

Application No: A.17-03-021  
Exhibit No.: \_\_\_\_\_  
Witness: R. Austria

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

**REBUTTAL TESTIMONY OF**  
**REGINALD AUSTRIA**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
  
**BEFORE THE PUBLIC UTILITIES COMMISSION**  
**OF THE STATE OF CALIFORNIA**

January 22, 2018

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

2           The purpose of my prepared rebuttal testimony on behalf of Southern California Gas  
3 Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E), or “Applicants,” is to  
4 respond to the balancing account recommendations proposed in the testimony of the Office of  
5 Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) and Southern California  
6 Generation Coalition (SCGC).

7     **II.   TWO-WAY BALANCING ACCOUNT TREATMENT IS APPROPRIATE FOR**  
8     **THE PSEP FORECASTED REVENUE REQUIREMENTS PROPOSED BY**  
9     **SOCALGAS AND SDG&E**

10          In the testimony of ORA witness N. Stannik, ORA recommends the use of a one-way  
11 downward balancing account to record and collect the operation and maintenance (O&M)  
12 components of Pipeline Safety Enhancement Plan (PSEP) hydrotesting project costs, regardless  
13 of the per-mile or total amount authorized.<sup>1</sup> ORA believes that since O&M costs are generally a  
14 “pass-through” to ratepayers, ratepayers should not be required to pay for forecasted costs that  
15 are higher than predicted, nor should ratepayers be passed on to shareholders if the utilities are  
16 able to perform the hydrotesting work at a lower cost than predicted.<sup>2</sup>

17          SoCalGas and SDG&E disagree. Applicants believe that 100% of reasonable and  
18 prudent PSEP O&M costs should be recovered from ratepayers for this important safety  
19 enhancement work that renders the utilities’ infrastructure safe for all stakeholders (e.g.,  
20 ratepayers, employees, etc.). As discussed further in the rebuttal testimony of R. Gonzales, there  
21 are several components that influence cost estimates, and a change in even one of these  
22 components can change the overall scope of the project and the resulting actual costs.<sup>3</sup>

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<sup>1</sup> ORA Testimony (ORA-04, Stannik) at 3.

<sup>2</sup> ORA Testimony (ORA-04, Stannik) at 13.

<sup>3</sup> SoCalGas and SDG&E Rebuttal Testimony (Gonzalez) at 15 – 16.

1 Promoting fairness to both ratepayers and shareholders can be accomplished through the  
2 continuation of a two-way balancing account mechanism for PSEP such that costs that are lower  
3 than authorized levels are refunded to ratepayers and reasonably incurred costs above authorized  
4 levels are recovered from ratepayers.

5 In the testimony of witness C. Yap, TURN and SCGC request that the Commission deny  
6 Applicants' request for balancing account treatment. TURN and SCGC contend that PSEP  
7 projects are fundamentally no different than other natural gas utility activities, which include  
8 large pipeline construction and maintenance projects that were not subject to balancing account  
9 treatment.<sup>4</sup>

10 SoCalGas and SDG&E disagree with TURN and SCGC's recommendation to deny  
11 balancing account treatment for PSEP costs. For the same reasons that were provided above,  
12 Applicants believe that the continuation of two-way balancing account treatment of PSEP costs  
13 is appropriate to ensure recovery of reasonable and prudent costs from ratepayers for the safe and  
14 reliable operation of their pipeline system. Although PSEP projects may be similar to large  
15 pipeline and maintenance projects that are included in a general rate case, where no balancing  
16 account treatment is provided, PSEP costs are different in that they are difficult to estimate as  
17 there are many factors and assumptions to consider.<sup>5</sup> Any unanticipated deviation in these  
18 factors and/or assumptions can significantly impact the actual PSEP costs incurred. Merely  
19 exceeding the estimate for a project does not indicate that the project was not appropriately and  
20 prudently planned and executed; it simply means that conditions were different than expected or  
21 unanticipated occurrences took place. These costs that exceed the estimate nevertheless should  
22 be recoverable from ratepayers through a two-way balancing account mechanism.

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<sup>4</sup> TURN/SCGC Testimony (Yap) at 5.

<sup>5</sup> SoCalGas/SDG&E Rebuttal Testimony (Gonzalez) at 15 - 16.

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This concludes my Rebuttal Testimony.