

Application No: A.16-09-XXX
Exhibit No.: _____
Witness: R. Austria

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) to Recover Costs Recorded in the Pipeline Safety and Reliability Memorandum Accounts, the Safety Enhancement Expense Balancing Accounts, and the Safety Enhancement Capital Cost Balancing Accounts

Application 16-09-XXX

CHAPTER XI
DIRECT TESTIMONY OF
REGINALD M. AUSTRIA
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
AND
SAN DIEGO GAS & ELECTRIC COMPANY

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

September 2, 2016

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

2 The purpose of my testimony is to sponsor the Pipeline Safety Enhancement Program
3 (PSEP) revenue requirements associated with the PSEP projects and costs presented for review in
4 this application and that are recorded in Southern California Gas Company's (SoCalGas) and San
5 Diego Gas & Electric's (SDG&E) Safety Enhancement Expense Accounts (SEEBAs), Safety
6 Enhancement Capital Cost Balancing Accounts (SECCBAs), and Pipeline Safety and Reliability
7 Memorandum Accounts (PSRMAs).

8 **II. PSEP REVENUE REQUIREMENT**

9 As described in Chapter III (Phillips), Chapter V (Mejia), and Chapter VI (Bermel),
10 SoCalGas and SDG&E have presented \$134.1 million in capital expenditures and \$61.3 million in
11 operating and maintenance (O&M), recorded as of March 2016 for reasonableness review.¹ These
12 expenditures form the basis for the revenue requirements requested as part of this application.

13 The PSEP revenue requirements, as recorded in the SEEBAs, SECCBAs and PSRMAs and
14 requested for recovery in rates, totals \$68.4 million for SoCalGas and \$2.6 million for SDG&E.²
15 As described in my testimony, these costs are fully loaded and include O&M, capital related costs,³
16 and regulatory account interest. These revenue requirements will be allocated to functional areas
17 and amortized over a 12-month period as discussed in Chapter XII (Chaudhury).⁴ The ongoing

¹ Costs were further adjusted by disallowances identified after the March 2016 cut-off date and reflected in the PSEP balancing accounts in the subsequent months.

² The revenue requirements are adjusted for certain overhead exclusions, and the SEEBAs, SECCBAs, and PSRMA balances exclude disallowed costs discussed in Chapters III (Phillips) and V (Mejia). Disallowed costs have also been excluded in determining the revenue requirements requested in this application. The regulatory account balances also reflect certain PSEP projects that were initially planned as a hydrotesting O&M project, but later determined that a portion of the project has a capital replacement component. In these instances, the revenue requirement was adjusted accordingly and recorded to the applicable regulatory account.

³ Capital-related costs include depreciation, taxes and return associated with the cost of the PSEP assets.

⁴ Once the Commission has authorized SoCalGas and SDG&E to collect PSEP revenue requirements in rates, SoCalGas and SDG&E will file Tier 1 Advice Letters within 30 days of the effective date of the decision authorizing recovery. The advice letters will serve to update the revenue requirements authorized by the Commission for such items as: (1) regulatory account interest; (2) the ongoing capital-related revenue

1 capital-related revenue requirements, associated with reasonably incurred capital expenditures
2 approved in this proceeding will continue to be recorded in the Utilities' SECCBAs. Because this
3 revenue requirement would be associated with capital assets already found reasonable by the
4 Commission, SoCalGas and SDG&E propose to continue filing a Tier 2 Advice Letter to
5 incorporate future year revenue requirements into rates until such costs are incorporated in base
6 rates in connection with the utilities' next General Rate Case (GRC) proceeding. Table 1 of my
7 testimony illustrates the PSEP revenue requirements presented for recovery in this Application.
8

requirements associated with approved PSEP capital projects that were recorded to the SECCBAs subsequent to March 2016, including the corresponding capital-related revenue requirements to be recorded in the SECCBAs by the end of the year that rates are adjusted; (3) a reduction for previously authorized interim cost recovery pursuant to Decision 16-08-003; and (4) any other adjustments (e.g. exclusions). SoCalGas and SDG&E will then incorporate the updated revenue requirements into rates on the first day of the next month following advice letter approval or in connection with other authorized rate changes implemented by SoCalGas and SDG&E.

Table 1			
PSEP Revenue Requirements			
(M\$'s excluding FF&U)			
	SoCalGas	SDG&E	Total
<u>O&M Costs:</u>			
Completed Projects	53,953	685	54,638
Descoped Projects	197	-	197
Post Completion Adjustments	382	-	382
Regulatory Account Interest ⁵	122	1	123
<u>Capital Costs:</u>			
Completed Projects	13,695	1,938	15,633
Post Completion Adjustments	23	-	23
Regulatory Account Interest ⁵	18	3	21
Total Revenue Requirement	68,391	2,627	71,018

Values may not add to total due to rounding.

1

2 O&M and capital-related costs in Table 1 reflect fully loaded costs consisting of the

3 incremental, company-wide overheads. These incremental overheads are incorporated in the costs

4 presented in Chapter III (Phillips), Chapter V (Mejia), and Chapter VI (Bermel), and explained in

5 detail in Chapter IX (Huleis). In addition, PSEP O&M and capital costs are reduced for Pension

6 and Post-Retirement Benefits Other Than Pensions (PBOPs), as these overhead costs are subject to

7 separate balancing account mechanisms. Specifically, as authorized in D.13-05-010, SoCalGas’

8 and SDG&E’s Pension and PBOPs are balanced in the Pension Balancing Account and PBOP

9 Balancing Account. The adjustments to the utilities’ fully loaded PSEP O&M and capital costs for

10 Pensions, PBOPs and other cost exclusions are detailed in the accompanying workpapers.⁶

⁵ The SEEBAs, SECCBAs, and PSRMAs are interest bearing accounts which record interest at the 3-month commercial paper rate, pursuant to the utilities’ Preliminary Statement approved by SoCalGas Advice No. 4359 and modified in SoCalGas Advice No. 4664, and SDG&E Advice Letter 2106-G and modified in SDG&E Advice Letter 2300-G.

⁶ See WP-XI-01 for SoCalGas’ PSEP O&M projects; WP-XI-02 and WP-XI-03 for SoCalGas’ capital projects; WP-XI-05 for SDG&E’s O&M projects; and WP-XI-06 and WP-XI-07 for SDG&E’s capital projects.

1 **III. CONCLUSION**

2 The PSEP revenue requirements are reasonable, should be adopted, and should be allocated
3 to the functional areas and incorporated into natural gas transportation rates as discussed in Chapter
4 XII (Chaudhury).

5 This concludes my prepared direct testimony.

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts Manager of
4 the Regulatory Accounts group within the Accounting and Finance Department which supports the
5 regulatory accounting and reporting activities for SoCalGas. I have held my current position since
6 April 1, 2002. I am responsible for managing SoCalGas' authorized regulatory balancing, tracking
7 and memorandum accounts. My responsibilities include: implementation of regulatory accounting
8 procedures for compliance with Commission decisions; quantifying and recording the monthly
9 entries and adjustments to the Commission-authorized regulatory account mechanisms; and
10 managing the general administration of SoCalGas' authorized regulatory accounts. Prior to April 1,
11 2002, I was the Utility Accounting Manager for SoCalGas, in which I had similar responsibilities to
12 my current duties.

13 I received my Bachelor of Science degree in Accounting from California State University,
14 Long Beach in 1982. I am a Certified Public Accountant and a member of the American Institute of
15 Certified Public Accountants and the California Society of Certified Public Accountants. I began
16 my employment with SoCalGas in 1983 in the Accounting and Finance Department. I have held
17 various positions of increasing responsibility in Internal Audit, Cost Accounting, General
18 Accounting, and Utility Regulatory Accounting before assuming my current position.

19 I have previously testified before the Commission.