

Application No: A.17-03-021
Exhibit No.: _____
Witness: H. Mejia

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
HUGO MEJIA
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 this testimony is to respond to the December 11, 2017 Direct Testimony
3 of Catherine E. Yap on behalf of The Utility Reform Network (TURN) and the Southern
4 California Generation Coalition (SCGC). This testimony will also outline ongoing planning and
5 design efforts on identified Phase 1B Pipeline Safety Enhancement Plan (PSEP) projects.

6 **II. SOCALGAS AND SDG&E WERE NOT DIRECTED TO REQUEST**
7 **AUTHORIZATION TO INCREASE RATES FOR FUTURE PSEP PROJECTS**
8 **ON A FORECAST BASIS**

9 TURN and SCGC assert SoCalGas and SDG&E are under a Commission directive to
10 “request authorization to increase rates for future PSEP projects on a forecasted basis,” but do
11 not cite a Commission decision in support of this broad assertion. SoCalGas and SDG&E
12 received Commission approval to execute Phase 1A and Phase 1B PSEP projects in Decision
13 (D.)14-06-007, which expressly declines to impose a requirement on SoCalGas and SDG&E to
14 seek pre-approval of Phase 1B projects.¹ In D.16-08-003, the Commission adopted a
15 recommendation by staff to schedule future forecast applications for Phase 2 projects, but did not
16 adopt a proposal to require forecast applications for Phase 1B projects. As such, the Phase 1B
17 projects included in this Application are already pre-approved for execution, and are included in
18 this Application under the express authorization in D.14-06-007 to seek preapproval of cost
19 forecasts for previously approved Phase 1 projects.²

¹ See D.14-06-007 at (“We believe that we have addressed TURN’s programmatic concerns with Safety Enhancement even though we authorize more work than TURN recommends; for example, we authorize Phase 1B work to ensure it is performed in a timely manner.”)

² D.14-06-007 Ordering Paragraph 5 (“SDG&E and SoCalGas may alternatively file for preapproval of specific projects seeking approval of a cap or for other specific guidance.”)

1 **A. SoCalGas and SDG&E Continue to Implement Phase 1B Projects Approved**
2 **in D.14-06-007.**

3 As SoCalGas and SDG&E reach completion of Phase 1A, experienced project and design
4 teams become available to continue efforts on Phase 1B detailed design and planning activities.
5 By transitioning these experienced teams to Phase 1B work, SoCalGas and SDG&E have
6 avoided a complete shutdown of design and planning activities and the risk of having qualified
7 and experienced personnel take other opportunities outside PSEP such that they are no longer
8 available when design and planning activities resume. In terms of execution priority, SoCalGas
9 and SDG&E continued to focus on Phase 1A projects early in PSEP, addressing Phase 1B
10 mileage only when it was accelerated as part of a Phase 1A project or a standalone abandonment
11 project. As authorized by D.14-06-007, SoCalGas and SDG&E included nine Phase 1B projects
12 for review of the cost forecasts in this Application and will continue to file Phase 1B project
13 forecasts in future General Rate Case filings for Commission review and pre-approval.³

14 **B. SoCalGas Continues Design and Planning Work on Phase 1B Projects**

15 SoCalGas and SDG&E have continued detailed design and planning activities on Phase
16 1B projects since filing this Application. These projects include Line 38-960 and Line 36-37
17 Sections 11 and 12. It is anticipated that the design work, material, and permits can be secured
18 by the end of the second quarter in 2018 at the earliest, which would enable SoCalGas and
19 SDG&E to have the projects ready to begin construction by the beginning of the third quarter of
20 2018 or thereafter. This approach aligns the construction start dates with the estimated final
21 decision date in this proceeding such that implementation of this important pipeline safety
22 enhancement work continues to proceed without undue delay.

³ D.14-06-007 at 24.

1 SoCalGas and SDG&E prioritized these Phase 1B projects among other remaining Phase
2 1B projects, because the pipe was manufactured or installed before 1930 and operates above
3 30% System Maximum Yield Strength (SMYS). Taking into consideration that this pipe is
4 almost 100 years old and operates at above 30% SMYS, it is prudent not to cease work on these
5 lines and proceed with construction as soon as practicable. It should be mentioned there is an
6 additional Phase 1B, pre-1930 pipeline that operates above 30% SMYS presented in this
7 Application: Line 36-1001/45-1001. The continuation of detailed design and planning efforts
8 has not commenced on this project yet, primarily due to the uncertainty of details related to a
9 housing development currently planned for the area where the pipe is located. As more details
10 become available for the housing development, the detailed design of this project will proceed to
11 avoid project conflict issues with the anticipated new additional infrastructure.

12 **III. CERTAIN PROJECTS INCLUDE ACCELERATED PHASE 2B MILES**

13 TURN and SCGC recommend that the Commission require SoCalGas and SDG&E to
14 attest that any Phase 2B mileage included in this Application is included solely to minimize the
15 cost of conducting the Phase 1B or Phase 2A pressure test, replacement, de-rate, or de-rate and
16 abandon projects.⁴ In this section I describe the reasons for including Phase 2B mileage: they
17 are included for cost efficiency purposes and, in the absence of Phase 2B, would have been
18 included within the scope of the projects anyway, albeit as incidental miles.

19 **A. Phase 2B Mileage Is Included in De-Rate and Abandon Projects**

20 Two de-rate and abandon projects in the Application propose to include 7.518 miles of
21 Phase 2B as follows.

22 1. Line 36-37 Section 12

⁴ TURN/SCGC Testimony (Yap) at 4.

1 Line 36-37 Section 12 will de-rate and abandon a total of 30.9 miles. As outlined in the
2 project map for Line 36-37 Section 12 (WP-II-A80), the majority of the 4.574 incidental miles
3 and the 5.708 miles of accelerated Phase 2B miles are located between Phase 1B segments and
4 are included for constructability and practicable purposes. It would be impractical to de-rate or
5 abandon only the Phase 1B segments of this pipeline and circumvent the adjoining incidental and
6 accelerated segments. Moreover, non-contiguous abandonment is impractical and would require
7 the additional equipment and cost to keep those segments operating at the higher MAOP.

8 2. Line 36-1002

9 The Line 36-1002 project entails de-rating a total of 16.683 miles. As outlined in the
10 project map (WP-II-A90), the Phase 1B mileage is 1.770 miles and the Phase 2A mileage is
11 4.987 miles. In order to effectively de-rate the entire line west of the Phase 1B segments, the
12 accelerated mileage (Phase 2A and 2B) and incidental mileage must be included for the same
13 reasons outlined for the Line 36-37 Section 12 project above, i.e., it is impractical and illogical to
14 abandon just the non-contiguous segments and not the adjoining segments. The inclusion of the
15 Phase 2B mileage is for constructability purposes, which eliminates additional cost and
16 equipment to keep those segments operating at the higher MAOP.

17 **B. Phase 2B Mileage Included in Test or Replacement Projects (0.406 miles)**

18 Three projects proposed in this Application that are test or replacement projects include
19 Phase 2B mileage for the reasons set forth below.

20 1. Line 36-37 Section 11

21 Line 36-37 Section 11 is a 7.585-mile replacement project that includes 264 feet of Phase
22 2B accelerated pipe. The 264 feet of Phase 2B pipe is made up of seven short segments, mostly
23 located between all of the Phase 1B segments. The inclusion of the Phase 2B mileage is for the
24 purpose of realizing construction efficiencies when installing new pipe. Replacing these short

1 segments allows the construction team to conduct post-replacement pressure testing in
2 continuous sections of pipe before tying the line in for service, which in turn minimizes system
3 impacts and enhances pipeline safety.

4 2. Line 38-960

5 Line 38-960 is a 6.112-mile replacement project that includes 21 feet of Phase 2B
6 accelerated pipe. The 21 feet of Phase 2B pipe exists in one short segment located between the
7 Phase 1B mileage for this project and is included for constructability purposes to allow for one
8 continuous pressure test and eliminate additional tie-in activities and associated cost.

9 3. Line 2000-D

10 Line 2000-D is a 14.038-mile pressure test project that will have 15 separate test sections
11 and will include 0.352 miles of accelerated Phase 2B pipe. The Phase 2B pipe is made up of
12 eight segments that are located between the Phase 2A pipe being tested. As noted previously, it
13 is more cost effective to include these segments as opposed to circumventing them as it allows
14 for continuous pressure tests. This also minimizes customer impacts.

15 **IV. COMMISSION DECISION D.16-08-003 APPROVED MEMORANDUM**
16 **ACCOUNTS FOR SOCALGAS AND SDG&E TO RECORD PHASE 2A**
17 **PRELIMINARY COSTS**

18 In 2016, SoCalGas and SDG&E received approval to begin preliminary planning and
19 engineering efforts on Phase 2A projects in order to develop cost estimates to file PSEP Phase
20 2A projects in future forecast applications and/or General Rate Cases.⁵ SoCalGas and SDG&E
21 included two Phase 2A projects in this Application, namely the Line 2000-C and Line 2000-D
22 hydrotest projects which continue the safety enhancement work on Line 2000. In addition to
23 these two Phase 2A projects, SoCalGas and SDG&E have continued preliminary planning and

⁵ D.16-08-003 at 13 (COL 1), 14 (OP 1).

1 design work on all Phase 2A projects, and these costs are recorded to the approved memorandum
2 accounts established in D.16-08-003.⁶ In this same decision, the Commission authorized
3 SoCalGas and SDG&E to establish memorandum accounts to record approximately \$22 million
4 in Phase 2 planning and engineering design costs in order to perform a sufficient level of
5 engineering, planning and design work so as to present the Commission and intervenors with
6 more accurate cost estimates. This approach by SoCalGas and SDG&E was in response to the
7 Commissions finding that the estimates submitted by them in their original PSEP application
8 were too “rudimentary.”⁷ At the prehearing conference, ORA did not oppose this request for a
9 memorandum account to complete this design and engineering work for the purpose of preparing
10 more accurate cost estimates.⁸ Now that this detailed engineering, design and planning work has
11 been completed and the detailed cost estimates for these projects submitted to the Commission
12 for review and pre-approval, ORA propose for the first time that the Commission adopt
13 rudimentary cost forecasts that disregard all of the engineering, design and planning work
14 performed by SoCalGas and SDG&E on these projects. ORA’s proposed funding method, is
15 overly simplistic and fails to take into account key variables that experienced pipeline operators
16 know will impact cost.

17 This concludes my Rebuttal Testimony.

⁶ D.16-08-003 at 14 (OP 1). SoCalGas and SDG&E’s request for these memorandum accounts was unopposed.

⁷ D.14-06-007 at 2.

⁸ D.15-06-013 at 5-6 (“At the PHC, no party opposed the request for memorandum accounts and the final Staff Proposal included authorizing these accounts.”)