

Application of Southern California Gas Company
(U904G) for authority to update its gas revenue
requirement and base rates effective on January 1,
2012.

Application 10-12-____
Exhibit No.: (SCG-14)

**PREPARED DIRECT TESTIMONY OF
DAVID G. TAYLOR
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

DECEMBER 2010



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**PREPARED DIRECT TESTIMONY OF
DAVID G. TAYLOR
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
(REAL ESTATE, LAND AND FACILITIES)**

I. INTRODUCTION

A. Purpose of Testimony

The purpose of this testimony is to describe the Shared and Non-Shared Services performed by the Real Estate, Land and Facilities (“REL&F”) organization for Southern California Gas Company (“SCG”), and to discuss why the 2012 Test Year (“TY”) forecasted operating and maintenance (“O&M”) and capital costs are reasonable. This testimony provides a breakdown of the functional activities of the REL&F organization by category (activity) for both Shared and Non-Shared Services portion of operating costs. REL&F activities consist of the following four major categories:

- Rents
- Capital Programs
- Facility Operations
- Land Services and Land Right-of-Way (“ROW”)

B. Summary of Request

**Table SCG-DGT-1
Summary of TY 2012 Change
(Thousands of \$2009)**

Description	2009 Adjusted-Recorded	TY 2012 Estimated	Change	Testimony Reference
Total Non-Shared Services	16,859	17,682	823	Section II
Total Shared Services	30,820	24,382	-6,438	Section III
Total O&M	47,679	42,064	-5,615	
Total Capital	17,151	22,876	5,725	Section IV

1 The 2012 TY request is primarily driven by rent escalations and increases in facility
2 maintenance costs. All labor costs were based on the TY plus annualization of any vacancies
3 and any incremental additions or non-labor transfers.

4 **C. Overview of Operations**

5 REL&F is a Utility Shared Services organization headed by a Director, who oversees
6 activities performed at both SCG and San Diego Gas & Electric Company (“SDG&E”). REL&F
7 provides services for the benefit of the Utilities as well as Sempra Energy’s Corporate Center
8 and non-utility affiliates. The scope of this testimony covers REL&F’s costs for SCG.

9 REL&F is responsible for the administration of real estate, facilities, and land services for
10 a combined portfolio of 3.55 million square feet separated by the following companies:

11	SDG&E:	1.20 million sq. ft.
12	SCG:	2.08 million sq. ft.
13	Corporate Center:	0.349 million sq. ft.

14 REL&F plans, acquires, builds, and maintains the operating and non-operating real estate
15 and facility assets in support of the delivery of gas and electric energy to our customers. The
16 following provides a description of the organization and activities between Non-Shared and
17 Shared Services:

18		<u>Non-Shared Services</u>
19		
20	Rents	Non-Shared SCG rent
21	Facility Operations	Non-Shared facility maintenance
22		
23		<u>Shared Services</u>
24	Rents	Shared SCG rent
25	Facility Operations	Shared facility maintenance
26	Capital Programs	Allocated in from SDG&E projects
27	Land and ROW	100% allocated in from SDG&E
28		

1 **II. NON-SHARED SERVICES**

2 **Table SCG-DGT-2**
3 **O&M Non-Shared Services**
4 (Thousands of 2009 dollars)

REAL ESTATE, LAND & FACILITIES	2009 Adjusted-Recorded	TY 2012 Estimated	Change
A. Non-Shared Facility Operations & Rents	16,859	17,682	823
Total	16,859	17,682	823

5
6 The Non-Shared Services were consolidated into a single category which combined
7 Facility Operations and Rents. Contractual increases for the branch office rents are the primary
8 driver of cost increases at SCG. SCG has also expanded its parking and transportation subsidy
9 programs. Aging infrastructure also has increased facility maintenance costs over the TY.
10 Additional details for the cost increases are contained in my workpapers (Exhibit SCG-14-WP).

11 **A. Summary of Non-Shared Services Activities**

12 **1. Non-Shared Rents**

13 SCG's Non-Shared rents are associated with the 47 branch office leases¹ and numerous
14 ROW licenses. In general, contracted rents have gone up about 5% per year, including base rent
15 and any operating expense escalation required from the landlord.

16 **2. Non-Shared Facility Operations**

17 SCG's Facility Operations provides operation and maintenance support for utility
18 facilities such as general offices, bases, multi-use sites, telecommunications sites and branch
19 offices. Maintenance support is either done by company employees or by contracted services.

20 Facility Operations consists of 8 regions, each managed by a facility manager and a team
21 of mechanics. Services include the negotiation and management of contracted services such as
22 janitorial, landscaping, trash and pest control. In addition to these contracted services, the utility
23 hires contractors for services such as electric, mechanical, Heating, Ventilation, and Air
24 Conditioning ("HVAC") and fuel pumping system maintenance, fire safety, and UPS battery
25 make-up water.

¹ Excludes the branch office in Compton, which SCG owns.

1 In addition to contractors, an in-house staff of maintenance personnel provide a wide
2 range of building maintenance, repair and other services (move management, telephony, copy
3 center service, etc.).

4 A preventative maintenance and equipment inventory schedule has been completed for
5 most of SCG facility equipment and entered into the MAXIMO work management system. This
6 allows improved standardization for more efficient and timely preventative maintenance work.
7 Work orders are originated via the web (intranet) and dispatched real time via wireless handheld
8 units. In addition, Facility Operations has implemented tracking procedures for work orders and
9 internal customer response time.

10 The REL&F organization manages 120 locations in approximately 2 million rentable
11 square feet. These facilities cover a wide range of building types from general office to
12 warehouses and operating centers. Table SCG-DGT-3 shows the various categories of facilities
13 for SCG. This table includes facility square footage used by Corporate Center.

14 **Table SCG-DGT-3**

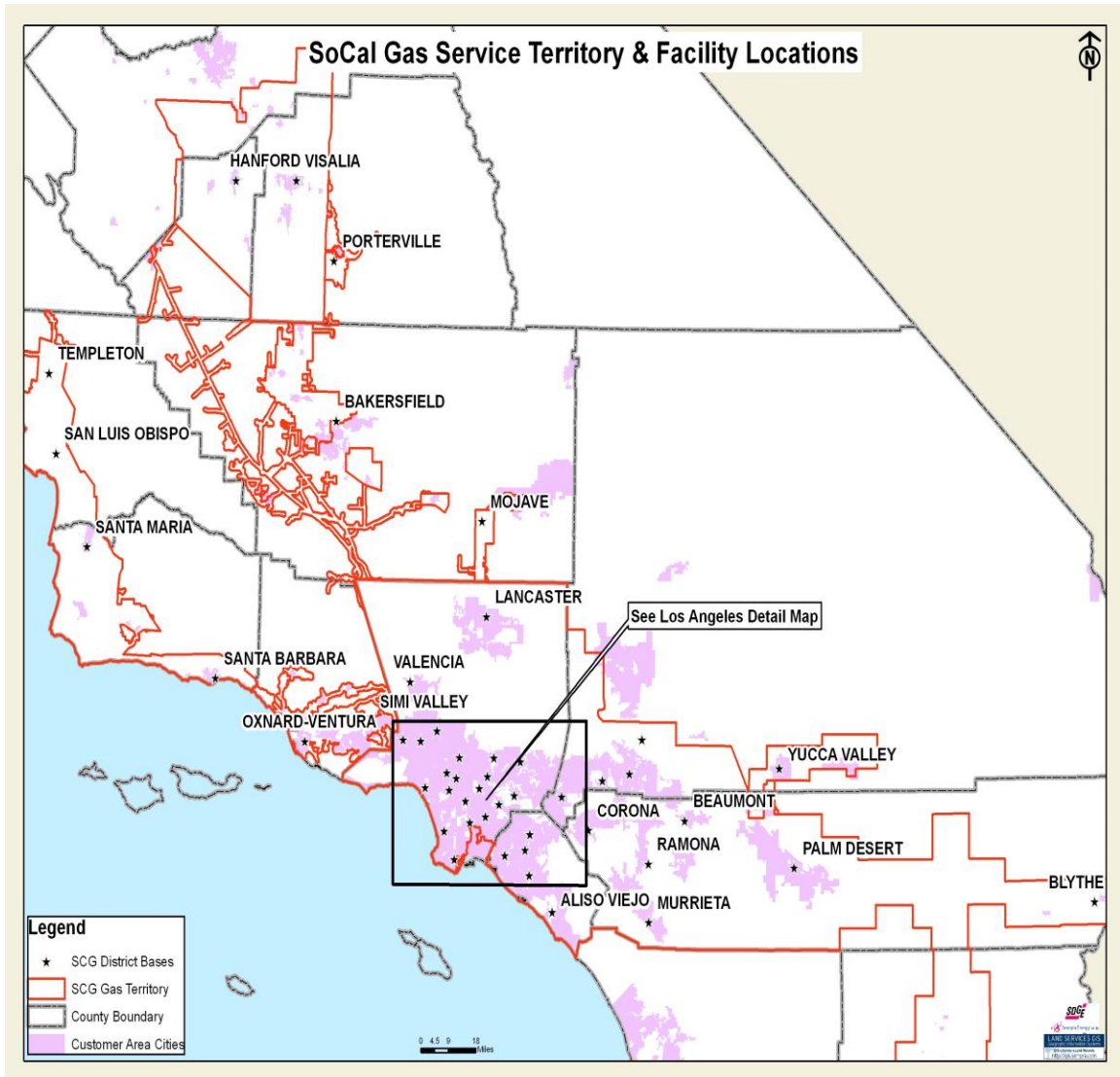
15 **SCG FACILITIES**

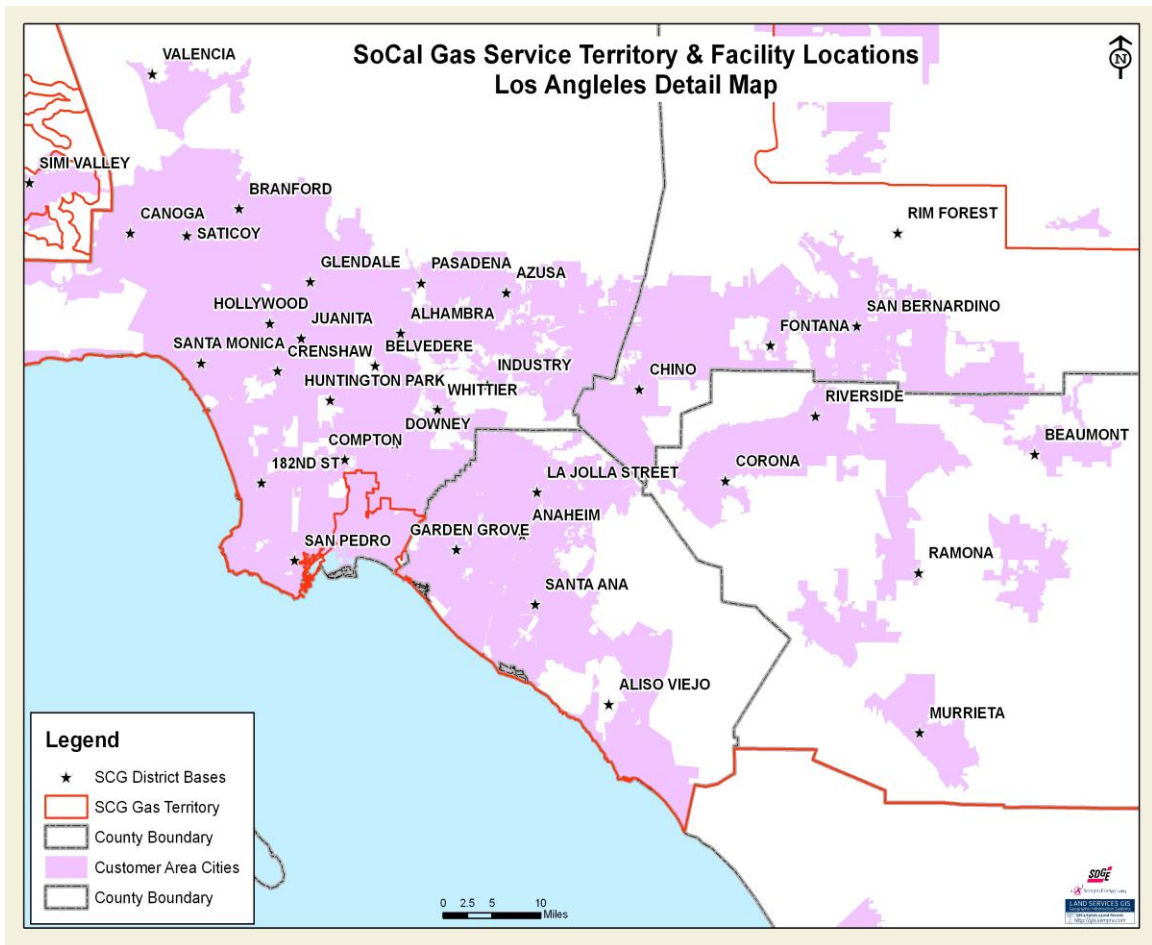
	<u># Sites</u>	<u>Sq. Ft.</u>	<u>Average Age</u>
1. Operating Bases	64	868,414	44
2. Regional HQ/Other	7	263,821	27
3. Branch Office	48	90,013	30
4. Multi-use	3	482,434	50
5. Gas Company Tower	1	434,705	19
TOTAL	<u>121</u>	<u>1,967,534</u>	40

16 As shown by this table, SCG's average age of its facilities is about 40 years old with
17 facility ages ranging from 1 to over 80 years. In addition to these facilities, SCG has 53 leased
18 telecommunications (or microwave) site locations that are serviced by REL&F.

19 The following maps illustrate the location of the SCG facilities, followed by a description
20 of each facility type.

SCG Service Territory





Key Facilities

(1) Operating Bases

These facilities house the SCG operations activities. They support gas distribution and transmission crews, customer service field operations, and meter reading operations and storage operations that provide services to SCG customers.

(2) Regional Headquarters/Other Office Facilities

These offices consist of Regional Headquarters buildings to house a number of administrative functions that support distribution and customer service field operations, and transmission/storage operations. In addition, this category includes two customer call centers and the Monterey Park (“MPK”) facility (which is a shared

1 site) that houses various activities for Information Technology (“IT”), billing,
2 payment processing, and fleet maintenance.

3 (3) Branch Offices

4 This category represents 48 payment offices for customer service to support bill
5 payment and customer walk-in inquiries.

6 (4) Multi-Use Facilities

7 These facilities provide various support functions for SCG. They provide storage
8 capacity for gas distribution material and equipment, various meter repair and
9 fabrication shops, office space for gas distribution, gas transmission, fleet operations,
10 and environmental solutions. Pipeline welding and classroom training for customer
11 service employees is also provided at a shared site.

12 SCG also operates a testing lab at its Pico Rivera site to support environmental
13 compliance and material testing and evaluation services for air quality and
14 compressor services, applied technology, and chemical analysis. In addition, this
15 category includes the SCG Energy Resource Center (“ERC”).

16 (5) Gas Company Tower (“GCT”)

17 This shared facility consists of the primary SCG administrative office space in
18 downtown Los Angeles. The lease for the GCT was amended and restated, effective
19 November 9, 2011, and is described in detail within the Shared Services section of
20 this testimony.

21 **III. SHARED SERVICES**

22 **A. Introduction**

23 The Shared Services portion of REL&F includes the support that the organization
24 provides for its shared facilities and services. The organizations within REL&F that provide
25 Shared Services include the following:

- 26 • **Rents**
 - 27 ○ SDG&E shared sites
 - 28 ○ Corporate Center shared sites
 - 29 ○ Corporate Real Estate Administration

- 1 • **Capital Programs**
- 2 ○ Capital Programs Support
- 3 ○ Capital Programs – Corporate Center Projects
- 4 ○ Capital Programs – SCG Projects
- 5 • **Facility Operations**
- 6 ○ Facility Operations
- 7 ○ Work Management
- 8 • **Land Services and ROW**
- 9 ○ GIS
- 10 ○ Land ROW (SCG)
- 11 • **Director of REL&F**

12 **Table SCG-DGT-4**
13 **O&M Shared Services**
14 (Thousands of 2009 dollars)

REAL ESTATE, LAND & FACILITIES	2009 Adjusted-Recorded	TY 2012 Estimated	Change
A. Shared Rents	24,840	15,512	-9,328
B. Shared Facility Operations	2,756	4,063	1,307
C. USS Billed-in from SDG&E	3,224	4,807	1,583
Total Shared Services (Book Expense)	30,820	24,382	-6,438

15
16 The key drivers of the O&M costs are:

- 17 • Reduction of GCT lease costs by \$10.6 million,
- 18 • Transfer of janitorial costs from Rents to Facility Operations (\$800K),
- 19 • Increases in MPK costs due to data center and expansion (\$240K), and
- 20 • Transfer of the Director position from SDG&E to SCG (\$170K).

21 Further cost details can be found in my workpapers.

22 **B. Summary of Shared Services Activities**

23 **1. Shared Services Rents**

24 SCG’s Shared Services Rents category consists of the following three workgroups:

- 25 • GCT Rents

- Corporate Real Estate
- Telecom (Microwave) Rents

GCT Rents

The GCT rent represents the largest lease within the portfolio. This lease, which expires in November 2011, has been renegotiated reflecting a significant reduction in rent expense.

Consideration of alternatives to the GCT for a SCG headquarters was a 3-year process. A process was initiated to perform a long term needs analysis for a SCG headquarters location and facilities. The space study/needs analysis showed that demand for headquarters type space was relatively flat at about 1,500 workspaces (approximately 350,000 sq. ft.). This was a significant reduction from the current lease of about 550,000 sq. ft. Alternatives considered included buying a building and leasing existing space. Due to the current real estate market, a long term lease was preferred to lock in current competitive real estate costs as well as flexible terms (expansion/contraction/termination rights) to allow adjustment to changing space requirements.

Space was first analyzed in 94 communities against decision criteria. The decision criteria included cost, employee retention, business disruption, etc. Opportunities evaluated within the SCG property portfolio and build out of full space requirements on company owned property were not found to be financially competitive. A list of 40 potential properties was further assessed which was then narrowed to 20 based on the selection criteria. Of those, 12 were selected for requests for proposals, which after submittal and additional due diligence was reduced to 3 viable options. Of those, the option of remaining at the GCT with fewer floors was selected as the most viable alternative. This lease will retain 13 floors and release 8 that were part of the previous lease.

Corporate Real Estate

The Corporate Real Estate department provides strategic asset management, transaction management, lease negotiation and administration services for SDG&E, SCG, Corporate Center, and other affiliates upon request. This organization consists of a manager and

1 five full-time equivalents (“FTEs”), 2 of which are SCG employees. Costs are allocated
2 based upon a management estimate of the work performed.

3 Corporate Real Estate is requesting additional non-labor funding to support an increase in
4 pre-planning work for base expansions, branch office lease renewals and relocations, and
5 renegotiation of numerous telecom site leases. An additional real estate advisor is also
6 needed to assist with the increased workflow due to an increase in property sales,
7 environmental buffer property acquisition adjacent to compressor stations, and an
8 increase in miscellaneous projects including site master plan development, road access
9 agreements, and material storage sites.

10 **Telecom (Microwave) Tower Rents**

11 These rents are increasing at an average of 5% per year and are allocated based upon an
12 annual IT usage study.

13 **2. Shared Services Facility Operations**

14 SCG’s Facility Operations provides O&M support for utility facilities including general
15 offices, bases, telecommunications sites, warehouse, and branch offices. Maintenance support is
16 either done by company employees or by contracted services. The organization provides facility
17 operations services to both Utilities, Corporate Center, and affiliates. SCG Facility Operations
18 consists of the following workgroup areas:

- 19 • MPK and GCT
- 20 • Facility Maintenance
- 21 • Shared Transportation Programs
- 22 • Director, REL&F

23 Much of the Facility Operations activities for facility maintenance are Non-Shared
24 Services. The Shared Services portion of the functional organization consists of 4 SCG cost
25 centers and represents 2 major locations: the GCT and MPK. Most of the Shared Services
26 activities in Facility Operations reflect costs for shared management or operational costs that
27 overlap SDG&E, SCG, and the Corporate Center.

1 **MPK and GCT**

2 This cost center contains facility operations and maintenance expenses (e.g., mechanic
3 and manager labor, facility operations non-labor expenses such as general maintenance,
4 janitorial, landscaping, and security maintenance) for MPK and GCT.

5 These costs are allocated back to SDG&E, Corporate Center, and the affiliates based on a
6 space study of the occupied floors and the respective Shared Services percentages of each
7 occupying utility.

8 **Facilities Work Management**

9 Facilities Work Management consists of a team of employees that manage the facilities
10 work plan, including workflow management and contract administration. These costs are
11 allocated based upon a management estimate of the time spent supporting either SCG or
12 SDG&E.

13 **Shared Transportation Program**

14 This cost center captures the costs for SDG&E, Corporate Center, and Global employees
15 (if any) who either park at the GCT and/or participate in the rideshare/transportation
16 program provided by SCG. These costs are allocated out to the appropriate entities in
17 accordance with the Shared Services billing process described in the testimony of Edward
18 Reyes (Exhibit SCG-24) and are not part of the 2012 TY request. Shared Service
19 allocations are based upon a parking usage report, provided by the Human Resources
20 department.

21 **Director, REL&F**

22 The Director of REL&F provides overall leadership and direction to the entire functional
23 organization. The Director cost center contains the costs of Director and an
24 administrative assistant. These costs are incurred at the company where the Director is
25 employed, which is currently at SCG.

26 **C. Shared Services Billed In from SDG&E**

27 REL&F incurs many shared costs across both Utilities and Corporate Center. Most of the
28 management functions are located at SDG&E and billed to SCG. The Facilities Capital
29 Programs section, which manages all facilities capital and select O&M projects for SCG, is
30 centralized at SDG&E and bills SCG based upon the work it performs. The Land and ROW

1 department supports SCG exclusively, yet the department is part of SDG&E. Many of the
2 Facility Operations support services, such as work order tracking and some managerial functions
3 are centralized at SDG&E and billed to SCG.

4 The largest portion of the cost increase is driven within the Capital Programs section.
5 Differences between repair and replacement of major equipment cause fluctuations in costs
6 between years. Therefore a 5-year average is appropriate forecasting methodology over the base
7 year. My SDG&E testimony and associated workpapers describes these costs in detail (see
8 Exhibit SDG&E-20).

9 **IV. CAPITAL**

10 **A. Introduction**

11 The following Table SCG-DGT-5 provides a summary of the 2009-2012 capital
12 expenditures for SCG facility capital projects. The capital summary includes blanket projects
13 (individual project cost <\$1 million) and specific projects over \$1 million. The table only
14 includes those facility projects in the Commission's jurisdiction and excludes projects with in-
15 service dates beyond the 2012 TY. Costs shown are direct cost only (without loaders).

16 The key drivers for SCG facility capital projects are:

- 17 (1) The impact of historical and forecasted growth and the increasing age of facilities
18 at construction and operating centers;
- 19 (2) Increased number of security, safety and environmental projects to meet
20 regulatory requirements, provide for operational security of key facilities, and
21 provide a safe work environment for employees;
- 22 (3) Upgrades for facility energy efficiency and improvements to existing office sites;
- 23 (4) Improvements to aging infrastructure for HVAC, plumbing, electrical, repaving,
24 and other structural upgrades.

1 **Table SCG-DGT-5**

2 **Capital Expenditures**

3 (Thousands of 2009 dollars)

Budget Code	Description	2010	2011	2012
653	Infrastructure & Improvements Blanket	4,773	6,000	6,000
653	Anaheim Building A Chiller	1,668	1,500	0
653	Compton Parking Lot	0	0	1,302
653	Downey ERC Chiller Replacement	1,846	2,136	2,000
653	Facilities Energy Efficiency Projects	0	1,000	1,000
653	MPK Bldg A Server Room Air Handler	1,516	0	0
653	MPK Data Center Master Plan	0	359	6,141
653	MPK Data Center Generators	936	3,288	0
653	MPK Exterior Site Improvements	764	2,736	0
653	Redlands HQ Parking Lot	0	0	2,290
653	Spence St. Remodel	1,001	0	0
653	703 Environmental/Safety Blanket	963	1,451	1,451
654	Branch Office ADA and Ergonomics	3,678	4,500	0
697	GCT Lease Renegotiation TIs	7,391	18,596	0
734	NGV Refueling Stations	1,510	1,935	2,220
NA	Various other projects less than \$1mil	1,116	490	472
	Total	27,162	43,991	22,876

4
5 A breakdown of the costs contained in each of the budget codes shown above is
6 contained in the associated capital workpapers (Exhibit SCG-14-CWP).

7 **B. Capital Request Detail**

8 Below are project descriptions for the major projects. For a detailed description of each
9 project, please see the associated capital workpapers.

10 **1. Infrastructure Improvements (Budget Code: 653)**

11 Facilities Operations and the operating departments identify requirements based on
12 criticality of the facility, the age of the asset, and the implications for failure to complete the
13 replacement or modification. Failure to implement these projects could translate into reduced
14 safety, disruption to the business, inability to meet business operational needs, higher costs to
15 maintain and repair, and asset devaluation.

16 Projects are planned according to the availability of resources, lead times and priorities.
17 Similar projects are bundled for economies of scale for better pricing in sourcing. Construction
18 calculations are supported by industry professionals, including licensed architects and designers,

1 construction industry professionals, and IT domain experts using standard construction
2 estimation practices.

3 This budget funds numerous building modifications, upgrades, and facility improvements
4 to adequately support business initiatives, to extend the life of the asset, or increase the
5 functionality of a building or site. Small projects under \$1 million are bundled when possible for
6 economies of scale in sourcing. These projects vary year to year based on need, but address
7 replacement of basic building systems and infrastructure. Each year requirements are prioritized
8 to manage the facility assets, keep the employees safe and optimize real estate value. Scope of
9 work may include modernization projects, improvements to implement best practices, and/or
10 offer best alternatives for cost avoidance compared to other scenarios.

11 **2. Anaheim Building A Chiller Replacement**

12 The existing Central Energy Plant (“CEP”) chiller has failed on several occasions,
13 resulting in increased maintenance costs. The Anaheim Campus has also grown in capacity and
14 the existing CEP is not producing enough tonnage to the air handlers to efficiently cool the entire
15 site.

16 The chiller unit is 18 years old and parts are becoming harder to procure and cost to
17 maintain is not economical. The chiller's refrigerant pump failed in 2010 and the cost was
18 \$21,000 to replace the pump only. This project requires installing a temporary unit for back up,
19 removing the existing chiller and cooling tower, and installing a new chiller and cooling tower.
20 A new boiler will be required as well. This is the main chiller in the Anaheim CEP which serves
21 heating and cooling to all 6 buildings within the Anaheim Campus. When this chiller fails the
22 entire site goes down. It can be difficult for the employees to remain at work when the heating
23 or cooling fails. Therefore this is a significant project for the campus. There is a 2011
24 component to add a third chiller and associated piping to serve additional buildings not currently
25 being served by the central energy plant.

26 **3. Compton Parking Lot**

27 The existing parking lot at the Compton Headquarters is over 30 years old. Cracks and
28 low spots over time have grown and created some possible safety concerns with foot traffic
29 walking in the existing parking lot. The need for repairs has become greater over time, and
30 removal and replacement of the existing asphalt is needed. With this work the parking lot will
31 meet all current storm water requirements.

4. Downey ERC Chiller Replacement

The ERC will improve the efficient use and conservation of energy and water resources by developing a complete design for the replacement of the existing HVAC system and related piping. The existing system is identified as under-performing or nearing the end of the useful life cycle. Due diligence in the assessment of the use and maintenance requirements of the existing system caused the team to develop a design that will result in an innovation and a sustainable approach while demonstrating commercial viability that improves lifecycle costs and end user benefits. System performance and energy efficiency will be supported by a newly designed and installed Building Management System (“BMS”).

SCG, through its energy efficiency program administration responsibilities, is seen as a leader in California's energy efficiency efforts. The showcase of these efforts is the company's ERC which promotes energy efficiency and green building technologies. The ERC build out was performed in 1996 as an expansion of the SCG base originally constructed in 1957. The building is currently served by a variety of HVAC system components. Due diligence in the assessment of the existing mechanical system, lighting and building management system resulted in the development of a five-year master plan with the first phase to be performed and completed in 2010. A copy of the plan is attached in my workpapers.

There is an existing chilled water plant consisting of three (3) 30-ton gas-fired absorption chillers. Of these three, two (2) chillers are not operating properly and need replacement. The project will be scheduled through December 31, 2011. The first phase of the project will begin with the design and construction of an expanded chilled water system and the redesign of the piping configuration. Consequently, the existing gas-fired chiller plant capacity will be increased from the current 90-ton total installed capacity to a pre-engineered estimate of 230-ton total installed capacity. The scope under the first phase will include architectural and engineering design in addition to structural, mechanical, electrical and plumbing engineering. The equipment to be purchased and installed in this phase includes two (2) new 100-ton chillers; new primary chilled water pumps to match new chiller configuration; two (2) new condenser water pumps to match the new chiller configuration; two (2) new commercial grade cooling towers matched to the capacity of the new chilled water system; new piping configuration to support new condenser water system and chilled water system and installation of a new boiler to

1 accommodate new chilled water plant design. In addition, newly designed electrical
2 infrastructure will be installed to support all new equipment.

3 The design of a new performance specification for the installation of a building
4 automated system (“BAS”) and controls to support the mechanical system will be included in the
5 scope of work under Phase I. Phase II of the system will include the purchase and installation of
6 four (4) new and efficient variable volume air handler units to replace the existing units which
7 are identified as under-performing and/or nearing the end of the useful lifecycle. Three (3) air
8 conditioning packaged units will be purchased and installed to replace the existing units which
9 each have exceeded their lifecycle and are either under-performing or not performing. All three
10 air conditioning units will be replaced with high efficiency and environmentally friendly
11 systems.

12 **5. Facilities Renewable Energy Efficiency Projects**

13 Install Rooftop PV systems at various sites to support federal, state, and company
14 renewable energy initiatives, as well as save electric demand, energy and costs. Install Demand
15 Response systems at various sites to support state and company demand response initiatives, as
16 well as save electric demand, energy and costs.

17 These systems will not only improve the various sites’ operational characteristics (while
18 reducing costs), but will also reduce system-wide power demand at the most critical periods,
19 which will alleviate grid congestion and increase system reliability.

20 **6. MPK Building A Server Room Air Handler Replacement**

21 Continuing disaster recovery improvements have resulted in a 2N electrical service
22 redundancy as required for Tier 1 critical services facilities such as MPK Buildings A and B.
23 Redundancy is also required for the mechanical systems (chilled water plant).

24 Provide increased reliability and operating efficiency for critical server room operations
25 with the replacement of 14 old air handlers with new custom designed units featuring humidity
26 controls and greater energy efficiency. Current equipment has out-lived its life expectancy and
27 must be replaced to avoid unscheduled server room outages. Existing units are no longer reliable
28 for this use and they no longer meet current energy efficiency standards.

1 **7. MPK Data Center Master Plan**

2 MPK has experienced a 24% growth in space demand over the last 5 years and is
3 expected to continue to grow. An expansion of the data center and associated support groups
4 has increased the need for space and services.

5 **8. Tenant Improvement of Building C**

6 Complete demolition of all interior furnishings and finishes and installation of new
7 building systems designed to meet the new use. Abatement is expected. Structural modifications
8 to the facility may be necessary, and will be determined after a complete review of the facility
9 and when the scope of work requirements has been completed. The new work will include all
10 infrastructure and support systems necessary for a new stand-alone Data Center that will
11 supplement the existing site services. The building improvements will include new redundant,
12 air-cooled chillers (dedicated back-up to the facility), and new mechanical and electrical
13 distribution infrastructure.

14 **9. MPK Data Center Generators**

15 Growth and utilization of the MPK data center, as described above, requires
16 improvements to the electrical distribution system needed to ensure full 24/7 capabilities.

17 Increased emergency power capacity will be required to meet current and future needs at
18 the data center.

19 **10. MPK Exterior Site Improvements**

20 Resolve on-going deterioration of the MPK parking lot due to damage from trees,
21 weather, age, and heavy traffic. Reduce storm-water runoff. Provide adequate illumination for
22 safe walking during after hours or for security needs. The site improvements will ensure
23 environmental compliance, increase overall energy efficiency of the site, improve site security,
24 and improve sewer functionality.

25 **11. Redlands Headquarters Parking Lot Expansion**

26 The Redlands Headquarters Facility seats approx 450 to 500 employees. The
27 Headquarters incurs a monthly cost of approx \$7K to rent additional parking stalls due to
28 inadequate parking lot capacity. Creating additional parking in the adjacent lot will supply needs
29 at peak time when building is at its maximum occupancy.
30

1 **12. Spence St. Remodel**

2 The project request is specifically for upgrades to the control room to meet current
3 pipeline standards for employees in this environment. These upgrades include ADA (Americans
4 with Disabilities Act) compliance and ergonomic furniture, kitchen area and restroom
5 renovation. The roof will be replaced during this time as well. New carpet and wall coverings
6 will be installed. The facility will be brought up to current ADA standards during this
7 renovation.

8 **13. 703 – Environmental & Safety Blanket**

9 This budget funds building and system modifications, site upgrades, and other facility
10 improvements directed to safeguard SCG occupied facilities and sites, protect employees and
11 company property, adhere to codes and regulations, and ensure safety and environmental
12 compliance. Small projects under \$1 million are bundled when possible for economies of scale
13 in sourcing. These projects vary year to year based on changes to existing or proposed
14 regulations.

15 Facilities Operations and the business units identify requirements based on codes,
16 regulations, and best management practices for environmental and safety. Failure to complete
17 can result in increased risk, NOVs and fines.

18 **14. Branch Offices - ADA and Ergonomics**

19 This project involves bringing each branch office location into compliance with current
20 ADA Accessibility Guidelines, California Building Code, and California Title 24 guidelines. In
21 addition, SCG plans to install adjustable height work tables and stools at each employee position
22 to allow employees to sit or stand during the workday, thereby reducing the risk of repetitive
23 motion injury.

24 **15. GCT Lease Renegotiation**

25 As stated earlier, the GCT currently leases approximately 550,000 sq. ft. of office space
26 to SCG under a lease that was amended and restated, effective November 9, 2011. After
27 extensive evaluation of alternatives and negotiations, it was determined that the best alternative
28 was to remain in the GCT but with significantly less space. A new lease was executed in July
29 2010 for approximately 350,000 sq. ft. with a lease term of 15 years to begin at the expiration of
30 the current lease. The premises will be used for SCG headquarters and other staff functions to
31 support the business needs.

1 This project is for significant tenant improvements at the GCT to accommodate for less
2 leased office space. Moreover, there have been no significant tenant improvements since SCG
3 moved into the GCT 20 years ago. With the intention of remaining in the existing space for at
4 least 15 more years, a space rehabilitation is required. A \$7.404 million allowance is to be
5 funded by the landlord in late 2011 for tenant improvements.

6 This project covers the construction costs for the renovation, repair and code compliance
7 upgrades. This includes a remodel of remaining square footage necessary to optimize occupancy
8 and meet business unit needs. Space plans are to be updated. Furniture, office space, and
9 meeting rooms are to be refurbished or replaced, and telecom network infrastructure is to be
10 updated. Costs include design, fees, permits, code upgrades, cost to repair and refurbish existing
11 furniture (or other comparable alternative) and cost of floor renovation and repair.

12 The project budget includes the following:

- 13 • Company Labor - \$0.5 million
- 14 • Leasehold improvements for construction and renovation - \$22.8 million
- 15 • Furniture - \$7.7 million
- 16 • Network Equipment - \$2.4 million

17 The budgets were based upon preliminary estimates completed in the first quarter of 2010
18 by an architect and an independent general contractor. Costs for network equipment upgrades
19 were provided by the IT Department. Design, engineering, and permitting are scheduled for
20 2010 and construction is scheduled for 2011.

21 **16. Natural Gas Vehicles (“NGV”) Refueling Stations**

22 NGV refueling stations will be upgraded to enhance the refueling reliability, capacity and
23 response time for public and SCG Fleet NGV users at SCG NGV fueling stations. Currently, 9 of
24 the 22 SCG-owned stations provide dual utility and public fueling service. The capital infusion
25 will provide the following enhancement to SCG's current NGV station infrastructure:

- 26 1. Provide additional throughput at all 9 public accessible and heavy use stations;
- 27 2. Increase storage and operating pressure of critical stations from 3600 psig to 4500
28 psig;
- 29 3. Provide backup compressors at all of SCG NGV public fueling stations to
30 improve reliability and capacity;

- 1 4. Standardize on critical compression equipment at all SCG NGV stations to
2 improve reliability and return-to-service time following unscheduled maintenance
3 on aging infrastructure;
- 4 5. Install 3 new NGV stations (public accessible) at strategic locations throughout
5 SCG service territories to enhance SCG fleet utilization of NGVs and encourage
6 public use of CNG as a vehicle fuel.

7 **V. CONCLUSION**

8 The amounts requested for the 2012 TY for REL&F are necessary to meet the needs of
9 utility operations and customer service. The forecasts presented in this testimony are based on
10 an evaluation of both historical and 2009 adjusted recorded expenses and the incremental
11 increases and decreases forecasted over the 2010-2012 period. Furthermore, the costs reflect the
12 appropriate Shared Service allocations for SDG&E, SCG, Corporate Center, and affiliates.

13 Therefore, SCG respectfully requests that the Commission adopt the forecasted O&M
14 and capital costs reflected in this testimony.

15 This concludes my prepared direct testimony.
16

1 **VI. WITNESS QUALIFICATIONS**

2 My name is David G. Taylor, P.E., Director of Real Estate, Land and Facilities for SCG
3 and SDG&E. The combined departments of my organization are responsible for managing the
4 entire real estate portfolio, including acquisition and disposition of property, rents, facility capital
5 programs, facility maintenance, and land right of way acquisition and administration.

6 I hold a Bachelor's of Applied Science degree in mechanical engineering from the
7 University of Waterloo in Waterloo, Canada and a Master's of Science degree in mechanical
8 engineering from the University of California, Santa Barbara.

9 I have a broad background in engineering and natural gas pipeline operations with over
10 twenty four years of experience with SCG, six years with Pacific Gas and Electric Company, and
11 six years as an engineering intern with TransCanada Pipelines. At Sempra Energy, I have held a
12 number of key technical and managerial positions with increasing responsibility in Gas
13 Transmission, Engineering, and Major Markets departments. In these positions, I was
14 responsible for system control operations throughout the energy crisis years, analytical
15 engineering studies, and transmission line compressor station design, construction, operations
16 and maintenance. I have held my current position as the Director of Real Estate, Land and
17 Facilities since April, 2010.

18 I have previously testified before the Commission.