

Company: Southern California Gas Company (U 904 G)
Proceeding: 2016 General Rate Case
Application: A.14-11-____
Exhibit: SCG-16

SOCALGAS

DIRECT TESTIMONY OF JAMES CARL SEIFERT

(REAL ESTATE)

November 2014

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



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1 **SOCALGAS DIRECT TESTIMONY OF JAMES CARL SEIFERT**
2 **(REAL ESTATE)**

3 **I. INTRODUCTION**

4 **A. Summary of Costs**

5 I sponsor the 2016 Test Year (“TY”) forecasts for operations and maintenance (“O&M”)
6 costs for both non-shared and shared services, associated with the Real Estate (“RE”) area for the
7 Southern California Gas Company (“SoCalGas” or “SCG”). Table JCS-1 summarizes my
8 sponsored costs.

9 **TABLE JCS-1**
10 **Test Year 2016 Summary of Total Costs**

O&M	2013 Adjusted- Recorded	TY2016 Estimated	Change
Total Non-Shared	2,215	2,190	-25
Total Shared Services (Incurred)	14,509	16,423	1,914
Total O&M	16,724	18,613	1,889

11 **B. Summary of Activities**

12 The purpose of this testimony is to describe the Shared and Non-Shared Services
13 performed by the Real Estate (“RE”) organization for SoCalGas, and to discuss why the 2016
14 TY forecasted operating and maintenance costs (“O&M”) are reasonable. This testimony
15 provides a breakdown of the functional activities of the RE organization by category (activity)
16 for both the Shared and Non-Shared Services portion of operating costs. The activities I will be
17 describing are as follows:

- 18 • Rents

19 The 2016 TY request is primarily driven by contractual rent escalations and increases in
20 common area expenses for the Gas Company Tower facility. All labor costs were based on the
21 2016 TY plus annualization of any vacancies and any incremental additions or non-labor
22 transfers.

23 RE is part of the Utility Shared Services organization headed by a Manager who oversees
24 activities performed at both SDG&E and SoCalGas. The scope of this testimony covers RE’s

1 costs for SoCalGas.

2 RE is responsible for the real property asset management and lease administration of real
3 estate for a portfolio of 2.0 million square feet of building space. The forecasts for SoCalGas
4 Facilities costs are addressed in the testimony of Carmen Herrera (see Ex. SCG-15) and
5 SoCalGas Land costs are addressed in the testimony of Raymond Stanford (see Ex. SCG-07).

6 In addition to this testimony, please also refer to my workpapers (Ex. SCG-16-WP) for
7 additional information on the activities described herein.

8 **II. NON-SHARED COSTS**

9 **A. Introduction**

10 The Non-Shared Services consists of a single category which is Branch Office Rents.
11 Contractual increases for the branch office rents are the primary driver of cost increases at
12 SoCalGas. Additional details for the cost increases are contained in my work papers (Ex. SCG-
13 16-WP). SoCalGas currently has an Application (A.13-09-010)¹ before the Commission to close
14 6 branch offices. If those offices are approved for closure, the lease costs associated with 4
15 offices that are leased (2 are owned) will be reduced accordingly in SoCalGas' GRC request by
16 approximately \$280,000 per year.

17 The summary of my non-shared O&M requested costs is shown in Table JCS-2:

18 **TABLE JCS-2**

19 **Non-Shared O&M Summary of Costs**

Shown in Thousands of 2013 Dollars			
Categories of Management	2013 Adjusted- Recorded	TY2016 Estimated	Change
A. Branch Offices & Operating Bases Rent - SCG	2,215	2,190	-25
Total	2,215	2,190	-25

20 **B. Summary of Non-Shared Services Activities**

21 SoCalGas' Non-Shared rents are associated with the 39 leased branch office leases (8
22 offices are owned and their costs are not part of this testimony). In general, contracted rents
23 have been relatively flat, including base rent and any operating expense escalation required from

¹ A.13-09-010, Approval of The Branch Office Optimization Process, ALJ Halligan, Cmmr. Peterman.

1 the landlord. SCG has actually reduced the costs for 2016 TY forecast, which is consistent with
2 the actual incurred costs over the five year period from 2009 through 2013.

3 **Branch Offices**

4 This category represents rent expenses for 39 leased payment offices for customer service
5 to support bill payment and customer walk-in inquiries.

6 **1. Forecast Method**

7 The forecast method developed for this cost category is a 5 year average for items that are
8 not contractually set. This method is reasonable because it incorporates both the peaks and
9 valleys of historical expenses while it smooths out any long-term variation. This methodology
10 was used for this activity in the previous General Rate Case. (A.10-12-005/D.13-05-010)

11 **2. Cost Drivers**

12 Costs are driven by both contractual rental obligations as well as annual increases in
13 property operating expenses. While those discrete contractual terms are used as a zero-based
14 component in forecasting, a five-year average is a reasonable approximation of all other costs in
15 this category.

16 **3. Administrative Expenses**

17 The RE organization at SoCalGas consists of 2 FTEs with oversight from the Manager of
18 Real Estate, Land Services & Facilities at SDG&E. The request for labor and non-labor are
19 based upon historical increases for non-labor.

20 **III. SHARED COSTS**

21 **A. Introduction**

22 The Shared Services portion of RE includes the support that the organization provides for
23 its shared facilities and services. The organizations within RE that provide Shared Services
24 include the following:

- 25 • **Rents**

- 26 o GCT Rents

- 27 o Microwave Rents

28 The summary of my shared O&M requested costs is shown in Table JCS-3:

1 **TABLE 3**

2 **Shared O&M Summary of Costs**

Categories of Management	2013 Adjusted- Recorded	TY2016 Estimated	Change
A. GCT RENTS	13,200	15,002	1,802
B. SCG MICROWAVE RENTS	1,309	1,421	112
Total Shared Services (Incurred)	14,509	16,423	1,914

3 **Gas Company Tower “GCT” Rents**

4 The GCT rent represents the largest lease within the portfolio. The cost increases are
5 based upon the annual escalation in the base rent and certain operating expenses such as parking.
6 Variable expenses such as utilities, insurance and landlord provided maintenance for the GCT
7 are zero based.

8 **Telecom (Microwave) Tower Rents**

9 These rents have experienced increases on the order of 10% per year until recently when
10 we have experienced a lesser rate of increase. Accordingly, in this category I have used a
11 modified forecast value that is based upon modest (3% annual) inflation more accurately reflect
12 likely future costs.

13 **IV. CONCLUSION**

14 This testimony describes the activities of SoCalGas’ Real Estate department, and presents
15 the forecast for both existing and reasonably anticipated new expenses for the 2016 TY. This
16 testimony and my workpapers demonstrate the justification for the requested funding so that
17 SoCalGas can continue to meet its obligations to provide safe and reliable service.

18 This concludes my prepared direct testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is James C. Seifert, Manager of Corporate Real Estate, Land Services &
3 Facilities. The combined departments of my organization are responsible for managing the entire
4 real estate portfolio; including acquisition and disposition of property, rents, move management
5 and forward planning of space I have a Bachelor of Arts degree from the University of Colorado,
6 Boulder majoring in Economics. I have a broad background in real estate and asset management,
7 including 18 years of experience with SDG&E and Sempra Energy, five years with CB Richard
8 Ellis, and seven years with Rancon Real Estate. At Sempra Energy, I have held a number of key
9 technical and managerial positions with increasing responsibility in Corporate Real Estate. In
10 these positions, I was responsible for acquisitions, dispositions and other roles with respect to the
11 real property portfolio. I have held my current position as the Manager of Corporate Real Estate
12 and Planning since January, 2011.

13 I have previously testified before the Commission.