

Application No.: A.17-03-021
Exhibit No: _____
Witness: R. Gonzalez

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for (A) Approval of the Forecasted Revenue Requirement Associated with Certain Pipeline Safety Enhancement Plan Projects and Associated Rate Recovery, and (B) Authority to Modify and Create Certain Balancing Accounts

Application 17-03-021
(Filed on March 30, 2017)

CHAPTER II
DIRECT TESTIMONY OF
RONN GONZALEZ
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
AND
SAN DIEGO GAS & ELECTRIC COMPANY

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

March 30, 2017
Amended: June 21, 2017

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my testimony is to support Southern California Gas Company’s
3 (SoCalGas) and San Diego Gas & Electric Company’s (SDG&E)¹ request for Commission
4 approval to proceed with construction of nine Phase 1B and three Phase 2A projects in the
5 continuing implementation of their Pipeline Safety Enhancement Plan (PSEP) as mandated by
6 the Commission in Decision (D.)14-06-007 and D.16-12-009. The total estimated fully loaded
7 and escalated costs included for approval in this Application are \$197.5 million in capital and
8 \$57.0 million in Operating and Maintenance (O&M) costs. These cost estimates also include
9 expenditures incurred to develop the pre-engineering cost estimates that are booked to
10 Construction Work in Progress (CWIP) for Phase 1B projects² and the Phase 2 Memorandum
11 Account (PSEPMA or PSEP-P2MA) for Phase 2 projects. In the following direct testimony, I
12 provide a description of “incidental” and “accelerated” mileage that are included in the project
13 estimates, when applicable. Additionally, I describe the estimating methodology that was used
14 to develop the detailed cost estimates for each project. Finally, my testimony provides an
15 overview of each project proposed in this Application along with an estimated cost summary.³

16 **II. PROJECT COST COMPONENTS**

17 The cost estimates for the projects included in this Application are fully loaded and
18 escalated and include all applicable General Management and Administration (GMA) costs as

¹ There are no Phase 1B or 2A PSEP projects outstanding for SDG&E other than that being addressed in the Pipeline Safety and Reliability Project (A.15-09-013). As explained in the testimony of Mr. Mejia (Chapter I), the scope of Phase 1B in the SoCalGas and SDG&E Amended PSEP Application included those pipeline segments that otherwise would be addressed in Phase 1A but cannot be addressed in the near-term due to the need to construct new infrastructure to maintain service during pressure testing.

² These ultimately will be transferred to the Safety Enhancement Capital Cost Balancing Account (SECCBA) when completed.

³ Detailed information regarding the forecasted costs for each project is included in the workpapers accompanying this Application. The information provided in this chapter is intended to provide a summary of the projects and the forecasted costs.

1 explained in the Prepared Direct Testimony of Jose Pech (Chapter III), applicable company
2 overheads as explained in the Prepared Direct Testimony of KarenChan (Chapter IV), and
3 planning and engineering design costs currently tracked for Phase 1B and Phase 2A projects, and
4 sought for recovery, as explained in the Prepared Direct Testimony of Reginald Austria
5 (Chapter V).

6 **III. DISALLOWED COSTS**

7 **A. POST-55 PSEP COSTS**

8 D.14-06-007 (as modified by D.15-12-020) disallowed certain costs associated with the
9 replacement or pressure testing of post-1955 vintage pipelines without record of a pressure test.⁴

10 . None of these disallowances are implicated by the projects proposed in the Application, and
11 thus disallowed costs have not been included in the project cost estimates.

12 **B. UNDEPRECIATED BOOK VALUE FOR POST-1955 REPLACEMENT** 13 **OR ABANDONMENT PROJECTS WITHOUT SUFFICIENT RECORD** 14 **OF A PRESSURE TEST**

15 As this Application does not propose to address post-1955 pipe segments that are subject
16 to disallowance in accordance with Commission order, there is also no disallowance for the
17 undepreciated book value associated with such segments. Thus, no post-1955 disallowance
18 adjustments were made to the estimates included in this Application.

19 **C. PSEP EXECUTIVE INCENTIVE COMPENSATION**

20 SoCalGas and SDG&E have not included executive compensation costs in the project
21 estimates included in this Application, as directed by the Commission in D.14-06-007.

⁴ D.14-06-007, mimeo., at 56-57 (Conclusions of Law 13 and 14); *see also* D.15-12-020, mimeo., at 24 (Ordering Paragraph 1).

1 **D. COSTS ASSOCIATED WITH SEARCHING FOR TEST RECORDS OF**
2 **PIPELINE TESTING**

3 In accordance with Commission guidance, SoCalGas and SDG&E have not included
4 costs associated with searching for pipeline testing records in the project estimates included in
5 this Application.

6 **IV. ACCELERATED AND INCIDENTAL MILEAGE**

7 The Commission directed the utilities to develop plans that “provide for testing or
8 replacing all [segments of natural gas pipelines which were not pressure tested or lack sufficient
9 details related to performance of any such test] *as soon as practicable*” (emphasis added)⁵ and
10 that address “all natural gas transmission pipeline...even low priority segments,”⁶ while also
11 “[o]btaining the greatest amount of safety value, i.e., reducing safety risk, for ratepayer
12 expenditures.”⁷ The inclusion of “accelerated” and “incidental” miles, defined below, is driven
13 by efforts to achieve these goals while also adhering to the objective of minimizing customer
14 impacts.

15 Accelerated miles are miles that otherwise would be addressed in a later phase of PSEP
16 under the Decision Tree prioritization process but are being advanced to realize operating and
17 cost efficiencies. For the projects included in this Application, accelerated miles are as follows:
18 Phase 1B projects may include miles accelerated from Phase 2A or 2B; and Phase 2A projects
19 may include miles accelerated from Phase 2B. As discussed in the Prepared Direct Testimony of
20 Hugo Mejia (Chapter I), Phase 2 is further subdivided: Phase 2A includes pipelines without
21 sufficient record of a pressure test in less populated areas, and Phase 2B includes pipelines with
22 record of a pressure test, but without record of a pressure test to modern – i.e., 49 Code of

⁵ D.11-06-017, mimeo., at 19.

⁶ D.11-06-017, mimeo., at 20.

⁷ D.11-06-017, mimeo., at 22.

1 Federal Regulations (CFR) Part 192, Subpart J – standards.⁸ There are no “standalone”
2 Phase 2B projects in this Application. Instead, Phase 2B miles are proposed to be accelerated
3 only where they improve cost and program efficiency, address implementation constraints, or
4 facilitate the continuity of testing.

5 Incidental miles are those which are not scheduled to be addressed in PSEP, but are
6 included where it is determined that addressing them improves cost and program efficiency,
7 addresses implementation constraints, or facilitates continuity of testing.⁹ Both incidental and
8 accelerated miles are included (1) to minimize customer impacts, (2) in response to operational
9 constraints, or (3) because of the cost and operational efficiencies gained by incorporating them
10 into the project scope rather than executing a project circumventing them.¹⁰

11 **V. PROJECT ESTIMATE METHODOLOGY**

12 SoCalGas and SDG&E undertook the following methodology in the development of the
13 detailed project cost estimates included in this Application and accompanying workpapers as
14 originally described in Application (A.)15-06-013. These components follow the guiding
15 principles of Stages One (Project Initiation), Two (Project Scoping), and Three (Begin Detailed
16 Planning) of the Seven Stage Review Process, which was established to promote efficient PSEP
17 project execution.

⁸ Certain parties disagree as to whether Phase 2B has been mandated by the Commission, or whether it is necessary. The parties to Applicants’ second reasonableness review for PSEP (A.16-09-003) have agreed that any decision on Phase 2B miles considered in that proceeding would not be precedential as to whether all of Phase 2B has been mandated or is necessary. SoCalGas and SDG&E agree to the same for purposes of this Application.

⁹ An additional benefit of incidental mileage is to further confirm the integrity of the pipeline.

¹⁰ Incidental and accelerated miles may be included in a pressure test or replacement project but are significantly more likely to occur with a pressure test project because of the efficiencies realized by pressure testing longer segments of pipeline.

1 The estimating process used to develop cost estimates for PSEP projects has evolved over
2 time. The first version of a cost estimating tool was produced in 2011 with assistance from
3 outside contractor resources because of the need to develop the tool expeditiously. In 2013,
4 enhancements were made to the tool to increase the number of factors that were considered in
5 deriving the estimate, resulting in a more comprehensive estimate. Since 2013 there have been
6 ongoing efforts to enhance estimate accuracy by incorporating actual costs as they are incurred in
7 the field and through increased focus on estimating through the creation of a dedicated and more
8 experienced estimating department. These continuous improvement enhancements have resulted
9 in a more robust tool that incorporates the input of subject matter experts in the functional areas
10 listed below. These subject matter experts use their respective expertise and professional
11 experience to provide estimate assumptions for their areas that form the basis of each estimate.
12 That said, estimates are just that, and each PSEP project is unique with foreseeable and
13 unforeseeable occurrences.

14 **A. PLANNING AND ENGINEERING DESIGN**

15 For the purpose of developing replacement estimates, SoCalGas and SDG&E undertook
16 the following work: assessment and confirmation of project parameters; site visits to determine
17 any potential relocation routes; development of a preliminary design for Geographic Information
18 System (GIS) alignment sheets showing required work area and pipeline location; identification
19 of any special crossings (e.g., waterways, major highways, railroads); survey and preparation of
20 base maps; analysis of environmental restrictions to work locations and seasonal restrictions;
21 identification of valve sites; identification of access roads, where required; and identification of
22 workspaces, including potential material staging areas.

1 For the purpose of developing pressure test estimates, SoCalGas and SDG&E undertook
2 the following work: assessment and confirmation of project parameters; site visits; review of
3 feature studies;¹¹ coordination with SoCalGas/SDG&E Gas Engineering and Pipeline Integrity
4 groups to identify repairs/cut-outs for anomalies and in-line inspection compatibility;
5 development of pipeline profile using ground elevation data; determination of maximum and
6 minimum allowable test and test pressures, and corresponding segmentation of the pipeline into
7 test sections; development of preliminary design for each work site; survey and preparation of
8 base maps; analysis of environmental restrictions to work locations; and analysis of seasonal
9 restrictions, and determination of additional valve locations as required.

10 Costs associated with planning and engineering design work are incorporated into the
11 project cost estimates sought for recovery in this application as indicated in the individual project
12 workpapers.

13 **B. DEVELOPMENT OF THE PROJECT COST ESTIMATE**

14 As part of the scope definition process described above, subject matter experts
15 representing the following key areas contribute to the estimate development process:

16 **Project Execution**

17 Project Execution subject matter experts provide the following in support of estimate
18 development:

- 19 • For replacement projects, analysis of alternatives to replacement (e.g.,
20 abandonment, de-rating¹² the line, non-destructive examination for short
21 segments);

¹¹ A feature study depicts and describes all the physical components of a pipeline and all the attributes associated with those components.

¹² Lowering the line to less than 20% Specified Minimum Yield Strength (SMYS).

- 1 • Manage customer impacts;
- 2 • Validation of appropriate replacement diameter;
- 3 • Identification of taps and laterals within pressure test or replacement segments;
- 4 • Assessment of potential customer impacts and development of mitigation
- 5 strategies;
- 6 • Development of pipeline features to be cut out prior to a pressure test
- 7 (e.g., pipeline anomalies, non-piggable features);
- 8 • Identification of potential valve additions;
- 9 • Review and approval of scope of work; and
- 10 • Review and approval of project-specific pressure test procedures, when
- 11 applicable.

12 **Engineering Design**

13 The key responsibilities of Engineering Design is to perform the planning and
14 engineering design work necessary to provide a scope of work with sufficient detail to develop
15 more robust cost estimates. The scope of work is intended to facilitate the proximation of all
16 identifiable cost components up to, and including, the completion of construction and close-out.

17 The typical planning and engineering design scope includes the following
18 considerations:¹³

- 19 • Assessment and validation of project extent/parameters;
- 20 • Physical visit to job site to gain familiarity with the area;
- 21 • Development of preliminary design for each work site;
- 22 • Development of pipeline profile;

¹³ Some of these elements vary between replacement and pressure test projects.

- 1 • Identification of pressure test segments based on the minimum and maximum
- 2 allowable test pressures in order to achieve required test pressures;
- 3 • Identification of any special pipeline crossings for replacement projects
- 4 (e.g., waterways, railroads, freeways, etc.); and
- 5 • Development of preliminary design for each section.

6 **Construction**

7 Construction subject matter experts provide the following in support of cost estimate
8 development:

- 9 • Provision of construction contractors with knowledge of PSEP work in the
- 10 scoping process;
- 11 • Collaboration with the Project Execution Team in the field investigation process;
- 12 • Assessment of potential constructability issues based on scope and prior job
- 13 knowledge;
- 14 • Review of engineering design package to determine construction assumptions;
- 15 and
- 16 • Provision of input into the development of construction estimate.

17 **Environmental**

18 Environmental subject matter experts provide the following in support of estimate
19 development:

- 20 • Detailed analysis of recommended project routing to minimize environmental
- 21 construction impacts and associated cost impacts;
- 22 • Identification of permit conditions and development of costs associated with
- 23 securing required environmental permits and mitigation costs, where applicable;

- Determination of water treatment costs, as applicable;
- Quantification of water transportation costs, as appropriate; and
- Development of cost estimates for required environmental construction monitoring, sampling/laboratory analysis, abatement, and hazardous material management and disposal.

Land Services

Land Services provides the following in support of estimate development:

- Determination of applicable municipal permit requirements and associated costs;
- Identification of potential laydown/staging yards required for individual projects, and subsequent communication with land owners as required to determine availability; and
- Development of cost estimates associated with laydown yards, temporary construction easements, grants of easement, appraisals, title reports, etc.

Compressed Natural Gas/Liquefied Natural Gas (CNG/LNG) Team

The CNG/LNG Teams provides the following in support of estimate development:

- Provision of analyses on impacted customer natural gas loads to determine optimal process for keeping customers online as required by tariffs; and
- Development of costs estimates for the provision of CNG/LNG.

Supply Management

To assist in developing robust cost estimates, Supply Management provides material and logistics-related cost estimates based on a preliminary bill of material developed by the Project Team.

1 Upon receipt of input from the above subject matter experts, a comprehensive estimate is
2 developed incorporating the above teams' analyses. The estimates included in this Application
3 are consistent with those developed in Stage 3 of the Seven Stage Review Process described in
4 A.16-09-005. The Seven Stage Review Process sequences and schedules PSEP project
5 workflow deliverables and consists of seven stages with specific objectives for each stage,
6 including an evaluation at the end of each stage to verify that objectives have been met.¹⁴ In
7 particular, Stage 3 is the beginning of detailed planning where a project execution plan is
8 finalized, baseline schedules are developed, funding estimates are developed, and project funding
9 is obtained. The estimates included in this Application include GMA, as described in Chapter
10 III; and Company Overheads, Property Tax¹⁵, and Allowance for Funds Used during
11 Construction (AFUDC)¹⁶, as described in Chapter IV.

12 **VI. SUMMARY OF CAPITAL PROJECT COSTS**

13 For efficiency purposes and to facilitate the review process, detailed information for each
14 project is contained in the accompanying project workpapers. The information below provides a
15 summary of the projects and associated costs.
16

¹⁴ A.16-09-005, Direct Testimony of Rick Phillips, Chapter II, Page 9.

¹⁵ For capital replacement projects.

¹⁶ For capital replacement projects.

1

Table 3 –Capital Project Costs (000’s)

<u>Line</u>	<u>Phase</u>	<u>Action</u>	<u>Total Estimated Cost</u>
127	1B	Replace	\$1,830
7043	1B	Replace	\$1,807
36-37 Section 11	1B	Replace	\$64,672
36-1001/45-1001	1B	Replace	\$14,981
38-514	1B	Replace	\$9,992
38-960	1B	Replace	\$24,423
43-121	1B	Replace	\$11,060
38-556	2A	Replace	\$17,357
36-37 Section 12	1B	De-Rate/Abandon	\$20,934
36-1002	1B	De-Rate	\$6,372
Capital Component of 2000C Test ¹⁷	2A		\$4,602
Capital Component of 2000D Test	2A		\$6,084
AFUDC/Property Tax			\$13,375
Total Estimated Capital Cost			\$197,489

2

3

VII. INDIVIDUAL CAPITAL PROJECTS

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000’s)
127	Goleta	0.003 (15 feet)	\$1,830 (replacement) or \$911 (NDE)

4

5

6

7

8

Following the Decision Tree, the Line 127 project would replace an approximately 15-foot pipe segment located within the Goleta storage field. However, as described in Section IV.A. of Mr. Mejia’s testimony, various alternatives are also considered when the Decision Tree points to replacement. One such alternative, for applicable Phase 1B pipe segments that have a record of a pressure test and whose records indicate the presence of seamless pipe, is to conduct

¹⁷ The description of the capital component of the pressure test projects is included in Section VIII of this testimony.

1 a Non-Destructive Examination (NDE). Conducting a NDE on this segment would provide
2 reasonable assurance regarding the condition of this 15-foot segment and would cost
3 significantly less, with an estimated cost of \$911,000. Given these facts, SoCalGas and SDG&E
4 seek the Commission's review and consideration of the more cost-effective NDE option to
5 replacement.

6 SoCalGas and SDG&E previously have proposed NDE as an option to pressure testing
7 and replacement.¹⁸ Requesting consideration of the alternative to conduct NDE instead of
8 replacement is based on the specific pipeline characteristics and documentation pertaining to this
9 segment. Those characteristics include: (a) the pipe is seamless; (b) the proposed Line 127
10 project is a fifteen-foot segment; (c) the segment has a record of a pressure test performed in
11 1968; (d) the segment is located before a pig launcher; and (e) the segment is located where Line
12 127 starts within SoCalGas' La Goleta storage facility. Additionally, the segment is located
13 before a pig launcher and where Line 127 starts within SoCalGas' La Goleta storage facility,
14 replacing the segment (i.e., following the Decision Tree outcome) will not enhance system
15 piggability, and the segment is more easily observed and examined.¹⁹ SoCalGas and SDG&E
16 are prepared to proceed with the replacement of this section if the Commission deems
17 replacement to be the more prudent action. The cost estimate and associated workpapers for this

¹⁸ R.11-02-019 Amended Testimony of Southern California Gas Company and San Diego Gas & Electric Company in Support of Proposed Natural Gas Pipeline Safety Enhancement Plan at 41-43, 46, 50-54 (also comparing and contrasting the features of non-destructive examination compared to in-line inspection and hydrotesting). See also R.11-02-019 Consumer Protection and Safety Division Technical Report on SoCalGas and SDGE Pipeline Safety Enhancement Plan dated January 17, 2012; A.11-11-002 Opening and Reply Briefs of Applicants. A.15-06-013 Reply Comments of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) on Safety and Enforcement Division's Analysis Report in Response to the April 5, 2016 Assigned Commissioner's Scoping Memo and Ruling at 5.

¹⁹ A.15-06-013 Reply Comments of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) on Safety and Enforcement Division's Analysis Report in Response to the April 5, 2016 Assigned Commissioner's Scoping Memo and Ruling at 5.

1 project reflect replacement following the Decision Tree principles approved in D.14-06-007 and
2 a preliminary estimate for the NDE alternative.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
7043	Avenal	0.0014 (7.5 feet)	\$1,807

3 The Line 7043 project will replace an approximately 7.5 foot pipe segment originally
4 installed in 1930 in the Kettleman Measuring Station in the central San Joaquin Valley near
5 Avenal.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
36-37 Section 11 ²⁰	Ventura	7.635 miles	\$64,672

6 The Line 36-37 project will replace approximately 7.6 miles of various sized pipe
7 predominantly installed in 1927 in western Ventura County from the cities of Ventura to Saticoy.
8 One pipe diameter will be used for the replacement in order to have a uniform diameter for the
9 entire segment. The pipe traverses major thoroughfares through predominantly urban areas.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
36-1001/45-1001	Fillmore	1.579 miles	\$14,981

10 The Line 36-1001/45-1001²¹ project will replace approximately 1.6 miles of pipe
11 predominantly installed in 1925 between Ventura and Los Angeles Counties, near Santa Clarita.
12 Included in the project is a rerouting of the pipeline to avoid mountainous terrain and
13 environmentally sensitive habitats.

²⁰ There is also a de-rate and abandonment associated with Line 36-37. See Page 15 for details.

²¹ Lines 36-1001 and 45-1001 are one continuous pipeline; the different names correspond to the location of the pipeline in two different counties.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
38-514	Central San Joaquin Valley	1.387 miles	\$9,992

1 The Line 38-514 project will replace approximately 1.4 miles of pipe installed in 1945 in
2 central San Joaquin Valley in Fresno County. This project is in a rural area and the pipe will be
3 installed via open trench, with the exception of 70 feet under an irrigation canal which will be
4 installed via a horizontal directional drill. Line 38-514 is the sole feed for the core and non-core
5 customers served in this area.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
38-960	Southern San Joaquin Valley	6.112 miles	\$24,423

6 The Line 38-960 project will replace approximately 6.1 miles of pipe originally installed
7 in 1928 in the southern San Joaquin Valley in Kern County. The project is in a rural area and the
8 pipe will be installed via open trench, with the exception of approximately 250 feet under a
9 county road which will be installed via a horizontal directional drill. Line 38-960 is the primary
10 feed to multiple core and non-core customers in the area and, therefore, could not be abandoned
11 or lowered in pressure.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
43-121	Bel Air	0.258 miles	\$11,060

12 The Line 43-121 project will replace approximately 0.3 miles of pipe originally installed
13 in 1930 in the Sepulveda Pass in Bel Air. There are several pipelines operated by other
14 companies in close proximity to Line 43-121, which results in an extremely tight working area.
15 Additionally, the pipeline is located on a major thoroughfare which results in significant working
16 hour limitations and traffic control conditions.

Line Number	Location	Mileage To Be Replaced	Estimated Cost (\$000's)
38-556	Tulare County	5.571 miles	\$17,357

1 The Line 38-556 Phase 2A project will replace approximately 5.6 miles of pipe in the
2 central San Joaquin Valley in Tulare County. The project is in a rural area and will be installed
3 via open trench, with the exception of approximately 1,750 feet which will be installed via
4 horizontal directional drill due to restrictions put forth by the county based on the fact that the
5 pipeline is crossing five roads that have been paved recently. Additionally, 175 feet will be
6 installed via the jack-and-bore method due to the eastern tie-in location's proximity to an
7 intersection.

Line Number	Location	Mileage To Be De-Rated/Abandoned	Estimated Cost (\$000's)
36-37 Section 12	Ventura County	30.916 miles	\$20,934

8
9 The Line 36-37 Section 12²² project will de-rate approximately 17 miles and abandon
10 approximately 14 miles of Line 36-37 in Ventura County for a total of approximately 31 miles.
11 The decision to de-rate and abandon this section on the pipeline was based on engineering
12 analysis conducted during Stage 2 of the Seven Stage Review Process that indicated that
13 customers could be served utilizing existing pipelines such that these sections of Line 36-37 were
14 either not necessary or could be lowered in pressure.

Line Number	Location	Mileage To Be De-Rated	Estimated Cost (\$000's)
36-1002	Gaviota	16.683 miles	\$6,372

²² Lines 36-37 and 33-37 are adjoining lines. The delineating factor is the Los Angeles County and Ventura County border. For purposes of this testimony, the project is presented as Line 36-37 Section 12, and the mileage de-rated includes 2.333 Phase 1B mileage which is being de-rated as part of the overall project.

1 The Line 36-1002 project will de-rate approximately 16.7 miles of pipe located along the
2 coast west of Goleta. The decision to de-rate this pipeline was based on engineering analysis and
3 collaboration with Region Engineering that determined that, given the number of customers
4 served and load requirements of those customers, the line can be de-rated from high to medium
5 pressure without any customer impact.

6 **VIII. SUMMARY OF O&M PROJECT COSTS**

7 For efficiency purposes and to facilitate the review process, detailed information for each
8 project is contained in the accompanying project workpapers. The information below is
9 designed to provide a summary of the projects and associated costs.

10

Table 6 – Estimated Pressure Test Project Costs (000’s)

<u>Line</u>	<u>Phase</u>	<u>Action</u>	<u>Total Estimated O&M Cost</u>	<u>Estimated Capital Costs</u>
2000 Section C	2A	Test	\$27,402	\$4,602
2000 Section D	2A	Test	\$29,638	\$6,084
Total Cost			\$57,040	\$10,686

Line Number	Location	Mileage To Be Tested	Estimated O&M Cost (\$000’s)	Estimated Capital Cost (\$000’s)
2000 Section C	Riverside County	22.943 miles	\$27,402	\$4,602

The Line 2000 Section C test project will pressure test approximately 23 miles of pipe in eastern Riverside County between Whitewater and Indio.²³ There will be 16 test sections of varying length due to environmental considerations and elevation changes. A detailed map included in the workpapers depicts the scope of the project and individual test sections.

The capital costs associated with these test projects include those for the replacement of 20 short sections of pipe totaling 1,010 feet to facilitate the hydrotesting procedure.²⁴ Also, five taps and three wrinkle bends will be replaced.

Line Number	Location	Mileage To Be Tested	Estimated O&M Cost (\$000’s)	Estimated Capital Cost (\$000’s)
2000 Section D	Riverside County	14.038 miles	\$29,638	\$6,084

²³ Line 2000 is a 118-mile line that extends from the Arizona border to Los Angeles. Sections C, D, and E are part of several Line 2000 PSEP projects: Section A (included in A.14-12-016), 2000 West Sections 1-3 (included in A.16-09-005), Sections C and D (included in this Application), and Section E and East of Cactus City (to be included in the 2019 General Rate Case).

²⁴ As part of the normal pressure testing process, a section of the existing pipeline is removed to accommodate the temporary test heads that are used to conduct the hydrostatic testing. After the line is tested and the temporary test heads are removed, a new section of pipe is installed in place to “tie-in” the just tested segment on the pipeline on either side of the segment. The tie-in segment is new pipe and is capitalized in accordance with SoCalGas’ and SDG&E’s accounting policies.

1 The Line 2000 Section D test project will pressure test approximately 14 miles of pipe in
2 the Banning/Beaumont area of Riverside County.²⁵ Due to several elevation changes consisting
3 of a total of approximately 1,600 feet, the project will be separated into 15 separate test sections.
4 Due to the terrain that this Line 2000 section traverses, access to the pipeline is limited. A
5 detailed map included in the workpapers depicts the scope of the project and individual test
6 sections.

7 The capital costs associated with this test includes the replacement of 20 short sections of
8 pipe totaling 980 feet to facilitate the hydrotesting procedure.²⁶ Also, 250 feet of the total 14
9 miles and 200 feet of lateral piping will be replaced. Finally, two valves will be replaced at
10 Moreno Station, and four wrinkle bends²⁷ and five taps will be replaced.

11 **IX. CONCLUSION**

12 My testimony summarizes the nine Phase 1B and three Phase 2A projects included in this
13 Application for Commission approval to proceed with construction. Detailed project information
14 is contained in the workpapers accompanying this Application. The projects included allow
15 SoCalGas and SDG&E to continue to accomplish the Commission, Legislature, and the Utilities'
16 pipeline safety objectives.

17 This concludes my prepared direct testimony.

²⁵ Line 2000 is a 118-mile line that extends from the Arizona border to Los Angeles. Sections C and D are part of several Line 2000 PSEP projects: Section A (included in A.14-12-016), 2000 West Sections 1-3 (included in A.16-09-005), Sections C and D (included in this Application), and Section E and East of Cactus City (to be included in the 2019 General Rate Case).

²⁶ As part of the normal pressure testing process, a section of the existing pipeline is removed to accommodate temporary test heads which are used to conduct the hydrostatic testing. After the line is tested and the temporary test heads removed, a new section of pipe is installed in place to "tie-in" the just tested segment on the pipeline on either side of the segment. The tie-in segment is new pipe and is capitalized in accordance with SoCalGas and SDG&E's accounting policy.

²⁷ A wrinkle bend is a pipe bend produced by a field machine or a controlled process which may result in abrupt contour discontinuities on the inner radius.

1 **X. WITNESS QUALIFICATIONS**

2 My name is Ronn Gonzalez. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013-1011. I have been employed by Southern California Gas Company since 2013
4 and had previously worked for the company from 2002 to 2007. I have held various positions at
5 SoCalGas in the Engineering, Operations and the PSEP Organizations. These roles included
6 working as the Region Associate Engineer, Pipeline Design Engineer, and as the Portfolio
7 Manager for PSEP projects in the Northwest Distribution Region. I have also worked for two
8 Engineering, Procurement and Construction (EPC) contracting firms from 2007 until 2013 where
9 I supported and managed several large capital projects in the oil and gas industries.

10 I am currently employed as the Project Execution Manager in PSEP. My principal
11 responsibility is managing all Southern California Gas Company PSEP project managers,
12 construction estimators, Land Services Agents, and PSEP engineers.

13 I received a Bachelor's Degree in Mechanical Engineering from the University of
14 Arizona and I am a Registered Mechanical Engineer in the State of California.

15 I have not previously testified before the Commission.