

Application No: A.16-09-005
Exhibit No.: _____
Witness: D. Ng

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) to Recover Costs Recorded in the Pipeline Safety and Reliability Memorandum Accounts, the Safety Enhancement Expense Balancing Accounts, and the Safety Enhancement Capital Cost Balancing Accounts

Application 16-09-005
(Filed September 2, 2016)

REBUTTAL TESTIMONY OF
DEANA M. NG
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
AND
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

October 20, 2017

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

2 The purpose of my testimony is to respond to the October 8, 2017 Revised Direct
3 Testimony of Catherine E. Yap on behalf of The Utility Reform Network (TURN) and the
4 Southern California Generation Coalition (SCGC) and the September 15, 2017 Direct Testimony
5 of Matthew Yunge and Nils Stannik on behalf of the Office of Ratepayer Advocates (ORA).
6 Specifically, my testimony responds to the following recommendations:

7 **TURN/SCGC**

- 8 • The Commission should not consider Phase 2B¹ within the scope of PSEP and
9 therefore, all pipe identified by Southern California Gas Company (SoCalGas) and
10 San Diego Gas & Electric Company (SDG&E) as Phase 2B accelerated pipe should
11 be treated as incidental.²
- 12 • The calculation of disallowances for replacement projects should disallow costs
13 associated with incidental footage in addition to the costs associated with disallowed
14 project footage.
- 15 • The calculation of disallowances for test projects should include only Phase 1A
16 mileage as the denominator in calculating the percentage (portion of project scope)
17 disallowed.

18 Table 1 below provides a summary of the specific disallowances proposed by TURN and
19 SCGC that are addressed in my testimony:

¹ Phase 2B is composed of pipelines that have documentation of a pressure test but not to the standards set forth by 49 CFR Part 192, Subpart J.

² In the event the Commission rules that Phase 2B miles in this proceeding should be treated as incidental, the issue of whether incidental miles are necessary for constructability purposes is addressed in the Prepared Rebuttal Testimony of Hugo Mejia, served concurrently herewith.

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Table 1
TURN/SCGC Proposed Disallowances Addressed in this Chapter

Project Number	TURN/SCGC Proposed Disallowance
1005	\$15,300
1013	\$45,050
1014	\$4,930
2000 West	\$115,729
2003	\$45,750
35-20N	\$22,270
49-14	\$53,720
Palmdale Valves	\$132,162
Total	\$434,911

3

ORA

4

- The costs associated with accelerated pipe segments that were installed after 1955 and have pressure test records should be considered compliant with modern (49 Code of Federal Regulations Part 192, Subpart J) standards and the costs of retesting such segments as part of PSEP should be disallowed from recovery.
- The calculation of SoCalGas and SDG&E's system average cost of hydrotesting should be revised to include some projects and exclude others.

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Table 2 provides a summary of the specific disallowances proposed by ORA that are

11

addressed in my testimony:

1
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Table 2
ORA Proposed Disallowances Addressed in this Chapter

Project Number	ORA Proposed Disallowance
1005	\$4,223
1013	\$33,782
1014	\$5,630
1015	\$3,165,461
2000 West	\$261,584
2001 West B	\$5,278
2003	\$43,987
33-120	\$11,261
35-20N	\$19,002
407	\$378,253
49-14	\$34,134
49-22	\$704
49-32	\$5,982
36-37	\$2,111
Palmdale Valves	\$111,550
Total	\$4,082,942

3 In the following testimony, I explain why these recommendations by TURN/SCGC and
4 ORA are inconsistent with prior Commission guidance and should not be adopted.

5 **II. PHASE 2B SEGMENTS HAVE NOT BEEN TESTED TO MODERN (CFR 49 192,**
6 **SUBPART J) REQUIREMENTS.**

7 In Direct Testimony, ORA Witness Yunge testifies that in response to ORA’s fifth data
8 request, SoCalGas and SDG&E “identified approximately 0.37 miles of accelerated pipe
9 segments that were installed after 1955 and have record of pressure tests that are compliant with
10 modern (49 Code of Federal Regulations Part 192, Subpart J) standards.”³ In support of this
11 statement, Witness Yunge cites “‘Accelerated Pipeline Review’ in Confidential Exhibit ORA-
12 03-C.” I have reviewed Exhibit ORA-03-C several times and I am unable to locate anything
13 entitled “Accelerated Pipeline Review” in that document.

³ ORA Prepared Testimony (Yunge) at 7.

1 Phase 2B segments are those segments that have records of a pressure test that pre-dates
2 implementation of modern pressure testing regulations, 49 Code of Federal Regulations Part 192,
3 Subpart J, in 1970. While ORA claims that SoCalGas and SDG&E “identified approximately
4 0.37 miles of accelerated pipe segments installed after 1955 and have record of pressure tests that
5 are compliant with modern (49 Code of Federal Regulations Part 192, Subpart J) standards,” this
6 statement reflects a mixture of fact and opinion and must be clarified. The responses to
7 discovery referenced by ORA in the above quote indicate SoCalGas and SDG&E have records of
8 pressure tests that pre-date the existence of 49 CFR 192, Subpart J standards. SoCalGas and
9 SDG&E did not state that those pressure tests satisfy modern Subpart J pressure test standards.
10 ORA Witness Yunge is expressing *an opinion* that the pre-1970 pressure tests and related
11 records satisfy the Subpart J standards subsequently adopted in 1970.⁴ SoCalGas and SDG&E
12 do not agree.

13 **III. CATEGORIZATION OF PHASE 2B PIPELINE SEGMENTS AS**
14 **ACCELERATED COMPORTS WITH THE COMMISSION’S DIRECTIVES TO**
15 **BRING ALL TRANSMISSION PIPELINES INTO COMPLIANCE WITH**
16 **FEDERAL REGULATIONS ADOPTED IN 1970.**

17 TURN and SCGC contend that SoCalGas and SDG&E should not test or replace any
18 pipeline segments with pressure test records that pre-date modern pressure testing regulations
19 unless doing so reduces the cost of testing or replacing Phase 1A pipeline segments.
20 Accordingly, in conducting an analysis of SoCalGas and SDG&E’s Application, the witness for
21 TURN and SCGC “treated any accelerated pipeline mileage designated by the Applicants as
22 ‘Phase 2B’ mileage as if it were incidental mileage.”⁵ In most instances, where incidental
23 (including accelerated Phase 2B) mileage was included in the project solely to minimize the cost

⁴ See ORA Response to SCG/SDGE-ORA-A160-005-01, attached as Attachment A.

⁵ TURN/SCGC Amended Direct Testimony (Yap) at 7.

1 of conducting a Phase 1A pressure test or replacement project, TURN and SCGC do not propose
2 a disallowance. If, however, “the ‘Phase 2B’ mileage is included solely to reduce what the
3 Applicants claim would be a future required expenditure for Phase 2B work, [TURN and
4 SCGC’s witness] found the ‘accelerated’ expenditure to be unreasonable” and proposes a
5 commensurate disallowance.⁶ TURN and SCGC’s interpretation ignores the Commission
6 directives SoCalGas and SDG&E followed in determining it was prudent to include accelerated
7 Phase 2B within the scope of PSEP projects.

8 SoCalGas and SDG&E prepared the PSEP in response to the Commission’s directive in
9 D.11-06-017 that all California pipeline operators “must file and serve a proposed Natural Gas
10 Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (Implementation
11 Plan) to comply with the requirement that all in-service natural gas transmission pipeline in
12 California has been pressure tested in accord with 49 CFR 192.619, excluding subsection 49
13 CFR 192.619 (c).”⁷ The Commission issued this order after concluding that “all natural gas
14 transmission pipelines in service in California must be brought into compliance with modern
15 standards for safety. Historic exemptions must come to an end with an orderly and cost-
16 conscience implementation plan.”⁸

17 In issuing this mandate, the Commission expressly found that pipeline operators should
18 be required to replace or pressure test all pipelines not tested in accordance with federal
19 regulations adopted in 1970:

20 Natural gas transmission pipelines placed in service prior to 1970 were not
21 required to be pressure tested, and were exempted from then-new federal
22 regulations requiring such tests. These regulations allowed operators to operate a
23 segment at the highest actual operating pressure of the segment during the five-

⁶ TURN/SCGC Amended Direct Testimony (Yap) at 7.

⁷ D.11-06-017 at 29 (Conclusion of Law No. 4) and at 31 (Ordering Paragraph No. 4).

⁸ *Id.* at 18.

1 year period between July 1, 1965 and June 30, 1970.⁹ Natural gas transmission
2 pipeline operators should be required to replace or pressure test all transmission
3 pipeline that has not been so tested.¹⁰

4 TURN and SCGC argue that SoCalGas and SDG&E are not required to comply with
5 these Commission directives and on that basis, recommend the Commission disallow the costs
6 associated with accelerated Phase 2 mileage presented for cost recovery in this Application. In
7 making this recommendation, TURN and SCGC ignore the language in Commission decisions
8 expressly mandating California pipeline operators to prepare and execute comprehensive plans to
9 test or replace all pipeline segments that have not been tested in accordance with post-1970
10 federal pressure testing regulations. Instead, TURN and SCGC selectively quote from language
11 in those same Commission decisions regarding when the costs of testing or replacing post-1955
12 pipe cannot be recovered in utility rates. Specifically, the witness for TURN and SCGC states,
13 “the Applicants’ interpretation of D.11-06-017 is clearly contradicted by Ordering Paragraph 3
14 of the same decision, which states: ‘A pressure test record must include all elements required by
15 the *regulations in effect when the test was conducted*. For pressure tests conducted prior to the
16 effective date of General Order 112, one hour is the minimum acceptable duration for a pressure
17 test.”¹¹ TURN and SCGC’s witness further states:

18 In subsequent decisions, the Commission made it abundantly clear that the PSEP
19 does not include pipeline segments for which the Applicants have a record of a
20 pressure test that was required at the time the pipeline was constructed. In D.16-
21 06-007, the Commission ordered that the costs of pressure tests “must be
22 absorbed by the shareholders of SDG&E and SoCalGas in situations where the
23 company has failed to maintain records of strength testing required at the time of
24 installation of the pipeline.”¹²

⁹ *Id.* at 28 (Finding of Fact No. 6).

¹⁰ *Id.* at 28 (Finding of Fact No. 7). (emphasis added)

¹¹ TURN/SCGC Amended Direct Testimony (Yap) at 6 (citing D.11-06-017 at 31 (Ordering Paragraph No. 3). (emphasis in original)

¹² TURN/SCGC Amended Direct Testimony (Yap) at 6-7.

1 TURN and SCGC’s witness again quotes language regarding disallowances as further support
2 for her recommendation, “about eighteen months later, in D.15-12-020, the Commission said
3 there should be a disallowance ‘where pressure test records are not available that provide the
4 minimum information to demonstrate compliance with the industry or regulatory strength testing
5 and record keeping requirements then applicable....’”¹³

6 None of the language quoted by TURN and SCGC addresses the Commission’s express
7 mandate that all transmission pipelines in the State must be brought into compliance with 1970
8 pipeline regulations. It is that language that defines the scope of SoCalGas and SDG&E’s PSEP.
9 Unless the Commission modifies the language in prior decisions directing all California pipeline
10 operators to bring the State’s transmission pipelines into compliance with modern standards, and
11 also modifies the language that expressly requires pipeline operators to pressure test or replace
12 all transmission pipelines that have not been tested to post-1970 pressure test standards,
13 SoCalGas and SDG&E must comply with these Commission directives. As such, it was
14 reasonable and prudent for SoCalGas to include adjacent Phase 2B pipeline segments within the
15 scope of Phase 1 projects to reduce overall costs for customers and minimize system and
16 community impacts.

17 **IV. INTERVENORS’ DISALLOWANCE CALCULATION PROPOSALS SHOULD**
18 **NOT BE ADOPTED.**

19 This section of my testimony is submitted in response to recommendations by
20 TURN/SCGC and ORA to revise SoCalGas and SDG&E’s methodology for calculating
21 disallowances for PSEP projects.

22 In the decision approving SoCalGas and SDG&E’s PSEP, the Commission specified that
23 SoCalGas and SDG&E would not be authorized to recover certain testing and replacement costs:

¹³ TURN/SCGC Amended Direct Testimony (Yap) at 7.

1 Therefore, for pipeline installed after July 1, 1961, where either SDG&E or
2 SoCalGas cannot produce records that provide the minimum information required
3 by these regulations to demonstrate compliance with the regulatory strength
4 testing and record keeping requirements of General Order 112 and its revisions, as
5 well the requirements of 49 CFR, Part 192 and its revisions beyond the effective
6 date of Part 192, the shareholders must bear the costs of retesting these pipelines.
7 Where replacement of the pipeline is planned rather than test existing pipelines,
8 the system average cost of actual pressure testing should be an offset against the
9 replacement cost of the pipelines for revenue requirement purposes. In this way
10 shareholders bear the costs of remedial pressure tests and ratepayers pay for all
11 other costs of testing or replacing a pipeline.¹⁴

12 Subsequently, in D.15-12-020, the Commission extended the scope of this disallowance
13 to include pipeline segments installed between 1956 and 1961:

14 Due to the determinations that SDG&E's and SoCalGas' practices was to pressure
15 test pipeline prior to placing it in service during 1956 to 1961 and seek and obtain
16 cost recovery from ratepayers, shareholders should cover the cost to pressure test
17 pipeline installed between 1956-1961 and for which pressure test records are not
18 available.

19
20 SDG&E and SoCalGas should absorb the costs of pressure testing where the
21 company cannot produce records that provide the minimum information to
22 demonstrate compliance with the industry or regulatory strength testing and
23 record keeping requirements then applicable as of January 1, 1956.¹⁵

24 To comply with the above Commission directives, for pressure test projects SoCalGas
25 and SDG&E identify the pipeline footage associated with post-1955 footage without sufficient
26 record of a pressure test. SoCalGas and SDG&E then calculate a percentage of disallowance
27 based on the disallowed mileage relative to the total mileage:

28
$$\text{Disallowed Footage/Total Footage} = \text{Disallowance Percentage}$$

29 The resulting Disallowance Percentage is multiplied by the total project costs to determine the
30 amount of disallowed costs for a project:

¹⁴ D.14-06-007 at 34-35.

¹⁵ D.15-12-020 at 23 (Conclusions of Law Nos. 7-8).

1 Disallowed Percentage * Project Costs = Disallowed Project Costs

2 For replacement projects, SoCalGas and SDG&E calculate the system average cost of
3 actual pressure testing and multiply the disallowed footage by the system average cost of
4 pressure testing to calculate the capital disallowance.

5 **A. Including Replaced Incidental Footage in the Calculation of Pressure Test**
6 **Project Disallowances in the Manner Proposed by TURN and SCGC Would**
7 **Not Be Consistent with Commission Guidance and Could Lead to**
8 **Unintended Outcomes.**

9 Although the Commission's orders in D.14-06-007 and D.15-12-020 only expressly
10 require SoCalGas and SDG&E's shareholders to absorb the costs of pressure testing pipelines
11 installed after 1956 that do not have records of a pressure test that comply with then-applicable
12 industry standards or regulations, in implementing the Commission's order, SoCalGas and
13 SDG&E also applied this disallowance to incidental pipeline footages, where doing so
14 implements what SoCalGas and SDG&E believe was the Commission's intent in D.14-06-007
15 and D.15-12-020—to hold shareholders responsible for the costs associated with completing a
16 scope of work attributable to a lack of pressure test records that should have been retained under
17 then-applicable regulations or industry standards. Thus, where incidental pipe is included within
18 the scope of a pressure test project that includes pipeline subject to a disallowance, SoCalGas
19 and SDG&E implement a three-step process to determine whether the incidental pipe should be
20 categorized as Disallowed Footage as well. First, SoCalGas and SDG&E determine whether the
21 incidental footage was included within the scope of the project to facilitate construction of the
22 portion of pipe that is subject to disallowance. If the incidental footage was included to facilitate
23 construction of pipe that is subject to disallowance, then SoCalGas and SDG&E consider the
24 incidental footage to be Disallowed Footage for purposes of performing a disallowance
25 calculation. If, on the other hand, the incidental footage was included to facilitate construction of

1 pipe that is not subject to disallowance, then SoCalGas and SDG&E do not treat the incidental
2 pipe as Disallowed Footage for purposes of performing a disallowance calculation. If incidental
3 pipe footage was included to facilitate construction of both disallowed pipe and recoverable pipe,
4 the incremental pipe is allocated to both the disallowed and allowed pipe footage on a pro rata
5 basis.

6 Second, once the analysis of incidental footage described above is complete and the total
7 amount of Disallowed Footage is calculated, SoCalGas and SDG&E perform the following
8 pipeline footage calculation:

$$\begin{aligned} & \text{Disallowed Footage (Category 4 Footage + Disallowed Incidental Footage) /} \\ & \text{Total Project Footage (Category 4 Footage + Accelerated Footage + All Incidental Footage) =} \\ & \text{Disallowed Percentage} \end{aligned}$$

12 As described above, SoCalGas and SDG&E then multiply the Disallowed Percentage by
13 the total project costs to derive the total costs subject to disallowance for that project:

$$\text{Disallowed Percentage * Total Project Costs = Total Disallowed Project Costs}$$

15 TURN and SCGC propose a more simplified method to calculate the Total Disallowed
16 Project Costs that does not take into consideration whether incidental pipeline footage was
17 included within the scope of the project for purposes of facilitating the constructability of
18 pipeline that is or is not subject to disallowance. Specifically, TURN and SCGC omit the first
19 step in the process described above and propose the following formula for calculation of the
20 Disallowed Percentage for the 2000 West Pressure Test project on page 18 of Ms. Yap's
21 testimony:

$$\text{Disallowed Footage / Category 4 Footage = Disallowed Percentage}$$

23 Under the methodology proposed by TURN/SCGC, in some cases, the resulting
24 disallowance will be greater, but in others, the disallowance would be reduced. For example,

1 assume the following hypothetical 1,500-foot pressure test project with a total project cost of \$1
2 million:

500 ft. Incremental	500 ft. Disallowed Phase 1A	500 ft. Phase 1A
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3 Under this scenario, SoCalGas and SDG&E would allocate the entire 500-foot section of
4 Incremental pipe to the disallowed portion of the project, because the Incremental footage was
5 included to facilitate construction of the Disallowed Phase 1A portion of pipe. Thus, the
6 calculation of the Disallowed Percentage would be as follows:

$$7 \quad 500 \text{ ft.} + 500 \text{ ft.} / 1,000 \text{ ft.} + 500 \text{ ft.} = 66.67\%$$

8 This would result in a disallowance of approximately \$670,000.

9 In contrast, under this same scenario, TURN/SCGC would calculate the Disallowed
10 Percentage as follows:

$$11 \quad 500 \text{ ft.} / 1,000 \text{ ft.} = 50\%$$

12 This would result in a disallowance of approximately \$500,000.

13 Because the methodology adopted by SoCalGas and SDG&E is tailored to implement our
14 understanding of the intent of the Commission—to hold shareholders responsible for the costs
15 associated with completing a scope of work attributable to a lack of pressure test records that
16 should have been retained under then-applicable regulations or industry standards—SoCalGas
17 and SDG&E recommend the Commission reject intervenor proposals to revise the process for
18 calculating the disallowance for test projects to no longer take into account whether incidental
19 footage of a project is included for the purpose of facilitating construction of disallowed pipeline
20 footage.

21 SoCalGas and SDG&E can discern no justification for TURN and SCGC’s proposal to
22 revise the disallowance methodology to in some cases be over-inclusive (sweeping in costs

1 where no disallowance has been justified) and in other cases, be under-inclusive (reducing the
2 scope of disallowance below the amount that would be calculated under SoCalGas and
3 SDG&E’s methodology). If the Commission nevertheless determines it is appropriate to adopt
4 the change proposed by TURN and SCGC, this will require SoCalGas and SDG&E to revise
5 disallowance calculations for multiple projects that have already completed construction and, as
6 explained above, in some instances this could potentially reduce the overall amount of costs
7 allocated to shareholders and increase the amount allocated to customers. The full rate impact of
8 such an adjustment would not be discernible prior to completing execution of all PSEP projects.

9 **B. Including Replaced Incidental Mileage in the Calculation of Replacement**
10 **Disallowance is not Reasonable.**

11 TURN and SCGC propose that incidental pipeline footage be included in the
12 disallowance calculation for replacement projects under the premise that it would not have been
13 replaced absent a project replacing Phase 1A mileage.¹⁶ In some instances, this recommendation
14 could lead to the entire replaced footage of a project being subject to disallowance, even though
15 SoCalGas and SDG&E have sufficient record of a pressure test for portions of the pipeline. This
16 contradicts the Commission’s guidance regarding disallowances for replacement projects.

17 Regarding post-1955 replacement projects without sufficient record of a pressure test, the
18 Commission stated the following in D.14-06-007:

19 Where replacement of the pipeline is planned rather than test existing pipelines,
20 the system average cost of actual pressure testing should be an offset against the
21 replacement costs of the pipelines for revenue requirement purposes. In this way
22 shareholders bear the costs of remedial pressure tests and ratepayers pay for all
23 other costs of testing or replacing a pipeline.¹⁷

24
25 Where Phase 1 pipelines are replaced without testing SDG&E and SoCalGas
26 should absorb an amount equal to the average cost of pressure testing where the

¹⁶ TURN/SCGC Amended Direct Testimony (Yap) at 14, 15, 16, 30 and 44.

¹⁷ D.14-06-007 at 34-35.

1 company cannot produce pressure test records after the adoption of General Order
2 112, effective July 1, 1961.¹⁸

3
4 And, as also discussed, ratepayers bear the revenue requirement of the net
5 replacement costs as they benefit from having a new safe and reliable pipeline.¹⁹

6
7 Subsequently, in D.15-12-020, the Commission stated the following:

8 Further, where such pipeline segment is replaced rather than pressure tested, the
9 utility must absorb an amount equal to the average cost of pressure testing a
10 similar segment, or where such pipeline segment is abandoned, the utility must
11 absorb the undepreciated plant in service balance.²⁰

12
13 Where pipelines are replaced without testing, SDG&E and SoCalGas should
14 absorb an amount equal to the average cost of pressure testing where the company
15 cannot produce pressure test records after the adoption of 1955 Code effective
16 January 1, 1956.²¹

17 To comply with the Commission’s disallowance directives, SoCalGas and SDG&E
18 identify the pipeline footage within a replacement project associated with post-1955 mileage
19 without sufficient record of a pressure test. SoCalGas and SDG&E then multiply the identified
20 disallowed footage by the system average cost to pressure test²² as follows:

21 $\text{Disallowed Footage} * \text{System Average Pressure Test Cost} = \text{Disallowed Replacement Cost}$

22 The resulting amount is expensed as a capital disallowance. In this way, a disallowance
23 is assessed, but customers bear the revenue requirement of the net replacement costs, since, as
24 the Commission explained, they “benefit from having a new safe and reliable pipeline.”²³

25 For replacement projects, accelerated and incidental mileage is not incorporated into the
26 disallowance calculation. This is because SoCalGas and SDG&E have sufficient records of

¹⁸ *Id.* at 57 (Conclusion of Law No. 14).

¹⁹ *Id.* at 36.

²⁰ D.15-12-020 at 18-19.

²¹ *Id.* at 23 (Conclusion of Law No. 9).

²² As of June 2015, when the projects presented in this Application completed construction, the system average cost of pressure testing was ~\$1.7 million per mile.

²³ D.14-06-007 at 36.

1 pressure tests of these segments, and included the segments in the project scope to realize
2 efficiencies or improve constructability. In other words, shareholders bear the costs of remedial
3 pressure testing (where there is not sufficient record of a pressure test) and customers bear all
4 other costs of replacing the pipeline, as expressly ordered by the Commission: “In this way
5 shareholders bear the costs of remedial pressure tests and ratepayers pay for all other costs of
6 testing or replacing a pipeline.”²⁴

7 TURN and SCGC generally acknowledge the reasons stated by SoCalGas and SDG&E
8 for including “incidental” miles in projects are valid: “For each project, I have examined
9 whether incidental (included accelerated Phase 2B) mileage was included in the project solely to
10 minimize the cost of conducting the Phase 1A pressure test or replacement project.”²⁵ Indeed,
11 for 13 of the projects presented in this Application, TURN and SCGC do not recommend a
12 disallowance for incidental footages,²⁶ presumably because TURN and SCGC recognize the
13 validity of SoCalGas and SDG&E’s testimony that it is reasonable to include incidental pipe for
14 constructability and/or to lower overall PSEP implementation costs. TURN and SCGC’s
15 proposal to nevertheless disallow costs associated with footages of pipe with sufficient pressure
16 test records that were replaced as part of certain PSEP replacement projects to realize efficiencies
17 or improve constructability, is inconsistent with the Commission’s decisions and unfounded.

²⁴ D.14-06-007 at 35.

²⁵ TURN/SCGC Amended Direct Testimony (Yap) at 7, lines 9-11.

²⁶ The 13 projects are: Line 2001 West A Sections 15,16; Line 2001 West B Sections 10,11,14; Line 235 West Sawtooth Canyon; Line 36-37; Line 36-9-09 North Section 2B; Line 36-9-09 North Section 6A; Line 36-1032 Sections 1,2,3; Line 406 Sections 1, 2, 2A, 4,5; Line 407; Line 41-30A; Line 45-120 Section 1; Line 49-22; and Line 49-32.

1 **V. ORA’S CALCULATION OF THE AVERAGE COST OF HYDROTESTING**
2 **INCLUDES PROJECTS COMPLETED AFTER THOSE WITHIN THE DATE**
3 **RANGE OF THIS APPLICATION.**

4 **A. The Calculation of System Average Pressure Testing Costs Should Occur at**
5 **a Reasonable Point in Time and Not be Recalculated Indefinitely.**

6 The projects presented for review in this Application completed construction by June
7 2015. As such, SoCalGas and SDG&E calculated the system average cost of pressure testing as
8 of June 30, 2015, to determine the amount of project disallowances associated with replacement
9 projects presented in this Application. This resulted in a system average pressure testing cost of
10 \$1.722 million per mile. Since that time, SoCalGas and SDG&E have continued to complete
11 construction of PSEP projects. SoCalGas and SDG&E anticipate presenting projects that
12 completed construction by June 30, 2017 in a reasonableness review application in 2018.

13 ORA proposes to adjust the calculation of the system average cost of pressure testing
14 presented in this Application to include projects that completed construction after June 2015.²⁷
15 This proposal should not be adopted by the Commission as it is unworkable, administratively
16 burdensome and unreasonable for several reasons. First, logic dictates that the system average
17 cost calculation called for in the Commission’s decision should generally occur around the time
18 the projects complete construction and placed into service. Otherwise, the disallowances would
19 continuously require adjustment as the system average constantly changes as the implementation
20 of PSEP moves forward. While the current proposal by ORA would lead to a slightly higher
21 system average calculation today, SoCalGas and SDG&E anticipate the average will reduce over
22 time as SoCalGas and SDG&E execute longer pressure test projects in less populated areas in

²⁷ ORA did identify one project that completed construction by June 2015 that was inadvertently omitted from SoCalGas and SDG&E’s system average pressure testing cost calculation. SoCalGas and SDG&E do not oppose ORA’s recommendation to include this project. Inclusion of that project results in an adjusted system average cost of pressure testing of \$1.792 million per mile.

1 Phase 2. Second, under ORA's proposal, ORA does not identify a reasonable time when this
2 calculation could occur prior to the filing of an application for reasonableness review. SoCalGas
3 and SDG&E must perform the calculation sufficiently in advance of the filing of a
4 reasonableness review application to finalize the costs, calculate a revenue requirement, prepare
5 workpapers, and validate the accuracy of costs presented in the application. ORA's proposal that
6 SoCalGas and SDG&E somehow include projects that complete construction up to the day an
7 application is filed is unreasonable and unworkable. Third, once a project completes
8 construction, costs continue to accrue as invoices trail in and are booked to the proper utility
9 tracking accounts. Under ORA's proposal, the costs of the various projects used to calculate the
10 system average pressure testing costs would not yet be final and would adjust over time. This
11 could result in inadvertent inaccuracies in the amounts presented to the Commission for review,
12 because the actual system average would differ from the amount presented in a reasonableness
13 review application. For these reasons, the calculation methodology proposed by ORA is not just
14 or reasonable. If the Commission does revise or clarify the methodology in this Application,
15 SoCalGas and SDG&E request the Commission adopt a clear methodology that can be applied
16 consistently throughout the duration of PSEP implementation and not be changed after-the-fact.
17 Otherwise, there is significant risk that one methodology will be applied here, and an alternative
18 methodology will be applied in subsequent applications.

19 **B. ORA's Proposal to Omit Certain Projects from the System Average Cost of**
20 **Pressure Testing to Increase the Average Should be Rejected.**

21 ORA proposes to omit from the calculation of the system average cost of pressure testing,
22 the post-construction pressure testing costs associated with installation of new pipe.²⁸ In

²⁸ ORA Prepared Testimony (Stannik) at 3- 4.

1 reviewing ORA’s testimony, I am unable to discern the rationale for excluding these costs, other
2 than to inflate the system average cost of pressure testing to increase disallowances.

3 ORA’s proposal is inconsistent with the very rationale for disallowing these costs in the
4 first place. In determining that SoCalGas and SDG&E’s shareholders should be responsible for
5 these costs, the Commission explained that its decision did “not impose or adopt any penalty for
6 SDG&E or SoCalGas.”²⁹ Rather, the Commission “endeavor[ed] to strike a fair balance between
7 ratepayers and shareholders” by compensating ratepayers for previously incurred pressure testing
8 costs where SoCalGas and SDG&E failed to maintain a record of such testing. Indeed, the
9 express intent of the disallowance is to ensure customers are not paying twice for pressure testing
10 these pipelines:

11 Ratepayers should not pay twice to have a properly installed system in place,
12 therefore, the cost of such tests for facilities installed after July 1, 1961, must be
13 absorbed by the shareholders of SDG&E and SoCalGas in situations where the
14 company has failed to maintain records of strength testing required at the time of
15 installation of the pipeline.³⁰

16 This was reaffirmed by the Commission in D.15-12-020:

17 Due to the determinations that SDG&E’s and SoCalGas’ practice was to pressure
18 test pipeline prior to placing it in service during 1956 to 1961 and seek and
19 obtain cost recovery from ratepayers, shareholders should cover the cost to
20 pressure test pipeline installed between 1956-1961 and for which pressure test
21 records are not available.³¹

22 Given that the very rationale for disallowing an amount equivalent to the system average
23 cost of pressure testing is that: (1) the Commission determined it was SoCalGas and SDG&E’s
24 practice to pressure test newly installed pipelines prior to placing them in service between 1956
25 and 1961; (2) customers would have paid the costs to pressure test new pipelines prior to placing

²⁹ D.14-06-007 at 31.

³⁰ D.14-06-007 at 4.

³¹ D.15-12-020 at 23 (Conclusion of Law No. 7).

1 them in service between 1956 and 1970; and (3) customers should not be required to pay twice
2 for such post-construction pressure testing, ORA's proposal to now exclude from the calculation
3 of the system average costs of pressure testing costs associated with post-construction pressure
4 tests appears to serve no purpose other than to try to artificially inflate the system average cost of
5 pressure testing. As such, it is baseless and not consistent with the Commission's decisions on
6 this issue.

7 This concludes my prepared Rebuttal Testimony.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Deana M. Ng. I am Director of Major Projects, Regulatory Compliance and
3 Controls at Southern California Gas Company. My business address is 555 West Fifth Street,
4 Los Angeles, California, 90013-1011. I have held my current position since June 2017.

5 I first joined SoCalGas in 2011 in the role of Senior Regulatory Counsel, and was
6 promoted to Director of Major Program & Project Controls in 2014. Prior to joining SoCalGas, I
7 was a Senior Regulatory Attorney at Southern California Edison Company, where I was
8 employed as a Regulatory Attorney from 2005 to 2011. From 2001 to 2005, I was a Litigation
9 Associate at Morrison & Foerster LLP, and served as a federal judicial law clerk to the Honorable
10 Roger L. Hunt in the District of Nevada from 2000-2001.

11 I received a Juris Doctorate degree from New York University School of Law in 2000,
12 and a Bachelor of Arts degree in both American Studies and Political Science from California
13 State University, Fullerton in 1997. I have not previously testified before the Commission.

ATTACHMENT A

ORA Response to SDG&E Data Request SCG/SDGE-ORA-A1609005-01

Application of Southern California Gas Company and San Diego Gas & Electric Company to Recover Costs Recorded in the Pipeline Safety and Reliability Memorandum Accounts, the Safety Enhancement Expense Balancing Accounts, and the Safety Enhancement Capital Cost Balancing Accounts

Origination Date: September 28, 2017
Due Date: October 12, 2017
Response Date: October 12, 2017
Revised Date: N/A

To: Avisha A. Patel
Attorney for SCG/SDG&E

From: Nathaniel Skinner, Project Coordinator
Office of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102

Response by: Matt Yunge (Questions 1-4) / Nils Stannik (Question 5-6)
Phone: 415-703-1667 / 415-703-1889
Email: matthew.yunge@cpuc.ca.gov / nils.stannik@cpuc.ca.gov

Data Request No: SDG&E-ORA-A1609005-01

Exhibit Reference: ORA-01 – ORA Prepared Testimony in A1609005 – MYunge
ORA-02 – ORA Prepared Testimony in A1609005 – NStannik

Subject: Data Request Response

The following is ORA's response to SCG/SDG&E's data request. If you have any questions, please contact the responder at the phone number and/or email address shown above.

Q1. Regarding the following sentence on Page 7 of ORA-01: “In response to ORA’s DR-05, the Applicants identified approximately .37 miles of accelerated pipe segments that were installed after 1955 and have record of pressure tests that are compliant with modern (49 Code of Federal Regulations Part 192, Subpart J) standards.”

Identify where, in the response to ORA DR-05 or anywhere else, Applicants indicate that the .37 miles of accelerated pipe (included in “Accelerated Pipe Review” (Page 14) in Confidential Exhibit ORA-03-C) have records of a pressure test that are compliant with modern (49 Code of Federal Regulations Part 192, Subpart J) standards.

A1. To the extent evidentiary hearing questions relating to this data response do not call for legal conclusion, ORA reserves the right to have Mr. Nathaniel Skinner answer them.

All 14 projects have an identified year of install no later than 1957, as provided in the “Year of Install” column. The 1955 American Standards Association (ASA) standards are, generally the period from which modern pressure testing standards extend. For the “modern standards” discussion, see ORA Response to Data Request No 3.

As provided in ORA-03-C, page 14, there are 14 projects identified by SoCalGas/SDG&E as “Accelerated Pipeline Review”. Of those 14 projects, 9 of the entries (rows 1, 2, 3, 4, 6, 7, 9, 13, 14) have subpart J compliant test records and make up the 0.37 miles. All of these entries show test records of at least 1.5 times the MAOP in compliance with 49 CFR Section 192.619. Rows 1, 2, 3, 4, 7, 9, 13, 14 (comprising of 0.352 miles) operate at or above 30% SMYS, and have a record showing a test of at least eight hours in compliance with 49 CFR Section 192.505. Row 6 (comprising of 0.002 miles) operates at below 30% SMYS, and has a record showing a test of at least one hour in compliance with 49 CFR Section 192.507. Since Subpart J testing requirements are more restrictive than the ASA testing standards, pipe installed prior to 1970 that complied with Subpart J would also comply with the ASA standards. Also, rows 1, 2, 3, 4, 6, 7, 9, 13, 14, plus rows 8, 11, 12 [totaling an additional 0.016 miles to the 0.37 miles with Subpart J compliant test records] have records showing they were tested at least one hour, which complied with each of the ASA standards dating back to 1955.

For reference, the ASA testing standards dating back to 1955, with which rows 1,2, 3, 4, 6, 7, 8, 9, 11, 12, 13, and 14 comply, are shown here.

- For all pipe operated at or greater than 30% of SMYS:
 - Test duration changed from at least 1 hour to at least 8 hours, except for short sections of pipe or fabricated units, for which the test must be conducted for at least 4 hours (192.505c, 192.505d).

- Expanded permissible test fluids to gas for class 2 locations, and gas or air for class 3 and class 4 locations (192.503b).
- The maximum hoop stress for testing with air, inert gas, or natural gas (192.503c):
 - For class 1 locations changed from 1.1x Design Pressure to 80% SMYS for gas and air.
 - For class 2 locations, from 1.25 Design Pressure to 30% SMYS for gas and 75% SMYS for air or inert gas.
 - For class 3 locations, from no maximum (due to not being allowed) to 30% SMYS for gas and 50% SMYS for air or inert gas.
 - For class 4 locations, from no maximum (due to not being allowed) to 30% SMYS for gas and 40% SMYS for air or inert gas.
- For pipe installed after Nov. 11, 1970 and operated at or greater than 30% of SMYS:
 - The minimum test pressure for class 3 and class 4 locations changed from 1.4x MOP to 1.5x MAOP (192.619a).
- For pipe installed before Nov. 12, 1970 and operated at less than 30% SMYS but above 100 psi:
 - For class 2 locations, the minimum test ratio changed from 1.5x MOP to 1.25x MAOP; for class 3 and 4 locations, from 1.5x MOP to 1.4x MAOP (192.619a).
 - The maximum hoop stress for class 1 locations changed from 79.2% SMYS to 80% SMYS for gas and air (192.503c).
- For pipe installed after Nov. 11, 1970 and operated at less than 30% SMYS but above 100 psi:
 - For class 2 locations, the minimum stress changed from 1.5x MOP to 1.25x MAOP (192.619a).
 - The maximum hoop stress for class 1 locations changed from 79.2% SMYS to 80% SMYS for gas and air (192.503c).

Q2. Regarding footnote 18 on Page 7 of ORA-01: “ORA also identified an accelerated pipe segment in the project for Line 407 that was installed after 1955 but that Applicants had not clarified whether that segment complies with 49 CFR 192.505.d. See Row #8 of “Accelerated Pipeline Review” in Confidential Exhibit ORA-03-C.”

- a. Describe how ORA determined Applicants had not clarified whether the segment complies with 49 CFR 192.505.d.
- b. Provide all documentation and information necessary to demonstrate compliance with 49 CFR 192.505.d.

A2. Row #8 identifies a segment of pipe that was tested to at least 1.5 times the MAOP, with a test duration of 4 hours (240 minutes). As the segment is a short section of pipe, a 4 hour pre-installation test meets the requirements of 49 Code of Federal Regulations Section 192.505(d). Applicants have not identified whether they view this segment as a “short segment” of pipe, and if not, why not, nor have they identified if this was a pre-installation test.

Although PHMSA Interpretations are generally only applicable to the specific circumstances, PI-72-035 indicates that PHMSA did consider a 50 foot segment of pipe to qualify under the definition of “short section” of pipe.

Q3. Regarding the following statement on page 7 of ORA-01: “Based on the information provided by Applicants, these segments are not properly accelerated, as they are compliance with modern standards (have been pressure tested), and are not identified as incidental miles.”

- a. Define “modern standards.”
- b. Provide all documentation and information necessary to demonstrate “compliance with modern standards.”

A3. ORA responds to the subparts as follows:

- a. Applicants, in Chapter 3, page 6, fn 24 have identified modern standards as those meeting 49 Code of Federal Regulations Section 192 Subpart J. However, the modern standards for pressure testing functionally came into effect in the 1955 American Standards Association (ASA) / American Society of Mechanical Engineers (ASME) Code B31.1.8. Between 1955 and 1968 (the version which served largely as the basis for 49 Code of Federal Regulations Section 192 Subpart J), changes in testing requirements occurred.
- b. The response to question 1 above provided the documentation necessary to demonstrate that the 0.37 miles of pipe that Applicants claim are accelerated, in fact comply with the modern standards identified in response to question 3a. See ORA Response to Data Request No. 1 Question 1 for the identification of accelerated pipe segments that comply with modern standards, as well as a description of the ASA modern testing standards dating back to 1955.

- Q4. Regarding the following statement on page 9 of ORA-01: “Where Applicants are performing work on post-1955 pipe that is not incidental, the cost associated with pressure testing that length of pipe should be disallowed.”
- a. Cite the authority that supports this statement.
 - b. Clarify whether this statement assumes that records of a post-construction pressure test do not exist.
 - c. Is it ORA’s position that the costs of pressure testing post-1955 pipe that is not incidental should be disallowed, even if Applicants have a record of a post-construction pressure test?

A4. The following data response was prepared with assistance from counsel. ORA reserves the right to object to these questions in evidentiary hearings as calling for legal conclusion. To the extent evidentiary hearing questions relating to this data response do not call for legal conclusion, ORA reserves the right to have Mr. Nathaniel Skinner answer them.

Though not intended to be exhaustive, authority for ORA’s statement is as follows:

Decision 15-12-020 at Ordering Paragraph 1 states:

Southern California Gas Company and San Diego Gas & Electric Company must exclude from regulated revenue requirement all costs associated with pressure testing pipeline segments installed between January 1, 1956 and July 1, 1961, where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable; further, where such pipeline segment is replaced rather than pressure tested, the utility must absorb an amount equal to the average cost of pressure testing a similar segment, or where such pipeline segment is abandoned, the utility must absorb the undepreciated plant in service balance. (Emphasis added).

D.15-12-020 also found,

“. . .it was the practice of Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) to pressure test natural gas pipelines prior to placing the pipeline in service as of 1956, that records of these pressure facts should have been retained, and that SoCalGas and SDG&E would have obtained cost recovery from ratepayers for such testing.”¹

“As analyzed below, we conclude that the evidentiary record supports the conclusion that the Utilities’ practice by 1956 was to pressure test natural gas pipeline prior to placing it in service and to prepare a record of such test, which

¹ D.15-02-020, mimeo, p. 2.

should have been retained. We also conclude that it was and is the Utilities' habit and custom to seek to include in revenue requirement all costs of providing public utility service, and that consistent with their habit and custom, the Utilities would have sought and received cost recovery for pre-service pressure testing of pipelines."²

"It was the practice of SDG&E and SoCalGas to consistently follow industry standards including ASA B31.8-1955 no later than January 1, 1956."³"SDG&E and SoCalGas would have sought and obtained cost recovery from ratepayers for the cost of pressure testing pipeline prior to placing it in service during 1956 to 1961."⁴

"SDG&E and SoCalGas should absorb the costs of pressure testing where the company cannot produce records that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable as of January 1, 1956."⁵

"Where pipelines are replaced without testing, SDG&E and SoCalGas should absorb an amount equal to the average cost of pressure testing where the company cannot produce pressure test records after the adoption of 1955 Code effective January 1, 1956."⁶

The Commission has also concluded it is reasonable for PG&E's shareholders to absorb the costs of pressure testing pipeline placed into service after January 1, 1956, or for which PG&E has no known installation date, and for which PG&E is unable to produce pressure test records. D.12-12-030, mimeo at p. 122, Conclusion of Law 15.

The Commission has also found that:

"It was the practice of SDG&E and SoCalGas to consistently follow industry standards including ASA B31.8-1955 no later than January 1, 1956."⁷; and

"All pressure test records should have been retained."⁸

Given the above findings, if SoCalGas/SDG&E did not retain test records from after 1955, or if the utilities did not test to the appropriate post-1955 standards, the utilities' shareholders bear the obligation to re-test the segments.

² *Id.* at 14.

³ *Id.* at 22, Finding of Fact 2.

⁴ *Id.* at 22, Finding of Fact 7.

⁵ *Id.* at 23, Conclusion of Law 8.

⁶ *Id.* at 23, Conclusion of Law 9.

⁷ *Id.* at p. 22, Finding of Fact 2.

⁸ *Id.* at p. 22, Finding of Fact 4.

In instances where segments were not tested, these findings mean SoCalGas/SDG&E would have tested in accordance with the aforementioned industry standards, and kept those records. As such, shareholders bear the obligation to test the segments.

On the other hand, if the segments are not incidental, and are being retested even though they meet modern standards, then the work is by definition not PSEP work as the segments already meet modern standards.

- Q5. Regarding the statement on page 4 of ORA-02: “The difference between ORA’s and Applicants’ values come primarily from two sources: 1) ORA included additional completed hydrotest projects in addition to those projects proposed by Applicants and 2) SCG/SDG&E included hydrotest components of projects that mix testing and replacing; whereas ORA calculated hydrotest costs based upon projects that are exclusively hydrotesting.”
- a. Define “completed hydrotest projects.”
 - b. At what point was a hydrotest project determined to be “complete,” for purposes of ORA’s calculation of the system average cost of pressure testing.
 - c. If costs of a project are adjusted after the point in time identified in subpart b of this Data Request No. 5, how does ORA propose those adjustments be addressed in the calculation of the system average cost of hydrotesting?
 - d. If in response to subpart c of this Data Request No. 5, ORA proposes that the system average cost of hydrotesting [sic] be recalculated when there is an adjustment of the costs of a “completed hydrotest project” used in that calculation, how frequently (i.e., at what interval) does ORA propose those recalculations of the system average cost of hydrotesting be made?
 - e. Define “exclusively hydrotesting.”
 - f. Cite all authority that supports exclusion of hydrotest costs for projects that are not exclusively hydrotest projects from the calculation of the system average cost of hydrotesting.

A5. ORA responds to the above subparts as follows:

- a. As used in the passage quoted above, the phrase “completed hydrotest projects” generally refers to PSEP projects whose physical construction work has completed, that have entered or returned to service, and the vast majority of whose costs have been recorded. It is ORA’s understanding that these criteria generally reflect a Project Lifecycle of “7-Close-out” or “Closed” as used in Applicants’ Monthly PSEP Reports, which apply to all of the projects ORA used in its calculations as of the date of filing its testimony and the at-the-time most recent monthly PSEP Status Report (May 2017).

- b. ORA objects to the subpart of this question as vague. ORA is unclear as to whether the term “At what point” means. However, to the extent SCG/SDG&E are asking about the status or stage of specific projects, see response to part A5(a) above.
- c. As ORA objected to the term, “At what point” as vague in question 5 subpart b, ORA repeats its objection to this question. Notwithstanding this objection, ORA understands this question to be asking about the point in time where a project is closed out or closed, as used in Applicants’ Monthly PSEP Reports. If costs are adjusted after that point in time, ORA would recommend recovery for those costs be requested and reviewed in the next rate case. As part of the review, ORA would expect that Applicants explain why the adjusted costs are not properly covered by the requested contingency amount provided for the project.
- d. ORA does not take a position on how frequently re-calculations should occur.
- e. As used in the passage quoted above, “exclusively hydrotesting” refers to completed PSEP projects that Applicants’ identified as “Test” or “Hydrotest” in their workpapers,⁹ as “Hydrotest” in response to ORA Data Request ORA-Sempra-PSEPStatusReports-01, or as “Completed Pressure Test Projects” in their PSRMA testimony.¹⁰
- f. ORA is unaware of any authority that requires precisely how system average cost of pressure testing should or should not be calculated, including which projects, costs, or components should or should not be included in or excluded from this calculation.

However, Decision 14-06-007,¹¹ Conclusion of Law #14 states:

“Where Phase 1 pipelines are replaced without testing SDG&E and SoCalGas should absorb an amount equal to the average cost of pressure testing where the company cannot produce pressure test records after the adoption of General Order 112, effective July 1, 1961.”

⁹ See unnumbered-page index table of Applicant workpapers with title “WP-III-A1-A429; Pipeline Pressure Test/Replacement Projects” and page WP-III-A113.

¹⁰ See testimony “Amended Clean PSRMA Chapter III Phillips 07082015,” page 7.

¹¹ Decision Implementing a Safety Enhancement Plan and Approval process for San Diego Gas & Electric Company and Southern California Gas Company; Denying the Proposed Cost Allocation for Safety Enhancement Costs; and Adopting a Ratemaking Settlement, June 20, 2014. See: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M096/K540/96540390.PDF>

For inclusion the period 1956 to 1961, see reference to D.15-12-020 in response A4, above, including but not limited to Conclusion of Law 15.

While there is a lack of a strict prescriptive definition of what costs or projects should be included in or excluded from this calculation, this requirement to have a calculation requires some method of inclusion and exclusion to arrive at average costs. ORA updated Applicants' proposed system average cost of pressure testing as outlined in ORA-02 (Testimony of Nils Stannik), Section IV.

Q6. Regarding the statement on pages 4-5 of ORA-02: “ORA excludes two projects at the Playa del Rey storage field from its calculation as these projects are substantially different than other hydrotest projects and do not appear representative of projects where disallowances were being calculated, most notably in project type (transmission/distribution vs. storage field) and work environment.”

- a. Cite all authority that supports exclusion of hydrotest costs for two projects from the Playa del Rey storage field from the calculation of the system average cost of hydrotesting.
- b. List any other types of projects that ORA believes should be excluded from SoCalGas and SDG&E’s calculation of the system average cost of hydrotesting, and the authority for those exclusions.

A6. ORA responds to the subparts as follows:

- a. See response to Question 5(f) above.
- b. Given the scope of projects examined in this proceeding, the explanation ORA provided in regards to excluding the Playa del Rey storage field project,¹² and the current PSEP project data available, ORA recommends no further exclusions at this time. However, ORA has relied upon the content in the current Application and testimony to make its current recommendation. ORA reserves the right to make additional recommended exclusions if Applicants should change any information in their application. Please also see response to Question 5(f) above.

¹² See ORA-02, pages 4-5.