Docket	:	A.17-10-007/008
Exhibit Number	:	ORA-19
Commissioner	:	L. Randolph
ALJ	:	R. Lirag
Witness	:	M. Waterworth

OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2019 General Rate Case

SCG – Supply Management & Logistics and Supplier Diversity; Fleet Services; Real Estate, Land Services and Facilities; and Environmental Services

San Francisco, California
April 13, 2018

TABLE OF CONTENTS

SCG – SUPPLY MANAGEMENT & LOGISTICS AND SUPPLIER DIVERSITY; FLEET SERVICES; REAL ESTATE, LAND SERVICES AND FACILITIES; AND ENVIRONMENETAL SERVICES

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding the proposals of Southern California Gas Company (SCG or SoCalGas) in its Test Year (TY) 2019 General Rate Case (GRC) associated with:

- Exhibit (Ex.) SCG-22 - Supply Management & Logistics and Supplier Diversity. Supply Management manages the purchase, distribution, receipt, delivery, inventory, and management of materials, supplies, and services for SCG.
- Ex. SCG-23 - Fleet Services. Fleet Services acquires, maintains, repairs, and salvages vehicles and related equipment to support the delivery of gas to SCG's customers.
- Ex. SCG-23 - Facility Operations. Facility Operations' responsibilities encompass 1.7 million square feet comprised of 80 staffed locations including general offices, bases, multi-use sites, branch offices, and telecommunication sites,
- Ex. SCG-24 - Real Estate. Consists of funding for the real estate administration and asset management functions of real property for SCG and funding for the leases/rents associated with office space and branch office locations,
- Ex. SCG-25 - Environmental Services. Environmental Services oversees compliance for federal, state, regional and local environmental statutes, rules and regulations, including laws protecting air quality, water quality, hazardous materials, waste, cultural resources, land planning and natural resources.

ORA, addresses SCG's forecasts of operation and maintenance (O&M) expenses for 2019 and capital expenditures for 2017 through 2019. Tables 19-1 (Expenses) and 19-2 (Capital) in Section II, Summary of Recommendations, present the results of ORA's analysis and subsequent recommendations.

II. SUMMARY OF RECOMMENDATIONS

Table 19-1
ORA Recommended and SCG Proposed 2019 O&M Expenses by SCG Exhibit
(in Thousands of Dollars)

Description (a)	ORA Recommended (b)	SCG Proposed (c)	Amount SCG>ORA (d=c-b)
SCG-22 Supply Management & Logistics	$15,516	$16,723	$1,207
SCG-23 Fleet & Facility Operations	$69,235	$97,096	$27,861
SCG-24 Real Estate	$20,067	$23,450	$3,383
SCG-25 Environmental Services	$15,131	$17,260	$2,129
Total	$119,949	$154,529	$34,580

Table 19-2
SCG-23 Fleet Services & Facility Operations Capital Expenditures for 2017-2019
(in Thousands of Dollars)

Description	ORA Recommended			SCG Proposed		
	2017	2018	2019	2017	2018	2019
Total	$37,869	$48,933	$41,610	$42,416	$73,569	$82,372

A. Supply Management & Logistics, and Supplier Diversity

Table 19-3 compares ORA's and SCG's 2019 Supply Management & Logistics and Supplier Diversity expense forecasts.

Table 19-3
Supply Management & Logistics and Supplier Diversity O&M Expenses for 2019
(in Thousands of 2016 Dollars)

Description (a)	ORA Recommended (b)	SCG Proposed[1] (c)	Amount SCG>ORA (d=c-b)
Non-Shared Services	$19,055	$20,262	$1,207
Fuel Our Future	$(4,059)	$(4,059)	$0
Shared Services	$520	$520	$0
Total	$15,516	$16,723	$1,207

[1] Ex. SCG-22/SDG&E-20, p. DW-1, Table DW-1.

The following summarizes ORA's recommendations regarding Supply Management & Logistics and Supplier Diversity expenses:

- ORA recommends an adjustment of $783,000 to 2019 Inventory Management Logistics – Pool Warehousing costs,
- ORA recommends an adjustment of $424,000 to 2019 Office Services costs.

B. Fleet Services & Facility Operations

Table 19-4 compares ORA's and SCG's TY 2019 Fleet Services expense forecasts:

Table 19-4
Fleet Services & Facility Operations O&M Expenses for 2019
(in Thousands of 2016 Dollars)

Description (a)	ORA Recommended (b)	SCG Proposed[2] (c)	Amount SCG>ORA (d=c-b)
Non-Shared Services	$62,890	$90,751	$27,861
Shared Services	$6,345	$6,345	$0
Total	$69,235	$97,096	$27,861

The following summarizes ORA's recommendations regarding Fleet Services & Facility Operations expenses for 2019.

- ORA's forecast for Ownership Costs - Amortization expense is $14.844 million lower than SoCalGas' request for $35.175 million,
- ORA's forecast for Ownership Costs – Interest expense is $3.745 million lower than SoCalGas' request for $5.956 million,
- ORA's forecast for Ownership Costs – Salvage expense is $314,000 higher than SoCalGas' request for $1.754 million,
- ORA's forecast for Ownership Costs – License Fee expense is $3.967 million lower than SoCalGas' request for $6.184 million,
- ORA's forecast of Maintenance Operations expense is $1.743 million lower than SoCalGas' request for $13.342 million,
- ORA's forecast of Automotive Fuel Expene is $1.474 million lower than SoCalGas' request for $12.504 million,

[2] Ex. SCG-23, p. CLH-iii.

- ORA's forecast of Fleet Management Operations expense is $411,000 million lower than SoCalGas' request for $1.100 million,
- ORA's forecast of Facility Operations expense is $2.688 million lower than SoCalGas' request for $18.246 million,

Table 19-5 compares ORA's and SCG's 2017-2019 Fleet Services & Facility Operations capital expenditure forecasts:

Table 19-5
Fleet Services & Facility Operations Capital Expenditures for 2017-2019
(in Thousands of Dollars)

Description	ORA Recommended			SCG Proposed[3]		
	2017	2018	2019	2017	2018	2019
Total	$37,869	$47,503	$48,979	$42,416	$73,569	$82,372

The following summarizes ORA's recommendations regarding Fleet Services & Facility Operations capital expenditures:

- ORA recommends using 2017 actual costs as an appropriate "forecast" of SCG's 2017 capital expenditures, which is $4.347 million lower than SCG's request,
- ORA recommends 2018 and 2019 forecasted expenditures of $4.439 million and $8.002 million (respectively), related to the Compton, Chatsworth, Anaheim, and Pico Rivera facilities (Facility Renovations)
- ORA opposes SCG's 2018 and 2019 forecasted expenditures ($8.518 million and $7.382 million, respectively) related to the Gas Control facility (Facility Renovations).
- ORA opposes SCG's 2018 and 2019 forecasted expenditures ($2.000 and $16.750 million, respectively) related to the Logistics Warehouse (Facility Renovations),
- ORA opposes SCG's 2018 and 2019 forecasted expenditures ($2.000 and $1.000 million, respectively) related to the Collaborative Training facility (Facility Renovations),
- ORA recommends lowering the 2017 forecast from $7.000 million to $596,000, lowering the 2018 forecast to $6.404 million, and moving the 2018 forecast of $7.000 million to 2019, related to the Bakersfield facility costs,

[3] Ex. SCG-23, p. CLH-iii.

- ORA's forecast associated with SCG's construction of new Natural Gas Vehicle facilities is $8.102 million lower than SCG's request for 2018, and $11.624 million lower than SCG's request for 2019.

C. Real Estate

Table 19-6 compares ORA's and SCG's TY 2019 Real Estate expense forecasts:

Table 19-6
Real Estate O&M Expenses for 2019
(in Thousands of 2016 Dollars)

Description (a)	ORA Recommended (b)	SCG Proposed[4] (c)	Amount SCG>ORA (d=c-b)
Non-Shared Services	$2,400	$2,400	$0
Shared Services	$17,667	$21,050	$3,383
Total	$20,067	$23,450	$3,383

The following summarizes ORA's recommendations regarding Real Estate O&M expenses for 2019.

- ORA's forecast for GCT rents is $3.383 million lower than SoCalGas' request for $19.359 million,

D. Environmental Services

Table 19-7 compares ORA's and SCG's 2019 Environmental Services expense forecasts:

Table 19-7
Environmental Services O&M Expenses for 2019
(in Thousands of 2016 Dollars)

Description (a)	ORA Recommended (b)	SCG Proposed[5] (c)	Amount SCG>ORA (d=c-b)
Non-Shared Services	$14,495	$16,624	$2,129
Shared Services	$636	$636	$0
Total	$15,131	$17,260	$2,129

[4] Ex. SCG-24, p. RDT-2, Summary Table.

[5] Ex. SCG-25, p. DJ-1, Table 1.

The following summarizes ORA's recommendations regarding Environmental Services expenses:

- ORA's forecast of the New Environmental Regulatory Balancing Account (NERBA) – LDAR Impact Program is $2.129 million lower than SCG's forecast of $9.634 million.

PART I: SUPPLY MANAGEMENT & LOGISTICS, AND SUPPLIER DIVERSITY

I. NON-SHARED AND SHARED EXPENSES

SCG is forecasting $16.203 million for TY 2019 which is $855,000 or 5.2 percent below 2016 recorded expenses for Supply Management's Non-Shared O&M. SCG is requesting $520,000 for TY 2019 expenses for Shared O&M which is 5.2 percent above 2016 recorded expenses. ORA recommends $14.996 million for TY 2019 which is $1.207 million or 7.4 percent less than SCG's forecast. Table 19-8 below, presents 5 years of historic data alongside ORA's recommendations and SCG's forecast followed by ORA's analysis.

Table 19-8
Supply Management & Logistics and Supplier Diversity
Non-Shared/Shared O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Procurement Mgmt.	$2,010	$3,030	$2,755	$3,608	$2,524	$(1,200)	$(1,200)
Inventory Mgmt.	$12,327	$12,074	$12,070	$11,791	$11,361	$13,342	$12,559
Supplier Diversity	$1,181	$1,372	$1,048	$752	$687	$1,151	$1,151
Office Services	$3,087	$3,117	$2,984	$2,876	$2,486	$2,910	$2,486
Total Non-Shared	$18,605	$19,593	$18,857	$19,027	$17,058	$16,203	$14,996
Total Shared	$0	$0	$0	$354	$493	$520	$520

Source: Combined 2012-2016 data from Ex. SCG-22-WP, pp. 5, 12, 18, 24, 29, 34, 38, 47, 54, and 61. SCG 2019 forecast from Ex. SCG-22 WP, pp. 2 and 51

A. ORA's Analysis

1. Procurement Analysis and Recommendation

To calculate their forecast, SCG uses a 5 year average then incrementally adjusts it for new staffing. ORA agrees with the use of a 5 year average; however, recommends an adjustment of $783,000[6] related to additional personnel. In 2019, SCG is requesting 8 represented Full Time Equivalents (FTEs) to manage additional material requirements in inventory, 1 material requirement advisor, and 1 supervisor to manage the represented employee's and additional warehouse. ORA recommends no ratepayer funding for the additional employees as ORA does not recommend funding for the Logistics Warehouse (see discussion at PART II Section II A 2c).

2. Office Services Analysis and Recommendation

ORA recommends the use of the base year as there is clear downward trend during the past 4 years (2013-2016). ORA's forecast of $2.486 million which is based on 2016 recorded expenses is $484,000 lower than SCG's request for $2.910 million. Use of the base year, when expenses are decreasing is a reasonable methodology.

[6] Ex. SCG-22-WP pg. 25

PART II: FLEET SERVICES & FACILITY OPERATIONS

I. NON-SHARED AND SHARED EXPENSES

SCG is forecasting $90.751 million for TY 2019 which is $33.627 million or 58.9% above 2016 recorded expenses for Fleet Services and Facility Operations. SCG is requesting $6.345 million for TY 2019 expenses for Shared O&M which is 10.6% above 2016 recorded expenses. ORA recommends $62.890 million for TY 2019 which is $27.861 million or 30.7% less than SCG's forecast. ORA accepts SCG's 2019 Shared O&M forecast of $6.345 million. Table 19-9 below presents 5 years of historic data alongside ORA's recommendations and SCG's forecasts.

Table 19-9
Fleet Services and Facility Operations
Non-Shared/Shared O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Ownership Costs	$16,503	$16,692	$18,635	$20,027	$20,342	$45,561	$23,319
Maintenance Op	$26,087	$25,010	$22,258	$23,067	$21,110	$25,845	$22,629
Fleet Management	$819	$734	$1006	$717	$502	$1,100	$755
Facility Operations	$17,768	$15,635	$17,832	$15,414	$15,170	$18,245	$16,187
Total Non-Shared	$61,177	$58,071	$59,731	$59,225	$57,124	$90,751	$62,890
Shared Fleet Mgmt	$2,127	$2,301	$1,925	$1,760	$2,236	$2,498	$2,498
Shared Facility Op	$3,391	$3,523	$3,800	$3,394	$3,500	$3,845	$3,845
Total Shared	$5,518	$5,824	$5,725	$5,154	$5,736	$6,345	$6,345

Source: Combined 2012-2016 data from Ex. SCG-23-WP, pp. 5, 17, 26, 33, 42, 48, 55, 62, 64, 69, 83, 93, 102, and 108. SCG 2019 forecast from Ex. SCG-23 WP, p. 2, 80.

A. ORA's Ownership Expense Forecast Analysis

SCG is requesting $45.516 million for TY 2019 which is $25.219 million or 124% above 2016 recorded expense for Ownership Costs. ORA is recommending $23.319 million for TY 2019 which is $22.242 million or 48.9% less than SCG's forecast for Ownership Costs and $3 million above the 2016 recorded expense.

Table 19-10 below presents 5 years of historic data alongside ORA's recommendations and SCG's forecast.

Table 19-10
Fleet Services – Ownership O&M Expenses
2012-2017 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SCG 2019	ORA 2019
Amortization	$14,572	$14,619	$17,920	$17,659	$17,761	$20,331	$35,175	$20,331
Interest	$1,460	$1,490	$1,690	$1,481	$1,604	$2,211	$5,956	$2,211
Salvage	$(1,221)	$(1,265)	$(2,909)	$(953)	$(813)	$(1,440)	$(1,754)	$(1,440)
License	$1,692	$1,848	$1,934	$1,840	$1,790	$2,217	$6,184	$2,217
Total	$16,503	$16,692	$18,635	$20,027	$20,342	$23,319	$45,561	$23,319

Source: Combined 2012-2016 data from Ex. SCG-22-WP, pp. 5, 17, 26 and 33. SCG 2019 forecast from Ex. SCG-23 WP, p. 3

ORA recommends using 2017 actual recorded ownership costs. The use of actual 2017 data will base the TY 2019 forecast on actual amortization, actual interest, actual salvage, actual license fee/taxes, and actual vehicle additions. SCG primarily bases its forecast on forecast vehicle additions by year, with the added vehicle costs compounding year over year. This results in increasing SCG's 2017 forecast by 53.5% to determine TY2019 forecast. The concept of compounding 2017 forecast to arrive at a TY2019 forecast is not justified based on historic data. The support for ORA's argument is as follows:

- SCG's methodology results in over-collections of an estimated $39.6 million from 2012-2017 and likely greater if SCG's 2019 forecast is approved. ORA did not have the attrition years for authorized so conservatively used the test year authorized for the years 2013-2015 and 2017 (see Table 19-11).
- Despite SCG's calculation showing a significant increase of ownership costs from 2017 to 2019, (per ORA's percentage calculation increases) ownership costs historically do not increase by 31.9 percent, (from 2017-2018) then by 16.2 percent (from 2018 to 2019), yielding a year after year increase of 53.2 percent increase. From 2009 to 2017, Table 19-12 shows variation in actual yearly vehicle additions, and variation in actual expenses, yet never a year over year increase of over 50%.

- SCG's ownership costs forecasts largely assume estimated vehicle replacements as a cost driver; however, as shown in Table 19-3 actual acquisitions tend to be far lower than forecast resulting in lower actual ownership costs.

Table 19-11
Ownership Costs O&M Expenses-Requested, Authorized, Actual
2012-2017 Recorded and 2019 Forecasts
(in Millions of 2016 Dollars)

	2012	2013	2014	2015	2016	2017	2018	2019
Requested Expense	$20.8				$37.1	$29.7	$39.2	$45.6
Authorized Expense	$20.8	$20.8	$20.8	$20.8	$35.9	$35.9		
Actual Expense	$16.5	$16.7	$18.6	$20.0	$20.3	$23.3		
Over-Collected	$4.3	$4.1	$2.2	$0.8	$15.6	$12.6		

Source: 2012/2016 Requested/Authorized Expense ORA-SCG-145-LMW Q.5, 2013-2015/2017 Authorized (used Authorized), 2012-2016 Actual Expense Combined Data SCG-23 W/P's – Ownership Costs. 2017 Actual Expense – 2017 Recorded Operating Costs – SCG.

Table 19-12
Vehicle and Incremental Vehicle Replacements Compared to Actual Expenses
2012-2017 Actuals
(in Millions of 2016 Dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vehicle Replacements	320	178	687	260	433	371	40	574	180
Incremental - Business	22	18	77	66	89	129	35	197	63
Actual Expense	$20.5	$23.0	$15.3	$16.5	$16.7	$18.6	$20.0	$20.3	$23.3

Source: Vehicle Replacements/Incremental - ORA-SCG-145-LMW Q.1. Actual Expense 2009 - 2011 ORA-Ex.14 TY2016 p.54 Table14-29, Actual Expense 2012-2017 Table 19-11 above.

Table 19-13
Comparison of Forecasted Vehicles to Actual
2014-2019 Actuals
(in Number of Vehicles)

	2014	2015	2016	2017	2018	2019
Replacement Vehicles Forecast	500	500	500	230	287	253
Replacement Actual Acquired Vehicles	371	40	574	137		
ATCM Forecast				290	275	305
ATCM Actual Acquired				43		
Incremental - Business Forecasted Vehicles	156	183	167	143	138	38
Incremental - Business Actual Acquired Vehicles	129	35	197	63		

Source: Acquired Vehicles ORA-SCG-145-LMW Q.1, Forecasted 2014 - ORA-Ex.14 TY2016 p.55 (lines 20-21), Forecasted 2015-2016 ORA-SCG-145-LMW Q.7, Forecast 2017-2019 SCG-W/Ps p.12

B. ORA's Maintenance Operations Forecast Analysis

SCG is requesting $25.845 million for TY 2019 which is $4.735 million or 22.4% above 2016 recorded expense for Maintenance Operations. ORA recommends $22.629 million for TY 2019 which is $3.216 million or 12.4% less than SCG's forecast for Maintenance Operations. Table 19-14 provides maintenance operations historical expenses alongside ORA's recommendation and SCG's TY 2019 forecast.

Table 19-14
Fleet Services – Maintenance Operations Expenses/FTE
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Maintenance Ops.	$13,686	$12,496	$11,549	$11,835	$11,414	$13,342	$11,599
Automotive Fuels	$12,401	$12,514	$10,709	$11,232	$9,696	$12,504	$11,030
Total	$26,087	$25,010	$22,258	$23,067	$21,110	$25,845	$22,629
Maint. Ops. FTE	91.5	89.6	82.8	81.5	76.6	91.5	

Source: 2012-2016 data from Ex. SCG-22-WP, p. 42, 48. SCG 2019 forecast from Ex. SCG-23 WP, p. 42, 48.

1. Maintenance Operations Analysis and Recommendation

To determine the forecast, SCG uses a 5 year average of $12.196 million[7] then incrementally adjusts the forecast. SCG adjusted their TY 2019 forecast for the following:

- $863,000[8] for the backfilling of personnel lost due to retirement,
- $284,000[9] for non-labor maintenance costs associated with 319[10] incremental vehicles,
- $244,000[11] for training and certification,
- $(245,000)[12] for fuel our future

ORA's forecast for Maintenance Operations is $1.743 million lower than SCG's request for $13.342 million. To determine its forecast, ORA uses a 3 year average (2014-2016), given expenses are trending downwards and the last 3 years of expense are more current and consistent, resulting in a forecast of $11.599 million. Relative to SCG's adjustments, ORA agrees with SCG's adjustments for training and Fuel Our Future, which results in a $0 net impact to the forecast.

In relation to SCG's proposed $863,000 incremental increase related to the backfilling of positions, ORA inquired as to the reason for the increase. SCG's response is as follows:

> "Since the GRC forecast is based on FTEs, rather than headcount, retirements and backfill information were not used to derive the GRC forecast. There have been a variety of retirements and employee turnover in Maintenance Operations dating back to 2012, with an average net reduction of 3.06 FTEs per year and a total net reduction

[7] Ex. SCG-23-WP pg. 43.

[8] Ex. SCG-23-WP pg. 44.

[9] Ex. SCG-23-WP pg. 44.

[10] ORA-SCG-033-LMW Q.3b.

[11] Ex. SCG-23-WP pg. 44 (combined amounts).

[12] Ex. SCG-23-WP pg. 44.

of 15.3 Maintenance Operations FTEs for the period of 2012 – 2016."[13]

Based on the above response, if SCG only bases its forecast on FTE's, then why in its workpapers does SCG state as an explanation "Backfilling Fleet technicians lost due to retirement"?[14] Outside any explanation as to the inconsistency, the increase will bring FTE levels back to 2012 levels despite several years (2013-2016) of operating with fewer full time equivalents, and no explanation or proof as to the reason that FTE's decreased from 2012 to 2016, but, in this rate case wanting to bring 2019 staffing levels back to 2012 levels. As a result of the lack of sufficient evidence, and given SCG's ability to operate with fewer full time equivalents, ORA opposes these estimated costs.

In relation to SCG's proposed $284,000 incremental increase related to the adding of new fleet, the proposed adjustment is highly discretionary given ORA's argument related to ownership expenses (see ORA's Ownership Forecast Analysis, above) and the addition of incremental fleet. There is no proof these additional vehicles will be added outside a proposed forecast for them, which is at the discretion of management regardless of the funds approved in a rate case. Nor is there any proof that any additional adjustments (in SCG forecasts) aren't already embedded in historic year's expenses through the use of averaging (as averaging uses fluctuating years of historic expenses).

2. Automotive Fuel Analysis and Recommendation

To determine the forecast, SCG uses a 5 year average of $11.310[15] million then incrementally adjusts the forecast. SCG adjusted their TY 2019 forecast for the following:

[13] ORA-SCG-033-LMW Q.2b.

[14] Ex. SCG-23-WP pg. 44.

[15] Ex. SCG-23-WP pg. 49.

- $709,000[16] for incremental fuel costs associated with accumulation of 319 incremental vehicles.
- $484,000[17] to include the effects of the “new” fuel taxes.

ORA’s forecast of Automotive Fuel expenses is $1.475 million lower than SCG’s request for $12.504 million. ORA uses a 3 year average (2014-2016) as opposed to SCG’s 5 year average given expenses within the last 3 years are more current and consistent. ORA’s 3 year average results in a figure of $10.546 million. ORA accepts SCG’s incremental increase of $484,000 to include the effects of the “new” fuel taxes to arrive at a total forecast of $11.030 million.

ORA does not agree with the increase due to incremental vehicles. As discussed in ORA’s recommendation related to Maintenance Operations, ORA considers the adjustment as highly discretionary given ORA’s argument related to ownership expenses (see ORA’s Ownership Forecast Analysis, above) for additional fleet. There is no proof that these additional vehicles will be added outside a proposed forecast for them which is at the discretion of management regardless of the funds approved in a rate case.

C. ORA’s Fleet Management Forecast Analysis

SCG is requesting $1.100 million for TY 2019 which is $598,000 or 119% above 2016 recorded expense for Fleet Management costs. ORA recommends $755,000 for TY 2019 which is $411,000 or 37.4% less than SCG’s forecast for Fleet Management. Table 19-15 provides Fleet Management historical expenses alongside ORA’s recommendation and SCG’s TY 2019 forecast followed by ORA’s analysis.

[16] Ex. SCG-23-WP pg. 50.

[17] Ex. SCG-23-WP pg. 49.

Table 19-15
Fleet Management O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Fleet Management	$816	$734	$1006	$717	$502	$1,100	$755
FTE's	11.9	11.9	11.8	10.3	7.4	14.6	

Source: 2012-2016 and 2019 data from Ex. SCG-23 WP, p. 55

To determine the forecast, SCG uses a 5 year average of $755,000[18] then incrementally adjusts the forecast. SCG adjusted its TY 2019 forecast for the following:

- $411,000[19] primarily to backfill 3 supervisor positions lost due to retirements; and, add 1 incremental fleet supervisor position.

ORA agrees with SCG's use of a 5 year average forecast as the recorded costs during 2012-2016 fluctuated; however, ORA does not agree to additional funding of personnel . If SCG only bases its forecast on FTE's then why in its workpapers does SCG state in the workpapers "backfill 3 supervisor positions lost due to retirements and add 1 incremental supervisor position to include supervision of parts and inventory control"?[20] Outside any explanation as to the inconsistency, ORA notes the increase will bring 2019 FTE levels above 2012 levels (11.9) and double 2016 levels (7.6) despite several years (2013-2016) of operating with fewer full time equivalents. SCG also does not offer an explanation, or proof, as to why FTE's decreased from 2012 to 2016, but in this rate case levels are above historic 2012. Due to the lack of sufficient evidence from SCG, and its demonstrated ability to operate efficiently for a number of years with fewer full time equivalents, ORA opposes the request for new FTEs.

[18] Ex. SCG-23-WP pg. 56.

[19] Ex. SCG-23-WP pg. 56.

[20] Ex. SCG-23-WP pg. 56.

D. ORA's Facility Operations Analysis

SCG is requesting $18.245 million for TY 2019 which is $3.075 million or 20.3% above 2016 recorded expense for Facility Operations. ORA recommends $16.187 million which is $2.059 million or 12.7% less than SCG's forecast. Table 19-16 provides facility operations historical expenses alongside ORA's and SCG's TY 2019 forecasts followed by ORA's analysis.

Table 19-16
Facility Operations O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Facility Operations	$17,768	$15,635	$17,832	$15,414	$15,170	$18,246	$16,187

Source: Combined 2012-2016 data from Ex. SCG-23-WP, p. 64, 69. SCG 2019 forecast from Ex. SCG-23 WP, p. 62

To determine the forecast, SCG uses a 5 year average of $16.249[21] million then incrementally adjusts the forecast. SCG adjusted their TY 2019 forecast for the following:

- $1.574[22] million for items related to SCG's planned increase in the number of NGV refueling stations.
- $1.047[23] million for RAMP security,
- $1.000[24] million for a real estate planning study.
- ($1.739[25] million) for fuel our future

ORA agrees with the use of a 5 year average as costs fluctuate, agrees with the incremental increase in RAMP security costs of $1.047 million , and agrees with the reduction for FOF of $1.739 million. ORA does not agree with $1 million for a

---

[21] Ex. SCG-23-WP pg. 70

[22] Ex. SCG-23-WP pg. 71

[23] EX. SCG-23-WP pg. 72 (RAMP Incremental Combined)

[24] EX. SCG-23-WP pg. 72

[25] EX. SCG-23-WP pg. 72 (FOF-Ongoing Combined)

real estate planning study as the study is non-recurring. In response to a data request (DR), SCG agreed to remove the planning study adjustment.[26]

ORA also disagrees with $1.574 million incremental increase related to expenses associated with the forecasted increase in capital expenditures for new NGV stations. In conducting the analysis for NGV stations capital expenditures (see Capital Expenditure forecast at Section II F NGV Refueling Station, below), ORA recommends reducing the 2019 capital forecast by nearly 60%. ORA applies this percentage decrease to SoCalGas' proposed NGV expense forecast, resulting in an incremental addition of $630,000 compared to SCG's proposed $1.574 million incremental addition.

II. FLEET & FACILITY OPERATIONS CAPITAL EXPENDITURES

SCG indicates that its capital expenditures forecast includes cost required to: (1) maintain infrastructure and operational integrity in a safe and efficient manner; (2) renovate SoCalGas buildings to meet government mandated Zero Net Energy requirements; (3) support sustainability efforts (e.g., conserve water, energy); (4) install Facility Energy Management Systems; and (5) cover costs for NGV refueling stations.[27]

As shown in Table 19-2 under the Summary of Recommendations section, SCG's capital expenditures request is $42.416 million in 2017, $73.569 million in 2018, and $82.372 million in 2019. SCG's capital expenditure forecasts for 2017, 2018, and 2019 respectively are $12.379 million (41%), $43.532 million (145%), and $52.335 million (174%), above 2016 recorded/adjusted expenditures of $30.037 million. Table 19-17 presents SCG's capital expenditure historic data and forecasts, and Table 19-18 presents ORA's recommendations and SCG's proposed expenditures.

[26] ORA-SCG-034-LMW Q.3a.

[27] Ex. SCG-23, p. CLH-39 (lines 12-18).

Table 19-17
Fleet & Facility Operations
SCG 2012-2016 Historic and 2017-2019 Proposed Capital Expenditure
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2017	SCG 2018	SCG 2019
Infrastruc. & Improv.	28,559	20,286	22,067	16,052	24,066	24,243	45,863	59,923
Safety & Environ.	36	256	2,127	308	268	2,450	2,075	2,000
Bakersfield	19	17	0	0	0	7,000	7,000	0
Facility Energy Mgmt.	0	0	0	0	0	1,000	500	0
Fleet Projects	2,344	919	334	134	40	548	2,194	1,650
NGV Refuel Stations	1,720	2,585	2,291	3,912	5,663	7,175	15,937	18,799
Total	32,678	24,063	26,819	20,406	30,037	42,416	73,569	82,372
Stipulated TY2016[28]			27,628	36,050	38,011			

Source: 2012-2015 data from SCG-23 Revised SCG 5-Yr Hist w Fcst Requirements Item 17 (Combined Line Items). 2016 – 2019 from Ex. SCG-23, CLH-40, Table CLH-19.

Table 19-18
Fleet & Facility Operations
2017-2019 Capital Expenditure ORA Recommended and SCG Proposed
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed		
	2017	2018	2019	2017	2018	2019
Infrastructure & Imprvmnt	$26,111	$28,788	$30,787	$24,243	$45,863	$59,923
Safety/Environmental	$3,458	$2,075	$2,000	$2,450	$2,075	$2,000
Bakersfield Multi-Use Fac	$595	$6,404	$7,000	$7,000	$7,000	$0
Facility Energy Mgmt Sys	$0	$500	$0	$1,000	$500	$0
Fleet Projects	$363	$2,194	$1,650	$548	$2,194	$1,650
NGV Refueling Stations	$7,542	$7,542	$7,542	$7,175	$15,937	$18,799
Total	$38,069	$47,503	$48,979	$42,416	$73,569	$82,372
Difference	$4,347	$26,066	$33,393			

Source: SCG Proposed from Ex. SCG-23 p. CLH-40, Table CLH-19.

[28] ORA-SCG-122-LMW - Q1.j.

A. Infrastructure & Improvements

These costs are separated into the following cost subcategories: (1) Infrastructure & Improvements; (2) Facility Renovations; (3) Sustainability Projects; and (4) Physical Security Infrastructure Enhancements (i.e. RAMP). Table 19-19 compares ORA recommendations for Infrastructure and Improvements as Compared to SCG Proposed.

Table 19-19
Fleet & Facility Operations
2017-2019 Infrastructure and Improvements
ORA and SCG Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[29]		
	2017	2018	2019	2017	2018	2019
Infrastructure & Imprvmnt	$23,345	$20,649	$18,935	$18,914	$20,649	$18,935
Facility Renovations	$0	$4,439	$8,002	$3,880	$21,514	$37,138
Sustainability Projects	$2,766	$3,100	$3,250	$1,449	$3,100	$3,250
RAMP Enhancements	$0	$600	$600	$0	$600	$600
Total	$26,111	$28,788	$30,787	$24,243	$45,863	$59,923

1. Infrastructure and Improvements

SCG asserts that its Infrastructure & Improvements forecast funds necessary facility improvements and equipment upgrades to adequately support business operations.[30] SoCalGas Facility Operations 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 delay and/or failure to complete the replacement or upgrade.

[29] Ex. SCG-23, p. CLH-40, Table CLH-20.

[30] Ex. SCG-23, p. CLH-41 (lines 7-11).

ORA uses 2017 recorded capital expenditures as its 2017 forecast. ORA accepts SCG's 2018 and 2019 forecast for Infrastructure and Improvements as the forecast reasonably approximates historic 2012-2016 as noted in Table 19-20 below:

Table 19-20
Fleet & Facility Operations 2012-20169 Infrastructure and Improvements (I&I)
Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	2017	SCG 2018	SCG 2019
I&I	$22,065	$20,213	$22,072	$16,064	$24,066	$18,914	$20,649	$18,935

Source: 2012-2015 SCG 5-Yr Hist w Fcst Requirements Item 17. 2016-2019 from Ex. SCG-23 p. CLH-40, Table CLH-20.

2. Facility Renovations

SCG asserts that facility renovations are necessary because of aging facilities that no longer meet workforce space requirements.[31] 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. Included in SoCalGas' request are capital improvements for Pico Rivera, Anaheim, Chatsworth, and Compton. These facility renovation improvement requests were included in the prior GRC (TY 2016); however, SoCalGas refocused certain projects during the previous GRC cycle, to focus on accelerating the greening of its fleet through the construction and renovation of our NGV refueling stations; and, the construction of the Bakersfield facility.[32]

[31] Ex. SCG-23, p. CLH-41 (lines 17-20)

[32] Ex. SCG-23, p. CLH-41 (lines 20-27)

ORA opposes much of SCG's forecast for facility renovations. Table 19-21 below, compares ORA's recommendations to SCG's proposal.

Table 19-21
Fleet & Facility Operations
2017-2019 Infrastructure and Improvements – Facility Renovations
ORA Recommended and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed		
	2017	2018	2019	2017	2018	2019
Compton	$0	$1,491	$0	$1,980	$1,002	$0
Chatsworth	$0	$950	$1,999	$1,900	$3,998	$0
Anaheim	$0	$750	$2,250	$0	$1,500	$4,500
Pico Rivera	$0	$1,248	$3,753	$0	$2,496	$7,506
Gas Control Facility	$0	$0	$0	$0	$8,518	$7,382
Logistics Warehouse	$0	$0	$0	$0	$2,000	$16,750
Collaborative Training	$0	$0	$0	$0	$2,000	$1,000
Total	$0	$4,439	$8,002	$3,880	$21,514	$37,138

Source: SCG Proposed 2017-2019 from Ex. SCG-23 Capital WP p. 16, 17, 18, 19, 20, 21, and 22.

a. Compton, Chatsworth, Anaheim, Pico Rivera

According to SCG, Facility renovations are necessary because of aging facilities that no longer meet workforce space requirements.[33] These proposed renovations are supposed to support SoCalGas' changing workplace requirements and improve the functionality of our buildings and/or sites, which support the work patterns of SoCalGas employees. Included in SoCalGas' request are capital improvements for Pico Rivera, Anaheim, Chatsworth, and Compton. These facility renovation improvement requests were previously included in the prior GRC (TY 2016). SoCalGas refocused certain projects during the previous GRC cycle, allocating a million dollars over the awarded amount to focus on accelerating the greening of our fleet through the construction and renovation of our NGV refueling stations.

[33] Ex. SCG-23, p. CLH-41 (lines 17-25)

ORA toured the Chatsworth, Pico Rivera, and Anaheim locations, and observed the facilities noting the justification for the project remodels. However, ORA's opposition of SCG's recommendation is based on SCG requesting the same exact facilities with the same level of funding ($24.880 million[34]) as in the last rate case (SoCalGas' capital expenditure forecast for 2014 to 2016), having the capability to remodel, yet choosing to refocus funding to accelerate the greening of the fleet, and construct and renovate their NGV refueling stations. As noted, facility renovations are discretionary, and these capital expenditure renovations are not a priority. From 2014-2017 (the timeframe of the last GRC and 2017 actual expenditures), little (if anything) was spent on these facility renovations based on a review of the historic data.[35] After 4 years the projects do not have exact start dates, SoCalGas only presents a "holistic view" of these projects. In particular, the Compton project (with the earliest completion date of the 4 projects) was delayed 6 months. According to a SCG DR response:

> "Exact starts dates are not yet available as we are near completion of a holistic view of the proposed sites to determine optimal utilization and configuration of these spaces. Projects are expected to be completed as submitted in the capital workpapers of Carmen L. Herrera, Exhibit SCG-23-CWP with one exception, Compton will be pushed out six months to 9/30/2018.
>
> Chatsworth: In-Service Date 9/30/2018
> Compton: In-Service Date 3/31/2018
> Anaheim: In-Service Date 3/31/2019
> Pico Rivera: In-Service Date 9/30/2019"[36]

A follow-up DR, shows that the Compton and Chatsworth projects are now delayed, and the Compton Improvements were delayed to finish the holistic view study. From the forecast period starting in 2017 to date, a year plus has passed,

---

[34] TY 2016 Ex. SCG-15, p. CLH-23 (Proposed Facility Renovations 2014-2016 combined).

[35] SCG-23 Revised SCG 5-Yr Hist w Fcst Requirements Item 17 and 2017 actual capital expenditures

[36] ORA-SCG-037-LMW Q4.f.

and SCG has not completed a holistic view, and has delayed 3 of the 4 forecasted projects. ORA received the following response:

> "SoCalGas will increase the scope of the Pico Rivera, Monterey Park, and Bakersfield facilities and delay the upgrades to the Compton and Chatsworth facilities. Accordingly, a project schedule for Compton and Chatsworth are not available. The project schedule inclusive of milestones is not available for the Anaheim facility, however, an initial draft architectural plan has been completed."
>
> "The Compton improvements were delayed, not accelerated, to accommodate the completion of the holistic view study".[37]

Based on ORA's analysis, ORA recommends funding half of SCG's 2018 and 2019 forecast, and recommending $0 for 2017 as indicated by SCG's 2017 actual capital expenditures for these projects. Further, ORA recommends the in service dates for 2018 and 2019 be moved to 09/30/2018 and 09/30/2019. SCG is still completing their holistic view and the likelihood exists that any projects of this nature will be delayed. Thus, amounts recommended in Table 19-21, are for presentation purposes only and SCG, once their view is complete, will determine the projects to pursue. SCG lacks a completed holistic view; and, projects requested in the last rate case had nothing expended to date. Further, project delays show the actual start and completion dates are discretionary and likely to occur beyond the original schedules.

b. Gas Control Facility

SCG indicates that the physical relocation of the gas control facility is comprised of costs to fund the planning, permitting, construction, and relocation of a new Gas Control Center.[38] Workforce increases within the Gas Control and SCADA departments have resulted in the need for additional improvements, space reconfigurations, and building modifications that will allow SoCalGas to support future business requirements and increase functionality. The existing building facility

[37] ORA-SCG-122-LMW Q1.a and Q1.f.

[38] Ex. SCG-23 CLH-45 Lines 12-22.

and site cannot accommodate these requirements and necessary functionality. SoCalGas proposes a new multi-use facility which will have the capacity to accommodate this expansion for additional control room activities such as the Distribution Operations Control Center.

According to SCG's workpapers,[39] the gas control facility costs are for relocating, planning, and building a centralized Gas Control facility at an existing SoCalGas location. Types of work included in this category are facility redesign, space reconfiguration, technology & furniture upgrades. Currently, the Transmission & Storage (T&S) organization houses approximately 233 staff at 20 different facilities ranging from Taft in the north, Needles and Blythe in the east, Goleta in the West and Anaheim in the south. SCG expects an in-service date of September 30, 2019 for the Gas Control facility.

ORA toured the facility noting the age of the facility and does not oppose the justification. ORA also observed the facility was adequately operational and upgraded. Based on its tour of the facility, ORA is not contesting the justification for the project, but does not agree with the estimated date. The Gas Control Facility is one of SCG's strategic facilities, and relocating such a facility is not an easy undertaking.

To date, SoCalGas has not justified any costs expended on the project, no final site determination, no designs, no site preparation, no Request for Proposal (RFP) submittals, no permitting, etc., that shows any progress or commitment to the project. SCG is requesting funding of $15.900 million with a projected completion date of September 30, 2019. As a result of the project's questionable completion, given SCG's lack of evidence outside a proposal, lack of project start date, and, as the facility projects are discretionary, ORA has eliminated funding for this project in 2019 since completion of the project will be well beyond the date identified by SoCalGas.

[39] Ex. SCG-23 WP p.20.

c. Logistics Warehouse

According to SCG' workpapers,[40] its request is based on increasing the Logistics Warehouse storage due to increased inventory and larger diameter pipe. This activity includes the development of existing facility to increase warehouse space or consolidation of existing Logistics Warehouse operations into a larger single site.

SCG's testimony[41] indicates that Material Traceability is required to improve inventory management and keep up with new regulations. Material Traceability is a scalable, end-to-end solution for tracking high pressure (HP) pipes, valves, fitting, and equipment to improve compliance with new and upcoming regulations mandating the maintenance of "traceable, verifiable, and complete records [that are] readily available." According to SoCalGas, an additional eight acres of warehousing storage space is needed to accommodate large diameter materials, and ten additional employees will be required to manage the increased warehousing demands totaling $0.783 million. Included in the Fleet and Facilities testimony of Carmen Herrera (Ex. SCG-23) is the total capital forecast of $18.75 million for 2018 and 2019 to add/expand this warehouse space. Materials are currently physically located at other company facilities, third-party logistics provider warehouses, and various lay down yards across our service territory with no systematic visibility. In order to meet the material traceability regulatory requirements of "traceable, verifiable, and complete records," pipes and materials ideally should be centrally managed in one facility. Barcoding, scanning and location tracking of materials will be required. SoCalGas' current facilities are at full capacity; therefore, new space is required.

The justification for the Logistics Warehouse appeared to be based on the full capacity of the current facilities, and requirements regarding material traceability. However, in response to ORA's questions, inventory is not projected to increase,

---

[40] Ex. SCG-23 WP p. 21.

[41] Ex. SCG-22 DW-13 Lines 1-16.

and SCG is meeting the CPUC's material traceability guidelines. ORA toured the facilities, noting although aged, they function adequately for SoCalGas' operations. ORA asked the following question related to an increase in inventory:

> ORA's question: SCG notes the justification for the project is an increase in inventory. Please advise the increase in inventory size and justification for why the increase is expected

> SCG's Response: In addition, inventory is not projected to increase; the management, consolidated storage, and oversight of inventory is increasing per regulations cited in Exhibit SCG-22 (Willoughby), page DW-13. The inventory currently stored at various project sites and with third party vendors, specifically pipe greater than 12 inches in diameter, is being centralized to a single SoCalGas location to facilitate material traceability compliance.[42]

In a follow-up DR,[43] ORA asked the following questions relative to material traceability, noting primarily that SCG is meeting CPUC material traceability requirements:

> a. When was regulatory requirement set forth?

> b. Please confirm that SCG currently meets the material traceability regulatory requirements cited in SCG testimony footnote 4 (page DW-13) - 49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2), and the request for the Logistics Warehouse "ideally" (DW-13 Line 14) is to "improve" (DW-13 line 1) the regulations, not meet them?

> c. Are there any directives from the Commission to go beyond meeting the requirements?

> d. If SCG does not meet the current material traceability regulatory requirements then how does SCG's current process fail to meet the material traceability regulatory requirements cited in SCG testimony footnote 4 "49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2)."

> e. If any current deficiencies are noted in response to d. above what are the current risks/costs to ratepayer's given SCG's deficiencies relative to material traceability.

---

[42] ORA-SCG-037-LMW Q6.e.

[43] ORA-SCG-140-LMW.

f. Has the Commission set forth a definitive timeline for SCG to correct any deficiencies? If yes, what is the date? If no, why is there no deadline?

g. Are there any directives from the Commission to build a Logistics Warehouse to meet the material traceability regulatory requirements?

SCG's responses are as follows:

a. 49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2) became effective January 1, 2012.

b. ***Yes, SCG is currently meeting requirements.*** However, SCG seeks to improve process and efficiencies while improving information flows with this request. The decision to centrally manage materials in one facility is for more than meeting requirements. This warehouse will allow for better traceability and records management among other things. Because of the need for more inventory space, SoCalGas has contracted with a third-party warehouse firm to manage some inventory and store some materials at other locations. The agreement with this third party is in place as a remediation effort to allow for time to build the warehouse described in testimony. Once built, that third-party agreement will end. In addition to satisfying regulatory requirements for Material Traceability, the new warehouse will benefit SoCalGas by having one location and inventory system. SoCalGas also will realize savings of approximately $2 million per year once the warehouse is operational by eliminating the need to continue with the third-party contracted storage solution.

c. No.

d. See the response to question b. above.

e. Not applicable.

f. Not applicable.

g. No. As mentioned in testimony, the decision to centrally manage materials in one facility is for more than just to meet directives. This warehouse will allow for better traceability and records management among other things. Because of the need for more inventory space, SoCalGas has contracted with a third-party warehouse firm to manage some inventory and store some materials at other locations. The agreement with this third party is in place as a remediation effort to allow for time to build the warehouse described in testimony. Once built, that third-party agreement will end. In addition to satisfying regulatory requirements for Material Traceability***, the new warehouse will benefit SoCalGas by having one location and inventory system. SoCalGas also will realize savings of approximately $2 million per year once the warehouse is operational by eliminating***

the need to continue with the third-party contracted storage solution.

ORA noted in the response to question g. above (in bold/italics), that the new warehouse will realize a savings of $2 million per year once the warehouse is operational. The warehouse expected in-service date is September 30, 2019. If approved (regardless of project's completion), the warehouse will be included in forecasted rate base receiving recovery in rates; however, ORA is unaware of any forecasted savings for 3rd party warehousing costs in TY2019. Further, any cost savings are speculative at this time, as SCG may choose to forego the project for another.

Additionally, although in its response to question g above, SCG said that "in addition to satisfying regulatory requirements for Material Traceability," in response to question c. above SCG states "Yes, SCG is currently meeting requirements". ORA assumes, SCG meant to say "in addition to ***improving*** requirements for Material Traceability". Otherwise, SCG is contradicting itself by implying that requirements are not currently satisfied.

ORA toured the current facility, noting that although antiquated, appeared adequate and functional. Given the adequacy of SCG's current facilities, SCG's meeting of CPUC requirements, delayed timeline for completion, and the fact that no cost savings are contained in this rate-case, ORA excludes this project from its forecast.

d. Collaborative Training Facility

ORA excludes the Collaborative Training facility from its forecast. See Ex. ORA-13 for the analysis.

3. Sustainability Projects

SCG's testimony indicates that the overall objective of the Company's sustainability efforts is to minimize its environmental footprint while containing costs.[44] In support of this objective, SoCalGas requests funding to install: (1) solar systems at additional facilities to generate renewable energy from solar photovoltaic panels, which will partially offset rising electricity costs; and (2) xeriscape at additional facilities to improve water conservation. Table 19-22 presents ORA's and SCG's recommendations where ORA uses SCG's 2017 recorded expenses; and accepts, SCG's 2018 and 2019 forecast.

Table 19-22
Fleet & Facility Operations
2017-2019 Infrastructure and Improvements – Sustainability Projects
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[45]		
	2017	2018	2019	2017	2018	2019
Sustainability Projects	$2,766	$3,100	$3,250	$1,449	$3,100	$3,250

4. RAMP Enhancements

According to SCG, physical security at Company locations is a priority for SoCalGas. SoCalGas plans to enhance existing security infrastructure at various staffed facilities with the goal of minimizing security threats to office and branch locations and employees.[46] ORA accepts SCG's forecast as shown in Table 19-23.

Table 19-23
Fleet & Facility Operations
2017-2019 Infrastructure and Improvements – RAMP Enhancements
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[47]		
	2017	2018	2019	2017	2018	2019
RAMP Enhancements	$0	$600	$600	$0	$600	$600

[44] Ex. SCG-23, p. CLH-42 (lines 11-15)

[45] Ex. SCG-23, p. CLH-40, Table CLH-20.

[46] Ex. SCG-23, p. CLH-42 (lines 18-20)

[47] Ex. SCG-23, p. CLH-40, Table CLH-20.

B. Safety and Environmental

According to SCG, the Safety & Environmental request is necessary to comply with mandated American with Disabilities Act (ADA) improvements to the San Luis Obispo and Santa Barbara facility which will improve customer access and accessibility to this branch office as well as to perform earthquake/seismic retrofits at various facilities throughout the service territory.[48]

As shown on Table 19-24 below, ORA accepts SCG's forecast for 2018 and 2019, and uses SCG's actual 2017 capital expenditures for Safety and Environmental.

Table 19-24
Fleet & Facility Operations
2017-2019 Safety and Environmental
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[49]		
	2017	2018	2019	2017	2018	2019
Safety/Environmental	$3,458	$2,075	$2,000	$2,450	$2,075	$2,000

C. Bakersfield Multi-Use Facility

SCG indicates that this request is necessary to fund the planning, permitting, and construction of a new Bakersfield multi-use facility. Continuous customer expansion in this service territory requires a larger multi-use facility that the current 2.66-acre site cannot accommodate. The functions of the facility will include: (1) a District Operations Base for company field crews; (2) a remote training facility for San Joaquin area employees that will reduce lodging requirements and travel to the Los Angeles area; (3) a Customer Demonstration Center to display emerging gas and energy efficiency technologies; and (4) a meeting hub for San Joaquin Valley

[48] Ex. SCG-23, p. CLH-47 (lines 20-23).

[49] Ex. SCG-23, p. CLH-40, Table CLH-19.

area with adequate conferencing capabilities. The site will be built in compliance with Zero Net Energy standards and include photovoltaic solar panels.[50]

ORA accepts SCG's cost forecast of $14.000 million, but does not agree with SoCalGas' expected in service date and allocates the costs into TY 2019 as shown in Table 19-25 below:

Table 19-25
Fleet & Facility Operations
2017-2019 Bakersfield Mutli-Use Facility
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[51]		
	2017	2018	2019	2017	2018	2019
Bakersfield Facility	$595	$6,404	$7,000	$7,000	$7,000	$0

The new Bakersfield multi-use facility will encompass a 10-acre lot with a 14,000 square-foot administration building, a logistics building, a fleet garage, a storage building. The site will be built in compliance with zero-net energy (ZNE) standards and include photovoltaic solar system as well as include an NGV refueling station for on-site fleet-public fueling and public station to serve the trucking sector along the transportation corridor.

ORA's recommendation is based on SCG's response to ORA's request[52] regarding the Bakersfield facility as follows:

> b. A preliminary schedule has been developed and is currently being finalized through contract negotiations. The schedule is anticipated to be available within the next two weeks.
>
> c. Grading is expected to begin mid-March due to Kern county requirements that land be undisturbed within the first 30 days of a building permit issuance.
>
> d. There are three permits that are required for this project, 1) Kern County building permit, 2) NGV station permit, and 3) underground fuel storage tank permit. The Kern County building permit is complete. The

[50] Ex. SCG-23, p. CLH-48 (lines 17-19) and CLH-49 (lines 2-7).

[51] Ex. SCG-23, p. CLH-40, Table CLH-19.

[52] ORA-SCG-122-LMW Q.8 b-g.

NGV station permit is expected to be complete by June 2018. The underground fuel storage tank is expected to be complete by June 2018.

e. No. Based on current information, SoCalGas forecasts groundbreaking to begin in March 2018.

f. Utilities to the site are complete at the street side of the property in December of 2017.

g. Based on current information, SoCalGas plans to substantially complete this project at 12/31/18, with an in-service date of 12/31/2018. Some line items like landscaping will be complete in Q1 2019.

The Bakersfield facility and the initial in-service date changed from September 30, 2018, to December 31, 2018. Considering that some of SoCalGas' responses indicate "expect" or "expected," and that construction delays, or other additional delays are possible, ORA recommends an in-service date of December 31, 2019 in the RO model, while moving most of SCG's proposed 2017 forecasted funding ($7.000 million) to 2018 and SCG's proposed 2018 funding ($7.000 million) to 2019. Additional support for the movement of funds to 2019 is based on actual 2017 expenditures. Of the $7.000 million SCG forecasted for 2017, only $595,000 was spent for the Bakersfield facility.[53]

D. Facility Energy Management Systems

According to its testimony, SoCalGas plans to install Energy Management System's (EMS) at any sites that do not have an EMS in place. The purpose of an energy management system is to allow facility management to more efficiently use electricity and reduce energy consumption at SoCalGas facilities by allowing facility managers to monitor, measure, and control electrical building loads.[54]

ORA proposes $0 for 2017 compared to SCG's forecast of $1.000 million for 2017 as noted in Table 19-26 below. Upon review of SCG's revised actual 2017

[53] ORA-SCG-158-LMW Q.1.

[54] Ex. SCG-23, p. CLH-50 (lines 7-13).

capital expenditures, there were no expenditures for these projects. ORA accepts the SCG forecasts for 2018 and 2019.

Table 19-26
Fleet & Facility Operations
2017-2019 Facility Energy Management Systems
ORA Recommended and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[55]		
	2017	2018	2019	2017	2018	2019
Energy Mgt. Systems	$0	$500	$0	$1,000	$500	$0

E. Fleet Projects

According to SoCalGas, it plans to replace Fleet Services' capital tools and equipment as existing tools become obsolete or as vehicle technology requires the replacement of existing tools to accommodate new vehicle technology.[56]

SoCalGas moved its fleet operation from Monterey Park to Pico Rivera and no longer has a training facility for Fleet Services technicians. The new Fleet Services training facility will house equipment and training tools needed to appropriately train technicians in new vehicle technologies such as NGV/CNG compliance & safety, SMOG, and other automotive practices.[57]

SoCalGas is renewing its request to replace Underground Storage Tanks (UST) SoCalGas continues to maintain its existing USTs in compliance with regulatory requirements, as these USTs have undergone and passed routine inspections. SoCalGas asserts that resource constraints limited its ability to execute on the UST removal and replacements as proposed in the last GRC (TY 2016). SoCalGas refocused certain projects during the previous GRC cycle, allocating a million dollars over the awarded amount to focus on growing its green fleet through the construction and renovation of its NGV refueling stations. In addition, and as

[55] Ex. SCG-23, p. CLH-40, Table CLH-19.

[56] Ex. SCG-23, p. CLH-51 (lines 14-16).

[57] Ex. SCG-23, p. CLH-51 (lines 19-22).

previously discussed in more detail, due to projected growth of business in the San Joaquin Valley and customer needs arising in the Bakersfield area, SoCalGas reprioritized construction of a new Bakersfield multi-use facility which began in 2017.[58]

ORA noted SoCalGas is renewing the request to replace UST's. SCG chose to focus on growing their "green" fleet, constructing and renovating their NGV stations, and reprioritized construction of the Bakersfield facility as opposed to expending funds on related to Underground Storage Facilities (UST). This fact again shows that any planned projects forecasted are discretionary.

ORA accepts SCG's forecast (as noted in Table 19-27 below) for 2018 and 2019 and uses 2017 actual expenditures.

Table 19-27
Fleet & Facility Operations
2017-2019 Fleet Projects
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[59]		
	2017	2018	2019	2017	2018	2019
Fleet/WiFi/Construc.Equip	$363	$2,194	$1,650	$548	$2,194	$1,650

F. NGV Refueling Stations

According to SoCalGas, it currently owns and operates 27 NGV fleet refueling stations. 12 of these stations provide refueling access for utility operations as well as access for public vehicle fueling.[60] The request for NGV Refueling Stations is $7.175 million in 2017, $15.937 million in 2018, and $18.799 million in 2019, to upgrade existing NGV stations and plan, design, and build eight new NGV refueling stations. As noted in Table 19-28 below, ORA uses actual capital expenditures of

[58] Ex. SCG-23, p. CLH-51 (lines 23-29) and CLH-52 (lines 1-3)

[59] Ex. SCG-23, p. CLH-40, Table CLH-19.

[60] Ex. SCG-23, p. CLH-53 (lines 6-8, and 18-19).

$7.542 million for 2017 and forecasts capital expenditures of $7.542 million for 2018 and 2019.

Table 19-28
Fleet & Facility Operations
2017-2019 NGV Refueling Stations
ORA and SCG Proposed Capital Expenditure Forecast
(in Thousands of 2016 Dollars)

Description	ORA Recommended			SCG Proposed[61]		
	2017	2018	2019	2017	2018	2019
NGV Refueling Stations	$7,542	$7,542	$7,542	$7,175	$15,937	$18,799

ORA's recommends maintaining the same funding level for 2017, 2018, and 2019. ORA's recommendation allows for all forecasted costs related to current NGV station upgrades. It allows SCG the ability to add all of the 8 new locations (Fleet Only) mentioned in testimony,[62] and additional unidentified stations. The Bakersfield facility will also have a new NGV station.

Further, SCG has shown no proof of cost effectiveness for building "all" forecasted stations. ORA's recommended level of funding will allow SCG to gather historic data to show the extent of costliness (if any) in the next rate case. Lastly, the addition of new vehicles that drives SCG's request is discretionary, as are actual project construction as noted in SCG's previous rate-case, where SCG chose to focus on NGV stations as opposed to facility relocations or underground storage[63]. ORA's position is based on the following DR responses from SCG:

> "SoCalGas has been greening its fleet for over 20 years. SoCalGas is upgrading existing stations and building new stations in support of SoCalGas' expanded use of CNG fleet vehicles throughout the service territory as well as customer conversions of heavy duty diesel vehicles to compressed natural gas. The NGV station infrastructure must be available at a base where CNG vehicles are being deployed. If NGV stations are not available on-site fleet vehicles must fuel off-site."[64]

[61] Ex. SCG-23, p. CLH-40, Table CLH-19.

[62] Ex. SCG-23, p. CLH-40, (line 8).

[63] Ex. SCG-23, p. CLH-51 (lines 4-15).

[64] ORA-SCG-043-LMW Q.3a response.

SCG has not shown it needs to build “all” of the new facilities requested in this GRC as vehicles (as an alternative) can fuel offsite. As SCG states:

> “Since NGV stations are stationary, additional stations must be put into service to meet HD vehicle refueling needs throughout the service territory as it would be ***impractical and costly*** to have all HD vehicles converge onto the existing sites to fuel. As such, additional stations are needed throughout the service territory to support the greening of our Fleet and provide refueling infrastructure at SoCalGas locations where our AFV vehicles are deployed.”[65]

SCG’s claim that additional stations “must” be put into service seems inaccurate as there are other alternatives to fueling rather than converging on SCG’s sites. Further, SCG states that it would be impractical and costly to have all HD vehicles converge onto existing sites. SCG makes this statement, but again has no quantified historic proof as to the costliness of not building “all” the new stations, as noted in their response above related to “impractical and costly”. ORA’s 2017 – 2019 forecast provides for funding of upgrades to SCG’s existing stations, and funding for 8 new NGV stations (a reasonable 30 percent increase) to the existing fleet refueling stations.

[65] ORA-SCG-043-LMW Q.2.b.3 response.

PART III: REAL ESTATE

I. NON-SHARED AND SHARED EXPENSES

SCG is requesting $2.400 million for TY 2019 Non-Shared expenses; and $21.050 million for TY2019 Shared expenses. ORA does not oppose SCG's Non-Shared Expense forecast. For Shared expenses ORA recommends $17.667 million which is $3.383 lower than SCG's TY 2019 forecast. Table 19-29 provides historical expenses alongside ORA's recommendation and SCG's TY 2019 forecast followed by ORA's analysis.

Table 19-29
Real Estate O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Branch Offices	$2,050	$2,053	$2,018	$2,201	$2,199	$2,194	$2,194
Corp Real Estate	$487	$392	$203	$204	$211	$206	$206
Total Non-Shared	$2,537	$2,445	$2,221	$2,405	$2,410	$2,400	$2,400
GCT Rents	$14,899	$13,480	$12,637	$12,901	$10,212	$19,539	$16,156
SCG Telecom	$1,270	$1,361	$1,324	$1,523	$1,447	$1,511	$1,511
Total Shared	$16,169	$14,841	$13,961	$14,424	$11,659	$21,050	$17,667

Source: Combined 2012-2016 data from Ex. SCG-24-WP, pp. 5, 11, 18 and 26. SCG 2019 forecast from Ex. SCG-24, p. RDT-3, Table RDT-2, and p. RDT-5, Table RDT-3.

ORA does not oppose SCG's 2019 forecast with the exception of Gas Company Tower (GCT) rents. ORA opposes SCG's GCT rent forecast based on its review of SCG's 2017 actual costs. SCG's 2017 actual GCT rents expense is $13.776 million[66] as opposed to SCG's 2017 forecast of $15.307 million.[67] SCG's workpapers show that their forecast increases are based on rent schedules. As a result, ORA would expect a more accurate 2017 forecast given rent schedules are

[66] SCG Actual Operating Costs Ex.1

[67] Ex. SCG-24 WP p. 15

known prior to development of the forecast allowing the witness the ability to determine a more accurate forecast. However, SCG's forecast is $1.531 million, or 11.1 percent higher than 2017 actual. Given this fact, ORA recommends using SCG's forecasted increase of 2.93 percent (2018 to 2019) rather than SCG's forecasted 2017 to 2018, 14.1 percent increase. Using the 2.93 percent increase, and applying that to 2017 actual expenses, results in a 2018 forecast of $14.180 million, and a 2019 forecast of $14.595 million. Additionally, ORA recommends increasing SCG's 2019 forecast by $1.561 million for SCG's proposed addition of the 22^{nd} floor resulting in a TY 2019 forecast of $16.156 million, or $3.383 million lower than SCG's forecast.

PART IV: ENVIRONMENTAL SERVICES

I. NON-SHARED AND SHARED EXPENSES

SCG is requesting $16.624 million for TY 2019 Non-Shared expenses which is $5.596 million or 50.7% above 2016 recorded expenses. For Shared expenses, SCG is requesting $636,000 for TY 2019 Non-Shared which is $89,000 or 12.4% below 2016 recorded expenses. Table 19-30 provides historical expenses alongside ORA's recommendation and SCG's TY 2019 forecast followed by ORA's analysis.

Table 19-30
Environmental Services Non-Shared and Shared O&M Expenses
2012-2016 Recorded and 2019 Forecasts
(in Thousands of 2016 Dollars)

Description	2012	2013	2014	2015	2016	SCG 2019	ORA 2019
Enviro Programs	$3,409	$4,771	$4,446	$5,398	$5,990	$6,990	$6,990
NERBA	$6,167	$5,246	$4,346	$5,596	$5,038	$9,634	$7,505
Total Non-Shared	$9,576	$10,017	$8,792	$10,994	$11,028	$16,624	$14,495
Total Shared	$2,304	$1,975	$2,017	$932	$725	$636	$636

Source: 2012-2016 data from Ex. SCG-25-WP, pp. 5, 87, 97, 114, 123 and 132. SCG 2019 forecast from Ex. SCG-25-WP pp. 2 and 111.

ORA does not oppose SCG's TY 2019 forecast for Environmental Programs. Environmental Programs expenses increased by approximately $1 million from 2016 to TY 2019 due to a consolidation of SCG and SDG&E programs. This consolidation increased SCG's TY 2019 forecast by $1 million and decreased SDG&E's Environmental Program costs by approximately $1 million. Absent the $1 million consolidating increase, SCG's request would approximate $6.079 million which reasonably approximates SCG's upward trend of 2016 recorded costs of $5.990 million.

However, ORA opposes SCG's TY 2019 New Environmental Regulatory Balancing Account (NERBA) forecast. The NERBA is a two-way balancing account primarily comprising AB32 fees. SCG's forecast was in line with 2016 base year costs of approximately $5 million. However, in TY2019 the forecasted balance for the NERBA increases by $4.258 million[68] for Leal Detection and Repair (LDAR) costs due to the development and implementation of proposed activities and practices as proposed by Senate Bill (SB) 887 and/or California Air Resources Board (CARB) Oil & Gas Rules. The additional costs related to the NERBA will not go into effect until 2018. As the rules will not go into effect until 2018, there is uncertainty regarding when and what amount of costs will be incurred by SoCalGas; therefore, ORA's forecast for the LDAR costs is 50% of SoCalGas' request. ORA's recommendation will result in a reduction of $2.129 million. However, as the account is a two-way balancing account, this will not unduly impact SCG should the utility incur costs higher than ORA's forecast.

[68] Ex. SCG-25 WP p. 104

WITNESS QUALIFICATIONS

My name is L. Mark Waterworth. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Office of Ratepayer Advocates (ORA) as a Public Utility Regulatory Analyst V in the Energy Cost of Service and Natural Gas Branch.

I received a Bachelor of Science Degree in Business Administration (Accounting) from the California State University, Pomona, and a Bachelor of Arts Degree in Economics from the University of California, Davis. I am a licensed C.P.A (inactive) in the State of California.

Since joining the Commission in 2003, I have participated in General Rate Cases, Catastrophic Event Memorandum Account cases, Biennial Cost Allocation cases, and special projects proceedings. In addition to my primary role conducting the financial examinations, I have been responsible for the areas of Cost of Capital, Income Taxes, Electric Generation, Gas Operations Capital, Cost Allocation, Pensions and Bankruptcy. In participating in the various proceedings, I have prepared testimony related to Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Gas Company, Southern California Edison Company, PacifiCorp, and Southwest Gas Corporation.

This completes my prepared testimony.