

Company: San Diego Gas & Electric Company (U902M)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/-008 (cons.)
Exhibit: SDG&E-205

SDG&E

REBUTTAL TESTIMONY OF OMAR RIVERA

(GAS SYSTEM INTEGRITY)

JUNE 18, 2018

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



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**SDG&E REBUTTAL TESTIMONY OF OMAR RIVERA
(GAS SYSTEM INTEGRITY)**

I. SUMMARY OF DIFFERENCES

TOTAL O&M¹ - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SDG&E	\$151	\$1,558	\$1,407
ORA	\$151	\$1,180	\$1,029
CUE	\$151	\$1,833²	\$1,682

II. INTRODUCTION

This rebuttal testimony regarding San Diego Gas & Electric Company’s (SDG&E or the Company) request for Gas System Integrity addresses the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA), as submitted by Mariana Campbell (Exhibit ORA-09), dated April 13, 2018.
- The Coalition of California Utility Employees (CUE), as submitted by David Marcus (Exhibit CUE (Marcus)), dated May 14, 2018.
- The Office of the Safety Advocate (OSA), as submitted by Carolina Contreras (Exhibit OSA-1), dated May 14, 2018.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SDG&E with the proposal or contention made by these or other parties. The forecasts contained in SDG&E’s direct testimony, performed by cost center, are based on sound estimates of its revenue requirements at the time of testimony preparation.

Accordingly, while SDG&E responds herein to the intervenor testimony mentioned above, SDG&E maintains its request from my direct testimony that the California Public Utilities Commission (CPUC or Commission) adopt its Test Year 2019 (TY 2019) forecast of \$1,558,000

¹ For the purpose of this and other comparison tables in this rebuttal, for areas that were not discussed by the parties (e.g., CUE), it is assumed that the parties accepted SDG&E’s forecasts.

² Recommendations were made for Damage Prevention and Public Awareness only; CUE does not take issue with SDG&E’s funding request.

1 for Gas System Integrity Operations and Maintenance (O&M) expenses, which is composed of
2 \$958,000 for non-shared service activities and \$600,000 for shared service activities.

3 Some of Gas System Integrity's activities help mitigate Risk Assessment Mitigation
4 Phase (RAMP)-related risks of: Damages Involving Third-Party Dig-Ins; Employee, Contractor,
5 and Public Safety; and Records Management. ORA has recommended reductions to mitigation
6 activities associated with these RAMP risks included in the Damage Prevention workpaper.
7 While ORA's recommendations for Gas System Integrity would result in reductions to RAMP
8 risk mitigations, ORA did not perform an analysis of or consider how such risks would be
9 affected.

10 ORA's analysis of Gas System Integrity did not address these activities from a risk
11 reduction perspective. This lack of RAMP analysis by ORA is not consistent with the new risk-
12 informed framework adopted by the Commission, which modified the Rate Case Plan for
13 General Rate Cases (GRCs), as further explained in the rebuttal risk management testimony
14 volumes (Exhibit SCG-202/SDG&E-202). ORA failed to explain, with evidence and support,
15 how or why the proposed RAMP activity or level of funding does not enhance safety or reduce
16 the applicable safety risk.

17 CUE does not contest SDG&E's Damage Prevention Public Awareness request. CUE
18 recommends that the Commission adopt a total of \$1 million for 811 (Dig Alert) advertising,
19 which is \$275,000 over SDG&E's requested amount.

20 OSA's testimony largely addresses the Company's approach and implementation plan
21 related to American Petroleum Institute Recommended Practice 1173 (API RP 1173). OSA
22 primarily takes issue with the lack of detail related to the SDG&E's implementation plan and
23 questioning leadership's commitment to implementation.

24 As further explained in my Southern California Gas Company (SoCalGas) rebuttal
25 testimony,³ SDG&E and SoCalGas (the Companies), all the way to the top levels including their
26 Board of Directors, are deeply committed to this voluntary implementation of API RP 1173, as
27 shown in specific funding request in this GRC to adequately resource implementation of the
28 Pipeline Safety Management System (PSMS) in accordance with API RP 1173's pipeline safety
29 standard and framework. SDG&E relies on my SoCalGas rebuttal and incorporates it by
30 reference herein to respond to OSA's same assertions regarding SDG&E. As demonstrated in

³ June 18, 2018, Rebuttal Testimony on Gas System Integrity, Exhibit SCG-205 (Omar Rivera).

1 my direct testimony and numerous discovery responses provided to OSA, the Company’s
2 commitment and governance extends all the way to the top and the PSMS will be a *company-*
3 *wide* effort throughout the various organizations involved in pipeline safety. The Companies
4 fully support OSA’s recommendation that they “feverishly seek implementation of API 1173 and
5 make the effort a high priority”⁴ for their gas pipeline operations.

6 **A. ORA**

7 ORA issued its report on Gas System Integrity on April 13, 2018.⁵ The following is a
8 summary of ORA’s positions:

- 9 • ORA recommends \$347,000 for Damage Prevention O&M non-shared, rather
10 than the requested \$725,000.
- 11 • ORA does not oppose SDG&E’s forecast of \$600,000 for Codes and
12 Standards.

13 **B. CUE**

14 CUE submitted testimony on May 14, 2018.⁶ The following is a summary of CUE’s
15 position:

- 16 • CUE proposes that the Commission should approve a total of \$1 million for
17 811 advertising.

18 **C. OSA**

19 OSA submitted testimony on May 14, 2018.⁷ The following is a summary of OSA’s
20 positions:

- 21 • The Companies must feverishly seek implementation of API 1173 and make
22 the effort a high priority.
- 23 • To realize the Commission’s safety vision of “achiev(ing) a goal of zero
24 incidents and injuries across all the utilities. [sic] (it) regulate(s)” by following
25 its safety principle to “provide clear guidance on expectations for safety

⁴ May 14, 2018, Prepared Testimony of Carolina Contreras and Jenny Au on San Diego Gas and Electric Company and Southern California Gas Company 2019 General Rate Case, Exhibit OSA-1 (Contreras) at 3-4.

⁵ April 13, 2018, ORA Report on SDG&E – Gas Distribution, System Integrity, and Transmission Operation, Exhibit ORA-09 (Mariana Campbell).

⁶ May 14, 2018, Opening Testimony of David Marcus Addressing the 811 Advertising for Gas System Integrity, on behalf of the Coalition of California Utility Employees [CUE], Exhibit CUE (Marcus).

⁷ Ex. OSA-1 (Contreras).

1 management and outcomes,” the Commission must lay out the expectation
2 that the Companies feverishly seek implementation of API 1173 and make the
3 effort a high priority.

- 4 • The Companies must seek effectiveness of the PSMS in meeting objectives,
5 rather than seeking evidence of conformity with detailed requirements.
- 6 • The Companies should conduct a third-party audit of their implementation
7 before submittal of next GRC application and share the results with OSA.
- 8 • The Companies must develop a long-term multi-year plan based on what will
9 be prioritized and how to get there.
- 10 • The Companies should conduct a thorough resource assessment to ensure that
11 the effort will be adequately resourced.
- 12 • The PSMS must be included as part of RAMP and reported on the respective
13 Accountability/Spending reports required by the Commission.
- 14 • The Companies’ leadership should, at a minimum, meet annually with OSA
15 and SED staff to present their progress and continued implementation plans of
16 API 1173 during the upcoming rate case cycle.⁸

17 **III. REBUTTAL TO PARTIES’ O&M PROPOSALS**

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

NON-SHARED O&M - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SDG&E	\$151	\$958	\$807
ORA	\$151	\$580	\$399
CUE	\$151	\$1,233	\$1,082

19
20 **1. Disputed Cost - Damage Prevention and Public Awareness O&M**

21 **a. ORA**

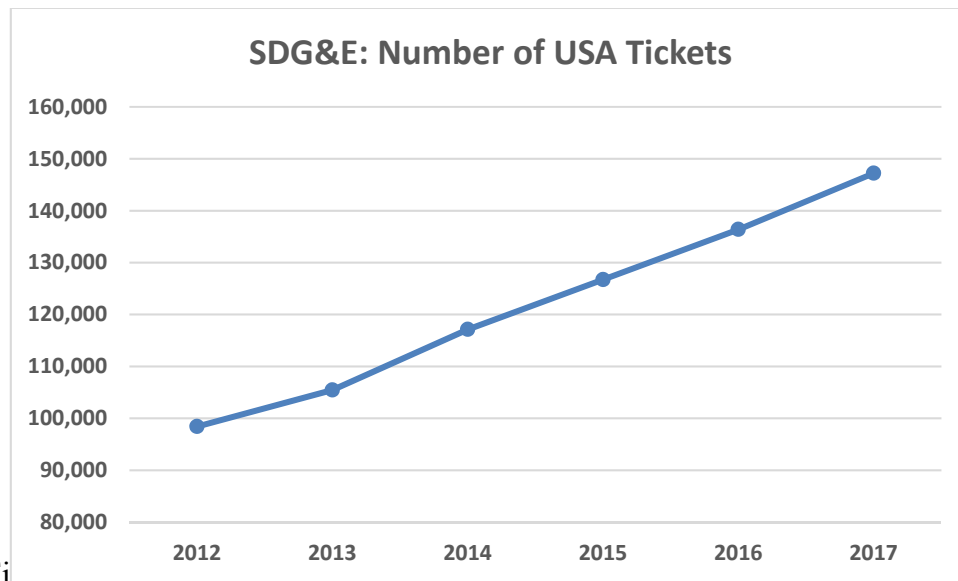
22 Damage Prevention includes activities and associated O&M expenses to address the core
23 Public Awareness Program duties, such as the Underground Service Alert (USA) notification

⁸ *Id.* at 3-4.

1 center. The Public Awareness Program is mandated pursuant to 49 C.F.R. § 192.616. For a
2 detailed description of cost and underlying activities please refer to my direct testimony.⁹

3 SDG&E used the five-year average method to develop the cost for labor and non-labor
4 expenses for this workgroup given the unpredictability in frequency and severity of damages to
5 pipelines and infrastructure. The mandated public awareness program has a focused effort to
6 promote awareness and communicate the importance of following safe digging practices to help
7 prevent damages to gas pipelines. The assumption is with an increase in awareness, there should
8 be a decrease in damages. In addition, increased public awareness activities are expected to
9 increase the number of calls to USA. There has also been an increase in the number of tickets
10 SDG&E must complete due to the growth in general construction activity in public and private
11 rights-of-way and customer growth. This growth is substantiated by the historical USA Ticket
12 Notification trend, as shown in the figure below.

13 **Figure OR-01**
14



15 Fi
16 Accordingly, SDG&E included incremental adjustments to the five-year average to represent the
17 higher expenses anticipated in TY 2019, as SDG&E proposes to increase its awareness by
18 exploring new creative ways to effectively communicate public awareness, safe digging, and the

⁹ October 6, 2017, Direct Testimony on Gas System Integrity, Exhibit SDGE-05 (Omar Rivera) at OR-19 to OR-21.

1 gas safety messaging into target audiences, as a proposed risk mitigation plan for Third-Party
2 Dig-Ins in SDG&E's RAMP Report.

3 ORA opposes SDG&E's use of the five-year average to forecast expenditures in Damage
4 Prevention Public Awareness and recommends using the highest recorded expense during the
5 past five years, of \$347,000 in 2012, as its TY 2019 estimate, for a reduction of \$378,000.
6 ORA's dismissal of the five-year historical average trend used by SDG&E would effectively
7 disallow funding of embedded costs in SDG&E's forecasts addressing RAMP-related
8 mitigations that reduce safety and reliability risks. ORA does not discuss SDG&E's RAMP
9 analysis for Gas System Integrity and does not offer testimony regarding the funding of these
10 specific activities from a risk reduction perspective. This Damage Prevention workpaper has
11 RAMP mitigation activities supporting the key risk identified in SDG&E's RAMP Report,¹⁰
12 Catastrophic Damage Involving Third-Party Dig-Ins, which is the number two RAMP risk
13 representing a significant threat to SDG&E's pipeline infrastructure with potential consequences
14 to public safety.¹¹ These risk mitigation actions require funding and resources to correctly mark
15 underground gas infrastructure, respond to USA notification center requests within the required
16 timeframe, provide personnel to perform stand-by duties for third-party excavators in the vicinity
17 of a high-pressure gas pipeline, and meet this mandated requirement. By failing to produce any
18 analysis of the Damage Prevention forecast in reducing the risk of dig-ins or enhancing safety in
19 this area through public awareness, ORA effectively ignores the risk-informed GRC process
20 established in Decision (D.) 14-12-025 through its recommendation.

21 As evidenced by the figure above, SDG&E expects the costs in this workgroup to
22 increase with the implementation of Senate Bill (SB) 661,¹² known as the Dig Safe Act of 2016,
23 and the establishment of a new Board with the power to enforce the law and issue fines. It is

¹⁰ Investigation (I.) 16-10-015/-016 (cons.), Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, November 30, 2016. Please also refer to the Revised Direct Testimony on Risk Management, Exhibit SCG-02-R/SDG&E-02-R (Chapter 1: Risk Management Policy by Diana Day) for more details regarding the Companies' RAMP Report.

¹¹ I.16-10-015, Administrative Law Judge's Ruling including Safety and Enforcement Division Report into Record and Scheduling Comments (issued Mar. 9, 2017), Attachment A at 22 (Risk and Safety Aspects of Risk Assessment and

Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company), available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M179/K248/179248872.PDF>.

¹² Statutes of 2016, Chapter 809 (issued Sept. 29, 2016).

1 anticipated that this regulation will increase the number of locate and mark tickets submitted to
2 the USA notification centers.

3 SDG&E is dedicated to mitigating the risk and associated hazards of excavation damages
4 through the expansion of its public awareness program, as well as through API RP 1162.
5 Pipeline and Hazardous Materials Safety Administration (PHMSA) incorporated by reference
6 API RP 1162 into its regulatory program under 49 C.F.R. §§ 192.616 and 195.440. Under these
7 new regulatory requirements pipeline operators must provide the affected public with
8 information about the location of transmission pipelines and about how to recognize, respond to,
9 and report pipeline emergencies, and the importance of using the one-call notification system
10 prior to excavation.

11 The Commission should reject ORA's proposed forecast using the highest recorded
12 expense during the past five years (2012 adjusted-recorded) because it is incomplete in its
13 analysis and inadequate to fund the anticipated growth in work to perform these safety,
14 compliance, and risk mitigation activities. Instead, the Commission should adopt SDG&E's
15 five-year average (2012-2016) for its base forecast.

16 **b. CUE**

17 CUE does not dispute SDG&E's incremental request for 811 advertising and proposes to
18 add growth to the TY 2019 forecast, for a total of \$1 million.¹³ CUE's basis for the proposed
19 increase of \$275,000 over SDG&E's TY 2019 amount is that the additional spending will help to
20 reduce the number of dig-ins caused by excavation without using Locate and Mark services.¹⁴
21 Because SDG&E's forecast endeavored to strike an appropriate balance between 811
22 advertising's contributions to pipeline safety, effectiveness in reducing the number of dig-ins,
23 and impact on ratepayer costs, SDG&E recommends the Commission adopt its forecast as
24 reasonable.

25 **2. Recommendations- API RP 1173**

26 **a. OSA**

27 Please see my SoCalGas rebuttal testimony (Ex. SCG-205) in response to
28 recommendations provided by OSA.

¹³ Ex. CUE (Marcus) at 91.

¹⁴ See Ex. SDGE-05-WP (Rivera) at 20.

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

SHARED O&M - Constant 2016 (\$000)			
	Base Year 2016	Test Year 2019	Change
SDG&E	\$0	\$600	\$600
ORA	\$0	\$600	\$600

2
3 **1. Disputed Cost**

4 **a. ORA**

5 ORA does not take issue with the Test Year O&M forecast of \$600,000 for Codes and
6 Standards. The Commission should adopt SDG&E's forecast as reasonable.

7 **IV. CONCLUSION**

8 To summarize, SDG&E respectfully requests the Commission adopt a TY 2019 forecast of
9 \$1,558,000 for Gas System Integrity O&M expenses, which is composed of \$958,000 for non-shared
10 service activities and \$600,000 for shared service activities, as proposed in my direct testimony.

11 My direct testimony, workpapers, and SDG&E's responses to data requests provide
12 substantial justification for the Commission to authorize SDG&E's Gas System Integrity O&M
13 request in full as presented in my direct testimony and corresponding workpapers. As described in
14 this rebuttal testimony, the proposals of ORA to reduce funding are based on inappropriate
15 forecasting methodologies, inaccurate assumptions, incomplete understanding of SDG&E's natural
16 gas pipeline operations, and/or discounting of information presented by SDG&E.

17 SDG&E's forecasts reflect sound judgment and represent the impact of regulatory
18 expectations to continuously enhance the safety of the SDG&E's natural gas system and provide
19 safe, clean, and reliable natural gas service at reasonable rates. The Commission should adopt the
20 forecasted expenditures discussed in this testimony because they are prudent and reasonable
21 estimates of future requirements.

22 This concludes my prepared rebuttal testimony.