

Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2016 General Rate Case
Application: A.14-11-003
Exhibit: SDG&E-206

SDG&E

REBUTTAL TESTIMONY OF RAYMOND K. STANFORD

(Gas Engineering and Gas Transmission Capital)

June 2015

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



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SDG&E REBUTTAL TESTIMONY OF RAYMOND K. STANFORD
(Gas Engineering and Gas Transmission Capital)

I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	\$ 268	\$ 810	\$ 542
ORA	\$ 268	\$ 305	\$37

TOTAL CAPITAL - Constant 2013 (\$000)			
	2014	2015	2016
SDG&E	\$ 7,212	\$ 6,582	\$ 7,002
ORA	\$ 7,365	\$ 6,582	\$ 7,002

My direct testimony, Exhibit SDG&E-06, addressed Gas Engineering O&M expenses and Gas Transmission capital. The following rebuttal addresses the Office of Ratepayer Advocates' (ORA) recommendations for these two areas.

II. INTRODUCTION

A. ORA

ORA issued its report on Gas Engineering O&M expense and Gas Transmission capital on April 24, 2015.¹ For Gas Transmission capital, ORA recommended the use of 2014 actuals, but did not contest SDG&E's Gas Transmission capital forecasts for 2015 or 2016. For O&M, ORA relies upon the use of 2014 actuals to make its recommendations to reduce SDG&E forecast. The following is a summary of ORA's positions related to Transmission capital and Gas Engineering O&M expense:

- ORA recommends \$270,000 for Gas Engineering O&M non-shared, rather than the requested \$718,000.
- ORA recommends \$35,000 for Gas Engineering O&M shared service, rather than the requested \$92,000.
- ORA recommends adopting the 2014 adjusted-recorded expenditures in all Gas Transmission Capital categories.
- ORA does not oppose SDG&E's Gas Transmission capital forecasts for 2015 and 2016.

¹ ORA-9, Ezekwo, Report on the Results of Operations for San Diego Gas & Electric Company Southern California Gas Company Test Year 2016 General Rate Case, SDG&E – Gas Distribution, Transmission, Engineering, and Pipeline Integrity April 24, 2015.

1 **III. REBUTTAL TO PARTIES' O&M PROPOSALS**

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

NON-SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	\$ 260	\$ 718	\$ 458
ORA	\$ 260	\$ 270	\$ 10

3 **1. Disputed Cost – Gas Engineering O&M**

4 **a. ORA**

5 ORA proposes reductions to SDG&E's Gas Engineering O&M forecast that will hinder
6 SDG&E's execution of the proposed transmission capital pipeline safety and reliability
7 improvements. Specifically, ORA recommends that 2014 actuals be the forecast for the 2016
8 TY. ORA's forecast relies solely on 2014 actuals and assumes no increase in activity from 2014
9 through 2016.

10 In making its proposal, ORA simply used a single-data value, namely the 2014 adjusted-
11 recorded value. ORA's forecast methodology does not take into consideration the individual
12 merits of the Gas Engineering programs included in my direct testimony, and the expansion of
13 Gas Engineering O&M activities needed to execute on the planned transmission capital activity.
14 As such, ORA's proposal will limit SDG&E's ability to provide an appropriate degree of Gas
15 Engineering O&M support to the proposed capital work. To adequately support the proposed
16 capital work, SDG&E recommends adoption of its forecast.

17 **2. Disputed Cost – Public Awareness**

18 **a. ORA**

19 ORA did not oppose SDG&E's proposal to enhance safety through enhanced Public
20 Awareness program efforts. ORA again, however, relies solely on 2014 actuals and assumes no
21 increase in activity from 2014 through 2016. As such, ORA did not recommend the necessary
22 funding to fulfill SDG&E's public awareness goals. As discussed in my direct testimony,² the
23 Public Awareness program will experience increased costs in order to assess the effectiveness of
24 and continually improve Public Awareness communications to enhance pipeline safety, and to
25 implement program expansion recommendations from regulators. One particular incremental

² Exhibit SDG&E-06 at page RKS-9.

1 driver is the need to respond to audit recommendations issued by the Commission's Safety
2 Enforcement Division (SED).

3 In our most recent Public Awareness audit conducted by SED, SED auditors
4 recommended that the Liquefied Natural Gas facility in Borrego Springs be included within the
5 Public Awareness program even though this is not required under the applicable regulations.³
6 To more effectively respond to recommendations, SDG&E is requesting funding that will allow
7 the continued expansion of SDG&E's Public Awareness program beyond the program's original
8 mandates, such as adding the Borrego Springs LNG facility.

9 The added expense associated with heightened regulatory expectations, along with the
10 additional communications and surveying work that needs to be performed, should be fully
11 funded to enhance public awareness and safety. SDG&E objects to ORA's use of a single-data
12 value to derive its forecast. If ORA wishes to use 2014 adjusted-recorded value in this instance,
13 ORA should have incorporated into the forecast methodology SDG&E used to better reflect the
14 increasing requirements. ORA's funding recommendation hinders SDG&E's ability to enhance
15 public awareness and respond to regulator safety recommendations. Therefore SDG&E
16 respectfully requests the Commission adopts its TY2016 forecast of \$461,000.

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

SHARED O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SDG&E	\$ 8	\$ 92	\$ 84
ORA	\$ 8	\$ 35	\$ 27

18 **1. Disputed Cost—Gas Engineering**

19 **a. ORA**

20 ORA takes issue with the Test Year O&M forecast for Gas Engineering Pipeline Design
21 and Standards and relies heavily on the 2014 expense data to justify its recommendation. ORA
22 notes that the 2014 adjusted-recorded value is much lower than SDG&E's 2016 forecast amount
23 of \$41,000.⁴ Based on this observation, ORA recommends using the most recent five-year
24 average. SDG&E respectfully disagrees.

³ Discussed at Exhibit SDG&E-06 at page RKS-10.

⁴ Exhibit ORA-9 at page 33.

1 The five-year average should be viewed as a starting point upon which necessary,
2 incremental work may be added. The merits of the programs and activities discussed in
3 testimony are a more appropriate means to forecast costs than the averaging of historic costs. For
4 example, in my direct testimony, I discuss the need to address expanding CPUC audit activities
5 and recommendations. The expansion of this area has resulted in a need for additional resources
6 to facilitate audits, engage in follow-up activity, and address audit recommendations. A five-
7 year average does not account for this expected increase in activity. As such, SDG&E
8 respectfully requests that its forecast be adopted as the more reasonable and prudent approach.

9 **IV. REBUTTAL TO PARTIES' CAPITAL PROPOSALS**

10 **A. Accepted Capital Cost**

11 **1. ORA**

12 For SDG&E Transmission Capital, ORA proposes adoption of 2014 actuals and does not
13 oppose SDG&E's forecasts for 2015 and 2106. SDG&E agrees with the ORA's Transmission
14 Capital recommendation. However, as discussed above, SDG&E respectfully disagrees with
15 ORA's recommendation to reduce corresponding O&M engineering resources. These resources
16 are needed to promote the completion of capital work and provide companion technical policy,
17 commissioning, training and guidance to support those capital expenditures.

18 **V. CONCLUSION**

19 In summary, for Capital transmission, the adoption of 2014 actuals and SDG&E's capital
20 forecasts for 2015 and 2016 is appropriate. For Gas Engineering O&M, SDG&E opposes
21 ORA's selective use of a single-data value at times to make their recommendations. ORA's
22 recommendation does not adequately consider the merits of the increasing requirements or use of
23 historical data, SDG&E used to generate its forecast. Therefore, SDG&E recommends adoption
24 of its O&M TY 2016 expenses forecasts for shared and non-shared services as prudent and
25 reasonable.

26 This concludes my prepared rebuttal testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Raymond K. Stanford. My business address is 555 W. Fifth Street,
3 Los Angeles, California, 90013. I am employed by SoCalGas as the Engineering Design
4 Manager in Gas Engineering for SoCalGas and SDG&E. In this position, I am responsible for
5 providing centralized gas infrastructure design engineering and technical utility support to
6 operations for distribution, transmission, and storage. To accomplish this responsibility, I
7 manage an organization of approximately 40 employees with technical expertise in specific
8 engineering fields.

9 In addition, I possess a broad background in engineering and natural gas pipeline
10 operations with over 30 years of experience with SoCalGas. I have held a number of managerial
11 positions with increasing responsibility in the Engineering, Distribution, and Transmission
12 Departments. I have been responsible for various areas related to the design, construction,
13 operation, and maintenance of natural gas system facilities. I have held my current position as
14 Engineering Design Manager since January 2008.

15 I earned a Bachelor of Science degree in Chemical Engineering from California State
16 Polytechnic University, Pomona, and have completed the Masters in Business Administration
17 from the University of Redlands, School of Business.

18 I have previously testified before the Commission.