Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-015 /-016 (cons.)
Exhibit: SDG&E-204

REBUTTAL TESTIMONY OF

L. PATRICK KINSELLA

(GAS DISTRIBUTION)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

May 2023

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REBUTTAL TESTIMONY OF
L. PATRICK KINSELLA
(GAS DISTRIBUTION)

I. SUMMARY OF DIFFERENCES

Table LK-1

TOTAL O&M - Constant 2021 ($000)			
	Base Year 2021	**Test Year 2024**	**Change**
SDG&E	36,545	41,843	5,298
CAL ADVOCATES	36,545	41,843	5,298
UCAN	36,545	29,290[1]	(7,255)

Table LK-2

TOTAL CAPITAL[2] - Constant 2021 ($000)					
	2022	**2023**	**2024**	**Total**	**Difference**
SDG&E	132,585	135,392	122,799	390,776	---
CAL ADVOCATES	132,585	135,392	122,799	390,776	---
UCAN[3]	132,585[4]	135,392	(4,721)	263,256	(127,520)

1 This value includes the proposed 30% reduction to TY 2024 O&M forecast of $12.55 million. (*See* Prepared Direct Testimony of Dr. Erick Charles Woychik on behalf of The Utility Consumers Action Network (UCAN), March 27, 2023 (hereinafter, Ex. UCAN (Eric Woychik)), at 23, 331.)

2 For the purpose of this comparison table, for areas that were not discussed by the parties (*e.g.*, TURN, EDF, FEA), it is assumed that they accepted SDG&E's Gas Distribution forecasts.

3 SDG&E has included the value found in UCAN's testimony; however, this appears to be in error, as UCAN in other places in its testimony recommends a 30% reduction for TY 2024. (*See* Ex. UCAN (Eric Woychik) at 23, 331.) The corrected value for UCAN's 30% reduction in TY 2024 is $36.84 million.

4 UCAN did not discuss SDG&E's total forecast values for forecast years 2022 and 2023. Therefore, it is assumed that UCAN accepted SDG&E's Gas Distribution forecasts for 2022 and 2023.

TOTAL CAPITAL[2] - Constant 2021 ($000)					
	2022	2023	2024	Total	Difference
CEJA	132,585[5]	135,392[6]	122,535[7]	390,512	(265)
CUE	132,585[8]	135,392	175,012[9]	442,989	52,213
TURN	132,585	135,392	122,799	390,776	---
EDF	132,585	135,392	122,799	390,776	---
FEA	132,585	135,392	122,799	390,776	---

II. INTRODUCTION

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

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates)[10] as submitted by C. Quam (Exhibit CA-04), dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by Rod Walker (Exhibit TURN-5)[11] and as submitted by Garrick Jones (Exhibit TURN-10),[12] dated March 2023.

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5 CEJA did not discuss SDG&E's total forecast value for 2022. It is assumed that CEJA accepted the SDG&E forecast value for 2022.

6 CEJA proposes to reduce 2023 and 2024 by an additional 10%. (*See* Ex. CEJA-01 (Prepared Testimony of Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker on behalf of CEJA), March 27, 2023, at 19.) To clarify, SDG&E did not reduce its total New Business forecast, but reallocated dollars to its collectible portion (*i.e.*, non-ratepayer funded). SDG&E understands CEJA's proposal as taking a 10% reduction to the non-collectible forecast and adding it to the collectible portion of New Business forecast. Therefore, the table above reflects SDG&E Gas Distribution's forecast values for 2023 and 2024. It appears that CEJA requests to move $693,000 for 2023 to collectible and $386,000 for 2024 to collectible.

7 This value also includes CEJA's proposed reduction of Gas System Reinforcement – BC503 in TY2024. (*See* Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 8, 20.)

8 CUE did not discuss SDG&E's total forecast values for forecast years 2022 and 2023. It is assumed that CUE accepted the SDG&E forecast values for 2022 and 2023.

9 This value includes CUE's proposed increase in Underperforming Steel Replacement Programs (BC19564, BC19565, BC514) in TY 2024. (*See* Testimony on Robert Earle on behalf of CUE), March 27, 2023, (hereinafter, Ex. CUE (Robert Earle)) at 31-34.)

10 Ex. CA-04 (Testimony of Chauncey Quam on behalf of Cal Advocates), March 27, 2023.

11 Ex. TURN-5 (Prepared Testimony of Rod Walker submitted on behalf of TURN), March 27, 2023.

12 Ex. TURN-10 (Prepared Testimony of Garrick Jones submitted on behalf of TURN), March 27, 2023.

- California Environmental Justice Alliance (CEJA), as submitted by Matthew Vespa, Sara Gersen, Sasan Saadat, Rebecca Barker (Exhibit CEJA-01), dated March 27, 2023.[13]
- Utility Consumer's Action Network (UCAN), as submitted by Dr. Eric Charles Woychik, dated March 27, 2023.[14]
- Federal Executive Agencies (FEA), as submitted by Ralph C. Smith, CPA (Exhibit FEA-01), dated March 27, 2023.[15]
- Environmental Defense Fund (EDF), as submitted by Michael Colvin, Richard McCann, Ph.D., Joon Hun Seong (Exhibit EDF-01), dated March 27, 2023.[16]
- Coalition of California Utility Employees (CUE) as submitted by Robert Earle, dated March 27, 2023.[17]

As a preliminary matter, the absence of a response to any 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.

In total, SDG&E requests the California Public Utilities Commission (CPUC or Commission) adopt its Test Year 2024 (TY 2024) General Rate Case (GRC) forecast of $41,843,000 for Gas Distribution operations and maintenance (O&M) expenses. SDG&E further requests the Commission adopt its forecast for capital expenditures in 2022, 2023, and 2024 of $132,585,000, $135,392,000, and $122,799,000, respectively. The activities corresponding to

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13 Ex. CEJA-01 (Prepared Testimony of Matthew Vespa, Sara Gersen, Sasan Saadat, and Rebecca Barker on behalf of CEJA), March 27, 2023.

14 Ex. UCAN (Prepared Direct Testimony of Dr. Eric Charles Woychik on behalf of UCAN), March 27, 2023 (hereinafter, Ex. UCAN (Eric Woychik)).

15 Ex. FEA-01 (Direct Testimony and Exhibits of Ralph C. Smith, CPA, on behalf of The Federal Executive Agencies (FEA)), March 27, 2023.

16 Ex. EDF-01 (Direct Testimony of, (Michael Colvin, Richard McCann, Ph.D., and Joon Hun Seong on behalf of Environmental Defense Fund (EDF)), March 27, 2023.

17 Ex. CUE (Robert Earle).

these requests are detailed in the SDG&E Gas Distribution revised testimony of L. Patrick Kinsella (Exhibit SDG&E-04-R).[18]

The Commission should find SDG&E's forecast reasonable and fully justified in that: (1) the activities support continued delivery of sustainable, safe and reliable service; (2) activities are consistent with local, state, and federal regulations; (3) activities respond to operations, maintenance, and construction needs associated with projected growth and demands of city, county, and state agencies; (4) the forecast amounts are reasonable in light of historical spending and anticipated work increases, (5) the activities support SDG&E's commitment to mitigate risks associated with hazards to customer/public and employee/contractor safety, infrastructure integrity, and system reliability, and (6) the activities support SDG&E's commitment to adapt to more extreme climate fueled events and build a system that will be resilient in the face of these risks.

Additional growth and expenses are driven by activities described in SDG&E's May 17, 2021 Risk Assessment Mitigation Phase (RAMP) Report.[19] The RAMP Report presented an assessment of the key safety risks of SDG&E and proposed plans for mitigating those risks. A discussion of the evolution of the Company's risk framework can be found in the direct testimonies of Michael M. Schneider (Exhibit SCG-03/SDG&E-03, Ch 1, Risk Policy) and Greg S. Flores and R. Scott Pearson (Exhibit SCG-03/SDG&E-03-2R, Ch 2, RAMP to GRC Integration).[20]

As part of the RAMP-to-GRC integration process, SDG&E evaluated the scope, schedule, resource requirements, and synergies of RAMP-related projects and programs. The RAMP Report proposed mitigation activities that would reduce identified safety risk levels. Based on this RAMP analysis, SDG&E included RAMP mitigation activities in its GRC request. My testimony discusses and includes costs to mitigate Gas Distribution risks primarily associated with customer/public and employee/contractor safety, system reliability, regulatory and legislative compliance, and pipeline system integrity. Specifically, these RAMP risks identified

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18 Ex. SDG&E-04-R (Revised Prepared Direct Testimony of L. Patrick Kinsella (Gas Distribution)), August 2022.

19 A.21-05-011, SDG&E 2021 Risk Assessment and Mitigation Phase (RAMP) Report, May 17, 2021, available at: https://www.sdge.com/proceedings/2021-sdge-ramp-report.

20 Ex. SCG-03/SDG&E-03, Ch.1 (SDG&E Risk Management Policy); Exhibit SCG-03/SDG&E-03-2R, Ch 2, (RAMP to GRC Integration).

by their RAMP Report chapter number include: SDG&E-7 Excavation Damage (Dig-In) on the Gas System,[21] SDG&E-8 Incident Involving an Employee,[22] SDG&E-9 Incident Related to Medium Pressure System (Excluding Dig-in),[23] SDG&E-CFF-1 Asset Management,[24] and SDG&E-CFF-6 Records Management.[25] In developing my request, priority was given to these key safety risks to assess which risk mitigation activities Gas Distribution currently performs and what incremental efforts are needed to further mitigate these risks.

Several intervenors, including UCAN, EDF, and CEJA, have prioritized anticipated future gas demand reduction as the key driver to reduce capital and O&M funding during the time period covered by the TY 2024 GRC. These recommendations fail to take into account the cost impacts and/or upward pressures of infrastructure integrity in support of energy sustainability, risk reduction efforts, aging infrastructure, franchise obligations, increasing regulations, customer obligation to serve, and local, state, and federal regulatory agencies' operations and construction requirements. SDG&E disagrees with the analysis and conclusions of these intervenors as they pertain to SDG&E's request for Gas Distribution O&M and Capital expenses necessary for continued sustainable, safe, and reliable service to customers. The perceived alignment between gas demand and O&M and Capital costs is inaccurate. O&M and Capital costs are more closely aligned with customer growth, maintaining a trained and qualified workforce, aging infrastructure, and regulatory requirements. In addition, SDG&E's requests

[21] A.21-05-011 SDG&E 2021 RAMP Report, Ch. SDG&E-Risk-7, Excavation Damage (Dig-In) on the Gas System, May 21, 2021, available at: https://www.sdge.com/sites/default/files/regulatory/SDGE%20RAMP%20Risk-7%20Excavation%20Damage%20%28Dig-in%29%20on%20the%20Gas%20System%205-17-21_.pdf.

[22] *Id.*, Ch. SDG&E-Risk-8, Incident Involving An Employee, May 17, 2021, available at: https://www.sdge.com/sites/default/files/regulatory/SDGE%20RAMP%20Risk-8%20Incident%20Involving%20an%20Employee%205-13-21_.pdf.

[23] *Id.*, Ch. SDG&E-Risk-9, Incident Related to the Medium Pressure System (Excluding Dig-in), May 17, 2021, available at: https://www.sdge.com/sites/default/files/regulatory/SDGE%20RAMP%20Risk-9%20Incident%20Related%20to%20Medium%20Pressure%205-17-21_.pdf.

[24] *Id.*, SDG&E-CFF-1, Asset Management, May 17, 2021, available at: https://www.sdge.com/sites/default/files/regulatory/SDGE_RAMP_CFF-1_Asset_Management_5-14-21.pdf.

[25] *Id.*, SDG&E-CFF-6, Records Mangement, May 17, 2021, available at: https://www.sdge.com/sites/default/files/regulatory/SDGE_RAMP_CFF-6_Records_Management_5-14-21.pdf.

reflect the company's affordability policies, as discussed in the Rebuttal Testimony of Marjorie Schmidt-Pines (Exhibit SDG&E-251-S, Supplemental Testimony – Affordability Metrics – Gas).[26]

SDG&E also disagrees with the analyses and conclusions contained in CUE's testimony. CUE primarily focuses on the replacement costs and rates of aging infrastructure, targeting vintage steel pipelines. CUE takes the position that SDG&E has proposed insufficient preventative infrastructure replacement funding and proposes additional expenditures to address its concerns. Because SDG&E's forecasts endeavored to strike an appropriate balance between Gas Distribution's pipeline safety, risk reduction effectiveness, and the impact on ratepayer costs, the Commission should adopt SDG&E's forecasts as reasonable.

Along with addressing intervenor's recommendations, SDG&E also presents in this rebuttal testimony a revised forecast for BC 500 New Business in light of the elimination of Line Extension Allowances (LEAs) in Decision (D.) 22-09-026. Note that while the overall forecast has not changed, SDG&E has revised the division between non-collectible (*i.e.* ratepayer funded) and collectible (*i.e.* not ratepayer funded) to account for the anticipated impacts of D.22-09-026. SDG&E's revised non-collectible forecast for 2023 and 2024 are $7,452,000 and $4,429,000 respectively and revised collectible forecast for 2023 and 2024 are $5,590,000 and $5,499,000 respectively.

The following are summaries, by intervenor, of the positions on Gas Distribution O&M and Capital expense:

A. CAL ADVOCATES

The following is a summary of Cal Advocates' positions on Gas Distribution O&M and Capital:[27]

- Does not take issue with and accepts SDG&E's O&M forecast.
- Opposes SDG&E's request to create a Locate & Mark Balancing Account (LMBA).

[26] Ex. SDG&E-251-S (Rebuttal Testimony of Marjorie Schmidt-Pines (Affordability Metrics - Gas), May 2023.

[27] Ex. CA-4 (Chancey Quam) at 2- 3.

- Finds SDG&E's 2022 capital forecast to be higher than historical project costs for New Business but does not oppose SDG&E's lower forecast for TY 2024.
- Opposes SDG&E's request for a Litigated Project Memorandum Account (LPCMA) balancing account.

B. CUE

The following is a summary of CUE's positions on SDG&E capital underperforming steel pipe replacement programs:[28]

- Recommends doubling the pace of removal of Pre-1934 threaded steel pipe by increasing TY 2024 by $34.553 million to $41.553 million.
- Recommends increasing the rate of underperforming 1934 to 1965 steel pipe replacement to 6.4 miles per year by increasing TY 2024 forecast by $15.050 million to $18.050 million.
- Recommends increasing underperforming Post-1965 steel pipe replacement for TY 2024 by $2.610 million to $5.611 million.

C. CEJA

The following is a summary of CEJA's position on capital New Business and Gas System Reinforcement as it relates to D.22-09-026's elimination of gas line extension allowances: [29]

- Recommends reducing SDG&E's 2023 non-collectible (rate-base) portion of new business by 10% from $6.883 million to $6.19 million and applying this reduction to SDG&E's TY 2024 revenue request.
- Recommends reducing SDG&E's 2024 non-collectible (rate-base) portion of new business by 10% from $3.86 million to $3.474 million.

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[28] Ex. CUE (Robert Earle) at 3-4.

[29] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 2.

- Recommends excluding TY 2024 revenue from new business construction from SDG&E's post-test year ratemaking mechanism.
- Recommends reducing SDG&E's $529,000 TY 2024 forecast for Gas system reinforcement request to $264,500 (a 50% reduction).

D. UCAN

The following is a summary of UCAN's position regarding gas demand and its impact on Gas Distribution's capital forecast:[30]

- Recommends reducing SDG&E's TY 2024 forecast in Capital and O&M spend by 30%.

E. EDF

The following is a summary of EDF's positions regarding gas demand and its impact on Gas Distribution's O&M and/or capital forecast:

- Asserts gas demand is declining, which should lead to a decline in gas distribution capital.
- Asserts that without alignment with gas demand, SDG&E's current forecast's impact will result in unaffordable rates to customers.

F. FEA

The following is a summary of FEA's positions regarding SDG&E's proposed LMBA and LPCMA accounts:[31]

- Recommends rejecting the request for the LMBA.
- Recommends rejecting the request for the LPCMA.

G. TURN

The following is a summary of TURN's position regarding Gas Distribution's request for fleet vehicles:[32]

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30 Ex. UCAN (Charles Woychik) at 23.

31 Ex. FEA-01 (Ralph Smith) at 50-54

32 Ex. Turn-10 (Garrick Jones) at 6.

- Recommends denying 100% of Gas Distribution's request for incremental fleet vehicles.

III. GENERAL REBUTTAL

A. Intervenor Proposals to Decrease Funding for Gas Distribution Based on Anticipated Lower Gas Demand are Unfounded

UCAN, CEJA, and EDF recommend disallowances to the Gas Distribution request based on declining gas demand.[33] These recommended disallowances should not be adopted. While various decarbonization, efficiency, and other initiatives and policies may lead to an overall decline in gas demand, the immediate and direct impact of these activities within Gas Distribution is uncertain, speculative, and not fully quantifiable, thus, challenging to account for in the forecast for the GRC period. SDG&E's request for Gas Distribution is still needed to support the activities described in my direct and rebuttal testimony.

UCAN bases its recommendation on gas demand data from the California Gas Report (CGR).[34] The data UCAN relies upon, however, is for another utility. Specifically, UCAN relies on the component of demand representing SoCalGas Wholesale & International Electric Generation (EG), Average Temperature Year, the only component of demand that had a significant downward trend.[35] UCAN's usage of forecasted EG gas demand alone is not an accurate representation of actual total distribution gas demand. The inclusion of electric generation in the forecast of gas demand also misrepresents distribution gas demand trends since natural gas usage for electric generation is increasingly being replaced by other energy sources for electric generation such as solar and wind energy. CEJA and EDF also cite the CGR[36] to illustrate gas demand decreases. CEJA compared the Winter 1-IN-10 Year Cold Day total demand between the 2020 and 2022 CGR reports for year 2024, while EDF uses total gas

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33 Ex. UCAN (Eric Woychik) at 20; Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 18-21; Ex. EDF-01 (Colvin, McCann, and Seong) at 47.

34 Ex. UCAN (Eric Woychik) at 18-20.

35 California Gas and Electric Utilities, *2022 California Gas Report*, at 185, Table 32, line 25, *available at*: https://www.socalgas.com/sites/default/files/Joint_Utility_Biennial_Comprehensive_California_Gas_Report_2022.pdf.

36 Ex. EDF-01 (Colvin, McCann, and Seong) at 23-24; Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker), at 12, 18.

throughput between 2022 and 2030 in the 2022 CGR to show this decrease. However, in both comparisons the data included EG demand, as explained above, which incorrectly inflates the percentage decrease of gas demand on the Gas Distribution system.

The actual trend for SDG&E's Gas Distribution growth is best illustrated by the following quote from the CGR:[37]

> SDG&E's gas demand forecast is largely determined by the long-term economic outlook for its San Diego County service area. San Diego County's total employment is forecasted to grow on average just over 1% annually from 2021 to 2035; the subset of industrial (mining and manufacturing) jobs is projected to grow an average of 0.1% per year during the same period. The number of SDG&E gas meters is expected to increase an average of about 0.8% annually from 2021 through 2035.

Notably, UCAN, CEJA, and EDF do not discuss this information from the CGR.

Although SDG&E recognizes that gas demand is likely to decline in the future, Gas Distribution forecasts for New Business is more directly influenced by gas meter growth and not gas demand. In other words, gas demand is not the same as gas customer additions when evaluating the activities and projects related to the distribution system. The various policies that encourage the conversion of gas to electric equipment in both residential and nonresidential sectors may cause a decrease in gas demand on the distribution system but may have little or no impact on customer count or on the gas infrastructure in place. Unless a given distribution asset can feasibly be retired, continuing evaluation, maintenance, and, if necessary, replacement activities are imperative. Further, this rate case cycle covers the period of 2024 to 2027 and any dramatic changes to gas demand will take place over a significantly longer period of time, as Cal Advocates recognizes in its statement "as natural gas building policy is slowly being integrated throughout California."[38]

SDG&E recommends that the Commission reject UCAN, CEJA, and EDF's recommended reductions for Gas Distribution and instead adopt SDG&E's forecast for O&M and Capital expenses. See below for further discussion of UCAN and CEJA's proposed reduction to Gas Distribution's O&M and Capital forecast.

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37 California Gas and Electric Utilities, *2022 California Gas Report*, at 203.

38 Ex. CA-04 (Chauncey Quam) at 15.

B. SDG&E's Proposed Locate & Mark Balancing Account (LMBA) Should be Adopted

Cal Advocates, TURN, and FEA all argue that SDG&E's forecast for Locate and Mark is sufficient to cover the anticipated costs associated with Locate and Mark activity and current related regulations, and therefore, a balancing account is not needed.[39] SDG&E disagrees with this assessment. The Locate and Mark function is driven primarily by four drivers: economic outlook, public awareness, regulatory requirements, and weather. As discussed in my direct testimony,[40] SDG&E has seen an increase in USA tickets year over year and expects this trend to continue, especially given recent legislation increasing penalties for the failure to notify a gas utility of the need to locate and mark and SDG&E's push for public awareness. The extent of increased expenses for L&M activities are difficult to accurately predict, making the authorization of SDG&E's proposed LMBA, a two-way balancing account, appropriate.

In the middle of 2021, SDG&E began implementing additional public awareness activities through the hiring of damage prevention analysts (DPAs). As of July of 2022, this group is staffed to meet current ticket levels which is also challenging as their goal is to reach out to communities in SDG&E's service territory and provide education on the benefits of Dig-Alert (Dial 811) to homeowners, commercial excavators, and any person involved in excavation. This increase in public awareness has led to an increase in ticket volume, but also a decrease in damages to SDG&E's gas and electric system. With this increase in public awareness activities and the anticipated impact of applicable regulations on excavation, the future growth of Locate and Mark is challenging to accurately forecast. A two-way balancing account provides a level of revenue to implement a program, while allowing for the exact amount of expenditure to be recovered, with any over-collection being refunded to ratepayers, thereby providing a fair mechanism.[41] The two-way balancing account proposed by SoCalGas can provide certainty that any exponential growth that may occur within this activity will not adversely impact other important Distribution O&M activities. For these reasons, SDG&E respectfully requests that the

[39] Ex. CA-04 (Chauncey Quam) at 2, 11; Ex. TURN-5 (Rod Walker) at 36-38; FEA-01 (Ralph Smith) at 54.

[40] Ex. SDG&E-04-R (Revised Direct Testimony of L. Patrick Kinsella), August 2022, at LPK-34.

[41] Ex. SDG&E-43-R (Revised Prepared Direct Testimony of Jason Kupfersmid (Regulatory Accounts)), August 2022, at JK-23.

Commission reject Cal Advocates, TURN and FEA's recommendation and approve the LMBA for Locate & Mark expense.

C. SDG&E's Proposed LPCMA Should be Approved

SDG&E has proposed to create a Litigated Project Costs Memorandum Account (LPCMA) to record the capital-related costs for projects that are intended to qualify as a collectible project to be recovered from third-party customers instead of ratepayers, but later are deemed by a court to be non-collectible from third-parties customers.[42] Please refer to Section III.F. of the Rebuttal Testimony of Oliva Reyes (Exhibit SD&E-211 - Electric Distribution Capital), which addresses intervenors' recommendations that the LPCMA should not be approved. For the reasons provided in my direct testimony and further discussed by Ms. Reyes, the LPCMA should be approved.

IV. REBUTTAL TO PARTIES' O&M PROPOSALS

A. Non-Shared Services O&M

Table LK-3

NON-SHARED O&M - Constant 2021 ($000)			
	Base Year 2021	**Test Year 2024**	**Change**
SDG&E	36,545	41,843	5,298
CAL ADVOCATES	36,545	41,843	5,298
UCAN	36,545	29,290[43]	(7,255)

SDG&E's revised direct testimony fully supports the TY 2024 non-shared services Gas Distribution forecast of O&M expenditures of $41,843,000. SDG&E developed this forecast based on a review of 2017 to 2021 historical spending, and in consideration of new or incremental changes in activities that will impact future revenue requirements. This increase is driven by Locate and Mark, system expansion, infrastructure renewal, field technical skills and training, improved documentation and control of pipeline materials, and the integration of new

[42] Ex. SDG&E-11-R (Revised Direct Testimony of Oliva Reyes (Electric Distribution Capital)), August 2022, at OR-23.

[43] Ex. UCAN (Eric Woychik). Calculation of TY 2024 as a result of proposed UCAN 30% reduction ($12.55 million).

technology. SDG&E's forecasts also include costs associated with RAMP activities to mitigate Gas Distribution risks. Specifically, these RAMP mitigation expenses include elements supporting the following key risks: SDG&E-7 Excavation Damage (Dig-In) on the Gas System, SDG&E-8 Incident Involving an Employee, SDG&E-9 Incident Related to Medium Pressure System (Excluding Dig-in), SDG&E-CFF-1 Asset Management, and SDG&E-CFF-6 Records Management.

1. Total O&M Expense

a. Cal Advocates

Cal Advocates states that it "reviewed data provided by SDG&E to support the forecast increase in expenses. SDG&E's forecast for O&M gas distribution expenses for TY 2024 was reviewed, and Cal Advocates takes no issue with SDG&E's forecast but opposes SDG&E's request to create the LMBA."[44] Therefore Cal Advocates does not oppose SDG&E's requested total O&M expense of $41,843,000 for TY 2024. Regarding Cal Advocates' opposition to the LMBA, see the General Rebuttal section above.

b. UCAN

UCAN takes issue with SDG&E's total O&M forecast. UCAN states:

> Based on the 2022 California Gas Report (SoCal Gas is prime author), from 2022 to 2025 natural gas demand for SDG&E is forecast to decline by 30%. A straight-line reduction in SDG&E's gas distribution capital and O&M of 30% seems just and reasonable…[45]

UCAN's approach would result in a $12,552,900 reduction in SDG&E's proposed TY 2024 O&M spend of $41,843,000.

SDG&E disagrees with UCAN's recommendation for a blanket 30% reduction to SDG&E's Gas Distribution O&M. First, as discussed above in the General Rebuttal Section, UCAN's proposal for a reduction is based on gas demand data that does not apply to SDG&E Gas Distribution. UCAN pulled gas demand data from the 2022 CGR, specifically from SoCal Gas Wholesale & International Electric Generation, Average Temperature Year, demand.[46]

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[44] Ex. CA-04 (Chauncey Quam) at 11.

[45] Ex. UCAN (Eric Woychik) at 23.

[46] California Gas and Electric Utilities, *2022 California Gas Report*, at 185, Table 32, line 25.

UCAN uses the same 2022 CGR demand data to claim that there is a declining gas customer forecast for SDG&E,[47] which is unsupported. UCAN's assertion that gas demand correlates to gas customers (meters) or vice versa is also flawed. Demand and customers are not the same and are independent of each other on the distribution system. Most importantly, the O&M Gas Distribution forecasts support the Company's goals of continuous improvement while having the ability to provide sustainable, safe, and reliable service of natural gas to customers at reasonable rates, while mitigating risks associated with hazards to customer/public and employee/contractor safety, infrastructure integrity, and system reliability. O&M Gas Distribution forecasts are not directly related to gas throughput in the pipeline. For this rate case cycle, SDG&E's request for Gas Distribution is still needed to support the activities described in my direct testimony. For further discussion regarding the CGR's economic forecast and alignment with SDG&E's gas customer forecast, see the Rebuttal Testimony of Eduardo J. Martinez (Exhibit SDG&E-239 – Gas Customer Forecast).

SDG&E recommends that the Commission reject UCAN's unsupported proposal for a blanket 30% reduction and approve SDG&E's TY2024 O&M forecast of $41,843,000.

2. Gas Distribution Vehicle Additions

a. TURN

TURN takes issue with SDG&E's Gas Distribution request for thirty (30) additional vehicles. TURN claims there is little support to justify the additions. As a result, TURN is recommending a reduction of 100% related to incremental vehicles.[48] TURN's recommendation should be denied as these requested vehicles are necessary in order for Gas Distribution employees to be able to perform their job duties efficiently and effectively.

Although my testimony sponsors the business justification for these vehicles, please also refer to the Revised Testimony of Arthur Alvarez (Ex. SDG&E-22-R – Fleet Services) for specific details related to the cost of these incremental vehicles. Included in my testimony and workpapers is the request for sixteen (16) incremental FTEs[49] in Capital Quality

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[47] Ex. UCAN (Eric Woychik) at 19.

[48] Ex. TURN-10 (Garrick Jones) at 6.

[49] Ex. SDG&E-04-R (Revised Direct Testimony of L. Patrick Kinsella) at LPK-50, 58, 127, 128, 130, 121, and 133.

Assurance/Quality Control (QA/QC), inspections and oversight, and support of Control Center Modernization (CCM) that coincide with a request of 16 of the 30 vehicle additions to the SDG&E Fleet.[50] In general, there is a 1:1 position to vehicle ratio as each employee is assigned a vehicle to complete primarily independent work orders throughout the service territory.

Additionally, throughout my direct testimony, I illustrated an increase in spend associated with activities which are routinely performed on over 15,328 miles of gas distribution main and service pipeline and associated facilities in response to federal and state regulatory agency codes and standards, customer and pipeline growth expectations, franchise obligations, and to sustain safe and reliable operation of the pipeline system.[51] This work includes leakage surveys, leak repairs, maintenance on mains and services, application of corrosion control measures, valve maintenance, regulator station maintenance, monitoring meter accuracy, gas odorant monitoring, supervision, and training for these O&M activities, and locating and marking buried infrastructure to avoid damage caused from excavation by others.

In addition, there is a variety of supporting work necessary to complete the field operations and maintenance work. Examples of support work include maintaining pipeline maps and related gas system attribute information, administering and implementing city permitting and traffic control requirements, and maintaining engineering models of system flows and pressures. Investment in these activities supports SDG&E's commitment to mitigate risks associated with hazards to public and employee safety, infrastructure integrity, and system reliability. Gas Distribution's requested level of funding is consistent with continuing compliance with the pipeline safety regulations and the continued safe and reliable operation of SDG&E's gas distribution pipeline system. The increase in spend has resulted in an increase of over 48 FTEs[52] from 2021 values for Locate & Mark (L&M), Main Maintenance, Service Maintenance, Electric Support, Measurement & Regulation, and Cathodic Protection combined with 32 FTEs coming from L&M alone. See Table LK-4 below.

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[50] *See* Ex. SDG&E-22-R (Revised Direct Testimony of Arthur Alvarez – Fleet Services) for specific details related to the cost of these vehicles.

[51] *See* Ex. SDG&E-04-R (Revised Direct Testimony of L. Patrick Kinsella).

[52] Ex. SDG&E-04-WP-R (Revised Capital Workpapers to Direct Testimony of L. Patrick Kinsella) at 17, 28, 39, 60, 66, and 75.

Table LK-4

FTE per Year by O&M Workpaper		2021	2022	2023	2024
1GD002	Locate & Mark	62.2	70.7	82.6	94.6
1GD003	Main Maintenance	33.6	36.3	38	39.7
1GD004	Service Maintenance	24.1	27.3	29.4	31.4
1GD006	Electric Support	3.3	3	3	3
1GD007	Measurement and Regulation	33.7	34.2	38.2	38.2
1GD008	Cathodic Protection	16.7	15.9	15.9	15
	Total	173.6	187.4	207.1	221.9

Many of the FTEs within these workpapers require 1:1 FTE to vehicle ratio as each employee is assigned a vehicle to complete mostly independent work orders throughout the service territory. In rare cases, the employees might be able to double up as 2:1 (FTE:vehicle). Given the 48 FTE increase over 2021 levels and that the 14 additional vehicles (balance of the 30 vehicles requested) needed to support critical O&M activities are well under the number of vehicles expected for a 1:1 ratio of FTE:vehicle, SDG&E's request for the 14 additional vehicles, associated with the FTE increase, is reasonable and should be approved.

The Commission should reject TURNs recommendation of a 100% reduction of incremental vehicles and find that the justification for the 30 additional vehicles is clearly and sufficiently supported by my direct and rebuttal testimony.

V. REBUTTAL TO PARTIES' CAPITAL PROPOSALS

Table LK-5

TOTAL CAPITAL - Constant 2021 ($000)					
	2022	**2023**	**2024**	**Total**	**Difference**
SDG&E	132,585	135,392	122,799	390,776	---
CAL ADVOCATES	132,585	135,392	122,799	390,776	---
UCAN[53]	132,585[54]	135,392	(4,721)	263,256	(127,520)

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53 Ex. UCAN (Eric Woychik) at 23, 331. SDG&E has included the value found in UCAN's testimony, however, this appears to be in error, as UCAN in other places in its testimony recommends a 30% reduction for TY 2024. The corrected value for UCAN's 30% reduction in TY 2024 is $36.84 million.

54 UCAN did not discuss SDG&E's total forecast values for forecast years 2022 and 2023. Therefore, it is assumed that UCAN accepted the SDG&E forecast values for 2022 and 2023.

TOTAL CAPITAL - Constant 2021 ($000)					
	2022	**2023**	**2024**	**Total**	**Difference**
CEJA	132,585[55]	135,392[56]	122,535[57]	390,512	(265)
CUE	132,585[58]	135,392	175,012[59]	442,989	52,213

The driving philosophy behind SDG&E's capital investment plan is to provide safe, reliable delivery of natural gas to customers at reasonable cost. This commitment requires that SDG&E invests in its infrastructure and support services for RAMP risk mitigations associated with the safety of the public and employees, service reliability, and gas system integrity. SDG&E installs new pipeline mains, service lines, and meter set assemblies (MSA) to meet the needs of the growing population in the service territory. In preparing the forecast for capital expenditures, SDG&E Gas Distribution reviewed 2017 through 2021 historical spending levels, including work units, and developed an assessment of future requirements and associated risks. This analysis considered underlying cost drivers to determine if historical patterns of spending should be expected to continue, as well as the degree of impact of associated RAMP risk mitigations. To continue to provide safe and reliable service, while mitigating associated risks including those incorporated into RAMP, SDG&E fully supports the forecast capital costs of $132,585,000, $135,392,000, and $122,799,000 for 2022, 2023 and 2024, respectively. This results in $390,776,000 in accumulated cost for the three forecast years.

A. Total Capital Forecast

1. Cal Advocates

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55 Ex. CEJA-01 (Vespa, Gerson, Saadat, and Barker). CEJA did not discuss SDG&E's total forecast value for 2022. It is assumed that CEJA accepted the SDG&E forecast value for 2022.

56 *Id.* at 19. CEJA proposes to reduce the 2023 and 2024 by an additional 10%. To clarify, SDG&E did not reduce its total New Business forecast, but reallocated dollars to its collectible portion (*i.e.* non-ratepayer funded). SDG&E understands CEJA's proposal as taking a 10% reduction to the non-collectible forecast and adding it to the collectible portion of New Business forecast. Therefore, the table above reflects SDG&E Gas Distribution's forecast values for 2023 and 2024. It appears that CEJA requests to move $693,000 for 2023 to collectible and $386,000 for 2024 to collectible.

57 *Id.* at 8, 20. This value also includes CEJA's proposed reduction of Gas System Reinforcement – BC503 in TY2024.

58 CUE did not discuss SDG&E's total forecast values for forecast years 2022 and 2023. It is assumed that CUE accepted the SDG&E forecast values for 2022 and 2023.

59 Ex. CUE (Robert Earle) at 31-34. This value includes CUE's proposed increase in Underperforming Steel Replacement Programs (BC19564, BC19565, BC514) in TY 2024.

As stated in Cal Advocates' testimony: "Cal Advocates finds SDG&E's 2022 capital forecast to be higher than historical project costs for New Business but does not oppose SDG&E's lower forecast for TY 2024, as natural gas building policy is slowly being integrated throughout California."[60] Therefore, Cal Advocates takes no issue with SDG&E's expense forecast for Capital of $132,585,000, $135,392,000, and $122,799,000 for 2022, 2023 and 2024, respectively, as shown by its recommendation directly in the Capital table in its report.[61]

2. UCAN

UCAN proposes a 30% reduction to SDG&E's Gas Distribution total capital forecast, stating:

> Based on the 2022 California Gas Report (SoCal Gas is prime author), from 2022 to 2025 natural gas demand for SDG&E is forecast to decline by 30%. A straight-line reduction in SDG&E's gas distribution capital and O&M of 30% seems just and reasonable…[62]

UCAN's approach would result in a $36,839,700[63] reduction in SDG&Es proposed TY 2024 spend of $122,799,000.

SDG&E disagrees with UCAN's proposed blanket 30% reduction to SDG&E's Gas Distribution capital for the same reasons that SDG&E opposes UCAN's proposed blanket 30% reduction to SDG&E's Gas Distribution O&M. For further discussion, please refer to Rebuttal to Parties' O&M Proposals, above. SDG&E recommends that the Commission reject UCAN's proposal and instead approve SDG&E's TY 2024 capital forecast of $122,799,000.

B. BC 503 – Gas System Reinforcement (Pressure Betterment)

1. CEJA

CEJA takes issue with the SDG&E 4-year historical average forecast for BC 503, Gas System Reinforcement and proposes a 50% reduction in SDG&E's forecast for TY 2024.[64]

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60 Ex. CA-04 (Chauncey Quam) at 15.

61 *Id*. at 14.

62 Ex. UCAN (Eric Woychik) at 23.

63 This is a corrected value, as UCAN's original calculated value of a 30% reduction of Gas Distribution Capital of $127.52 million in 2024 is incorrect.

64 Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 20.

Specifically, CEJA states, "I recommend SDG&E's Gas System Reinforcement costs be reduced by 50% to $264,500 for TY 2024"[65] SDG&E disagrees with the arbitrary and unsupported selection of a 50% recommended reduction. CEJA does not provide any analysis or calculations to support its recommendation. In addition, CEJA's basis for its recommendation to this budget code appears to be in error.

In support of its recommended 50% reduction, CEJA claims that SDG&E did not make any adjustments to account for the elimination of gas Line Extension Allowances (LEA) per Commission D.22-09-026. SDG&E disagrees with CEJA, as any "adjustments" to be made for LEA would be in the BC 500, New Business budget code (addressed below), and not the BC 503 budget code. The principal drivers for BC503 (System Reinforcement) expenses are system pressure impacts during cold-weather events, and reliability and resiliency of the gas system. This budget code is not directly impacted by the elimination of LEA in D.22-09-026 and CEJA neglects to explain its perceived connection between that decision and the forecast for this budget code.

Recorded in the BC 503 budget code are expenditures for Gas Distribution System Reinforcement (pressure betterment) projects performed on an ongoing basis to maintain system reliability and service to all customers. Gas System Reinforcement projects are performed in areas where there is insufficient capacity or pressure to meet load due to unusual cold weather causing increasing demand on the existing infrastructure in areas where a strategic pipeline back-tie would be beneficial for system reliability. Gas System Reinforcement projects are necessary to maintain reliable service to existing customers. Although New Business or growth can be a driver for costs in this area, it is not substantial and not the primary driver. Therefore, a reduction in the forecast for BC 503 is unwarranted and risks jeopardizing SDG&E's ability to provide sustainable, safe, and reliable service to its existing natural gas customers. SDG&E has the obligation to serve its customers. Customer count is expected to grow[66] and system reinforcement projects are still needed to maintain a reliable and resilient gas system.

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[65] *Id*.

[66] *See* California Gas and Electric Utilities, *2022 California Gas Report*, at 203.

The Commission should reject CEJA's recommended reduction of 50% in BC 503 and instead adopt SDG&E's total forecasted TY 2024 expenditures of $529,000 for BC 503, Gas System Reinforcement.

C. BC 19564, BC 19565, and BC 514 – Underperforming Steel Pipe

1. CUE

CUE takes issue with the forecasts for BC 19564, BC 19565, and BC 514, recommending increases in forecasted expense. Specifically, CUE recommends that SDG&E's 2024 forecast for removal of pre-1934 threaded steel pipe should be increased by $34.553 million to $41.553 million; SDG&E's 2024 forecast for 1934 to 1965 underperforming pipe replacement should be increased by $15.050 million to $18.050 million; and SDG&E's 2024 forecast for underperforming post-1965 steel pipe should be increased by $2.610 million to $5.611 million.[67] CUE primarily focuses on the replacement costs and rates of aging infrastructure, targeting vintage steel pipelines. CUE takes the position that SDG&E has proposed insufficient preventative infrastructure replacement funding and proposes additional expenditures to address its concerns.

SDG&E has fully justified its funding request for these three RAMP programs addressing the replacement of vintage, underperforming steel pipelines in three age groups – Pre-1934 Vintage Threaded Mains, 1964-1965 Vintage Steel Pipelines, and Post 1965 Vintage Steel Pipelines. Detailed information on each of these programs including forecast rationale and replacement goals for each of the years 2022 through 2024 is provided in my direct testimony and associated workpapers.[68] In addition, these programs mitigate safety risks identified in the 2021 RAMP Report. Because SDG&E's forecasts endeavor to strike an appropriate balance between Gas Distribution's pipeline safety, risk reduction effectiveness, and the impact on ratepayer costs, the Commission should adopt SDG&E's forecasts for these three budget codes as reasonable expense levels.

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[67] Ex. CUE (Robert Earle) at 33-36.

[68] Ex. SDG&E-04-R (Patrick Kinsella) at LPK-103, 105, and 107.

D. BC 500, New Business Expense

1. SDG&E's Revised New Business Forecast

In light of D.22-09-026, SDG&E revised its New Business Forecast as shown in the table below to reflect the impact of this decision. SDG&E decreased its non-collectible capital new business forecast by $1.720 million in 2023 and $4.639 million in 2024 (total of $6.358 million less for the 2022-2024 period) and increased the collectible portion of new business by the same amount over the same period.

SDG&E GAS DISTRIBUTION (In 2021 $)			
A. New Business (500)	Estimated 2022 ($000)	Estimated 2023 ($000)	Estimated 2024 ($000)
1. New Business (NC)	7,749	7,452	4,429
2. Collectible (CO)	11,909	5,590	5,499
Total	19,658	13,042	9,928

2. CEJA

CEJA takes issue with SDG&E's revised New Business forecast, which was provided to CEJA in a data request response.[69] CEJA claims that SDG&E did not account for the elimination of gas LEA's in decision D.22-09-026 and proposes a blanket 10% reduction[70] to BC500 New Business as an additional reduction to SDG&E's revised New Business forecast. SDG&E disagrees with this proposed reduction.

As an initial matter, CEJA does not appear to take into account the extent of activities that BC 500 includes. The New Business budget code provides for changes and additions to the existing gas distribution system to connect new residential, commercial, and industrial customers. These changes and additions include installations of gas mains and services, meter

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[69] *See* Appendix B, at LPK-B-2 to LPK-B-3, SDG&E Response to CEJA-SEU-007_Supplemental, Question 9.

[70] Ex. CEJA-01 (Vespa, Gersen, Saadat, and Barker) at 18. CEJA proposes to reduce 2023 and 2024 by an additional 10%. To clarify, SDG&E did not reduce its total New Business forecast, but reallocated dollars to its collectible portion (*i.e.*, non-ratepayer funded). SDG&E interprets CEJA's proposal as taking a 10% reduction to the non-collectible forecast and adding it to the collectible portion of New Business forecast. Therefore, the table above reflects SDG&E Gas Distribution's forecast values for 2022 and 2023. It appears that CEJA requests to move $693,000 for 2023 to collectible and $386,000 for 2024 to collectible.

sets, purging of customer houselines (which is a RAMP activity, Field and Public Safety), and the associated regulator stations necessary to provide service to the customer. These forecasted capital expenditures support the Company's goals of providing a safe and reliable gas distribution system and responding to its obligation to serve the growing customer base.[71]

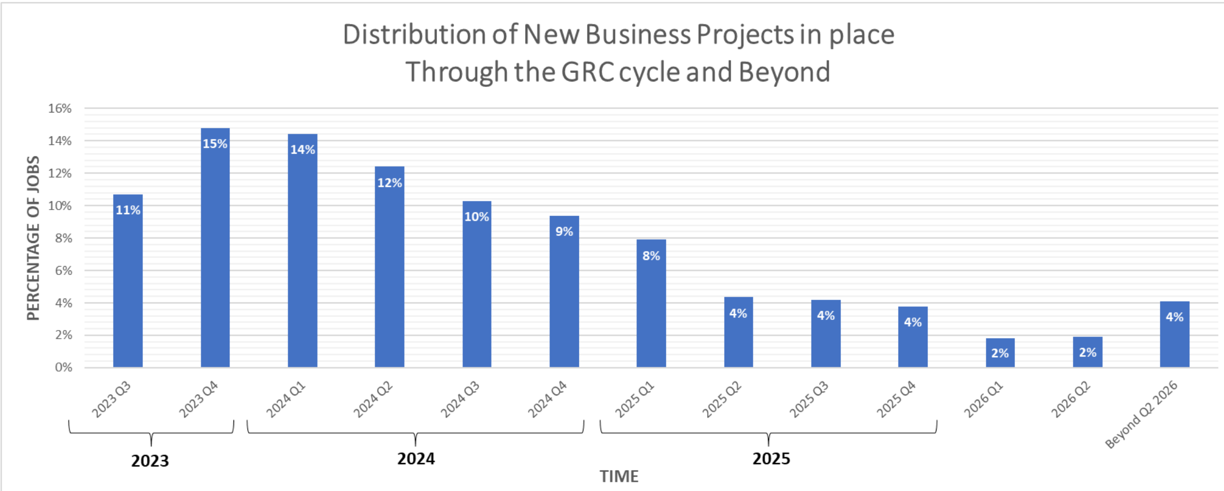
The RAMP activity in BC 500 provides vital customer and public risk mitigation and includes the purging of customer houselines prior to initiating gas service. Purge orders are issued to promote customer safety by confirming customer owned gas houselines are safe and leak-free and the odorant in the gas is readily detectable. Purge orders usually involve large gas meter installations and customer owned gas systems for multifamily residential, commercial, and industrial customers. The purging of houselines is not directly impacted by D.22-09-026. SDG&E's revised New Business forecast is also impacted by the effective date of D.22.09-026 as it relates to the timing of projects. For the evaluation of the BC500 New Business forecast as a result of D.22-09-026, it is important to understand the timeline from when projects start to when projects are completed, and when expenses are finished recording into the BC500 New Business budget. D.22-09-026 becomes effective July 1, 2023. Thus, applications for projects received prior to that date are not impacted by the new treatment for LEAs as provided for in D.22-09-026. When a completed application is submitted, the duration it takes for that project to be put in service can take anywhere from 90 days to well over three (3) years. Therefore, SDG&E anticipates that although the effective date for D.22-09-026 is July 1, 2023, SDG&E will still incur LEA costs past TY 2024 for projects where the application was accepted prior to July 1, 2023.

To better understand the effect of the above timeline, SDG&E performed an analysis. For this analysis, SDG&E manually pulled all new business projects from January 2019 to August 2022 to determine project duration from application completion to the in-service date. The result of this analysis, as seen in Graph LK-1, below, illustrates the distribution of new business completed projects over time. As can be seen, it would be inappropriate to reduce the TY 2024 GRC forecast values for 2023 and 2024 and subsequent post-test years even further since it would involve new business construction projects planned and permitted and already in

[71] *See* California Gas and Electric Utilities, *2022 California Gas Report*, at 203.

place prior to the effective date of D.22-09-026. As such an immediate proposed blanket 10% reduction by CEJA ignores the realistic timeline to complete these projects already in place.

Graph LK-1



Therefore, SDG&E recommends the Commission accept SDG&E's revised forecast impacting BC 500 (New Business).

VI. CONCLUSION

The revised direct testimony, workpapers, and SDG&E's responses to numerous data requests provide substantial justification for the Commission to authorize SDG&E's Gas Distribution Capital and O&M request in full as presented in Exhibit SDG&E-04-R.

As described in this rebuttal testimony, the recommendations of TURN, UCAN, CEJA, FEA, and EDF are often based on inaccurate assumptions, and an incomplete understanding of SDG&E's testimony or data presented in data requests. It is important to note the following overall observations:

- Cal Advocates accepts SDG&E's forecasts for Capital and O&M.
- UCAN's reliance on the CGR is misplaced as it relies on data in that report that is not directly applicable to SDG&E Gas Distribution.
- CEJA applied a blanket, unsupported 50% reduction to BC503 and a 10% reduction in BC500 without supporting analysis or calculation.
- Cal Advocates, TURN, and FEA take issue with the:

- Locate and Mark Balancing Account (LMBA) despite the fact that a two-way balancing account provides the fairest mechanism to provide cost recovery for the utility.
- Litigation Project Cost Memorandum Account (LPCMA) despite the risk of SDG&E bearing costs related to projects that are intended to qualify as collectible to be recovered form third-party customers, ultimately impacting SDG&E's costs of owning and operating its system.

- TURN's request to deny 100% of the requested fleet vehicles does not consider justification for these vehicles in my direct testimony and the important correlation with forecasted added FTEs and needed fleet vehicles.

SDG&E's Capital and O&M requested expenses are reasonable and will allow SDG&E to continue to invest in its employees, pipeline assets, and support services to mitigate risks associated with the safety of the public and employees, system reliability, and infrastructure integrity. Specifically, this includes investment in the following activities:

- Maintain and enhance the delivery of sustainable, safe, and reliable service to customers.
- Make sure that activities are consistent with operational laws, codes, and standards established by local, state, and federal authorities.
- Support SDG&E's commitment to mitigate risks associated with hazards to customer/public and employee/contractor safety, infrastructure integrity, and system reliability as evident in SDG&E's 2021 Risk Assessment and Mitigation Phase (RAMP) Report which includes activities discussed throughout SDG&E's Gas Distribution filing.
- Respond to operations, maintenance, and construction needs associated with projected customer and system growth and the demands of city, county, and state agencies under the Company's franchise agreements.
- Maintain and strengthen a diverse and qualified workforce.
- Support new technologies and Green House Gas (GHG) reductions through implementation of Renewable Natural Gas (RNG), Green Hydrogen (H2) and other sustainability opportunities; and

- Support SDG&E's commitment to adapt to more extreme climate fueled events and build a system that will be resilient in the face of these risks.

SDG&E's forecast expenditures support Gas Distribution's fundamental philosophy of maintaining operational excellence while providing safe, reliable delivery of gas energy at a reasonable cost to customers. SDG&E's TY 2024 forecast is a reasonable estimate of future requirements to meet these challenges and should therefore be adopted by the Commission.

This concludes my prepared rebuttal testimony.

APPENDIX A

GLOSSARY OF TERMS

APPENDIX A

GLOSSARY OF TERMS

ACRONYM	DEFINITION
AL	Advice Letter
CP	Cathodic Protection
BC	Budget Code
Cal Advocates	Public Advocates Office of the California Public Utilities Commission
CCM	Control Center Modernization
CEJA	California Environmental Justice Alliance
CFF	Cross Functional Factor
CGR	California Gas Report
CO	Collectible from Customer
Commission	California Public Utilities Commission
CUE	Coalition of California Utility Employees
CPUC	California Public Utilities Commission
D.	Decision
Dig-In	Excavation Damage
DPA	Damage Prevention Analyst
DR	Data Request
ED	Energy Division
EDF	Environmental Defense Fund
EG	Electric Generation
Ex	Exhibit
FEA	Federal Executive Agencies
FTE	Full-Time Equivalent
GGIS	Gas Graphical Information System
GHG	Green House Gas
GRC	General Rate Case
H2	Green Hydrogen
LEA	Line Extension Allowances
L&M	Locate and Mark
LMBA	Locate and Mark Balancing Account
LPCMA	Litigated Project Cost Memorandum Account
MSA	Meter Set Assembly
NC	Non-Collectible
O&M	Operations and Maintenance
PP	Page
QA/QC	Quality Assurance/Quality Control
RAMP	Risk Assessment Mitigation Phase
RNG	Renewable Natural Gas
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company

TURN	The Utility Reform Network
TY	Test Year
UCAN	Utility Consumers Action Network

APPENDIX B

Data Request Response

CEJA-SEU-007_Supplemental_Q7_Q9

Data Request Number: CEJA-SEU-007

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: California Environment Justice Association

Date Received: 9/19/2022

Date Responded: 10/3/2022

Date Supplemental: 1/24/2023

9. Exh. SDGE-04-R at LPK-71, Table LPK-30 identifies estimated gas distribution costs associated with New Business.

a. Is the cost of gas Line Extension Allowances (LEAs) included within New Business? If not, please indicate where in SDG&E's testimony gas LEA costs are accounted for.

b. What are the gas LEA costs SDG&E assumes it will incur in 2023 and 2024 in its GRC Application? Please also state the impact of the Commission's decision to terminate gas LEAs starting on July 1, 2023 on these cost estimates.

Supplemental Response for SDG&E 9 (a-b):

To reflect D.22-09-026, SDG&E first identified changes to the new business forecast as shown in the table below to reflect. SDG&E decreased its non-collectable capital new business forecast by $1.720 million in 2023 and $4.639 million in 2024 (total of $6.358 million less for the 2022-2024 period) and increased the collectable portion of new business by the same amount over the same period.

SDG&E GAS DISTRIBUTION (In 2021 $)			
A. New Business (500)	Estimated 2022 (000s)	Estimated 2023 (000s)	Estimated 2024 (000s)
1. New Business (NC)	7,749	7,452	4,429
2. Collectable (CO)	11,909	5,590	5,499
Total	19,658	13,042	9,928

With this new forecast, SDG&E identified updated revenue requirements. Customer Advances for Construction (CAC), a component of Rate Base sponsored by Steve Dais (Ex. SDG&E-35-R), was identified as being impacted by D.22-09-026. Accordingly, SDG&E reduced the 2023 and 2024 CAC balances. Similar adjustments were made to the CAC balances used in the post-test year mechanism proposed by Melanie Hancock (Ex. SDG&E-45-R). Please see attachment ED DR-1 Sempra GRC_ATTCH_Q1.xlsx.

The resulting revenue requirement impact of D.22-09-026 for the GRC cycle (2024- 2027) is shown in the table below.

Data Request Number: CEJA-SEU-007

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Publish To: California Environment Justice Association

Date Received: 9/19/2022

Date Responded: 10/3/2022

Date Supplemental: 1/24/2023

SDG&E
Estimated Revenue Requirement
(In '000)

	TY 2024	AY 2025	AY 2026	AY 2027
Depreciation	(95)	(196)	(232)	(269)
Taxes	(2)	(74)	(86)	(108)
Return	(140)	(276)	(314)	(365)
Total Capital Related Costs	(237)	(547)	(633)	(742)
FF&U	(6)	(12)	(14)	(15)
Estimated Rev Requirement	(243)	(559)	(646)	(757)
Rate Base	(1,858)	(3,661)	(4,157)	(4,835)

Response for both SoCalGas and SDG&E:

The forfeiture amounts are represented as the New Business Collectable amounts in the tables above.

There is no revenue requirement associated with the forfeitures. The forfeitures are collectable projects, their forecast is included so that there is proper allocation of overheads in the Results of Operations (RO) model. All collectable projects are removed before the final calculation of the revenue requirement in the RO model.

2023 rates for SoCalGas and SDG&E are based on the revenue requirement authorized in the 2019 GRC (D.19-09-051 and D.21-05-003). The basis of the capital-related (depreciation, tax, and return) revenue requirement are the authorized 2017-2019 capital expenditures and the 2020-2023 adopted post-test year (PTY) mechanism. Because the PTY mechanism does not use specific forecasted capital expenditures and instead uses a historical average of capital additions, 2023 rates are not impacted by the elimination of gas line extension allowances, refunds, and discounts for new customers and all customer classes effective July 1, 2023 (sunset date) in the D.22-09-026.