

Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-004
Exhibit: SCG-205

SOCALGAS

REBUTTAL TESTIMONY OF BETH MUSICH

GAS TRANSMISSION OPERATIONS AND MAINTENANCE

June 2015

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



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**SOCALGAS REBUTTAL TESTIMONY OF BETH MUSICH
(GAS TRANSMISSION OPERATIONS AND MAINTENANCE)**

I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	32,493	41,049	8,556
ORA	32,493	39,569	7,076

TOTAL NON-SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	28,869	35,757	6,888
ORA	28,869	34,615	5,746

TOTAL SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	3,624	5,292	1,668
ORA	3,624	4,954	1,330

II. INTRODUCTION

My testimony addresses Gas Transmission O&M expenses at SoCalGas (SCG-GT), Gas Transmission capital forecasts are found in the testimony and rebuttal of SoCalGas witness Raymond Stanford (Exhibits SCG-07 and SCG-207, respectively). The Office of Ratepayer Advocates (ORA)¹ and Utility Workers Union of America (UWUA)² submitted testimony addressing SoCalGas Gas Transmission O&M expenses. ORA makes cost-specific recommendations and UWUA addressed operating and management concerns with a single cost-specific recommendation to increase staffing for a newly proposed position. No other party addressed Gas Transmission O&M expenses. In this rebuttal, I also note an error identified through discovery³ and reflected in ORA's testimony, and recommend a reduction in my 2016 Test Year request for that amount.

¹ Ex. ORA-11, Lee, Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2016 General Rate Case, SoCalGas – Gas Transmission, Underground Storage, Engineering, and Pipeline Integrity, April 24, 2015.

² Exhibits UWUA-1, 2, and 3.

³ See Appendix (ORA-SCG-DR-054-KCL Q3).

1 **A. ORA**

2 ORA issued its report on SoCalGas - Gas Transmission Operations and Maintenance
3 (SCG-GT) on April 24, 2015.⁴ The following is a summary of ORA's positions:

- 4 • \$0.390 million reduction in Cathodic Protection Enhancement (Non-Shared services)
5 forecast.⁵ ORA appears to base the proposed reduction on a belief that reducing
6 cathodic protection capital should similarly reduce cathodic protection O&M.⁶
- 7 • \$0.490 million reduction in Operator Qualification Training (Non-Shared).⁷ ORA's
8 recommendation is based on their opinion that the program can be more effectively
9 run at a more gradual pace.
- 10 • \$0.090 million reduction in Ventura Station Compression Upgrade (Non-Shared).⁸
11 ORA recommends reducing SCG-GT's TY2016 Ventura Station Compression
12 Upgrade funding request based on their opinion that the forecast capital spend will
13 reduce the TY2016 O&M funding requirement by 50%.⁹
- 14 • \$0.172 million reduction in Critical Facility Security Upgrades (Non-Shared).¹⁰
15 ORA's recommendation is based on an error in SCG-GT's TY2016 forecast
16 identified through discovery and also reflected in ORA's testimony.¹¹ In SoCalGas'
17 review of ORA's testimony and SoCalGas' workpapers, it appears ORA intended to
18 recommend a \$0.182 million reduction. SoCalGas has no objection to a \$0.182
19 million reduction in this area for TY2016.
- 20 • \$0.338 million reduction in Shared Service Operations (Shared).¹² ORA recommends
21 this reduction because of underspending experienced in 2014 and ORA's belief that
22 underspending will continue into TY2016 and should be reflected in the forecast.
23 ORA did not, however, present any specific challenges to the various individual
24 upward pressures identified and explained by SoCalGas that drive the SoCalGas
25 TY2016 forecast.

26 **B. UWUA**

27 UWUA submitted testimony on May 15, 2015.¹³ The following is a summary of
28 UWUA's positions:

⁴ Ex. ORA-11 at pages 6-7.

⁵ Ex. ORA-11 at page 6.

⁶ ORA does, however, recommend approval of the proposed \$8.9 million capital spending in the area of cathodic protection in TY2016. SoCalGas witness Raymond Stanford (SCG-07) addresses transmission capital spending.

⁷ Ex. ORA-11 at page 6.

⁸ Ex. ORA-11 at page 6.

⁹ Ex. ORA-11 at page 6.

¹⁰ Ex. ORA-11 at page 6.

¹¹ See Appendix (ORA-SCG-DR-054-KCL Q3).

¹² Ex. ORA-11 at page 7.

¹³ Ex. UWUA-1 at page 3, Line 16

- 1 • UWUA generally supports SoCalGas’ overall Operating, Maintenance and Repair
2 requirements and recommends Commission approval of SoCalGas’ requested funding
3 level.¹⁴
- 4 • UWUA recommends that the Commission increase SoCalGas’ requested funding
5 level for O&M expenses by \$0.260 million in order to fund UWUA’s proposal for
6 creation and staffing of two (2) new to-be-created positions, which UWUA titles
7 “Represented Employee Safety Officer” (RESO).¹⁵
- 8 • UWUA recommends modification to certain SoCalGas procedures and activities
9 related to: locate and mark activities, inspection and patrol, leak survey and repair,
10 and valve maintenance.
- 11 • UWUA recommends the creation of an advisory board to oversee and manage the use
12 and allocation of funding for Transmission O&M.¹⁶
- 13 • UWUA recommends the creation of a two-way balancing account for gas
14 transmission O&M.¹⁷

15 **III. REBUTTAL TO PARTIES’ PROPOSALS**

16 **A. Non-Shared Services O&M**

NON-SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	28,869	35,757	6,888
ORA	28,869	34,615	5,746

17 ORA’s recommended funding reductions consist of individual recommendations for
18 Cathodic Protection System Enhancement, Operator Qualification Training and Certification,
19 O&M expenses related to the Ventura Compressor Station Upgrade, and Critical Facilities
20 Security.

21 **1. Cathodic Protection System Enhancement**

22 **a. ORA (-\$0.390 million TY2016)**

23 ORA’s justification for recommending a \$0.390 million reduction in TY2016 cathodic
24 protection system enhancement O&M funding is a SoCalGas data request response regarding
25 cathodic protection capital.^{18,19} In that data response, SoCalGas indicated that, in 2015, the

¹⁴ Ex. UWUA-3 at page 5.

¹⁵ Ex. UWUA-3 at page 6.

¹⁶ Ex. UWUA-3 at page 6.

¹⁷ UWUA-1 Wood at p. 14; UWUA-3 Downs at p. 6.

¹⁸ Ex. ORA-11 at page 17, lines 14-15.

¹⁹ See Appendix (ORA-SCG-DR-060-KCL, Q.2, February 26, 2015).

1 planned capital spending for cathodic protection was expected to be approximately \$2.0 million,
2 down from \$8.986 million. The response noted that the reduction was attributable to “delays in
3 these projects due to factors such as timing and permitting” and that “this number can change
4 considerably in future months.”²⁰ SoCalGas disagrees with ORA’s position that SCG-GT’s
5 TY2016 O&M forecast requirement in the cathodic protection area should also be reduced.

6 As explained in Rebuttal Testimony SCG-207 (Stanford), the required work and need for
7 enhancements has not gone away, but may be delayed to future periods. The collective total level
8 of planned capital related investment remains unchanged. Furthermore, the cathodic protection
9 capital request is largely independent of cathodic protection field operations O&M. In fact, if
10 any correlation exists, it is that reduced capital spending may result in increased O&M spending.

11 For the reasons stated herein, SCG-GT recommends the Commission adopt SCG-GT’s
12 TY2016 forecast of \$0.783 million for this area.

13 **2. Operator Qualification Training and Certification**

14 **a. ORA (-\$0.490 million TY2016)**

15 ORA recommends across-the-board reductions in TY2016 funding for Operator
16 Qualification (OpQual) Training in the activity areas of Pipeline, Compressor Station, and
17 Technical Service. ORA’s proposed reductions appear to be based on ORA’s belief that “the
18 program can be more effectively run at a more gradual pace.”²¹ ORA does not present any
19 challenges to the merits of the training program, nor does ORA provide support for their
20 selection of a 50% reduction.

21 OpQual was implemented by the Pipeline and Hazardous Materials Safety
22 Administration (PHMSA) with the intention of providing an additional level of safety in
23 operations and maintenance activity areas, and is intended to reduce the risks associated with
24 accidents on pipeline and compression facilities that are the result of human error. SoCalGas’
25 OpQual program specifies the requirements for identifying covered tasks that impact the safety
26 or integrity of pipelines, qualifies individuals to perform those tasks, and manages the
27 qualifications of subject personnel.

28 SCG-GT’s justification for increased funding for the OpQual compliance training and
29 proficiency certification program is to respond to (1) an increase in the number of field activity

²⁰ See Appendix (ORA-SCG-DR-060-KCL, Q.2, February 26, 2015).

²¹ Ex. ORA-11 at page 6, lines 13, 20 and 23.

1 tasks and (2) a transition from a 5-year cycle to a 3-year cycle. The additional OpQual tasks will
2 carry identical requirements for instructional training, proficiency testing, and recertification
3 examinations as the existing tasks under the OpQual program. Further, the Commission has
4 consistently recommended Utilities modify existing OpQual programs from 5-year to 3-year
5 cycles. In response to this guidance, and in alignment with trending industry standards,
6 SoCalGas is transitioning from a 5-year cycle recertification requirement to a 3-year cycle
7 requirement. The 3-year recertification requirement will be applicable to tasks within the
8 program, which will increase the number of required training modules, proficiency, knowledge
9 examinations, and task-certifications.

10 For the reasons stated herein, SCG-GT recommends the Commission adopt SCG-GT's
11 TY2016 forecast of \$0.974 million for its combined Pipeline, Compression, and Technical
12 Services areas TY2016 OpQual funding requirement.

13 **3. Critical Facilities Security**

14 **a. ORA (-\$0.172 million TY2016)**

15 ORA recommends reducing Critical Facilities Security based on an error in SCG-GT's
16 TY2016 forecast identified through discovery²² and also reflected in ORA's testimony. In
17 SoCalGas' review of ORA's testimony and SoCalGas' workpaper, it appears ORA intended to
18 recommend a reduction of \$0.182 million. This is the amount SoCalGas is acknowledging for the
19 reduction. As such, SoCalGas recommends the Commission adopt a revised TY2016 forecast
20 amount of \$0.756 million.

21 **4. Ventura Compressor Station Compression Upgrade**

22 **a. ORA (-\$0.090 million TY2016)**

23 ORA recommends a \$0.090 million reduction in TY2016 funding as a result of an
24 apparent misunderstanding as to the effect of the planned capital "compression upgrade" project
25 detailed in the testimony of SoCalGas' Gas Engineering witness.²³ ORA appears to assume that
26 the compressor station will be in "change-out mode"²⁴ meaning, the capital compression upgrade
27 project will impact the continued operation and maintenance requirements of the existing
28 equipment and functionality of the station. This is incorrect.

²² See Appendix (ORA-SCG-DR-054-KCL Q3).

²³ Ex. SCG-07.

²⁴ Ex. ORA-11 at page 6, line 18.

1 The station and its existing compression equipment will continue to remain fully-
2 operational and in-use throughout the design and installation phases of the capital project. The
3 scope of the capital project addressed by Mr. Stanford is for the engineering design and
4 installation of incremental compression equipment, not replacement of existing compression
5 equipment. The incremental TY2016 funding forecast within SCG-GT's testimony is to support
6 existing and future (2016 and beyond) labor resources for maintenance requirements. This need
7 will not be reduced or eliminated as a result of the installation of additional compression
8 equipment.

9 For the reasons stated herein, SCG-GT recommends the Commission adopt SCG-GT's
10 TY2016 forecast of \$0.185 million in this area.

11 **B. Shared Services O&M**

SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	3,624	5,292	1,668
ORA	3,624	4,954	1,330

12 ORA recommends reducing SoCalGas' shared service O&M TY2016 by \$0.338 million.
13 ORA bases their reduction on underspending experienced in 2014. Specifically, a \$0.338 million
14 difference between the 2014 forecast and 2014 adjusted-recorded. ORA did not provide
15 additional analysis for the foundation of this recommendation other than: "ORA believes that the
16 underspending result will continue into TY2016."²⁵ ORA's recommendation was not
17 accompanied by supporting qualitative analysis. The single year variance reflects such items as
18 temporary vacancy factors and other non-recurring single year anomalies, and is not
19 representative of the funding requirements for the upcoming GRC period.

²⁵ Ex. ORA-11 at page 7, line 6.

1 **1. ORA (-\$0.338 millionTY2016)**

2 **SoCalGas requested funding**

SHARED O&M - Constant 2013 (\$000)				
Program Name	BY2013	FY2014	FY2015	TY2016
TEMS System	0	190	290	290
Cyber Security	0	47	95	93
SCADA Infrastructure	0	30	90	185
Knowledge Management	0	53	53	53
Annual Forecast Total	0	320	528	621

3 As reflected above and explained in direct testimony, SoCalGas expected to begin
4 incurring costs associated with the above cost categories beginning in 2014. SoCalGas included
5 \$0.320 million for these categories of expense in the 2014 forecast. These expense items were
6 further forecast to reflect gradual annual cost increases at a collective incremental rate of \$0.208
7 million for FY2015 and \$.093 million in TY2016. The total increase over 2013 adjusted recorded
8 cost associated with successful implementation of these categories of expense is \$0.621 million
9 for TY2016.

10 In 2014 costs were incurred at a more gradual pace as hiring and programmatic changes
11 did not occur at the pace originally planned. This accounted for much of 2014's \$0.338 million
12 underspending. SoCalGas disagrees, however, with ORA's analysis and resulting
13 recommendation for reduced funding in 2016. ORA appears to have based their
14 recommendation on the results of the pre-test year ramp-up period timing, in which the full
15 annual costs were not fully realized. SoCalGas is steadfast in our commitment toward fully
16 implementing and realizing the full forecasted cost associated with these initiatives by the end of
17 the TY2016.

18 SCG-GT recommends the Commission adopt SCG-GT's TY2016 forecast of \$5.292
19 million in SCG-GT's Shared Services area.

20 **2. UWUA**

21 UWUA generally supports SoCalGas' full TY2016 forecast. SoCalGas appreciates
22 UWUA's support, but does offer the following comments on certain proposals:

1 **a. Represented Employee Safety Officer (RESO) program**²⁶

2 SoCalGas shares the Union's goal of improving compliance and workforce engagement,
3 but disagree that the creation of a new represented employee position should be addressed in the
4 GRC. The collective bargaining process more appropriately addresses proposals such as those
5 presented by Mr. Downs.

6 **b. Proposed Changes to Practices and Procedures**

7 UWUA suggests the need for certain changes to SoCalGas' existing transmission
8 operation and maintenance practices and procedures. The proposed changes relate to locate and
9 mark activities, inspection and patrol, leak survey and repair, and valve maintenance. Notably,
10 the changes proposed by UWUA have been presented to the Commission previously during the
11 Commission's efforts to modify to General Order 112 (Design, construction, testing,
12 maintenance and operation of utility gas gathering, transmission and distribution piping systems)
13 in Rulemaking 11-02-019. In that Rulemaking, the Commission has and is considering
14 modification to requirements governing the operation and maintenance of the California
15 transmission systems.

16 UWUA is a party to that proceeding and has provided comments and suggestions therein.
17 SoCalGas believes the Rulemaking 11-02-019 process was and is the more appropriate
18 proceeding to address UWUA's practice and activity recommendations.

19 i. Locate and Mark Activities

20 UWUA suggests changes to SoCalGas' procedure regarding physical above ground
21 marking of buried pipelines.²⁷ SoCalGas agrees with UWUA's statement regarding transmission
22 pipeline markings, but only in areas where practical and permitted. SoCalGas currently has
23 policies that indicate that, although spacing can vary depending upon conditions, it should not
24 normally be greater than the line of sight.

25 ii. Inspection and Patrol

26 UWUA's expressed viewpoint that "patrol can be accomplished in a vehicle, although
27 not by air."²⁸ SoCalGas disagrees. Aerial patrol of pipelines has been a proven and safe practice
28 throughout the pipeline transportation industry for many years. Aerial patrol is a cost effective
29 method for conducting observance of pipelines that travel through difficult to access areas where

²⁶ Ex. UWUA 3 at page 5

²⁷ Ex. UWUA 3 at page 6.

²⁸ Ex. UWUA 3 at page 7.

1 it is not practical to utilize vehicle or foot patrols. Additionally, the benefit of being able to
2 conduct an immediate patrol of an area affected by a natural disturbance incident (torrential
3 rains, wildfires, earth movement, etc.) is invaluable to an operator's ability to quickly assess and
4 identify any potential areas warranting a safe deployment of personnel and equipment resources
5 into the area. Finally, aerial patrol and aerial instrumented leakage survey is accepted by the
6 Department of Transportation.²⁹

7 iii. Leak Survey and Repair

8 UWUA suggests increased on foot leak surveying and additional repair efforts.³⁰

9 Currently, SoCalGas' leak surveying activity utilizes various technologies and methods
10 as appropriate for conditions and as approved by the Department of Transportation.
11 Additionally, SoCalGas' Transmission Operations does not operate or maintain the gas
12 transmission system with any known buried-pipeline leakage backlog. Known buried-pipeline
13 leaks are repaired immediately utilizing one of several safe and effective permanent repair
14 processes.

15 iv. Valve Maintenance

16 UWUA expresses the same multi-point suggestion as filed by them in the Gas Safety
17 Rulemaking 11-02-019 proceeding.³¹ Specifically, UWUA proposes the creation of a
18 comprehensive valve inventory, implementation of a new standard for assessing the completion
19 of an inspection, and a shortening of valve inspection intervals.³²

20 SoCalGas and SDG&E current valve maintenance efforts are appropriate. First,
21 SoCalGas already identifies valves necessary for the safe operation of the system. Adding a
22 separate effort to create an inventory of valves is unnecessary and non-productive toward
23 achieving any additional safety based benefit. Second, SoCalGas believes UWUA's definition of
24 operable is needlessly restrictive and would not appropriately apply to every valve on SoCalGas
25 and SDG&E's system. Third, as mentioned, the Commission is addressing the appropriate
26 inspection interval in Rulemaking 11-02-019.

²⁹ 49 CFR 192.705 (Methods of patrolling include walking, driving, flying or other appropriate means of traversing the right-of-way.)

³⁰ Ex. UWUA 3 at page 8-9.

³¹ Ex. UWUA 3 at page 9.

³² Ex. UWUA 3 at page 10-11.

1 **c. Advisory Body**

2 UWUA propose the creation of an advisory board to oversee and manage the use and
3 allocation of funding for transmission O&M.³³

4 The implementation of an advisory body that would oversee or manage the operation and
5 maintenance of SoCalGas’ transmission system is unnecessary. SoCalGas is committed to
6 continue safely and reliably operating the system to promote public, employee and
7 environmental safety. Indeed, there is already substantial regulations and oversight in place,
8 both from the Commission and from other regulatory entities. UWUA has provided no analysis
9 that an advisory body is necessary or that current regulations and oversight are ineffective. To
10 the contrary, SoCalGas’ practices in gas transmission operations are appropriate and frequently
11 reviewed by this Commission.

12 **d. Balancing Account**

13 UWUA recommends the creation of a two-way balancing account for gas transmission
14 O&M.³⁴ SoCalGas does not believe that its cost forecasts for gas transmission O&M, as
15 presented and supported in direct and rebuttal testimonies and workpapers, necessitate the
16 addition of a separate tracking and recovery mechanism.

17 **IV. CONCLUSION**

18 To summarize, the TY2016 forecast cost associated with the operation and maintenance
19 of SoCalGas’ gas transmission system as presented in direct testimony and defended within this
20 rebuttal are reasonable and should be adopted by the Commission.

21 As noted in this rebuttal, I recommend the TY 2016 forecast of \$35,757,000 for Non-
22 Shared operating cost be reduced by \$0.182 million in the area of Critical Facilities Security.

23 I also recommend approval of the TY2016 forecast of \$5,292,000 for Shared Services
24 Operating and Maintenance expenses. These costs are reasonable and in alignment with
25 SoCalGas’ commitment toward sustaining safe and reliable service to customers while also
26 striving to control operating expenses without compromising safety or regulatory compliance.

27 This concludes my prepared rebuttal testimony.

³³ Ex. UWUA-1 Wood at p. 14 Line 18, UWUA-2 Acosta at p. 7 Line 11, UWUA-3 Downs at p. 5 Line 31

³⁴ Ex. UWUA-1 Wood at p. 14; UWUA-3 Downs at p. 6.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Beth Musich. I presently hold the position of Director of Gas Transmission
3 for SoCalGas and SDG&E. I have a Bachelor of Science degree in Mechanical Engineering
4 from Colorado School of Mines in Golden Colorado.

5 I was originally employed by Pacific Enterprises in 1993 and moved to SoCalGas in
6 1996. I have held positions of increasing responsibilities in the Marketing, Regulatory and
7 Operations departments. I have held my current position as the Director of Gas Transmission
8 since January of 2015.

9 I have previously testified before the Commission on behalf of Southern California Gas
10 Company and San Diego Gas and Electric.

11 I am replacing the previous SoCalGas witness John Dagg, whose name appears on these
12 filed testimonies and workpapers for SoCalGas in this proceeding:

13 SCG-05 Gas Transmission Operations and Maintenance

14 SCG-05-WP Workpapers to Gas Transmission Operations and Maintenance

Appendix

ORA-SCG-DR-054-KCL Q3

ORA-SCG-DR-060-KCL Q2

**ORA DATA REQUEST
ORA-SCG-DR-054-KCL
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 5, 2015
DATE RESPONDED: FEBRUARY 20, 2015**

Exhibit Reference: SCG-05 and SCG-05-WP

Subject: O&M Expenses on Gas Transmission Operations and Maintenance

3. Pages 7 to 9 of SCG-05-WP show the 2016 forecast cost adjustments for different categories. Please provide detailed and itemized cost breakdowns for First Responder Program Staffing (\$540K), Operator Qualification – Increased Employee Qualification Requirements (\$638K), Pipeline Valves & Infrastructure Compliance Maintenance (\$609K), Critical Pipeline Facilities – Security Upgrades (2015 Addition) (\$515K), and Critical Pipeline Facilities – Security Upgrades (2016 Additions) (\$423K). Please also explain the meaning of (2015 Addition) and (2016 Additions) in the last two items.

SoCalGas Response:

The two Excel files provided as attachments in the provided response to Question #2 of this data request also contains the applicable 2016 forecast of cost breakdowns for the First Responder Program Staffing and Critical Pipeline Facilities – Security Upgrades.

The following two attached Excel files contain the applicable 2016 forecast of cost breakdowns for Operator Qualification – Increase Employee Qualification Requirements, and Pipeline Valves & Infrastructure Compliance Maintenance for the periods specified.

ORA-SCG-DR-054-KCL_Q3A.xlsx

ORA-SCG-DR-054-KCL_Q3B.xlsx

The intended meaning for the entries (2015 Addition) and (2016 Addition) was to reflect that the incremental cost forecast for the year 2015 also carried forward into 2016TY and that the same initiative/program was forecast to increase incrementally by the dollar values identified with the labeling 2016 Addition(s). The \$515,000 entry labeled “2015 Addition” should not have been entered and the \$423,000 entry associated with the “2016 Addition” label should have reflected an amount of \$756,000. Errata will address these corrections.

**ORA DATA REQUEST
ORA-SCG-DR-060-KCL
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 11, 2015
DATE RESPONDED: FEBRUARY 26, 2015**

Exhibit Reference: SCG-07, SCG-07-WP, and SCG-07-CWP

Subject: O&M Expenses and Capital Expenditures on Gas Engineering – Cathodic Protection

Please provide the following:

2. Table RKS-23 on page RKS-75 of SCG-07 shows that in 2015, it is estimated that SoCalGas will spend \$8.986 million on capital expenditures on Cathodic Protection. It is about mid-February now in 2015. Please provide the current status of this project. Please also provide the current spending timeline for this project through 2015.

SoCalGas Response:

The projects represented in the GRC are developed as a snapshot-in-time as of the November 2014 date of the Application filing, and representative of the types of projects and programs the utility expects to encounter in the normal course of business. Projects that are either delayed or advanced in one area may be offset by other projects that are advanced or delayed in another as a result of changing conditions such as permit applications, resource supply, changed priorities and emergent work. The Rate Case Plan does not provide for the utility to update its forecasted expenses, either up or down, in its application except for certain, specific and identified items in the update filing following hearings. With these conditions in mind, SoCalGas responds to this question as follows:

The \$8.986 million planned in 2015 was estimated for multiple Cathodic Protection projects with expenditures in the replacement of surface anode beds, deep well anodes and/or rectifier systems, and capital repairs of pipelines with poor or dis-bonded coating. Currently, SoCalGas anticipates delays in these projects due to factors such as timing and permitting. Although the current plan is to spend approximately \$2 million in Cathodic Protection Transmission capital for 2015, this number can change considerably in future months.

In regards to a “spending timeline,” SoCalGas anticipates expenditures to be steady during the year. Projects such as these, which involve excavations and/or drilling, can vary month to month due to weather, contractor and materials availability, and permitting.