

Company: Southern California Gas Company (U904G)
Proceeding: 2019 General Rate Case
Application: A.17-10-008
Exhibit: SCG-25-R

REVISED
SOCALGAS
DIRECT TESTIMONY OF DARRELL JOHNSON
(ENVIRONMENTAL SERVICES)
December 2017

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



TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	Summary of Environmental Services Costs and Activities	1
1.	Importance of Environmental Protection and Compliance.....	2
B.	Summary of Safety and Risk-Related Costs.....	3
1.	Risk Influence on GRC Request.....	3
C.	Summary of Costs Related to Fueling our Future	4
D.	Summary of Aliso-Related Costs.....	4
E.	Organization of Testimony	5
II.	RISK ASSESSMENT MITIGATION PHASE AND SAFETY CULTURE.....	6
A.	Risk Assessment Mitigation Phase	6
1.	Employee, Contractor, Customer and Public Safety Risk	7
B.	Safety Culture	9
III.	NON-SHARED COSTS	10
A.	Introduction.....	10
B.	Environmental Programs	10
1.	Description of Costs and Activities	10
2.	Forecast Method.....	11
3.	Cost Drivers	11
C.	NERBA.....	14
1.	Description of Costs and Activities	14
IV.	SHARED COSTS	18
A.	Introduction.....	18
B.	Director of Environmental Services.....	19
1.	Description of Costs and Activities	19
2.	Forecast Method.....	19
3.	Cost Drivers	19
C.	Environmental Programs	19
1.	Description of Costs and Activities	19
2.	Forecast Method.....	19
3.	Cost Drivers	20

V. CONCLUSION.....20

VI. WITNESS QUALIFICATIONS.....20

LIST OF ACRONYMS

SUMMARY

ENVIRONMENTAL (In 2016 \$)			
	2016 Adjusted-Recorded (000s)	TY2019 Estimated (000s)	Change (000s)
Total Non-Shared Services	11,028	16,607 ¹	5,579
Total Shared Services (Incurred)	725	636	-89
Total O&M	11,753	17,243²	5,490

Summary of Requests

- SoCalGas' Environmental Services Department is requesting adoption of its 2019 Test Year (TY2019) forecast of \$17,243,000³ for operations and maintenance (O&M) expenses. This represents an increase of \$5,490,000⁴ from the adjusted recorded 2016 base year costs of \$11,753,000.
- Requesting authorization to continue the New Environmental Regulatory Balancing Account (NERBA).
- Requesting additional costs for labor and non-labor to adjust for labor full-year funding and annualize existing costs, capture incremental costs, and account for the addition of full-time employees.
- Requesting costs for water quality compliance, storage tank testing, hazardous materials and waste disposal fees, and programmatic environmental permits in order to streamline permitting processes, provide uniform compliance requirements and reduce project costs.

¹ The non-labor forecast for the LDAR Impact Program subaccount within NERBA is understated by \$270,000. The forecast for this subaccount should be \$4,528,000. Testimony, and the Results of Operations currently reflect a forecast of \$4,258,000.

² Ibid.

³ Ibid.

⁴ Ibid.

1 **REVISED SOCALGAS DIRECT TESTIMONY OF DARRELL JOHNSON**
2 **(ENVIRONMENTAL SERVICES)**

3 **I. INTRODUCTION**

4 **A. Summary of Environmental Services Costs and Activities**

5 My testimony supports the TY2019 forecasts for O&M costs for both non-shared and
6 shared services for the forecasted years 2017, 2018 and 2019, associated with the Environmental
7 Services area for SoCalGas. I do not sponsor any capital projects. Table 1 summarizes my
8 sponsored costs.

9 **Table 1**
10 **Test Year 2019 Summary of Total Costs**

ENVIRONMENTAL (In 2016 \$)			
	2016 Adjusted- Recorded (000s)	TY2019 Estimated (000s)	Change (000s)
Total Non-Shared Services	11,028	16,607 ⁵	5,579
Total Shared Services (Incurred)	725	636	-89
Total O&M	11,753	17,243⁶	5,490

11 Environmental Services consists of a team of in-house employees who provide guidance
12 to SoCalGas and its employees on compliance in the areas of natural resources, water quality,
13 hazardous materials and waste (HazMat), air quality and land planning. Environmental Services
14 assists in SoCalGas' efforts to comply with federal, state, regional and local environmental laws,
15 rules, regulations and ordinances, as well as internal company policies and procedures.
16 Environmental Services' responsibilities include: (i) tracking and analyzing the various stages of
17 environmental regulations; (ii) developing compliance policies, procedures and tools; (iii)
18 developing and supporting sustainability efforts; (iv) developing and delivering training
19 materials; (v) developing and implementing internal quality assurance and quality control
20 procedures; (vi) projects screening for environmental compliance, efforts to avoid and/or
21 minimize potential project environmental impacts, contamination considerations and permitting
22 needs; (vii) providing compliance oversight; and (viii) developing and obtaining environmental
23 permits and plans. Environmental Services is also responsible for managing two SoCalGas

⁵ Ibid.

⁶ Ibid.

1 Treatment, Storage and Disposal Facilities (TSDFs), the remediation of contaminated media at
2 current and former utility third-party sites, and for responding to emergency release events.

3 **1. Importance of Environmental Protection and Compliance**

4 SoCalGas believes in protecting the environment while providing safe, reliable, and
5 affordable energy services. We strive to avoid environmental impacts in our project design and
6 operations and to minimize impacts when avoidance is not possible. SoCalGas minimizes its
7 environmental impacts and risks with its comprehensive, multifaceted approach of clear
8 guidance, training, early project environmental review, assessment, auditing, field monitoring
9 and compliance certification. Environmental Services has a published library of environmental
10 field policies and procedures and company-specific employee training, much of which is web-
11 based (i.e., e-learning) to provide real time access. Environmental Services leverages a
12 Geographic Information System (GIS) mapping technology to review and screen all planned
13 projects that may have the potential to result in an environmental impact. This review process
14 involves personnel in multiple environmental disciplines that track, manage, document and
15 report permitting requirements and compliance issues. Early involvement by Environmental
16 Services in the planning and designing phase helps to identify related environmental issues to
17 avoid and minimize environmental impacts. Environmental monitoring is conducted as needed.

18 Annually, Environmental Services, along with SoCalGas' Safety and Wellness
19 Department, conducts an internal certification of program compliance and identifies
20 opportunities for process improvement. Key components of our environmental compliance
21 management program include internal assessments to help support and monitor compliance, a
22 hazardous waste vendors audit program, and environmental contract terms and conditions for our
23 vendors to abide by. Additionally, Environmental Services conducts regulatory reviews to
24 analyze the potential impacts of proposed regulations as well as provides early planning for
25 compliance with new legislation. Field-based environmental representatives are located at
26 SoCalGas operations sites to support day-to-day operations. A comprehensive governance
27 program is in place that partners with operations management and crews to focus on compliance
28 requirements and leading practices. Environmental Services also provides and supports 24-hour
29 on-call environmental personnel to assist field operations.

30 There are numerous acronyms for the various programs, agencies and requirements
31 encountered by Environmental Services and described in this testimony. In addition to describing

1 the acronyms in this text, I have included a Glossary of Acronyms in an appendix for helpful
2 reference.

3 **B. Summary of Safety and Risk-Related Costs**

4 Certain costs supported in my testimony are driven by activities described in SoCalGas
5 and SDG&E’s November 30, 2016 Risk Assessment Mitigation Phase (RAMP) Report.⁷ As
6 illustrated in Table 2, part of my requested funding is linked to mitigating safety risks that have
7 been identified in the RAMP Report.

8 **Table 2**
9 **Summary of RAMP Related Costs**

ENVIRONMENTAL SERVICES (Shown in Thousands of 2016 Dollars)			
RAMP Risk Chapter	2016 Embedded Base Costs	TY2019 Estimated Incremental Costs	Total
SCG-2: Employee, Contractor, Customer, and Public Safety (ECCPS)	2,582	0	2,582

10 **1. Risk Influence on GRC Request**

11 In developing my request, priority was given to the Employee, Contractor, Customer, and
12 Public Safety risk (ECCPS) to determine what currently established risk control measures were
13 important to continue and what incremental efforts were needed to further mitigate the risk. The
14 ECCPS covers the risk of conditions and practices that may result in severe harm to employee,
15 contractor, customer, and/or public safety, such as driving, customer premises and appliance
16 conditions, as well as non-adherence to company safety policies, procedures, and program.

17 In order to promote a safe work environment, SoCalGas endeavors to foster an
18 environment that emphasizes safety through regular assessment of its safety culture, monitoring
19 and enforcement of certain employee training, encouragement of dialogue between employees
20 and management to identify and mitigate safety risks and reporting of pipeline and other
21 occupational safety incidents through streamlined and standardized protocols.

⁷ I.16-10-015/I.16-10-016 Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, November 30, 2016. Please also refer to Diana Day’s testimony (Exhibit SCG-02/SDG&E-02, Chapter 1) for more details regarding the utilities’ RAMP Report.

1 For instance, SoCalGas created and administers an Environmental and Safety
2 Compliance Program (ESCMP) to promote safe employee work facilities and environments that
3 are hazard free and compliant with federal, state, and local environmental rules and regulations,
4 as well as internal company policies and procedures.

5 **C. Summary of Costs Related to Fueling our Future**

6 In early 2016, SoCalGas enacted an internal program, Fueling Our Future (FOF), aimed
7 at identifying cost-saving strategies to increase the Company’s financial efficiency.
8 Environmental Services identified four cost-saving activities that will result in increased
9 efficiencies and benefits for the Company. Table 3 provides a summary of SoCalGas’
10 Environmental Services FOF cost efficiencies.

11 **Table 3**
12 **Summary of FOF Efficiencies**

ENVIRONMENTAL (In 2016 \$)			
	Estimated 2017 (000s)	Estimated 2018 (000s)	Estimated 2019 (000s)
FOF-Implementation	0	0	0
FOF-Realized Benefits	(84)	(96)	(96)
TOTAL O&M	(84)	(96)	(96)

13 **D. Summary of Aliso-Related Costs**

14 In compliance with D.16-06-054⁸, the Aliso Incident Expenditure Requirements
15 testimony of Andrew Steinberg (Exhibit SCG-12) describes the process undertaken to exclude
16 costs associated with mitigating the Aliso Canyon Storage Facility gas leak incident (Aliso
17 Incident) and demonstrates that the itemized recorded costs are removed from the historical
18 information used by the impacted GRC witnesses.

19 As a result of removing historical costs related to the Aliso Incident from Environmental
20 Services adjusted recorded data, and in tandem with the forecasting methods employed and
21 described herein, additional costs of the Aliso Incident response are not included as a component
22 of my Test Year 2019 funding request. Historical Environmental Services costs that are related
23 to the Aliso Incident are removed as adjustments in my workpapers (Ex. SCG-25-WP) and
24 identified in Table 4 below.

⁸ D Decision (D.)16-06-054, Ordering Paragraph (OP) 12 at 332 and Conclusion of Law (COL) 75 at 324.

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Table 4
Summary of Excluded Aliso-Related Costs

ENVIRONMENTAL SERVICES (Shown in Thousands of 2016 Dollars)			
Workpaper	2015 Adjustment	2016 Adjustment	Total
2EV000.000, Environmental Services	(141)	(235)	(376)
Total Non-Shared			
2200-2012.000, SCG Environmental Service Director	(240)	(8,141)	(8,431)
2200-2176.000, SCG Environmental Programs	(21)	(29)	(51)
Total Shared Services	(261)	(8,170)	(8,431)
Total O&M	(402)	(8,406)	(8,808)

E. Organization of Testimony

My testimony is organized as follows:

- INTRODUCTION
 - Summary of Costs & Activities
 - Importance of Environmental Services
 - Summary of Risk Assessment Mitigation Phase Report
 - Risk Influence on GRC Request
 - Summary of Fueling Our Future Cost Savings
 - Summary of Aliso-Related Costs
- RAMP COSTS
 - Risk Assessment Mitigation Phase
 - Safety Culture
- NON-SHARED COSTS
 - Environmental Programs
 - New Environmental Regulatory Balancing Account
- SHARED COSTS
 - Director of Environmental Services
 - Environmental Programs
- CONCLUSION

1 **II. RISK ASSESSMENT MITIGATION PHASE AND SAFETY CULTURE**

2 **A. Risk Assessment Mitigation Phase**

3 As illustrated in Table 5, part of my requested funds is linked to mitigating top safety
4 risks that have been identified in the RAMP Report. Environmental Services identified one risk
5 through the RAMP process as described in the RAMP Report and is associated with activities
6 sponsored in my testimony. The risk is summarized in the table below:

7 **Table 5 – RAMP Risks Summary**

RAMP Risk	Description
SCG-2 Employee, Contractor, Customer and Public Safety	This risk covers conditions and practices which may result in severe harm to employee, contractor, customer, and/or public safety such as driving, customer premises, and appliance conditions, as well as non-adherence to company safety policies, procedures, and programs.

8 In developing my request, priority was given to this key safety risk to determine which
9 currently established risk control measures were important to continue and what incremental
10 efforts were needed to further mitigate this safety risk such as providing environmental training
11 and implementation and monitoring of an internal environmental and safety program.

12 The RAMP mitigation costs are embedded as part of traditional and historic activities
13 associated with mitigation strategies and corresponding historic activities. These can be found in
14 my workpapers as described below. The general treatment of RAMP embedded costs is
15 described in the RAMP to GRC Integration testimony of Jamie York (Exhibit SCG-02/SDG&E-
16 02, Chapter 3).

17 The ‘embedded’ 2016 cost-to-mitigate is shown in Table 6 below, as well as a summary
18 of RAMP-related operations and maintenance costs by Workpaper number.

19 **Table 6 – RAMP Summary of Costs**

Environmental Services (In 2016 \$000)			
SCG-2 Employee, Contractor, Customer and Public Safety	2016 Embedded Base Costs (000s)	TY2019 Estimated Incremental (000s)	Total (000s)
2EV000.000, ENVIRONMENTAL	2,582	0	2,582
Total	2,582	0	2,582

20 The RAMP risk mitigation efforts are associated with specific programs or projects. For
21 each of these mitigation efforts an evaluation was made to determine the portion, if any, was

1 already being performed in our historical activities (i.e., embedded base costs). SoCalGas
2 determined that existing activities and programs within Environmental Services addressed the
3 identified risk as discussed below.

4 **1. Employee, Contractor, Customer and Public Safety Risk**

5 At SoCalGas, the safety of employees, contractors, customers, and the public it serves is
6 a core value. The Company safety culture has evolved over 150 years and underpins the
7 Company's programs, policies, procedures, guidelines, and best practices. SoCalGas endeavors
8 to foster a work environment where employees are focused on and engaged in sustaining a
9 culture that emphasizes safety. The EPCCS entails how an employee and/or contractor who does
10 not adhere to Company policies or procedures could result in a safety-related incident.
11 Environmental Services helps SoCalGas manage this risk by overseeing and coordinating the
12 following activities:

- 13 • Environmental and Safety Compliance Program: ESCMP is an environmental,
14 health and safety management system to plan, set priorities, inspect, educate,
15 train, and monitor the effectiveness of environmental, health, and safety activities
16 in accordance with federal, state, and local environmental rules, regulations, and
17 best management practices.
- 18 • Asbestos Safety Program: This program provides guidance for identifying and
19 managing asbestos containing material by SoCalGas employees. Employment of
20 this program mitigates the potentially severe health risks to employees by way of
21 asbestos exposure and promotes safe handling, storage and disposal of the
22 hazardous material.
- 23 • Environmental Self-Assessment: The goal of this assessment is to encourage
24 safety performance through employee participation by completing standardized
25 self-assessments related to environmental issues and hazards.
- 26 • Environmental Inspections and Environmental Incident Evaluations: The
27 standardization of procedure surrounding agency inspections and environmental
28 incident evaluations streamlines the tracking and reporting of environmental
29 incidents that invoke agency review. This program allows environmental field
30 services to follow a consistent methodology in addressing inspections and

1 incidents thus heightening their ability to identify potential personnel, activities,
2 and solutions to quickly resolve a potential environmental risk.

- 3 • Proposition 65: Through this program, Environmental Services monitors
4 compliance activities with the Safe Drinking Water and Toxic Enforcement Act
5 of 1986.⁹ Strict compliance with this initiative protects the state’s drinking water
6 sources from being contaminated with chemicals known to cause cancer, birth
7 defects, or other reproductive harm.
- 8 • Environmental Training: Training is an integral part of how SoCalGas mitigates
9 the ECCPS. Company employees must complete and pass mandatory
10 environmental trainings and specific supplemental trainings as they correspond to
11 their current position responsibilities. Requiring these trainings reduces the
12 likelihood that an environmental incident or hazardous exposure will occur.
- 13 • Regulatory Monitoring and Agency Outreach: The objective of the regulatory
14 review program is to identify whether new final regulations will require changes
15 to company operations to maintain compliance and protect employee and public
16 safety. If the final regulations implicate company operations or procedure, the
17 program aids in the development of a compliance implementation plan that will
18 allow for the timely and orderly change in company operations. The objective for
19 proposed regulations is to develop company positions that may conclude with
20 formal comments on the proposal within the comment deadlines.
- 21 • Service Contracting: This activity promotes coordination between the Supply
22 Management department and Environmental Services to require the addition of
23 environmental terms and conditions within vendor contracts to require the safe
24 handling, storage, and disposal of any potentially hazardous or non-hazardous
25 materials. For example, proper environmental training is mandated for all
26 contractor employees and proper reporting and oversight are conducted should an
27 environmental incident or investigation take place. The requirement of such terms
28 and conditions promotes the safety of not only Company employees and

⁹ Cal. Health and Safety Code §§ 25249.5-25249.13.

1 customers, but also the safety of the contractors themselves when navigating
2 potentially hazardous environmental conditions.

3 **B. Safety Culture**

4 SoCalGas is committed to protecting and conserving the environment and the health and
5 safety of our employees, customers, and the communities in which we operate. Our safety-first
6 culture is embedded in every aspect of our work and is accomplished through development of a
7 trained workforce to provide safe and reliable service to our customers.

8 Environmental Services encourages SoCalGas' safety culture through a number of
9 activities, procedures and programs. These activities, procedures and programs work in concert
10 to identify and mitigate safety and compliance issues and risks. One program employs
11 environmental procedures that provide environmental compliance and safety policy and
12 procedures information. These procedures provide guidance to help conduct company operations
13 in a manner that manages safety risks and is compliant with applicable local, state and federal
14 laws, regulations, rules, and ordinances.

15 SoCalGas also engages in extensive training programs to help its employees perform
16 their job duties safely and in compliance with all applicable laws and company standards. The
17 Company provides employees with training to perform their job responsibilities while holding
18 them accountable by including safety performance measures and results in employees'
19 performance appraisals. The promotion of a strong training program reduces the potential for
20 injuries and accidents on the job and proactively addresses hazards by reinforcing safe work
21 practices and proper preventative measures. Completing and documenting employee
22 environmental and safety training is an integral part of the company's environmental compliance
23 and safety efforts.

24 Our comprehensive training program is complimented by the internal environmental,
25 health, and safety tracking, monitoring, and implementation program, ESCMP. ESCMP is based
26 upon policies, procedures, and consistency, and through these foundations, employees are made
27 aware that it is their responsibility to comply with all applicable laws, rules, regulations and
28 internal environmental and safety standards by engaging in trainings. The ESCMP process then
29 reviews and certifies employees and whether they completed their trainings while concurrently
30 encouraging an open-communication environment with the employees' supervisors to compile
31 findings and develop recommendations and goals for the ESCMP and training process as a

1 whole. ESCMP is an important measure that SoCalGas embraces to continuously provide a safe
 2 workplace for its employees, promote behaviors are providing safeguards that prevent accidents
 3 and injuries, and bolster the safety-first mentality throughout the company to the benefit of all
 4 employees, contractors, customers, and communities.

5 We know that to succeed and grow as a company, we must balance economic,
 6 environmental and safety concerns with the need to deliver reliable natural gas. This balance is
 7 accomplished through an integrated approach to safety culture through a qualified workforce and
 8 prominent policies and standards to mitigate and eliminate risks.

9 **III. NON-SHARED COSTS**

10 **A. Introduction**

11 Environmental Services’ non-shared O&M costs are contained in two cost categories:
 12 Environmental Compliance and NERBA. Table 5 summarizes the total non-shared O&M
 13 forecasts for the listed cost categories.

14 **Table 5**

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

ENVIRONMENTAL (In 2016 \$)			
Categories of Management	2016 Adjusted-Recorded (000s)	TY2019 Estimated (000s)	Change (000s)
A. Environmental Programs	5,990	6,973	983
B. New Environmental Reg Balancing Acct (NERBA)	5,038	9,634 ¹⁰	4,596
Total Non-Shared Services	11,028	16,607¹¹	5,579

16 **B. Environmental Programs**

17 **1. Description of Costs and Activities**

18 The compliance activities in this non-shared O&M cost category are forecasted to total
 19 \$6,973,000, which include an increase in costs in the amount of \$983,000. These activities
 20 include management of hazardous waste and TSDf operations, oversight of daily environmental
 21 compliance activities and permits, and support for sustainability and compliance with all
 22 operations and maintenance and associated facilities.

¹⁰ The non-labor forecast for the LDAR Impact Program subaccount within NERBA is understated by \$270,000. The forecast for this subaccount should be \$4,528,000. Testimony, and the Results of Operations currently reflect a forecast of \$4,258,000.

¹¹ Ibid.

1 **2. Forecast Method**

2 A zero-based forecasting methodology was used to forecast labor and non-labor for this
3 cost category. This forecasting methodology is most appropriate for this GRC because of
4 Environmental Services’ response to the Aliso Incident significantly affected the department’s
5 resources in a manner that made base-year forecasting methodologies inappropriate. Moreover,
6 historical costs do not reflect the current responsibilities of Environmental Services. Our
7 compliance requirements (which will require additional resources) will change additively with
8 new requirements that would not be captured using historic year averages. For example, the need
9 for additional funds to manage environmental compliance programs (including associated
10 permitting fees) and compensatory mitigation requirements associated with the California
11 Department of Fish and Wildlife (CDFW) Incidental Take Permit for the California Desert
12 Conservation Act (CDCA) and San Joaquin Valley Habitat Conservation Plan (SJVHCP). See
13 workpapers for 2EV000.000 in Exhibit SCG-25-WP-R.

14 **3. Cost Drivers**

15 The following is a breakdown of the components of our incremental cost request of
16 \$983,000 for this cost category:

17 **Table 6**
18 **Breakdown of Costs in Environmental Programs**

ENVIRONMENTAL SERVICES (Shown in Thousands of 2016 Dollars)	
• Environmental Program Support	\$894
• Hazardous Materials and Waste Control Fees	\$30
• NPDES Hydrostatic Permit Fees	\$21
• Cultural & Natural Resources Management Permits: SJVHCP Compensatory Mitigation and CDCA State MOU Mitigation	\$20
• Triennial Gasoline Fueling Dispensing/Underground Storage Tank Testing	\$18

19 Environmental Program Support.

20 SoCalGas is requesting an additional \$894,000 above TY 2016 adjusted recorded costs to
21 reflect the following:

- 22 o Full year staffing costs for FTE positions that incurred partial recorded expenses in
23 2016 and related non-labor costs in the amount of \$577,000.
- 24 o Costs to resume supporting normal operations within the department for resources
25 that were temporarily reassigned to the Aliso Incident in the amount of \$317,000.

1 The FTE positions' responsibilities include: supporting SoCalGas' distribution, transmission and
2 storage field operations, managing and implementing ESCMP (including assisting in facility
3 self-assessments and conducting training), overseeing O&M projects and activities to comply
4 with environmental laws and regulations (including reporting), acting as a liaison between the
5 environmental agencies and the Company, and obtaining applicable permits and documentation
6 to comply with environmental rules and regulations for over 200 facilities located within our
7 service territory. This cost request in Environmental Programs O&M is necessary to support the
8 aforementioned activities along with the activities discussed in the Introduction of the Summary
9 of Environmental Services Cost. These positions support overall Environmental Program O&M
10 activity compliance. See workpapers for 2EV000.000 in Exhibit SCG-25-WP-R.

11 Hazardous Materials and Waste Control Fees. SoCalGas requests additional funds in the
12 amount of \$30,000 in TY2019 to address increased costs associated with hazardous materials
13 and waste control fees. Additional funds are required to account for annual inflation rates
14 associated with generator fees, increased hazardous waste generation at Operation Facilities and
15 Treatment, Storage, and Disposal Facilities (TSDF) and the recent enactment of State Bill 839
16 which eliminated the option for a flat fee payment of TSDF permit renewals.¹² SoCalGas owns,
17 maintains, and operates five facilities that are regulated by the Department of Toxic Substances
18 Control (DTSC). These facilities generate, store and/or dispose of hazardous materials and are
19 thus subject to fees that are set to increase annually. See supplemental workpapers for
20 2EV000.000 in Exhibit SCG-25-WP-R.

21 NPDES Hydrostatic Permit Fees. SoCalGas requests an additional \$21,000 in TY2019 in
22 response to the State Water Resources Control Board's (SWRCB) development and anticipated
23 adoption of new National Pollutant Discharge Elimination System (NPDES) permits addressing
24 natural gas utility discharges from Hydrostatic Testing of pipelines and related activities. These
25 new NPDES permits would eliminate the application of inconsistent discharge requirements as
26 discharge requirements would follow a statewide standard rather than a regional standard. These
27 new permits would require an annual enrollment fee. This cost was determined using the 2016-
28 2017 SWRCB Fee schedule with an approximate increase of 3% per year, as well as an
29 averaging of associated consultant fees. See supplemental workpapers for 2EV000.000 in
30 Exhibit SCG-25-WP-R.

¹² S.B. 839, 2015-2016 Reg. Sess. (Cal. 2016).

1 Cultural & Natural Resources Management Permits: SJVHCP Compensatory Mitigation
2 and CDCA State MOU Mitigation. SoCalGas requests an additional \$20,000 in TY2019 to
3 acquire compensatory mitigation credits – a means of offsetting unavoidable impacts to natural
4 resources – for possible impacts to CDFW-identified species in the CDCA due to O&M
5 activities such as the periodic construction, repair and replacement of pipeline segments. These
6 projects may result in the take¹³ of plant or animal species protected by the California
7 Endangered Species Act¹⁴; therefore, to streamline procedures, reduce labor costs, and increase
8 the efficiency of addressing impacts to protected species, SoCalGas and the CDFW have entered
9 into a long-term, programmatic-level Memorandum of Understanding¹⁵ (MOU). The MOU
10 prescribes management measures for the anticipated to be affected by a proposed project or
11 repair through design of avoidance, minimization and mitigation of adverse impacts to the
12 species and provides a mechanism to acquire or purchase compensatory mitigation credits for the
13 temporary or permanent disturbance of those species. See supplemental workpapers for
14 2EV000.000 in Exhibit SCG-25-WP-R.

15 Triennial Gasoline Fueling Dispensing/Underground Storage Tank Testing. SoCalGas
16 requests an additional \$18,000 in TY2019 to address SWRCB’s adoption of new triennial tests
17 on secondary containment of all fueling Underground Storage Tank (UST) systems. SoCalGas
18 currently monitors and maintains 51 separate UST systems. As a result of new regulations
19 adopted by SWRCB¹⁶, triennial tests on the secondary containment of all USTs, including newly
20 installed secondary containment, are conducted to maintain performance integrity of the systems.
21 These costs were calculated using a three-year average of SoCalGas vendor rates, as well as
22 anticipating the failure and repair of sites tested based upon similar UST tests conducted in the
23 past. See my workpapers, Exhibit SCG-25-WP-R, for more detail.

¹³ The term “take” means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or to attempt to engage in any such conduct. 16 U.S.C. § 1532(19) – Definitions.

¹⁴ See California Fish and Game Code, Section 2050, et seq.

¹⁵ California Endangered Species Act Memorandum of Understanding and Management Authorization by and between Southern California Gas Company and the California Department of Fish and Game regarding On-Going Maintenance Activities, No. 2081-1996-049-5 (Dec. 31, 1997).

¹⁶ See Cal. Code Regs., tit. 23, ch. 16.

1 **C. NERBA**

2 **1. Description of Costs and Activities**

3 **a. Background**

4 In the 2012 GRC, the Commission approved the NERBA as a two-way balancing
5 account, and adopted cost forecasts for the costs SoCalGas proposed to record in the NERBA.¹⁷
6 The costs currently authorized to be recorded to the NERBA include (i) Assembly Bill 32
7 (AB32) Administrative Fees; (ii) Municipal Separate Storm Sewer System (MS4) Local
8 Ordinance Compliance; (iii) Subpart W of Part 98 of Title 40 of the Code of Federal Regulations
9 (CFR); (iv) LDAR Impact Program related costs; and, (v) implementation of Best Practices of
10 the Natural Gas Leak Abatement Program (NGLAP). The intent of the NERBA is to record costs
11 meeting the following key criteria: (i) uncertainty as to the scope, magnitude and mechanics of
12 the compliance requirements associated with new, proposed or evolving environmental rules or
13 regulations; and (ii) potential for incurring significant incremental costs.

14 On June 19, 2017, the Commission issued Decision D.17-06-015 directing SoCalGas to
15 file a Tier 3 Advice Letter to establish the revenue requirement to be incorporated in customer’s
16 rates for NGLAP of the Sub-account of the NERBA.¹⁸ Accordingly, the NERBA-related cost
17 forecasts associated with the NGLAP Subaccount for 2018-19 are not included in this testimony.

18 **b. Proposal**

19 Environmental Services is requesting that the existing NERBA two-way balancing
20 accounts be authorized to continue during this GRC cycle.

21 SoCalGas’ proposed NERBA-related costs are shown below in Table 7.

22 **Table 7**

23 **Non-Shared Balanced O&M Summary of Costs for NERBA**

ENVIRONMENTAL SERVICES (Shown in Thousands of 2016 Dollars)				
NERBA Item	2016 Adjusted- Recorded	TY2019 Estimated	Change	Status
AB32 Administrative Fees	4,834	5,023	189	Continue in 2019 GRC Period
MS4 Local Ordinance Compliance	0	130	130	Continue in 2019 GRC Period

¹⁷ See (D.) 13-05-010 (2012 GRC decision) and implementing Advice Letter 4507-G.

¹⁸ See (D.) 17-06-015, Decision Approving Natural Gas Abatement Program Consistent with Senate Bill 1371.

Subpart W	204	223	19	Continue in 2019 GRC Period
NGLAP Subaccount	N/A	N/A	N/A	NGLAP costs not forecasted in TY2019 GRC. Costs to be authorized in SB1371 OIR.
LDAR Impact Program	N/A	4,258 ¹⁹	4,258	Emergent regulatory LDAR costs
Total	5,038	9,634²⁰	4,596	

1 The regulatory accounting for the NERBA is addressed in the Regulatory Accounts
2 testimony of Ms. Rae Marie Yu (Exhibit SCG-42).

3 **c. Forecast Method**

4 A zero-based forecasting methodology was used to forecast labor and non-labor for this
5 cost category. As NERBA items are not readily predictable given the attributes for NERBA as
6 described above, traditional averaging of historical costs would not be a representative forecast
7 method. . See workpapers for 2EV001.000 in Exhibit SCG-25-WP-R.

8 **d. Cost Drivers**

9 The following NERBA subaccounts collectively contribute to the upward incremental
10 increase in cost of \$4,596,000²¹ to arrive at a total forecasted amount of \$9,634,000²² in TY2019:

11 AB32 Administrative Fees. SoCalGas is forecasting an increase of \$189,000 for the
12 AB32 Administrative Fees beyond base year levels for incremental increases to administrative
13 fees. SoCalGas has paid administrative fees as required by the California’s Global Warming
14 Solutions Act of 2006 (colloquially referred to as AB32), which are intended for CARB to
15 recover its costs to implement AB32.²³ AB32 requires public utility gas corporations, such as
16 SoCalGas, to pay annual administrative fees for each therm of natural gas they deliver to any end
17 user in California, excluding natural gas delivered to electric generating facilities and to
18 wholesale providers. SoCalGas cannot determine either the fuel delivered to customers or the
19 exact common carbon cost to provide very detailed projections. However, total gas deliveries

¹⁹ The non-labor forecast for the LDAR Impact Program subaccount within NERBA is understated by \$270,000. The forecast for this subaccount should be \$4,528,000. Testimony, and the Results of Operations currently reflect a forecast of \$4,258,000.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ See California Code of Regulations, tit. 17, ch. 1, Section 95201.

1 and the changes in the common carbon cost has resulted in a minimal increase in costs. See
2 workpapers for 2EV001.002 in Exhibit SCG-25-WP-R.

3 MS4 Local Ordinance Compliance. SoCalGas is forecasting costs for MS4 Local
4 Ordinance in the amount of \$130,000. The RWQCB issues NPDES permits to MS4
5 owners/operators that include counties, cities, and flood control districts. Municipalities and MS4
6 owners/operators, in turn, must regulate dischargers located within their jurisdiction, including
7 commercial facilities. This includes requiring commercial facilities to minimize discharge of
8 pollutants to the MS4 through the implementation of Best Management Practices (BMPs). Since
9 NPDES permits are renewed on a five-year cycle and are generally becoming more stringent,
10 municipalities are expected to become more rigorous in enforcing BMP implementation on
11 commercial facilities. MS4 owners/operators are required to inspect and regulators can enforce
12 BMP implementation at these facilities and can impose further compliance requirements if the
13 facility is located in a watershed of an impaired waterbody that has a Total Maximum Daily
14 Loading (TMDL). Currently, most SoCalGas facilities are swept on a monthly basis. To lower
15 potential pollutant discharge from commercial activities and vehicular traffic at SoCalGas
16 facilities, it may be necessary to increase sweeping to a frequency of twice a month for
17 approximately 52 facilities. Due to the volatility of predicting costs within MS4, it is prudent to
18 continue to balance this cost item due to uncertainly of cost impacts resulting from
19 implementation. See workpapers for 2EV001.004 in Exhibit SCG-25-WP-R.

20 Subpart W. SoCalGas requests an increase of \$19,000 to address incremental changes to
21 the costs required to comply with Subpart W. Both the federal and state mandatory GHG
22 Reporting Rules require Petroleum and Natural Gas Systems to report GHG emissions annually.
23 The federal requirement is embodied in Title 40, CFR, Part 98, Subpart W. The state requirement
24 is contained in Title 17, California Code of Regulations (CCR), Subchapter 10, Subarticle 5,
25 beginning with section 95150. Typical activities that must be conducted per Subpart W
26 requirements include:

- 27 • Gas Distribution Subpart W compliance monitoring, recordkeeping and reporting
28 (MRR) conducted by contractors and/or internal labor such as leak surveys on
29 meter and regulation stations each year.

- 1 • Compliance MRR tools and software such as optical imaging, high flow sampling
2 or other required leak surveying equipment and associated software to support
3 compliance MRR.
- 4 • Environmental Services support of Transmission and Storage Operations Subpart
5 W compliance MRR conducted by contractors and/or internal labor such as
6 development and maintenance of the Best Available Monitoring Methods
7 (BAMM) and monitoring plans as well as leak surveying and internal labor
8 oversight and management of contractors performing any compliance MRR
9 functions.
- 10 • Environmental Services Subpart W compliance MRR by contractors and/or
11 internal labor such as reporting to EPA’s electronic GHG reporting tool, rule
12 language review and analysis.
- 13 • Environmental Services Subpart W compliance MRR software and tools.
- 14 • Gas Engineering Subpart W compliance MRR support such as activities to
15 measure compressor venting/fugitive emissions, purchasing and training on
16 survey equipment (e.g., at elevated locations with optical gas imaging cameras)
17 and support of BAMM.
- 18 • Internal labor for administrative support and oversight of Subpart W compliance.

19 The regulatory changes dictate how and when MRR activities are both carried out in the
20 field as well as reported to the respective agencies. Even though the state regulatory language
21 seeks to incorporate various portions of title 40 of CFR, section 98 by reference, there are also
22 key differences between the two.

23 As a result of the extensive regulatory changes, SoCalGas has expended significant time
24 and effort commenting on proposed rule changes and substantially modifying the MRR
25 Monitoring Plans for every SoCalGas facility affected once a rule change goes into effect. In
26 addition, the cost of verification services for affected facilities has increased significantly now
27 that MRR verification activities are critical to Cap and Trade compliance for all major sources.
28 Finally, training of field personnel and reporting/management tools and documentation are
29 needed due to the rule updates. See workpapers for 2EV001.001 in Exhibit SCG-25-WP-R.

30 LDAR Impact Program. Due to emerging LDAR regulatory requirements not associated
31 with SB1371, SoCalGas anticipates impacts to our facilities and operations at transmission

1 compressor stations and underground storage fields, including, but not limited to, the testing,
 2 monitoring and repair of leaks in compressor engines, pneumatic controllers, tanks, wells and
 3 piping. These new, emergent LDAR costs for requirements associated with CARB Oil and Gas
 4 and SB887 have been estimated in the amount of \$4,258,000²⁴ in TY2019. Additionally,
 5 unforeseen regulatory requirements may present themselves within this GRC period that may
 6 require incremental costs to comply and thus should qualify as appropriate for inclusion within
 7 this existing NERBA two-way balancing account.

8 With the understanding that the anticipated costs of new requirements are uncertain and
 9 cannot be precisely accounted for at this time, the anticipated range of costs exceeds an amount
 10 that might be reasonably absorbed in routine operations in either the test year or post-test years.
 11 Based on the foregoing, SoCalGas respectfully requests the continuance of the existing LDAR
 12 NERBA two-way balancing account to include emerging LDAR costs.

13 **IV. SHARED COSTS**

14 **A. Introduction**

15 Environmental Services’ shared O&M costs are contained in two cost categories:
 16 Director of Environmental Services and Environmental Programs. Table 8 summarizes the total
 17 shared O&M forecasts for the listed cost categories.

18 **Table 8**

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

ENVIRONMENTAL (In 2016 \$)			
(In 2016 \$) Incurred Costs (100% Level)			
Categories of Management	2016 Adjusted-Recorded (000s)	TY2019 Estimated (000s)	Change (000s)
A. Director of Environmental Services	69	75	6
B. Environmental Programs	656	561	-95
Total Shared Services (Incurred)	725	636	-89

20 I am sponsoring the forecasts on a total incurred basis, as well as the shared services
 21 allocation percentages related to those costs. Those percentages are presented in my shared
 22 services workpapers, Exhibit SCG-25-WP-R, along with a description explaining the activities

²⁴ The non-labor forecast for the LDAR Impact Program subaccount within NERBA is understated by \$270,000. The forecast for this subaccount should be \$4,528,000. Testimony, and the Results of Operations currently reflect a forecast of \$4,258,000.

1 being allocated. The dollar amounts allocated to affiliates are presented in the Shared Services &
2 Shared Assets Billing, Segmentation, & Capital Reassignments testimony of James Vanderhye
3 (Exhibit SCG-34/SDG&E-32).

4 **B. Director of Environmental Services**

5 **1. Description of Costs and Activities**

6 SoCalGas requests an incremental increase of \$6,000 required for compliance activities
7 in this shared service O&M cost category, including the Environmental Services Director
8 oversight function, and the services and personnel required to support the Director in their role.
9 The Director provides leadership and strategic direction to Environmental Services at both
10 SDG&E and SoCalGas.

11 **2. Forecast Method**

12 A zero-based forecasting methodology was used to forecast labor and non-labor for this
13 cost category. Traditional averaging or trending of historical costs would not appropriately
14 capture the current and future staffing profile related to this cost center, while a zero-based
15 starting point better reflects the activities and responsibilities of SoCalGas' management function
16 for Environmental Services. See workpapers for cost center 2200-2012 in Exhibit SCG-25-WP-
17 R.

18 **3. Cost Drivers**

19 Forecasted costs will reflect the portion of the forecasted costs of the shared SDG&E and
20 SoCalGas Environmental Services Director.

21 **C. Environmental Programs**

22 **1. Description of Costs and Activities**

23 The compliance activities in this shared service O&M cost category include air quality
24 compliance and permitting support as well as the Environmental Programs Manager function and
25 services required to support program management for the department. SoCalGas and SDG&E
26 share labor costs across the companies to maximize efficiency, reduce travel time to facilities or
27 infrastructure locations and share the expertise of certain personnel.

28 **2. Forecast Method**

29 A zero-based forecasting methodology was used to forecast labor and non-labor for this
30 cost category. This forecasting methodology is related to consultant and organizational
31 management activities for Environmental Services, as well as increasing labor costs.

1 The zero-based methodology was utilized because a historical cost forecast would not
2 reflect the current projected work for this cost category. As a result, utilizing a base year or
3 average trending forecasting methodology would not be representative of costs. See workpapers
4 for cost centers 2200-2176 and 2200-2554 in Exhibit SCG-25-WP-R.

5 **3. Cost Drivers**

6 The costs in this cost category are driven by changes to consultant fees and non-labor
7 organizational program management costs to perform this function, as well as reprioritization of
8 department resources due to the Aliso Incident as the labor provided for that event was excluded
9 from the GRC historical recorded costs – this forecast adjustment is necessary for the adequate
10 resumption of routine operations.

11 **V. CONCLUSION**

12 My testimony and workpapers provide support for the costs I sponsor for Environmental
13 Services, and the reasonableness of the methodologies used to derive those costs. Environmental
14 Compliance is a critical element of our business and ecological stewardship. Our 2019 Test Year
15 forecasts represent a modest and justified increase over base year costs, and we respectfully ask
16 the Commission to fully fund our important work so SoCalGas can continue to meet its
17 obligations to applicable regulations and environmental stewardship. This concludes my revised
18 prepared direct testimony.

19 **VI. WITNESS QUALIFICATIONS**

20 My name is Darrell Johnson. My business address is 555 West Fifth Street, Los Angeles,
21 California, 90013. My current position is Environmental Programs Manager within the
22 Operations Support organization. The Environmental Services organization provides services to
23 both SoCalGas and SDG&E. I joined SoCalGas in 2001 where I served as a Principal
24 Environmental Specialist. I have been in my current position at SoCalGas since 2014.

25 I hold a Bachelor's of Science Degree in Civil Engineering from Saint Martin's
26 University.

27 I have not previously testified before the Commission.

LIST OF ACRONYMS

AB	Assembly Bill
BAMM	Best Available Monitoring Method
BMP	Best Management Practice
CARB	California Air Resources Board
CDCA	California Desert Conservation Act
CDFW	California Department of Fish and Wildlife
CCR	California Code of Regulations
CFR	Code of Federal Regulations
EPA	Environmental Protection Agency
DTSC	Department of Toxic Substances Control
ECCPS	Employee, Contractor, Customer and Public Safety Risk
ESCMP	Employee and Safety Compliance Management Program
FOF	Fueling Our Future
GIS	Geographic Information System
GRC	General Rate Case
LDAR	Leak Detection and Repair
MRR	Monitoring, Recordkeeping and Reporting
MOU	Memorandum of Understanding
MS4	Municipal Separate Storm Sewer Systems
NERBA	New Environmental Regulatory Balancing Account
NGLAP	Natural Gas Leak Abatement Program
NPDES	National Pollutant Discharge Elimination System
O&M	Operations and Maintenance
OIR	Order Instituting Rulemaking
RWQCB	Regional Water Quality Control Board
SB	Senate Bill
SDG&E	San Diego Gas & Electric
SDS	Safety Data Sheet
SJVHCP	San Joaquin Valley Habitat Conservation Plan
SWRCB	California State Water Resources Control Board
TMDL	Total Maximum Daily Loading
TSDf	Treatment Storage and Disposal Facilities
TY	Test Year
UST	Underground Storage Tank

SCG 2019 GRC Testimony Revision Log – December 2017

Exhibit	Witness	Page	Line	Revision Detail
SCG-25	Darrell Johnson	DJ-iii		Replaced table with updated GRID Testimony Table to include missing \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-iii		Added Footnote to explain NERBA LDAR Impact Program Subaccount discrepancy.
SCG-25	Darrell Johnson	DJ-iii		Changed dollar amount in first bullet to “\$17,243,000” to reflect new GRID Testimony Table numbers.
SCG-25	Darrell Johnson	DJ-iii		Changed dollar amount in first bullet to “\$5,490,000” to reflect new GRID Testimony Table numbers.
SCG-25	Darrell Johnson	DJ-1	10	Replaced table with updated GRID Testimony Table to include missing \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-4	12	Changed table’s column titles to reflect those present in GRID.
SCG-25	Darrell Johnson	DJ-10	15	Replaced table with updated GRID Testimony Table to include missing \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-10	19	Changed dollar amount to “\$6,973,000” to reflect new GRID Testimony Table numbers.
SCG-25	Darrell Johnson	DJ-10	19	Changed dollar amount to “\$983,000” to reflect new GRID Testimony Table numbers.
SCG-25	Darrell Johnson	DJ-11	16	Changed dollar amount to “\$983,000” to reflect new GRID Testimony Table numbers.
SCG-25	Darrell Johnson	DJ-11	18	Changed “Environmental Program Support” dollar amount to “\$894” to reflect additional \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-11	20	Changed “Environmental Program Support” dollar amount to “\$894” to reflect additional \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-11	23	Changed dollar amount to “\$577,000” to reflect additional \$(17)k in FOF cost savings.
SCG-25	Darrell Johnson	DJ-15	10	Changed dollar amount to “\$4,596,000” to reflect numbers present in GRID Testimony Table.
SCG-25	Darrell Johnson	DJ-15	10	Changed dollar amount to “\$9,634,000” to reflect numbers present in GRID Testimony Table.
SCG-25	Darrell Johnson	DJ-17	30	Underlined “LDAR Impact Program” and changed the colon to a period.