

Company: San Diego Gas & Electric Company (U902M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-007/-008 (cons.)  
Exhibit: SDG&E-211

**SDG&E REBUTTAL TESTIMONY OF MARIA MARTINEZ  
(PIPELINE INTEGRITY FOR TRANSMISSION AND DISTRIBUTION)**

**JUNE 18, 2018**

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



A  Sempra Energy utility®

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**SDG&E REBUTTAL TESTIMONY OF MARIA MARTINEZ  
PIPELINE INTEGRITY**

**I. SUMMARY OF DIFFERENCES**

<b>TOTAL O&amp;M (Non-Shared + Shared Services) - Constant 2016 (\$000)</b>			
	<b>Base Year 2016</b>	<b>Test Year 2019</b>	<b>Change</b>
SDG&E	<b>\$7,744</b>	<b>\$11,000</b>	<b>\$3,256</b>
ORA	<b>\$7,744</b>	<b>\$11,000</b>	<b>\$3,256</b>
CUE	<b>\$7,744</b>	<b>\$11,762</b>	<b>\$4,018</b>

<b>TOTAL CAPITAL (TIMP and DIMP) - Constant 2016 (\$000)</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>	<b>Variance</b>
SDG&E	<b>\$24,216</b>	<b>\$24,216</b>	<b>\$49,000</b>	<b>\$97,432</b>	
ORA	<b>\$36,808</b>	<b>\$24,216</b>	<b>\$49,000</b>	<b>\$110,024</b>	<b>(\$12,592)</b>
CUE	<b>\$36,808</b>	<b>\$24,216</b>	<b>\$190,534</b>	<b>\$251,558</b>	<b>(\$154,126)</b>

**II. INTRODUCTION**

This rebuttal testimony regarding SDG&E’s request for Pipeline Integrity address the following testimony from other parties:

- The Office of Ratepayer Advocates (ORA) as submitted by Mr. Nils Stannik (Exhibit ORA-03), dated April 13, 2018.
- The Coalition of California Utility Employees (CUE), as submitted by Mr. David Marcus, (Exhibit CUE (Marcus)) 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 at the project level, are based on sound estimates of its revenue requirements at the time of testimony preparation.

My Pipeline Integrity testimony consists of the O&M and capital expenses to manage two major, federally mandated pipeline programs to reduce the risk of pipeline failure, the

1 Transmission Integrity Management Program (TIMP) and the Distribution Integrity Management  
2 Program (DIMP) as further described in Exhibit SDG&E-11 (Martinez).<sup>1</sup>

3 With regard to operations and maintenance (O&M expenses), no party recommended  
4 reductions to SDG&E's request. CUE recommends a slightly higher level based on its  
5 recommendations to accelerate certain programs.

6 All of the parties recommend adopting SDG&Es' actual 2017 recorded capital expenses,  
7 which were higher than forecasted. All of the parties also recommended adopting SDG&E's  
8 forecasted 2018 capital expense. All of the parties also recommend adopting SDG&E's  
9 forecasted 2019 capital expense with the exception of CUE, which again recommends a higher  
10 value based on its recommendation to accelerate certain capital program expenses.

11 SDG&E recommends that the Commission should adopt SDG&E's actual O&M and  
12 capital expenses for 2017 and forecasted O&M and capital expenses for 2018 and 2019 as  
13 reasonable.

14  
15 **A. ORA**

16 The Office of Ratepayer Advocacy (ORA) submitted testimony on April 13, 2018.<sup>2</sup> The  
17 following is a summary of ORA's positions:

- 18 • ORA does not contest SDG&E's forecasted O&M expenses for both  
19 TIMP and DIMP.
- 20 • ORA recommends adopting 2017 adjusted-recorded capital expenditures  
21 for TIMP. ORA does not oppose SDG&Es 2018-2019 proposed TIMP  
22 forecasts.
- 23 • ORA recommends adopting 2017 adjusted-recorded capital expenditures  
24 for DIMP. ORA does not oppose SDG&E's 2018-2019 proposed DIMP  
25 forecasts.

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<sup>1</sup> October 6, 2017, Prepared Direct Testimony of Maria T. Martinez Addressing Pipeline Integrity for Transmission and Distribution, on behalf of San Diego Gas & Electric Company [SDG&E], Exhibit SDG&E-11 (Martinez) at MTM-iii.

<sup>2</sup> April 13, 2018, ORA Report on Risk Management Policy; Enterprise Risk Management Organization; RAMP/GRC Integration; Pipeline Integrity; SoCalGas PSEP, Part 4, Exhibit ORA-03 (Nils Stannik).

1           **B.     CUE**

2           CUE submitted testimony on May 14, 2018.<sup>3</sup> The following is a summary of CUE’s  
3 positions:

- 4           •       Vintage Integrity Plastic Plan (VIPP): SDG&E should be required to  
5           accelerate its replacement rate for pre-1986 Aldyl-A gas pipe.
- 6           •       CUE’s proposal is to accelerate the DREAMS program pipe replacement  
7           rate from 27 to 126 miles per year.<sup>4</sup>

8  
9 **III.    REBUTTAL TO PARTIES’ O&M PROPOSALS**

10 **A.     Non-Shared Services O&M**

<b>NON-SHARED O&amp;M (TIMP and DIMP) - Constant 2016 (\$000)</b>			
	<b>Base Year 2016</b>	<b>Test Year 2019</b>	<b>Change</b>
SDG&E	<b>\$7,744</b>	<b>\$11,000</b>	<b>\$3,256</b>
ORA	<b>\$7,744</b>	<b>\$11,000</b>	<b>\$3,256</b>
CUE	<b>\$7,744</b>	<b>\$11,762</b>	<b>\$4,018</b>

11  
12           **1.     Disputed Cost**

13           **a.     ORA**

14           ORA did not take issue with SDG&E’s forecast for nonshared O&M expenses. SDG&E  
15 recommends the Commission finds SDG&E’s forecast as reasonable.

16           **b.     CUE**

17           CUE generally agreed with SDG&E’s O&M forecast with additional O&M expenses  
18 related to the accelerated Aldyl-A replacement.<sup>5</sup> Because SDG&E’s forecast endeavored to  
19 strike an appropriate balance between DIMP’s pipeline safety, risk reduction effectiveness, and  
20 impact on ratepayer costs, the Commission should adopt SDG&E’s forecast as reasonable.

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<sup>3</sup>May 14, 2018, Opening Testimony of David Marcus, on behalf of the Coalition of California Utility Employees [CUE], Ex. CUE (Marcus).

<sup>4</sup> *Id.* at 43:1-3.

<sup>5</sup> *Id.* at 92.

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

<b>TOTAL CAPITAL (TIMP and DIMP) - Constant 2016 (\$000)</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>	<b>Variance</b>
SDG&E	<b>\$24,216</b>	<b>\$24,216</b>	<b>\$49,000</b>	<b>\$97,432</b>	
ORA	<b>\$36,808</b>	<b>\$24,216</b>	<b>\$49,000</b>	<b>\$110,024</b>	<b>(\$12,592)</b>
CUE	<b>\$36,808</b>	<b>\$24,216</b>	<b>\$190,534</b>	<b>\$251,558</b>	<b>(\$154,126)</b>

2  
3 **A. Disputed Budget Code or Capital Project 1**

4 **1. ORA**

5 ORA recommended adopting the 2017 actual capital spend, and did not take issue with  
6 SDG&E's forecast for 2018 and 2019. SDG&E also recommends adopting the 2017 actual  
7 capital spend, as well as adopting SDG&E's forecasted 2018 and 2019 capital spend for the  
8 TIMP and DIMP programs.

9 **2. CUE**

10 SDG&E understands CUE concern regarding the pace of the replacement rates for the  
11 VIPP, which proactively prioritizes high-risk vintages, such as plastic pipe with brittle-like  
12 cracking characteristics (e.g., Aldyl-A) to reduce integrity risks, such as the release of gas or  
13 pipeline failures. However, it is SDG&E's plan to continue to ramp-up the replacement rates  
14 throughout the General Rate Case cycle. For example, as part of the 2016 GRC, SDG&E  
15 forecasted a replacement rate of 17 miles per year of early vintage steel and plastic and in 2017  
16 completed 33.9 miles of replacement.<sup>6</sup> Because SDG&E's forecast endeavored to strike an  
17 appropriate balance between DIMP's pipeline safety, risk reduction effectiveness, and impact on  
18 ratepayer costs, SDG&E recommends the Commission adopt its forecast as reasonable. DIMP is  
19 a balanced program; thus, should the Commission grant additional funding, as CUE requests, any  
20 over-collection would be returned under that mechanism to the customers.

21 **V. CONCLUSION**

22 SDG&E recommends that the Commission should adopt SDG&E's actual O&M and  
23 capital expenses for 2017 and forecasted O&M and capital expenses for 2018 and 2019 as  
24 reasonable. In general, the forecasted O&M and capital expenses were not contested.

25 This concludes my prepared rebuttal testimony.

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<sup>6</sup> CUE SDG&E DR 008 Question 291, attached in Appendix A.

**APPENDIX A**

**DISCOVERY RESPONSES**

**CUE DATA REQUEST  
CUE-SDG&E-DR-08  
SDG&E 2019 GRC – A.17-10-007  
SDG&E RESPONSE  
DATE RECEIVED: APRIL 19, 2018  
DATE RESPONDED: MAY 29, 2018**

291. Please provide the actual miles of Aldyl-A plastic replaced in 2017, in total as well as separately for

a. Mains

b. Services

**SDG&E Response 291:**

<b>Early Vintage Plastic (Pre-1986)</b>	<b>2017 *</b>
<b>Mains</b>	16.3 miles
<b>Services</b>	17.6 miles
<b>Total</b>	<b>33.9 miles</b>

\*based on final reconciled amounts.