useful lives of vehicles by various classes, and ownership costs for each year are forecast using a cash-flow model.

The SoCalGas fleet consists of over 5,000 vehicles and power-operated equipment which is divided into over 85 individual vehicle classifications. The fleet composition at the end of 2013 is shown in Table CLH-4 below:

Table CLH-4
SoCalGas Vehicle Types
(Year-End 2013)

VEHICLE TYPES	No. of Units
Automobiles	357
Compact Trucks and Vans	574
Light Duty Trucks and Vans	2,654
Medium Duty Trucks and Vans	581
Heavy Duty Trucks and Vans	82
Subtotal over-the-road (OTR)	**4,248**
Trailiers	669
Construction Equipment	287
Subtotal non-over-the-road (Non-OTR)	**956**
TOTAL	**5,204**

SoCalGas lease-finances its fleet of vehicles. The ownership cost category is comprised of: 1) amortization; 2) interest; 3) salvage; and 4) license fees. Below is a description of the components of ownership costs:

Amortization

Annual repayment of principal for the fleet leases composed of active lease obligations for vehicles in the fleet at year-end 2013 and new lease obligations for replacements or additions to the fleet requested by operating departments. Replacement scheduling is based on targeted useful lives of vehicles by various classes and amortization costs for each year are forecasted for 2014 through 2016. Fleet Services projects the pay-down of active lease obligations, applies specified lease duration terms and associated interest to new fleet assets scheduled to be placed in service during each forecast year. See Ex. SCG-15-WP-Amortization and supplemental for further detail.

51% or $15.641 million of the 2016 amortization forecast total is for committed financing of existing vehicles and replacements currently under purchase order,10 % or $3.155 million of the 2016 amortization forecast total is for replacements scheduled to be purchased in the 2014 through 2016 period, 11% or $3.316 million of the 2016 amortization forecast total is for incremental vehicle additions requested by operating departments, and 1% or $0.290 million of the 2016 amortization forecast total is for completion of state mandated diesel particulate filter (Airborne Toxic Control Measure ("ATCM")) retrofits or replacements. Additionally, Natural Gas Vehicles ("NGVs") account for 27% or $8.350 million of the 2016 forecast replacements.

California's landmark climate change law, the Global Warming Solutions Act (AB 32), set the state on an aggressive path toward significantly reducing greenhouse gas (GHG) emissions and improving the environment. The transportation sector accounts for 36% of GHG emissions in California.[4] In order to capture the benefits of reducing emissions from the millions of cars and trucks on California's roads today, the state has taken steps to enable widespread and accelerated adoption of Alternative Fuel Vehicles and the infrastructure to support them.

[4] First Update to the Climate Change Scoping Plan, California Air Resources Board, May 2014, p. 46, http://www.arb.ca.gov/cc/scopingplan/2013_update/first_update_climate_change_scoping_plan.pdf.

In line with California state initiatives and regional and multi-agency efforts seeking ozone reductions in the range of 70% to 80% in all sectors, including the transportation sector's contribution toward meeting California's GHG goals, SoCalGas is supporting this initiative to grow its natural gas fleet by replacing and/or retrofitting traditional gas and diesel vehicles. See Ex. SCG-15-WP Amortization and supplemental for further detail.

Interest

All replacement and incremental vehicle additions are forecasted to be financed under the operating lease with floating interest rates.

Salvage

Vehicles are sold for salvage at the end of their useful life. Any net proceeds are credited back to Fleet Services offsetting the incremental acquisition costs of replacement vehicles.

License Fees

License fees payable to the State of California each year are a function of the age and composition of the fleet during that year, and consist of several components based on vehicle weight, capacities, age, purchase price, and location.

2. Forecast Method

For TY 2016, I forecasted $67.672 million for non-shared Fleet Services costs. My forecasted amount is mostly due to committed financing of existing vehicles and the need for additional fleet and replacement vehicles to support gas distribution, transmission, and customer field services. Operating departments estimate the need for 506 additional vehicles for operating departments over the three year period, 2014, 2015, and 2016. The increase in vehicles also impacts the costs for associated services such as: maintenance and fuel costs; activities required to meet compliance; the addition of one trainer for Fleet Services to support the increase in alternative fueled vehicles and new vehicle technology. Additionally, there is an associated increase in the costs to satisfy CARB environmental requirements related to retrofitting vehicles. These estimates for the ownership cost categories are derived using a zero-based method, as explained below.

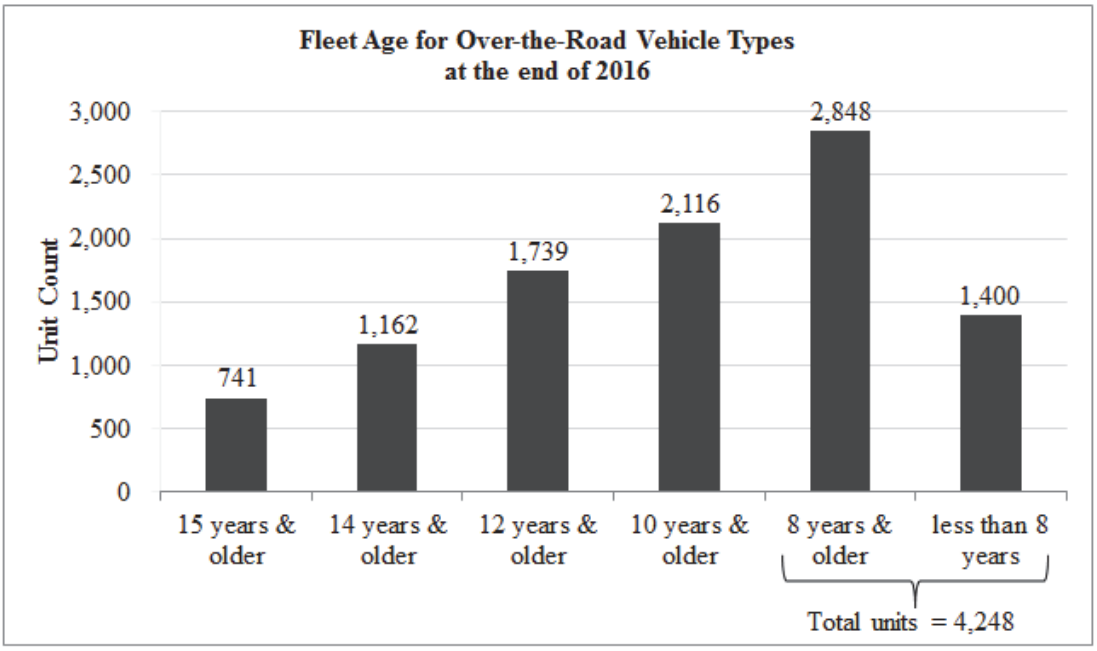
Amortization

A zero-based forecast is appropriate because costs vary according to lease amortization schedules for units currently in the fleet or new units added. Therefore, historical trends or

averages will not properly represent the costs. Costs are actually determined based on each vehicle lease schedule. The cost associated with lease amortization for 2014 through 2016 is based on year-end 2013 actual vehicles under lease financing plus the planned replacement vehicles scheduled each year and requested incremental vehicle additions each year. The increase in amortization costs in 2016 is due primarily to increasing lease balances of replacement vehicles following the required replacement lifecycles and the requests for incremental vehicles required by other SoCalGas business units. More information is included in Ex. SCG-15-WP-Amortization and supplemental.

The chart below shows the aging status of the Fleet for all the over-the-road vehicles at the end of 2016 assuming they are not replaced.

Chart CLH- 1



[5]

As a practice, and consistent with current utility standards, SoCalGas replaces over-the-road vehicles once they enter the seven-to ten-year mark, in order to minimize maintenance costs and downtime as the fleet ages and becomes less reliable.

[5] E.g., automobiles, trucks and vans.

I did not use an alternate forecast method(s) or other historical data because neither is appropriate since amortization expenses involve debt retirement and escalation, which are included in the price estimates for new vehicle acquisition.

Interest

A zero-based forecast is appropriate because interest costs vary according to lease amortization balances for units currently in the fleet or new units added. Therefore, historical trends or averages will not properly represent the costs. Costs are actually determined based on each vehicle lease balance. This method is appropriate because interest costs in each forecast year are based on monthly outstanding balances multiplied by the London Interbank Offered Rate ("LIBOR") contained in the Global Insight Forecast for the payment month, then summed for the year. More information is included in Ex. SCG-15-WP-Interest and supplemental.

Use of alternate forecast method(s) or certain historical data is not appropriate because interest calculations are tied to the forecasted outstanding balances, and these balances vary year-to-year depending on the number and value of leases.

Salvage

A zero-based forecast is appropriate because estimates of salvage proceeds for each forecast year are determined by multiplying the number of vehicles expected to be replaced during the year by the salvage received based on the 3-year average per-unit salvage amount.

Use of alternate forecast method(s) or certain historical trends is not appropriate because the value of the salvage proceeds is directly related to the forecasted number of vehicle replacements. More information is included in Ex. SCG-15-WP-Salvage and supplemental.

License Fees

Historical trends or averages will not properly represent the costs. A zero-based forecast, where the base year ratio of license fees to amortization is used to determine the license fee costs is the most reasonable forecasting method. This methodology is considered reasonable as the calculation to replicate the California Department of Motor Vehicles ("DMV") formulae[6] for SoCalGas' fleet which is comprised of more than five thousand fleet vehicles, is complex. This

[6] The California DMV computation consists of 1) type of vehicle; 2) model year; 3) motive power; purchase date, etc. See http://www.dmv.org/articles/how-to-calculate-vehicle-registration-fees.

estimating method has proven a reasonable approximation. More information is included in Ex. SCG-15-WP-License Fees and supplemental.

3. Cost Drivers

During 2013, SoCalGas vehicles were serviced at 48 fleet maintenance garages, including satellite facilities. SoCalGas maintains a wide variety of vehicles to support the reliable delivery of gas to SoCalGas customers.

The cost drivers behind this forecast are attributable to the cost and timing of replacement vehicles, additional vehicles needed to support gas distribution, transmission, and customer field services, future interest rate increases, and environmental and regulatory compliance-related costs associated with the purchase and maintenance of vehicles and equipment. These drivers are supported by my workpapers detailing the replacement of vehicles, and our incremental request for ATCM diesel particulate filter replacements for 76 vehicles. See Ex. SCG-15-WP for more information.

Additionally, as an Alternative Fuel Provider Fleet, 90% of the SoCalGas annual light duty vehicle purchases are required under the EPAct to be approved alternative-fueled vehicles.[7] To achieve the 90% annual requirement, SoCalGas plans to buy alternative fueled vehicles at a premium. If SoCalGas cannot achieve the 90% annual requirement, SoCalGas may purchase EPAct credits.

C. Maintenance Operations O&M Activities

For TY 2016, the Maintenance Operations O&M request is $27.626 million, an increase of $3.600 million above 2013 adjusted-recorded costs, as summarized in Table CLH-5 below.

TABLE CLH-5
Maintenance Operations O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
1. Vehicle Servicing and Repairs	11,666	14,477	2,811
2. Automotive Fuels	12,360	13,149	789
Total	**24,026**	**27,626**	**3,600**

[7] U.S. Department of Energy; EPAct Fleet Information & Regulations.

1. Description of Costs and Underlying Activities

The Vehicle Servicing and Repairs component of Maintenance Operations performs vehicle safety inspections and other routine maintenance (such as oil changes). Inspection and maintenance are carried out in 48 garage locations distributed throughout the SoCalGas territory. Vehicle Servicing and Repairs also repairs damaged vehicles and replaces worn and defective parts. In addition, this group facilitates compliance with all applicable Federal, State, and local environmental, safety, and emissions regulations. Additional technician training costs are included in this forecast.

The cost of fuel is a function of both price and quantity consumed. SoCalGas attempts to reduce financial impact of increasing prices through ongoing hedging activities. While improved fuel economy units will likely have a beneficial impact on fuel costs, the price will remain the dominant factor.

2. Forecast Method

Vehicle Servicing & Repairs - I have forecasted vehicle maintenance costs and fleet services maintenance and operations based on a three-year historical average. The use of multi-year averaging is generally recognized as a reasonable and valid methodology where costs fluctuate from year to year. Costs in this area are prone to fluctuations because of the volatility in commodity prices. SoCalGas cannot predict the changes in commodity prices, and must therefore rely on averaging to arrive at a reasonable cost estimate. SoCalGas did not use a five-year historical average because the year 2009 was an anomaly as the nation recovered from a recession.[8] More information is included in Ex. SCG-15-WP-Maintenance Operations.

Automotive Fuel – I have forecasted automotive fuel using the three-year historical average. The use of multi-year averaging is generally recognized as a reasonable and valid methodology where costs fluctuate from year to year. Costs in this area are prone to fluctuations because of the volatility of fuel prices due to political, social, and economic concerns. The use of alternate forecast method(s) is not applicable because of the fluctuations in the price of fuel. Such volatility makes predicting the cost of fuel over an extended historical time difficult. As a

[8] The National Bureau of Economic Research reported that the recession ended in June 2009. http://www.nber.org/cycles/sept2010.html.

result, SoCalGas must rely on averaging to arrive at a reasonable estimate. More information is included in Ex. SCG-15-WP-Maintenance Operations for Automotive Fuels.

3. Cost Drivers

The following are key cost drivers behind this forecast:

- Labor resources and materials required to effectively manage Fleet Services operations.
- The cost of gasoline and diesel fuel has been volatile due to global issues which impact fuel sources. For example, the cost of diesel has increased 58% in the last five years and reformulated gasoline increased by 45%.[9]

There are incremental vehicles that also impact the cost of the fuel. These cost drivers are further described in my workpapers (SCG-15-WP).

- The costs to retrofit backup camera and sensor safety devices on over-the-road vehicles in the fleet are included in this forecast.
- The costs to insource the smog inspection program are also included in this forecast.

D. Fleet Management O&M Activities

For TY 2016, Fleet Management requests $2.907 million, an increase of $0.037 million above 2013 adjusted-recorded costs, as summarized on Table CLH-6 below.

TABLE CLH-6
Fleet Management O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Fleet Management	2,870	2,907	37
Total	**2,870**	**2,907**	**37**

1. Description of Costs and Underlying Activities

This activity consists of all the Fleet Services management staff which includes the allocated portion of the Fleet Services Director as well as management and technology systems that provide technical support. The following is a summary of some of the activities that are performed by Fleet Management:

[9] http://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_r50_a.htm.

a) Vehicle design specification and up-fitting;

b) Quality assurance inspection services;

c) Vehicle replacement management;

d) Garage management and associated compliance;

e) Quality assurance environmental services;

f) Parts and inventory control; and

g) Training for Fleet Services Technicians.

Fleet Management also collects employee commutation fees to help offset incremental fleet costs for take home fleet vehicles.

2. Forecast Method

A three-year historical average was used as the basis for our TY 2016 forecast. The three-year historical average is most appropriate because recorded costs for this activity have fluctuated in the past three years. In addition, this methodology accurately reflects the current and future staffing levels and the recent economic trends.

My forecast includes one additional FTE for a Fleet Services Trainer to support the increase in alternative fueled vehicles and new technology, the increase in State of California regulatory and environmental requirements, and the insourcing of the smog inspection program. More information is included in Ex. SCG-15-WP- Fleet Management.

3. Cost Drivers

The cost drivers behind this forecast include labor, one incremental trainer, and the costs to maintain the Fleet Services Systems. The Fleet Services System is a software application that facilitates SoCalGas' management and operation of the full life-cycle management of all fleet units.

E. Facility Operations O&M Activities

For TY 2016, the Facility Operations O&M request is $16.872 million, an increase of $1.863 million above 2013 adjusted-recorded costs, as summarized on Table CLH-7 below.

TABLE CLH-7
Facility Operations O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Facility Operations	15,009	16,872	1,863
Total	**15,009**	**16,872**	**1,863**

1. Description of Costs and Underlying Activities

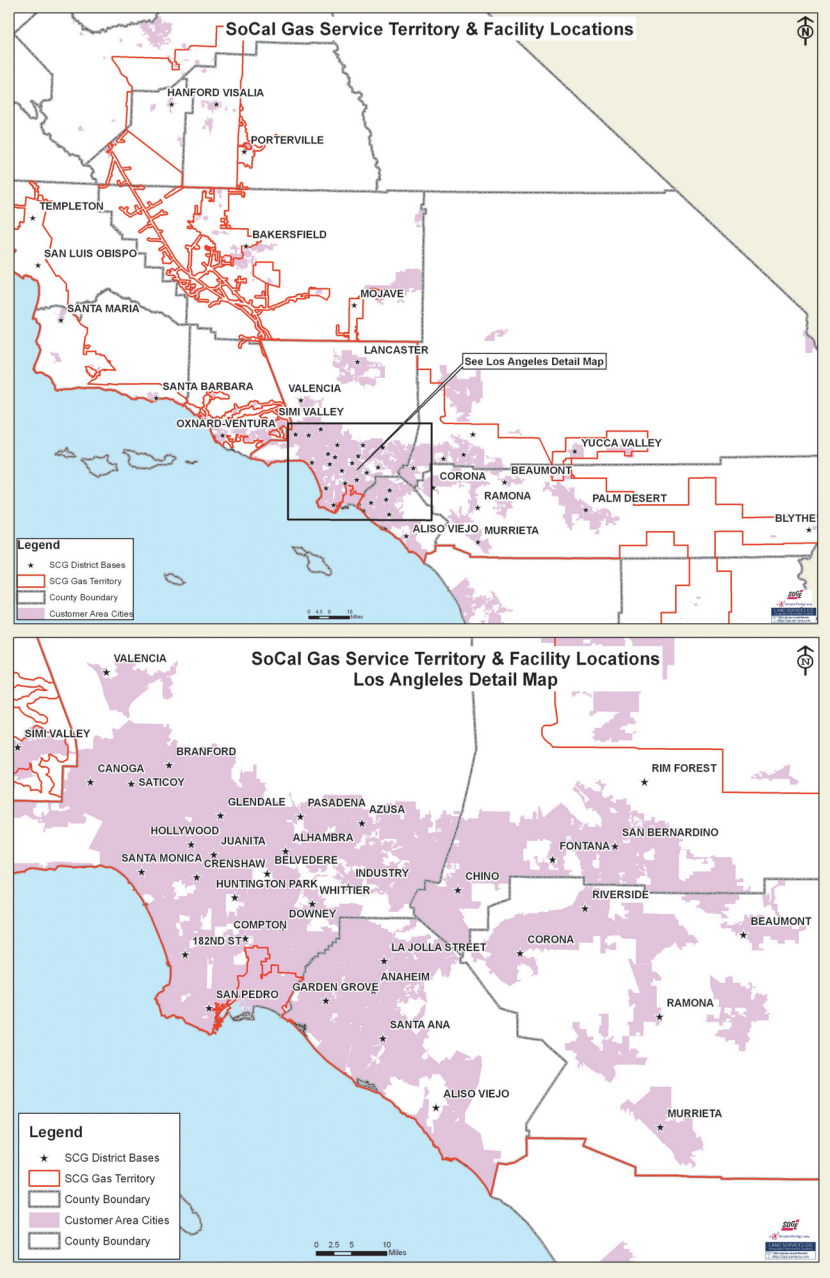
As shown in Table CLH-8 below, Facility Operations provides operations and maintenance for 80 owned and manned utility facilities averaging 44 years old. The operations are comprised of operating bases, regional headquarters, branch offices, and multi-use facilities. Facility Operations also provides operations and maintenance to 26 telecommunication sites, 46 leased branch offices, and the leased Gas Company Tower headquarters.

TABLE CLH-8
SoCalGas Owned Facilities

	# Sites	Sq. Ft.	Average Age
Operating Bases	64	868,414	43
Branch Offices	6	14,598	66
Multi-Use	6	593,670	41
Regional HQ	4	239,858	26
Total	**80**	**1,716,540**	**44**

The following maps illustrate the location of the SoCalGas facilities, followed by a description of each facility type.

SCG Service Territory



The following is a description of facility types in Facility Operations:

(1) Operating Bases: These facilities house the SoCalGas operations activities. They support gas distribution and transmission crews, customer service field operations, meter reading operations, and storage operations that provide services to SoCalGas customers.

(2) Regional Headquarters/Other Office Facilities: These offices consist of Regional Headquarters buildings to house a number of administrative functions that support distribution and customer service field operations, and transmission/storage operations. In addition, this category includes two customer call centers and the Monterey Park ("MPK") facility (which is a shared site with SDG&E and is discussed under Shared Facility Operations later in this testimony) that houses various activities for Information Technology ("IT"), billing, and payment processing.

(3) Branch Offices: This category represents payment offices for customer service to support bill payment and customer walk-in inquiries and service requests.

(4) Multi-Use Facilities: These facilities provide various support functions for SoCalGas. They provide storage capacity for gas distribution material and equipment, various meter repair and fabrication shops, office space for gas distribution, gas transmission, fleet operations, and environmental solutions. Pipeline welding and classroom training for customer service employees are also provided at a multi-use site. SoCalGas also operates a testing lab at its Pico Rivera site to support environmental compliance and material testing and evaluation services for air quality and compressor services, applied technology, and chemical analysis. In addition, this category includes the SoCalGas Energy Resource Center ("ERC").

(5) Gas Company Tower ("GCT"): This shared facility is the primary SoCalGas administrative office space, which is located in downtown Los Angeles. SoCalGas is currently occupying less space than when SoCalGas filed its last GRC due to the renegotiation of the lease, which became effective in November 2011.

(6) Telecommunication Sites: contain the radio network and dispatch infrastructure for Company operations, handling both data and voice communications.

2. Forecast Method

The forecast method I have applied for this cost category is the three-year historical average. The use of multi-year averaging is generally recognized as a reasonable and valid methodology where costs fluctuate from year to year. Costs in this area have fluctuated in the past years. Therefore, SoCalGas relies on averaging of three years to arrive at a reasonable cost estimate. More information is included in Ex. SCG-15-WP- Facility Operations.

3. Cost Drivers

The cost drivers include labor required to manage the infrastructure and non-labor costs associated with maintenance, repairs, materials, electricity and water costs. Cost drivers also include contracted services for janitorial, landscaping and yard sweeping for the facilities. The increase from base year is driven by increased training for facility mechanics to meet required maintenance and repairs on new building & equipment technology; permits to meet regulation for industrial storm water including Municipal Separate Storm Sewer Systems (MS4) requirements; and meeting emission reduction targets set by South Coast Air Quality Management District ("SCAQMD") Rule 2202.[10]

III. SHARED COSTS

A. Introduction

For TY 2016, the Shared Facility Operations O&M request is $3.479 million, with no increase above 2013 adjusted-recorded costs, as summarized on Table CLH-9 below.

TABLE CLH-9
Shared O&M Summary of Costs
(Thousands of 2013 dollars)

	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Shared Facility Operations	3,479	3,479	0
Total Shared Services (Incurred)	**3,479**	**3,479**	**0**

I am sponsoring the forecasts on a total incurred basis as well as the shared services allocation percentages related to those costs. Those percentages are presented in my shared

[10] For a more detailed discussion, see testimony of SoCalGas witness Jill Tracy, Exh. SCG-17.

services workpapers, along with a description explaining the activities being allocated. See Ex. SCG-15-WP. The dollar amounts allocated to affiliates are presented in the testimony of SoCalGas' Shared Services Policy and Procedures witness Mark Diancin (Ex. SCG-25).

B. Shared Facility Operations

The costs for each category are summarized below in Table CLH-10.

TABLE CLH-10
(Thousands of 2013 dollars)

Shared Facility Operations	2013 Adjusted-Recorded	TY 2016 Estimated	Change
Facilities – Monterey Park	2,177	2,177	0
Facilities - Gas Company Tower	1,210	1,210	0
Director Support Services	92	92	0
Incurred Costs Total	**3,479**	**3,479**	**0**

1. Description of Costs and Underlying Activities

This request is necessary to fund shared facility operations at SoCalGas. As summarized in the above Table CLH-9, the forecast for TY 2016 is $3.479 million, which is flat compared to the base year. The purpose of this request is to continue to fund two major locations, the GCT and MPK, in addition to Director costs. The forecast is comprised of the following: MPK - $2.177 million, GCT - $1.210 million, and Director costs of $0.092 million.

The majority of the Shared Services activities in the Facility Operations area reflect costs for shared management or operational costs that overlap between SDG&E, SoCalGas, and the Sempra Energy Corporate Center.

The following is a summary of the SoCalGas cost centers:

MPK

This cost center contains facility operations, houses the data center and maintenance expenses (e.g. mechanic and manager labor, facility operations non-labor expenses such as general maintenance, janitorial, landscaping, and security maintenance) for MPK.

These costs are allocated back to SDG&E and Corporate Center based on the amount of space used and the respective Shared Services percentages of each occupying utility. The data center allocation method, however, uses Local Area Network ("LAN") identifications (applied to the electric costs of the Data Center) to compute the allocation percentages. More information is included in Ex. SCG-15-WP- Facilities Monterey Park Mgr.

GCT

This cost center contains facility operations and maintenance expenses (e.g., mechanic and manager labor, facility operations non-labor expenses such as general maintenance, janitorial, landscaping, and security maintenance) for GCT. In 2011, a new Gas Tower lease was negotiated, which included the consolidation of floors. More information is included in Ex. SCG-15-WP-Facilities GCT.

These costs are allocated back to SDG&E and Corporate Center based on the amount of space used and the respective Shared Services percentages of each occupying utility.

Director Costs

The Director provides overall leadership and direction to the operations & planning Facility functional organization. The Director cost center contains the partial costs of one Director and one administrative staff. These costs are housed at the Company where the Director is employed, which is at SoCalGas, and then reallocated accordingly. More information is included in Ex. SCG-15-WP-Director Support Services.

2. Forecast Method

As a base for TY 2016, I used the last recorded year for MPK Facility Operations. The last recorded year represents a reasonable base to estimate operational needs for TY 2016 because SoCalGas expanded its data center in 2013, and the associated costs prior to 2013 are anomalies that skew the historical data. In addition, the last recorded year accurately depicts the expected future cost trend based on our recent operating structure. More information is included in my workpapers, Ex. SCG-15- Facilities Monterey Park Mgr.

As a base for TY 2016, I used the last recorded year for GCT Facility Operations. The last recorded year represents a reasonable base to estimate operational needs for TY 2016 because SoCalGas re-negotiated its lease agreement in November 2011, which reduced SoCalGas' square footage. Thus, the associated lease costs prior to 2012 are anomalies that skew the historical data. In addition, the last recorded year accurately depicts the expected future cost trend based on our recent operating structure. More information is included in my workpapers, Ex. SCG-15-WP-Facilities GCT.

As a base for TY 2016, I used the last recorded year for Director Facility Operations. The last recorded year represents a reasonable base to estimate operational needs for TY 2016 because it accurately depicts the expected future cost trend based on our recent operating

structure. More information is included in my workpapers, Ex. SCG-15-WP - Director Support Services.

3. Cost Drivers

The cost drivers for this activity include labor required to manage the infrastructure and non-labor costs for maintenance, repairs, materials, electricity and water costs, and contracted services for janitorial, landscaping and yard sweeping costs for the facilities.

IV. CAPITAL EXPENDITURES

A. Introduction

The capital expenditures forecast includes base dollars required to maintain current infrastructure and system integrity; projects to renovate SoCalGas buildings to meet future operational needs; costs to support sustainability efforts (conserve water, energy), system upgrades and compliance; and costs for NGV refueling.

For TY 2016, the capital expenditures request is $31.097 million in 2014, $36.050million in 2015, and $38.011million in 2016. Table CLH-11 below summarizes the capital expenditure forecasts. Capital expenditures costs include the following categories: 1) infrastructure & improvements; 2) facility renovation for future requirements; 3) sustainability projects; 4) compliance/systems upgrades; and 5) NGV refueling stations.

TABLE CLH-11
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

Categories of Capital Expenditures	Estimated 2014	Estimated 2015	Estimated 2016
Infrastructure & Improvements	18,066	18,066	18,066
Facility Renovation for Future Requirements	5,880	7,000	12,000
Sustainability Projects	1,500	2,855	1,840
Compliance/Systems Upgrades	2,201	4,009	1,650
NGV Refueling Stations	3,450	4,120	4,455
Total	**31,097**	**36,050**	**38,011**

B. Infrastructure & Improvements

For TY 2016, the Infrastructure & Improvements request is $18.066 million in 2014, $18.066 million in 2015, and $18.066 million in 2016, as summarized on Table CLH-12 below.

TABLE CLH-12
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

Infrastructure & Improvements	Estimated 2014	Estimated 2015	Estimated 2016
Infrastructure & Improvements	18,066	18,066	18,066
Total	**18,066**	**18,066**	**18,066**

1. Description

The forecast for the Infrastructure & Improvements category for 2014, 2015, and 2016 is $18.066 million per year. This request is necessary to fund numerous basic facility improvements to adequately support business operations, extend the life of Company assets, protect employees and Company property, adhere to codes and regulations, and ensure safety and environmental compliance.

The Infrastructure & Improvements forecast funds necessary recurring facility improvements and equipment upgrades to adequately support business operations. The SoCalGas capital renewal program identifies facilities to be repaired or improved, as needed, based on the criticality of the facility, the age of the asset, and the implications for failure to complete the replacement or upgrade. The capital renewal program is based on a systematic management process to plan and budget for known recurring repairs and replacements that extend the life and retain the usable condition of facilities and systems. The requested capital expenditure costs are needed to maintain safety of Company facilities and assets, support operational needs, and achieve cost avoidance.

Projects are planned and scheduled according to the availability of resources, lead times and priorities. Similar projects are bundled for economies of scale for better pricing in sourcing. Construction calculations are supported by industry professionals, including licensed architects and designers, construction industry professionals, and IT domain experts using standard construction estimation practices.

The specific details regarding Infrastructure & Improvements are found in my workpapers, Ex. SCG-15-CWP- Infrastructure & Improvements.

2. Forecast Method

The forecast for this cost category was determined using the aggregate current replacement value ("CRV")[11] of SoCalGas-owned buildings and applying a capital renewal rate based on an industry benchmarking index that supports the investment necessary to maintain our existing infrastructures.

I applied an index from the International Facility Management Association ("IFMA") Utility Council benchmarking study conducted in 2012 to the CRV.[12] The IFMA benchmarking study indicated capital renewal ranges from 1.16% to 3.77% for current year capital and 1.21% to 4.52% for 5-year average capital.

Taking into consideration the IFMA ranges above in conjunction with the condition and average age of the properties (44 years), I applied a 2.5% capital renewal rate to our current replacement value to determine the forecasted amount. My forecast approach recognizes that facilities require ongoing investments to maintain their functional and operational integrity, as the conditions continually deteriorate over time. This method is most appropriate because it is based on industry standards and reputable industry benchmarking index.

More information is included in Ex. SCG-15-CWP-Infrastructure & Improvements and supplemental.

3. Cost Drivers

The underlying cost drivers for these capital improvements include:

- Boilers
- Chillers
- Water Heaters
- Cooling Towers
- Flooring & Carpeting
- Generators
- Air Handlers
- Stormwater Protection
- HVAC Systems
- Lighting
- Plumbing
- Electrical
- ADA Compliance
- Security Integrity
- Ceiling Tiles
- Parking Lots

- Parking Lots - Focus will be placed on parking lots which contain cracks and low spots over time and could create safety concerns with foot traffic walking in the

[11] Facilities replacement value is derived from data that is similarly used to determine appropriate insurance levels for those same properties, as described in the testimony of Ms. Katherine Carbon, Exh. SCG-20.

[12] International Facility Management Association Utilities Council, 2014 Facilities Benchmarking Study Using 2013 Data, publish date May 31, 2014. https://facilityissues.com/utilities-council/

existing parking lots, as well as the integrity of the surface where top cover degradation leads to accelerated deterioration of the underlying ground.

- Chillers – Old parts for chillers are becoming harder to procure and costs to maintain are not economical. Additionally, some replacements may require redesign and piping configurations.
- HVAC- systems which have been identified as under-performing or nearing the end of their useful life cycle. Additionally, some replacements may require new electrical controls and other components.

Some of the improvements may require re-design, engineering, and permitting. SoCalGas plans to execute these improvements by TY 2016. More information for these cost drivers is included in my workpapers, Ex. SCG-15-CWP-Infrastructure & Improvements and supplemental.

C. Facility Renovations for Future Requirements

For TY 2016, the Facility Renovations for Future Requirements request is $5.880 million in 2014, $7.000 million in 2015, and $12.000 million in 2016, as summarized on Table CLH-13 below.

TABLE CLH-13
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

Facility Renovations for Future Requirements	**Estimated 2014**	**Estimated 2015**	**Estimated 2016**
Facility Renovations for Future Requirements	5,880	7,000	12,000
Total	**5,880**	**7,000**	**12,000**

1. Description

The forecast for Facility Renovations for Future Requirements is $5.880 million, $7.000 million, and $12.000 million, for 2014, 2015, and 2016, respectively. These renovations are necessary due to the aging facilities that no longer meet workforce space requirements. These renovations will support SoCalGas' changing workplace requirements and improve the functionality of our buildings and/or sites, which support the work patterns of SoCalGas employees. Additionally, we need facilities that provide flexibility so that the space can evolve

as people, technology, and business needs change over time. These improvements typically include space reconfiguration, building modifications, technology and furniture upgrades.

These improvements are projected over multiple years due to their magnitude and complexity. The specific details regarding facility upgrades are included in Ex. SCG-15-CWP-Facility Renovations for Future Requirements.

2. Forecast Method

The TY 2016 forecast was developed using a zero-based methodology. This method is most appropriate because costs to renovate SoCalGas facilities will depend on project requirements and vendor estimates for specific work to be performed. Use of historical average data is an inappropriate base because it does not accurately reflect future building improvements and renovations. More information is included in my workpapers, Ex. SCG-15-CWP-Facility Renovations for Future Requirements.

3. Cost Drivers

The underlying cost driver(s) for these capital improvements include facility redesign, space reconfiguration, technology and furniture equipment. More information for these cost drivers is included in Ex. SCG-15-CWP-Facility Renovations for Future Requirements.

D. Sustainability Projects

For TY 2016, the Sustainability Projects request is $1.500 million in 2014, $2.855 million in 2015, and $1.840 million in 2016, as summarized on Table CLH-14 below.

TABLE CLH-14
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

Sustainability Projects	Estimated 2014	Estimated 2015	Estimated 2016
Sustainability - Solar	0	2,505	1,450
Sustainability - Water Conservation	925	275	300
Sustainability - Energy Management System	575	75	90
Total	**1,500**	**2,855**	**1,840**

1. Description

The forecast for Sustainability Projects for 2014, 2015, and 2016 is $1.500 million, $2.855 million, and $1.840 million, respectively. In support of our Company's goals,

sustainability is a significant factor in business planning. Our sustainability efforts are to improve energy conservation and to reduce our carbon footprint in addition to cost containment.

The objective of the overall Company's sustainability efforts is to minimize its environmental footprint and establish SoCalGas' baseline and develop and implement a plan to mitigate and/or reduce that footprint while containing costs. In support of this objective, SoCalGas requests funding to install: 1) solar systems at various facilities to generate renewable energy from solar photovoltaic panels, which will partially offset rising electricity costs; 2) water conservation projects at various facilities, which include xeriscaping and other drought tolerant projects; and 3) energy management systems, which consist of software and hardware that are integrated with the building's HVAC and lighting systems. Specific details regarding Sustainability Projects are found in Ex. SCG-15-CWP-Sustainability-Solar, Ex. SCG-15-CWP-Sustainability-Water Conservation, and Ex. SCG-15-CWP-Sustainability-Energy Management System. SoCalGas plans to build and place in service these projects by TY 2016.

2. Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because the cost estimate depends on project requirements and vendor estimates for specific work to be performed. More information is included in my workpapers, Ex. SCG-15-CWP-Sustainability-Solar, Ex. SCG-15-CWP-Sustainability-Water Conservation, and Ex. SCG-15-CWP- Sustainability-Energy Management System.

3. Cost Drivers

The underlying cost drivers for this capital project relate to project requirements and vendor estimates. More information is included in Ex. SCG-15-CWP-Sustainability-Solar, Ex. SCG-15-CWP-Sustainability-Water Conservation, and Ex. SCG-15-CWP-Sustainability-Energy Management System.

E. Compliance/Systems Upgrades

For TY 2016, the Compliance/Systems Upgrades request is $2.201 million in 2014, $4.009 million in 2015, and $1.650 million in 2016, as summarized on Table CLH-15 below.

TABLE CLH-15
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

Compliance/Systems Upgrades	Estimated 2014	Estimated 2015	Estimated 2016
Facility & Capital System Upgrade	1,102	0	0
Fleet Capital Tool Replacement	250	250	250
Fleet Fuel System Upgrade	849	2,546	0
Fleet UST Replacement Program	0	1,050	1,400
Fleet Smog Tools	0	163	0
Total	**2,201**	**4,009**	**1,650**

1. Description

The forecast for Compliance & Systems Upgrades for 2014, 2015, and 2016 is $2.201 million, $4.009 million and $1.650 million, respectively. SoCalGas plans to build and place these upgrades in service by TY 2016.

The following are planned Compliance/Systems Upgrade projects for Fleet Services and Facility Operations:

- $1.102 million in 2014 is needed to fund a centralized single integrated software system that provides various modules in space planning and management; real estate portfolio management and capital projects management. The current system is at the end of its useful life and no longer supported by the vendor. As a result, SoCalGas may risk having a system that is not functional without the proper support.
- $0.250 million for each year from 2014 to 2016 are needed to fund new/replacement garage equipment such as tire changing and balancing machines and diagnostic tools, and emissions related equipment, which is shared across 48 SoCalGas garages. This equipment is necessary in order to comply with state mandated regulations.
- $0.849 million in 2014 and $2.546 million in 2015 are needed to fund installation of a new Fuel Management System to replace the current system that has become obsolete and will not be supported by the vendor in the near future. These factors pose the risk of having a system that is not functional without the proper support. The lack of a new fuel management system poses the risk that we will not be able

to track fuel consumption and other critical data to make properly informed business decisions.

- $1.050 million in 2015 and $1.400 million in 2016 are needed to fund Underground Storage Tanks ("UST") replacements. SoCalGas currently has 77 USTs of which 38 were placed in service prior to 1987. As a result, SoCalGas is establishing a routine replacement plan for all USTs in the system to ensure any UST is either under warranty or within the standard life expectancy for the tank. We are also standardizing unleaded tanks to a 15,000 gallon capacity to ensure adequate inventory levels, allow for emergency response fuel requirements, and to allow for a more strategic ordering process to ensure fuel is purchased at the best possible price at the time of ordering. Diesel tanks will be standardized to ensure the fuel inventory is used in no more than six months to prevent the degradation of the diesel fuel, algae contamination, or sludge buildup. The work will include UST and piping removal and replacement, which will require upgrades to meet the Assembly Bill ("AB") 2481[13] standard, obsolete dispenser removal & replacement, and Under Dispenser Containment ("UDC") removal and replacement to also meet AB 2481 standards.
- $0.163 million in 2015 is needed to fund smog tools. SoCalGas will be in-sourcing smog testing for vehicle models 2000 and newer. The equipment is required to conduct training, perform smog testing and provide mandated certifications.

The specific details regarding my Capital Project requirement are found in Exhibits under SCG-15-CWP-Compliance/Systems Upgrades.

2. Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because the costs are based on the specific equipment needs, software requirements, and vendor estimates for the individual capital projects. More information is included in Exhibits under SCG-15-CWP-Compliance/Systems Upgrades.

[13] AB 2481, Frommer (2002).

3. Cost Drivers

The underlying cost drivers for these capital projects include: real estate, facility & capital system upgrades; fleet capital tool replacements; fleet fuel system upgrade; fleet UST replacement program; and fleet smog tools. These cost drivers depend on requirements for equipment, software requirements and vendor estimates. More information is included in Exhibits under SCG-15-CWP-Compliance/Systems Upgrades.

F. NGV Refueling Stations

For TY 2016, the NGV Refueling Stations request is $3.450 million in 2014, $4.120 million in 2015, and $4,455 million in 2016, as summarized on Table CLH-16 below.

TABLE CLH-16
Capital Expenditures Summary of Costs
(Thousands of 2013 dollars)

E. NGV Refueling Stations	Estimated 2014	Estimated 2015	Estimated 2016
1. NGV Refueling Stations	3,450	4,120	4,455
Total	**3,450**	**4,120**	**4,455**

1. Description

The forecast for NGV Refueling Stations for 2014, 2015, and 2016 is $3.450 million, $4.120 million, and $4.455 million, respectively. SoCalGas plans to build and place in service by TY 2016.

SoCalGas continues to work toward its target of a majority natural gas vehicle fleet and is targeting completing over 1,000 conversions by 2016. SoCalGas will be leading by example, and in turn, preserving its investment in NGV fueling infrastructure for the next generation of natural gas. These vehicles will also replace some of the existing dual-fuel natural gas vehicles that are aging and need to be replaced. At year-end-2013, 89% of dual-fuel natural gas vehicles were 10 years or older.

SoCalGas currently owns and operates 24 NGV fleet refueling stations. Eleven of these stations provide for public vehicle fueling access in addition supporting utility operations. This work will affect similar operational improvement in SoCalGas' ability to support public vehicle fueling, where stations provide public fueling capability. The requested capital will fund the following enhancements to SoCalGas' current infrastructure:

1. Added fueling capacity at three existing public accessible and heavy use stations;

2. Secondary compression at select SoCalGas NGV fleet-public fueling stations to improve reliability and capacity;
3. Standardization of critical equipment at SoCalGas NGV stations to improve reliability and return-to-service time;
4. Upgrade of existing public fueling station driveways and fueling islands to allow access for larger fleet vehicles (Tractor Trailer trucks, buses, refuse truck, etc.);
5. Replacement of outdated NGV fuel dispensers with latest-generation equipment, which will provide for added reliability and data security for public fueling customers who use a credit card to pay for fuel;
6. Design, construction and commissioning of eight new NGV fueling stations at strategic locations throughout SoCalGas service territory;
7. Expand SoCalGas' utilization of existing NGV fleet vehicles; and
8. Support an increase in the number and type of NGV vehicles to be operated by the Company.

These stations will also support public vehicle fueling in new geographic areas to promote expanded public use of CNG as an environmentally-friendly vehicle fuel alternative.

The specific details regarding NGV Refueling Stations are found in my workpapers, Ex. SCG-15-CWP-NGV Refueling Stations. SoCalGas plans to build and place in-service all facilities associated with this capital request by the conclusion of TY 2016.

2. Forecast Method

The forecast method developed for this cost category is zero-based. This method is most appropriate because each project has been estimated based on unique and specific scope and budgetary considerations. The estimates do, however, reflect past costs and vendor estimates for projects with similar scope and complexity completed over the prior three-year period. More information is included in my workpapers, Ex. SCG-15-CWP-NGV Refueling Stations.

3. Cost Drivers

The underlying cost drivers for this capital project are engineering/planning, equipment costs, contractor cost for installation and Company labor to manage and support the projects. See Ex. SCG-15-CWP-NGV Refueling Stations for more information.

V. CONCLUSION

Fleet Services and Facilities Operations provide the underlying tools and support necessary to field crews who not only maintain the reliability and safety of our gas systems, but are often the first contact between the customer and the Company. The quality of our fleet maintenance & equipment, while enabling productive work, is also fundamental to the safety of our work crews permitting them to restore service, provide services to new customers, and perform routine inspection and maintenance. My requested forecast for Fleet Services and Facilities Operations is essential to the continuation of our efforts and commitment to public and employee safety.

SoCalGas requests that the Commission adopt the O&M and Capital forecasts presented in this testimony. The forecasts were carefully developed and represent a prudent level of funding for the critical activities to take place in this GRC term. The amounts requested for TY 2016 for Fleet Services are necessary to meet the needs of utility operations and customer service. They are based on an evaluation of 2009-2013 cost trends adjusted for known incremental increases and decreases, and then forecasted for the 2014 through 2016 period.

This concludes my prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Carmen L. Herrera. My business address is 8101 S. Rosemead Blvd., Pico Rivera, CA 90660. I am employed by Southern California Gas Company ("SoCalGas"), as the Director of Support Services responsible for overseeing Fleet Services for SoCalGas and SDG&E, and Facility Operations and Capital Programs for SoCalGas. I have been in this position since 2011.

I received a Bachelor's of Science in Business Administration from the University of Southern California and hold an inactive Certified Public Accountant license. I have been employed by SoCalGas, SDG&E, and/or Sempra Energy in various positions and responsibilities since 2001. My experience is in numerous areas including Financial Planning, Supplier Diversity, Facilities Maintenance, Construction, Land Management Services, and Corporate Compliance.

I have not previously testified before the California Public Utilities Commission.

APPENDIX A – GLOSSARY OF ACRONYMS

ADA	Americans With Disabilities Act
ATCM	Airborne Toxic Control Measure
CARB	California Air Resources Board
CUPA	Certified Unified Program Agencies
CalOSHA	California Occupational Safety and Health Administration
CNG	Compressed Natural Gas
CRV	Current Replacement Value
DMV	Department of Motor Vehicles
EPA	U.S. Environmental Protection Agency
EPAact	Energy Policy Act
ERC	Energy Resource Center
FTE	Full-time equivalent
GCT	Gas Company Tower
GHG	Greenhouse Gas
HVAC	Heating Ventilation and Air Conditioning
IFMA	International Facility Management Association
IT	Information Technology
LAN	Local Area Network
LIBOR	London Interbank Offered Rate
MPK	Monterey Park
NESHAPS	National Emission Standards for Hazardous Air Pollutants
NGV	Natural Gas Vehicle
NHTSA	National Highway Traffic Safety Administration
Non-OTR	Non-over-the-road vehicles such as trailers and forklifts
O&M	Operations and Maintenance
OSHA	Occupational Safety and Health Administration
OTR	Over-the-road vehicles such as automobiles and trucks
RICE	Reciprocating Internal Combustion Engines (frequently as RICE/'NESHAPS)
SCAQMD	South Coast Air Quality Management District
SCG	Southern California Gas Company
SoCalGas	Southern California Gas Company
UDC	Under Dispenser Containment
UST	Underground Storage Tank