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SECOND REVISED

SOCALGAS

DIRECT TESTIMONY OF J. BRET LANE

(POLICY OVERVIEW)

April 6, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

SoCalGas
A Sempra Energy utility®

TABLE OF CONTENTS

SECOND REVISED SOCALGAS DIRECT TESTIMONY OF J. BRET LANE (POLICY OVERVIEW)

I. INTRODUCTION

My name is Bret Lane, and I am the President and Chief Operating Officer of Southern California Gas Company (SoCalGas or the Company). This exhibit provides overarching policy testimony to generally describe how the proposals and requests included in SoCalGas' Test Year (TY) 2019 General Rate Case (GRC) Application reflect our strong commitment to delivering safe, clean, and reliable natural gas service to customers at reasonable rates. Safety, reliability, and customer service remain the foundation of our business at SoCalGas. Our fundamental business as a natural gas utility, however, must be flexible and adapt to the rapid changes in the energy industry so that clean and efficient use of natural gas and our extensive existing infrastructure throughout Central and Southern California can be key contributors to achieve California's clean energy future. The following business priorities will be discussed in further detail below in my policy testimony:

- run our business safely;
- maintain and enhance system reliability;
- enable diverse customer service capabilities and efficiencies;
- focus on reasonable rates and continuous improvement;
- invest in our workforce; and
- lead in clean energy solutions.

Run our Business Safely

In line with SoCalGas' deep-seated culture of employee/contractor, customer/public, and system safety, our GRC proposals will allow us to continue to invest to enhance safety and thereby mitigate risks that could impact our employees, customers, and/or system. System integrity is an integral part of reducing safety risks. Thus, our proposals focus on enhancing system integrity through mandatory programs such as the Pipeline Safety Enhancement Plan (PSEP), Transmission, Distribution, and Storage Integrity Management Programs (TIMP, DIMP, and SIMP), as well as other activities to improve our system. Moreover, approximately 55% of SoCalGas' incremental revenue requirement in this 2019 GRC is directly related to safety measures, as part of the California Public Utilities Commission's (CPUC or Commission) new

comprehensive risk-informed Risk Assessment Mitigation Phase (RAMP) approach. SoCalGas and San Diego Gas & Electric Company (SDG&E) are the first utilities to go through the new risk-informed GRC process and filed the first-ever RAMP on November 30, 2016. Thus, SoCalGas and SDG&E are the first utilities to integrate RAMP in a GRC cycle.

Maintain and Enhance System Reliability

To address the reliability of our natural gas system and the State's overall energy needs, SoCalGas' capital investments increase the reliability of our natural gas system by providing a dependable, efficient, and economic source of gas supply that mitigates the potential impact of gas supply-chain outages or constraints. Our fundamental focus and obligation for our system is maintaining reliability for our core customers. We have also seen our gas system becoming increasingly critical to sustain electric reliability as large-capacity, quick-start electric generators are added within the SoCalGas territory to support the State achieving its 50% Renewables Portfolio Standard (RPS) by 2030 under Senate Bill (SB) 350. These large quick-start generators initiate a very different load pattern on our system, causing sudden and dramatic increases in demand over a very short period of time, and link the reliability of natural gas service and the reliability of the electric grid to a far greater extent than in the past. With respect to this GRC, investment in our aging gas infrastructure is therefore necessary to provide reliable gas service to the area, and potentially, to support the reliability of the electric grid.

Enable Diverse Customer Service Capabilities and Efficiencies

Providing services that our customers value is built into the fabric of our company. There are over 21 million consumers in our service territory served through 5.9 million customer meters. We remain committed to meeting the varying needs of all we serve – from the smallest residential consumer to the largest industrial and municipal wholesale purchasers. Our customers' needs reflect the diversity of our region and require us to provide a breadth of service and communication channels. As needs and preferences continue to diversify, we are adapting to engage and serve our customers in new ways. For example, both our residential and commercial customers can now access many of our services digitally through a smartphone or other mobile device. We also continue to provide more traditional services and communications to customers who choose them as we invest in new technologies, processes, and workforce capabilities.

The Los Angeles area is also the largest manufacturing center in the country with a wide diversity of manufacturing industries.[1] We provide our commercial and industrial customers with services and solutions that help them efficiently use natural gas and take advantage of clean energy technologies.

Focus on Reasonable Rates and Continuous Improvement

This GRC also reflects SoCalGas' continued efforts to be cost-efficient and forward-thinking so that we are well positioned to consistently deliver safe, clean, and reliable natural gas service to our customers at reasonable rates. It is crucial to make the needed investments in our critical energy infrastructure to minimize risks and enhance our ability to reliably serve our customers. We must execute these investments in a cost-effective manner to enable us to continue delivering the low-cost energy of choice of our customers. To achieve this, we have a culture of continuous improvement, where our employees strive to find process improvements, efficiencies, and deployment of technology to keep costs down.

Invest in our Workforce

SoCalGas must invest in programs and policies designed to engage and foster the talent of all of our employees. Our employees are critical to providing safe, clean, and reliable service to our customers. SoCalGas' employee training, workforce planning, and total rewards programs are structured to attract, motivate, and retain a high-performing workforce.

Lead Clean Energy Solutions

In providing safe and reliable service to our customers, SoCalGas will continue to use its gas system to be a key contributor to a clean energy future. While there is ongoing debate about whether State policies such as Assembly Bill (AB) 32, SB 32, and SB 350 necessitate diminishing the role of natural gas as part of California's decarbonization philosophy, we believe natural gas will continue to play a key role in supporting California's economic and clean energy future. We are pioneering new ways to use this clean, low-cost energy source to continue to deliver safe, affordable, and clean energy to our millions of customers while also enabling increased integration of renewable energy, supporting significant air pollution and emissions reductions across multiple industries, allowing for the continued use of increasingly efficient

[1] *See* MAKE IT IN LA Study, *available at* https://makeitinla.org/study/.

equipment, and facilitating the delivery of captured biomethane from organic sources (biogas, also known as renewable gas) for use in the transportation sector.

SoCalGas has also worked hard to reduce our environmental impact. Based on a Washington State University field study[2] in 2014 to measure methane emissions from certain natural gas utility systems, SoCalGas had one of the lowest emission rates in the country. Since SoCalGas became a founding member of the Environmental Protection Agency's (EPA's) Natural Gas STAR program[3] in 1993, SoCalGas has cut more than 800,000 metric tons of carbon dioxide equivalent (CO_2e) with the use of best management practices.[4] For instance, SoCalGas has removed non-state-of-the-art system materials such as cast iron, PVC, and copper in the distribution system. In 2016, SoCalGas also committed to participate in the EPA "Methane Challenge" program, and is implementing the best management practice options for reducing excavation damages. Pursuant to SB 1371, the Commission has also recently established best practices required to quickly and efficiently repair methane leaks consistent with established safety requirements and the goal of reducing climate change impacts from methane emissions.[5]

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[2] *See* Brian K. Lamb et al., *Direct Measurements Show Decreasing Methane Emissions from Natural Gas Local Distribution Systems in the United States*, Environmental Science & Technology, Mar. 31, 2015, *available at* http://pubs.acs.org/doi/pdf/10.1021/es505116p.

[3] The Natural Gas STAR program is a voluntary program that encourages companies to implement best management practices to reduce methane emissions.

[4] These figures exclude the methane emissions from the Aliso Canyon natural gas leak, which took place from October 2015 to February 2016. In our 2015 Sustainability Report, we reported these emissions from the Aliso Canyon leak as totaling approximately 2.1 million metric tons of CO2e. SoCalGas acknowledges that our progress over the last few decades in reducing methane emissions on our system should also take the Aliso Canyon incident into account. Thus, shortly after the leak, SoCalGas committed to mitigate the greenhouse gas emissions from the leak. In alignment with the mitigation plan published by the California Air Resources Board (ARB), we are pursuing a plan focused on mitigating methane emissions in a manner that seeks to achieve efficient emissions reductions and prompt benefits. We are exploring actions that would advance the use of renewable gas while reducing emissions. While our mitigation plan is outside the scope of this proceeding, its focus on renewable gas is consistent with other proposed GRC activities discuss herein, which are crucial to meeting California's clean air and climate goals.

Consistent with the 2016 GRC Decision (D.16-06-054), as further detailed in the Aliso Incident Expenditure Requirements testimony of Andrew Steinberg (Exhibit SCG-12), SoCalGas has prepared a separate itemization of the costs related to the Aliso Canyon Storage Facility natural gas leak and prepared testimony demonstrating that these additional costs are not included in the SoCalGas Test Year 2019 GRC forecasts. With the exception of these Aliso leak-related costs that we were directed to address in this GRC, other issues related to the leak are to be addressed elsewhere. *See* D.16-06-054 at 150, 251, and 323.

[5] *See* D.17-06-015 (implementing Sen. Bill No. 1371 (2013-2014 Reg. Sess.), "Natural gas: leakage abatement").

While SB 1371 implementation will occur through a separate process,[6] SoCalGas forecasts safety and integrity-driven work (*e.g.*, leak surveys and repair) as part of this GRC request that also aligns with SB 1371's goal of reducing methane emissions.

Natural gas and our existing gas system will continue to be foundational assets supporting California's clean energy future on both a short- and long-term basis. SoCalGas is uniquely positioned to help California focus on both cleaning its air and reducing greenhouse gas (GHG) emissions. Indeed, natural gas has been one of the critical components enabling the State to achieve the interim RPS goals of 20% of electricity retail sales served by renewable energy resources by 2010, 25% by 2016, and 33% by 2020 by fueling quick-start electric generation to meet electric reliability needs when the sun does not shine and the wind does not blow. Natural gas will play an even more critical role in helping the State achieve its 50% RPS goal by 2030. Renewable gas will also be integral to the State reaching its goal of 40% reduction of GHG emissions below 1990 levels by 2030 by reducing fugitive methane emissions from the agricultural and waste sectors, as well as smog-producing pollutants in the transportation sector. Two air districts located in our service territory are the only ones in the United States in extreme non-attainment under the Clean Air Act.[7] SoCalGas' investments in innovative technologies must not only focus on renewable gas, but also on the widespread deployment of near-zero emissions heavy-duty trucks, as tangible clean energy solutions to improve the air quality for our customers.

II. SOCALGAS' SAFETY CULTURE AND RISK MANAGEMENT

A. Safety Culture

We view safety as a three-pronged effort that requires vigilant attention to (1) employee/contractor safety, (2) customer/public safety, and (3) the safety of our gas delivery systems. These three safety pillars are all interrelated and interdependent, and require focus on all three fronts. This multi-faceted focus is critical to achieve and continue enhancing a strong safety culture at SoCalGas.

[6] *Id.* at 161-162 (Ordering Paragraph (OP) 10).
[7] 42 U.S.C. §7401 *et seq.* (1970).

Our tradition of providing safe and reliable service spans throughout 150 years of our company's history and is summarized in our *Commitment to Safety* statement, which is endorsed by our entire senior management team:

> Southern California Gas Company's longstanding commitment to safety focuses on three primary areas – employee safety, customer safety and public safety. This safety focus is embedded in what we do and is the foundation for who we are – from initial employee training, to the installation, operation and maintenance of our utility infrastructure, and to our commitment to provide safe and reliable service to our customers.

With safety as a cornerstone of our foundation, safety starts with preventative measures, as illustrated by just a few of SoCalGas' proactive safety and health management elements: Behavior-Based Safety Programs; "Stop the job;" job observations; ergonomics; and body mechanics. For instance, "Stop the job" is a SoCalGas safety best practice where employees are empowered to stop a job – at any time – if they feel something is not right or if they see a condition that might be unsafe. The job can only be restarted once all concerns have been addressed and safety precautions have been taken.

SoCalGas also engages its employees from top to bottom across the Company. For example, local Safety Committees provide front-line leadership in driving our safety culture as safety advocates. These committees are made up of represented and management employees and meet monthly to engage in and address potential safety issues and solutions around our operations. SoCalGas also provides safety leadership training, including initial and refresher training for Safety Committee members. Safety Essentials for Supervisors is also a one-day workshop for new and existing supervisors to gain a comprehensive understanding about safety culture and leadership. There is also a company-wide Safety Leadership Team composed of labor union officers and members of safety departments. They discuss topics of concern to the represented employees. I serve as the chair of the SoCalGas Executive Safety Committee, which has quarterly meetings at locations around the service territory and includes all levels of management and employees. The purpose of the committee is to reinforce key safety tenets and have an open dialogue to discuss safety concerns and to develop actionable plans to address the issues or concerns as warranted.

SoCalGas is also focused on supporting safety enhancements for its contractors. For example, the Company joined the Gold Shovel Standard, a program designed to strengthen

professional contractors' commitment to safe excavation practices through incentives tied to obtaining contracts with the utility. SoCalGas has also revamped its contractor safety oversight by developing and implementing a Contractor Safety Manual and establishing a new process requiring membership in ISNetworld (ISN) to pre-qualify contractors on safety practices. The goal is to enhance contractor safety performance monitoring, tracking, and reporting.

In 2016, we once again participated in an independent assessment by the National Safety Council (NSC), a nationally recognized, independent third-party, non-profit organization and a leading advocate for safety. The evaluation was based on an employee perceptions survey completed by 6,609 employees, which is a response rate of almost 79% of the workforce. Comparing 2016 results to the previous SoCalGas 2013 survey, three of the six program categories increased in percentile scores. The overall percentile score for SoCalGas increased from a score of 93 in 2013 to a score of 94 in 2016. According to the NSC, it is an accomplishment for a score to go up in the second cycle of assessment. Our score indicates we are in the top 6% of 580 organizations, which means that SoCalGas' safety culture compares very favorably to those of peer utilities and companies that have decided to participate in the survey.[8] The overall benchmark results were very positive and encouraging. A few highlights include (percentile change from 2013 to 2016 shown in parentheses):

- 97th percentile (+1) for supervisors maintaining a high safety performance standard;
- 96th percentile (+4) for frequency of employee/management interactions;
- 96th percentile (+1) for management including safety in job promotion reviews;
- 94th percentile (+4) for management setting a positive safety example; and
- 94th percentile for condition of employee morale.

For SoCalGas, 40 out of the 50 standard components in the survey achieved a percentile in the top quartile compared to the NSC Database, and 10 components received percentiles in the second quartile. There were no components that generated scores in the third or bottom quartiles. Moreover, there were two customized items that addressed safety aspects of special concern to SoCalGas. Both customized items generated positive average response scores. Supervisors support "stop the job" when conditions are unsafe had the most positive average

[8] *See Southern California Gas Company Results Report 2016*, National Safety Council, Safety Barometer, at 10.

response score, with 83.6% of participants agreeing with this statement. The level of comfort to report near-miss/close-call incidents also had a positive average response score, with 74.8% of participants agreeing with this statement.

These results reflect that the Company institutes a strong belief that working with employees and employee organizations is a critical part of our approach to safety. However, we are committed to doing even better by also focusing on our three lowest scoring areas of the survey:

- Employees following lockout/tagout procedures;
- Perception that the safety committee has high status; and
- Supervisors investigating lost workday cases.

We use the results as learning opportunities to continue improving our focus and commitment to safety. A great example is lockout/tagout procedures.[9] This element scored high in the Transmission and Storage organizations where it is an integral part of their business, but many employees in other departments do not understand what it is. We have launched a training and education initiative, as this simple concept applies both at work and home. SoCalGas believes the focus, dedication, and commitment to safety is never-ending.

B. Risk Assessment Mitigation Phase

As further discussed in the Chapter 1: Risk Management and Policy testimony of Diana Day and Chapter 3: RAMP to GRC Integration testimony of Jamie York (jointly presented in Exhibit SCG/SDG&E-02), we embrace efforts to enhance the safety of our industry through the Commission's new risk-informed GRC framework. SoCalGas' RAMP presented our top safety risks and proposed plans for mitigating those risks. This focus on safety and risk mitigation within the new GRC framework are major components of this 2019 GRC. Our focus on safety is not new. We have invested in safety projects and practices throughout the history of the Company that are part of our current rate base. In fact, we currently perform many of the activities that we identified in our first-ever RAMP filing, including inspections, pipeline patrol, cathodic protection, pipeline integrity programs, security projects, and records management.

[9] Lockout/tagout is a safety procedure where an employee shuts off or disables machinery and places a lock on the equipment to eliminate hazards until proper maintenance or servicing can be completed. The employee who performs the lockout/tagout is the only person authorized to place the equipment back in operation after servicing and/or maintenance are completed.

Despite our strong safety record and the comprehensive safety activities that SoCalGas already implements, constant vigilance, preparedness, and incremental investment to mitigate our top safety-related RAMP risks are needed to maintain and enhance our safety record in a transparent and performance-driven manner, as the Commission envisioned when establishing the new risk-informed GRC framework.

While an aspect of the Commission's objective is for utilities to evolve from qualitatively identifying risks and risk mitigation to a quantitative manner, we are still at a nascent stage in this iterative process. Integrating RAMP into the GRC is not a theoretical or academic exercise. It is a critical step in moving our industry forward. That is why we are also looking at best practices at other utilities, other industries, and trade associations, and work that our federal regulator, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA), has done to advance risk management. SoCalGas is committed to getting this process right to inform the decisions made from an operational perspective and for the benefit of our customers.

III. OVERVIEW OF GRC REQUEST

Our GRC request reflects SoCalGas' forecast of revenues needed to continue delivering safe, clean, and reliable gas service at reasonable rates and enhance the integrity of our system, while meeting the new challenges we expect to face in the test and post-test years. The projected revenue requirement, rate increases, and expected residential bill impacts from our GRC proposal are discussed in more detail in the Summary of Earnings testimony of Ryan Hom (Exhibit SCG-43-2R) and the Present and Proposed Gas Transportation Revenues & Rates testimony of Sharim Chaudhury (Exhibit SCG-46-2R). Post-Test Year Ratemaking testimony is sponsored by Jawaad Malik (Exhibit SCG-44-2R). The following is a brief summary.

A. TY 2019 Revenue Requirement

SoCalGas' GRC Application requested that the Commission authorize a $2.99 billion revenue requirement, to be effective January 1, 2019. The inclusion of the Tax Cuts and Jobs Act (TCJA) reduced the overall revenue requirement request by $59 million, resulting in a lower request of $2.931 billion revenue requirement. If approved, this revenue requirement would be an increase of $475 million[10] over the authorized 2018 revenue requirement. When the impact of

[10] Pursuant to the Assigned Commissioner's Scoping Memorandum and Ruling issued on January 29,

commodity costs and other ratemaking items such as regulatory account balances are included, these increases result in a 2019 system total bundled revenue increase of $745 million (or 17.9%) over authorized 2018 rates.

B. Post-Test Year Ratemaking

SoCalGas proposes a new post-test year (PTY) ratemaking mechanism to adjust the authorized revenue requirement in the post-test years by applying separate attrition adjustments for operating and maintenance (O&M) expenses (including a separate attrition adjustment for medical expenses), capital-related costs, and exogenous cost changes. SoCalGas believes that it is reasonable to apply separate attrition adjustments for different types of costs because these costs have different drivers. As explained in more detail by Mr. Malik (Ex. SCG-44-2R), such an approach also is not unlike what Pacific Gas and Electric Company (PG&E) is using. Adoption of SoCalGas' proposal will more accurately reflect SoCalGas' actual costs between rate cases and thus provide SoCalGas with sufficient revenues during the PTY period to continue providing safe, clean, and reliable service to its customers, while providing a fair opportunity for SoCalGas to earn the authorized rate of return.

SoCalGas also supports the adoption of a four-year GRC term because it would free up scarce resources needed to litigate a GRC every three years. Moving to a four-year GRC cycle would give both the CPUC and the utilities more flexibility to manage additional responsibilities created by the integrated Safety Model Assessment Proceeding (S-MAP), RAMP, and GRC proceedings. The four-year GRC term would reduce the administrative burden on all parties, and allow the utility to more effectively operate its business while implementing new risk mitigation and accountability structures, processes, and reporting requirements. For more details on SoCalGas' PTY proposals, see Mr. Malik's testimony (Ex. SCG-44-2R).

2018 (Scoping Memo), SoCalGas' testimony has been revised to reflect the impact of the TCJA on the SoCalGas TY 2019 General Rate Case. The TCJA was signed into federal law on December 22, 2017 and is discussed in the testimony of the Taxes witness Ragan Reeves (Exhibit SCG-37-2R), served concurrently with this exhibit. A roadmap of this TCJA-related submission and impacts on other witnesses' areas is provided in the Case Management Exhibit SCG-49/SDG&E-49. Please see Appendix C in the Summary of Earnings testimony of Ryan Hom (Ex. SCG-43-2R) for a reconciliation that shows the impact of the Updated Results of Operations Report testimony of Ryan Hom (Present Rate Revenues, Ex. SCG-48) served on January 16, 2018 and the TCJA on the 2019 revenue requirement increase over 2018 authorized.

C. Bill Impacts

If the 2019 revenue requirement identified above is approved by the Commission, an average non-CARE[11] residential customer (using 35 therms per month) can expect a bill increase of $7.01 per month (or 17.0%), as compared to authorized 2018 rates.

D. RAMP GRC Request

Past safety projects are part of the total rate base. Therefore, the RAMP incremental spending of approximately $263 million (~55%) focuses on this GRC cycle, test year 2019, and the revenue requirement increase that is related to RAMP. Of the RAMP costs, about $60 million is capital (~23%), and $203 million is O&M expenses (~77%). Examples of RAMP projects include PSEP, TIMP, DIMP, SIMP, and Records and Information Management activities.

PSEP is a mitigation to the RAMP risk of a high-pressure pipeline incident and is a major driver of the 55% representing RAMP-related costs in the total 2019 GRC increase at SoCalGas. However, some PSEP projects go into service after TY 2019 and will be addressed through the post-test year mechanism. Other major capital projects with RAMP-related costs include TIMP, DIMP, and SIMP. The Distribution Operations Control Center (DOCC) is another significant RAMP investment.[12]

There are also significant incremental investments in the GRC which are non-RAMP costs, such as compressor station upgrades and pension pressures.

IV. OPERATIONAL FOCUS

The following is provided as a general description, from a high-level policy perspective, of SoCalGas' operational focus as it relates to safety and system integrity, reliability, customer service, workforce investments, technological innovation, environmental stewardship, and operational efficiency. More details are provided in the testimony and workpapers of individual witnesses.

[11] California Alternate Rates for Energy Program.
[12] This project was identified as a RAMP item after submittal of the November 2016 RAMP Report.

A. Safety and System Integrity

The integrity of our gas system is an equally critical component of our focus and commitment to safety. We also realize there are always opportunities to enhance the overall safety of our pipeline system and infrastructure.

SoCalGas is the largest gas distribution operator in the nation and also the third largest transmission operator in high consequence areas (HCAs) miles. As noted in SoCalGas' RAMP Report, employee and public safety, high-pressure pipelines, and physical security are among the top eleven RAMP risks for SoCalGas.[13] SoCalGas assesses pipeline integrity threats through federally-mandated TIMP and DIMP requirements. As discussed in the Pipeline Integrity for Transmission and Distribution testimony of Maria Martinez (Exhibit SCG-14), we propose to continue expanding our ability to in-line inspect (ILI) transmission pipelines, the use of new technology to assess and mitigate pipeline risk, and the replacement of certain early-vintage distribution pipelines.

As discussed in the Underground Storage testimony of Neil Navin (Exhibit SCG-10), SoCalGas' Storage Integrity Management Program (SIMP), similar to TIMP, utilizes a suite of new, advanced technologies to inspect the integrity of our wells and allow for early detection of leaks in compliance with new and existing environmental and safety regulations by the PHMSA, ARB, and Department of Conservation's Division of Oil, Gas, and Geothermal Resources (DOGGR).

To address the operational needs of our entire gas distribution system, as discussed in the Gas Distribution testimony of Gina Orozco-Mejia (Exhibit SCG-04), we propose funding for main and service line leak evaluation and repair work to enhance public safety by addressing infrastructure condition and material failure. In addition to continuing leak repairs in accordance with General Order (GO) 112-F's requirements, SoCalGas requests incremental funding to further expedite reduction of its pending non-hazardous leak inventory and leak repair activities for additional leaks identified. SoCalGas anticipates addressing more leaks found due to accelerated leak survey cycles, new or more stringent regulatory requirements, and changes in work practices and more sensitive detection equipment. SoCalGas also plans to increase survey

[13] CPUC Safety and Enforcement Division's (SED) Risk and Safety Aspects of Risk Assessment and Mitigation Phase Report of San Diego Gas & Electric Company and Southern California Gas Company, dated Mar. 8, 2017, at 22-23.

cycle requirements for all pre-1986 Aldyl-A plastic pipe from a five-year survey cycle to one-year survey cycle.

As discussed in the Customer Services Field & Meter Reading testimony of Gwen Marelli (Exhibit SCG-18), incremental funding is also needed for ongoing and enhanced compliance with PHMSA-required meter set assembly (MSA) inspections and to remediate atmospheric corrosion and abnormal operating conditions identified during the MSA inspections. SoCalGas projects an average of over 2 million annual MSA inspections conducted during the GRC period.

We also propose funding for locate and mark and other damage prevention activities, whereby gas facilities are located and marked to avoid third-party damage that could create a safety hazard and/or disrupt gas service, as discussed by Ms. Orozco-Mejia (Ex. SCG-04) and in the Gas System Integrity testimony of Omar Rivera (Exhibit SCG-05). As noted in SoCalGas' RAMP Report, damages resulting from excavation activity is the number one RAMP risk that represents the greatest threat to SoCalGas' pipeline infrastructure with potential consequences to public safety.[14] Approximately 60% of excavation damages to the SoCalGas natural gas system results from contractors and property owners failing to call the Underground Service Alert (USA) prior to digging.

As directed by the Commission, SoCalGas is also including nearly 30 PSEP pressure test and replacement projects, as well as the continuation of the Valve Enhancement Plan, in this Application.[15] This is the first time that PSEP projects will be integrated and approved through the GRC rather than via separate applications.[16]

These examples provide a glimpse of the proactive and important investments we are proposing in this GRC to address the safety and system integrity of our gas operations system.

B. System Reliability

SoCalGas requests funds to invest in the continued reliability of our system, which is integral to maintaining the safety of our system. In Gas Distribution, we request costs for system

[14] *Id*. at 22.
[15] As explained in the Pipeline Safety Enhancement Plan (PSEP) testimony of Rick Phillips (Exhibit SCG-15), Phases 1A and 1B address pipelines located in more populated areas and pre-1946 non-"piggable" pipe (*i.e.*, ILI inspection), while Phase 2A addresses the remaining transmission pipelines that do not have sufficient documentation of a pressure test to at least 1.25 Maximum Allowable Operating Pressure (MAOP) and are located in Class 1 and 2 non-HCAs.
[16] *See* D.16-08-003 at 2-3.

renewal, which includes activities to replace or abandon pipeline facilities, such as mains, services, regulating and metering equipment, cathodic protection systems, and electronic equipment that have reached the end of their useful lives and present risk of failure. See Ex. 04 SCG/Orozco-Mejia.

For our gas transmission system, several capital projects are proposed to address reliability, such as the installation of new gas facilities to serve new or increased loads or provide natural gas supply reinforcement to an existing area, and the replacement of compressor station equipment used in operating the transmission system to maintain reliability. This is discussed in the Gas Transmission testimony of Beth Musich and Michael Bermel (Exhibit SCG-07), the Gas Major Projects testimony of Michael Bermel (Exhibit SCG-08), and the Aliso Canyon Turbine Replacement testimony of David Buczkowski (Exhibit SCG-11).

In the Gas Control and System Operations/Planning testimony of Devin Zornizer (Exhibit SCG-13), SoCalGas also proposes to establish a proactive, centrally-controlled Distribution Operations Control Center (DOCC) that is functionally similar and integrated into its existing Transmission Gas Control Center (Gas Control). Gas Control's responsibilities consist of 24/7 staffing 365 days a year for control room monitoring and the remote control of pipeline and compression facilities on the transmission system. This new center will enable us to utilize proven technology to provide real-time visibility into our medium- and high-pressure distribution systems, as well as the capability to remotely control specific critical distribution facilities such as regulators and valves.

SoCalGas' storage fields also play a role in enhancing reliability. We rely on storage to meet the reliability needs of our customers. See Ex. 10 SCG/Navin.

These examples provide a glimpse of the proactive and important investments we propose in this GRC to address the reliability of our gas operations system, and how our investments will also help promote the reliability of the State's electric grid.

C. Customer Service

It is our priority to provide options that are responsive to our customers' increasing variety of communication and service preferences. In 2016, SoCalGas customers for the first time completed more transactions by self-service (web, smart-phone, automated voice, and text) than through a phone call to a customer service representative. At year-end 2016, nearly 2.3 million or 41% of our residential customers received their monthly bills electronically without

receiving a paper bill and over 65% paid their bill electronically. From 2012 to 2016, subscribers to SoCalGas' social media outlets grew by 330%.[17] We continue to evolve our customer service capabilities to reflect the diversity of our customers' needs. We are increasing engagement with low-income customers as well as disadvantaged communities by expanding our communications and outreach activities to customers in these segments. We are also addressing the needs of our disabled customers through various Americans with Disabilities Act (ADA) compliance enhancements and outreach activities. The Customer Services – Office Operations testimony of Michael Baldwin (Exhibit SCG-19) and the Customer Services – Information testimony of Andrew Cheung (Exhibit SCG-20) describe how we are adapting our customer service and communication capabilities to support new customer behaviors while also meeting the needs of customers who require or prefer traditional interactions.

The SoCalGas Advanced Metering Infrastructure (AMI) program has further enhanced our customer service capabilities by providing customers with additional information that can help them to manage their usage, conserve energy, and reduce their monthly bills. SoCalGas has also started using AMI data analytics and technology to proactively identify abnormally high gas usage at customer facilities. This technology could allow for quicker identification and response to potential safety situations while also helping to reduce methane emissions and improve air quality. The Advanced Metering Infrastructure Policy testimony of Rene Garcia (Exhibit SCG-17) further describes the benefits of AMI.

Our efforts also continue to improve safety and customer service in the field at customer facilities. We are improving our ability to detect leaks at customer facilities by providing our customer service field employees with new tools and procedures to more accurately identify leaks in customers' gas lines. Technology initiatives will improve the way that fielded orders are prioritized and scheduled. We are replacing our field representatives' mobile data terminals with smartphones to improve efficiency and enhance customer satisfaction, such as providing call-ahead notification to customers for scheduled orders. SoCalGas also plans to enhance the work processes of our field technicians to proactively resolve access issues and mitigate potential service disconnections at chronically inaccessible customer meters. Customer Service Field initiatives are further discussed by Ms. Marelli (Ex. SCG-18).

[17] SoCalGas' social media followers (including Facebook, Twitter, and Instagram) totaled 13,974 in 2012 and 47,149 in 2016.

SoCalGas takes customer privacy very seriously. Our Vice President of Customer Services is also SoCalGas' Customer Data Privacy Officer, and the Customer Data Privacy program, in alignment with SoCalGas' third top RAMP risk to reduce cyber security threats, promotes a focus on customer privacy in our system designs, relationships with third parties, business controls, and day-to-day work habits. Employees have been trained and are reminded of the importance of customer privacy and their role in protecting the privacy of our customers' information. We are also enhancing our systems and processes to make it easier for customers to securely share their energy data with third parties. Mr. Baldwin (Ex. SCG-19) further discusses our efforts to safeguard customer data.

D. Continuous Improvement

Improved operational efficiency will allow SoCalGas to streamline costs and maximize efficiency, while continuing to deliver safe, clean, and reliable service to our customers. We believe that continuous improvement and looking for ways to serve our customers more efficiently are critical to how we run our business. Fueling Our Future (FOF), is an enterprise-wide, continuous improvement initiative where we examined how the Company approaches, organizes, and executes work. FOF is further discussed in the Fueling Our Future Policy testimony of Hal Snyder and Randall Clark (Exhibit SCG/SDG&E-03) and testimonies of other witnesses. Our AMI deployment has also transformed operations in several areas, creating significant efficiencies in our processes to collect customer gas usage information. These benefits are further described by Mr. Garcia (Ex. SCG-17) and are also reflected in the forecasts and testimony of the impacted witness areas. SoCalGas departments also routinely undertake efforts designed to improve processes and enhance productivity. Continuous improvement tools and techniques such as benchmarking, Lean Six Sigma, process mapping and enhancement, and technological advances have helped foster operating efficiencies. These improved operational efficiencies will help SoCalGas continue to provide effective customer service while lowering costs.

E. Investing in Our Workforce

Vital to SoCalGas' efforts to continue to maintain and expand our safety achievements is adequate funding for employee training, compensation and benefits, and human resources, as well as support services such as Fleet, Real Estate, etc. It takes a highly-skilled workforce, as well as mobility and infrastructure, to execute our ambitious safety expectations and efforts.

Safety is rooted in all phases of our training. Maintaining a skilled, qualified, and dedicated workforce is critical to SoCalGas' continued success. The Company is taking appropriate measures to maintain and strengthen its highly-skilled workforce, recognizing that safety and system reliability cannot be sacrificed during times of employee turnover due to retirements and job movement. As new and less experienced employees step in to replace highly-skilled employees, SoCalGas is conscientiously training and mentoring them, giving them on-the-job experiences, and providing greater levels of supervision and quality assurance to instill a continued focus on proficiency and safety. See the Human Resources Department, Safety, Long-Term Disability & Workers' Compensation testimony of Mary Gevorkian (Exhibit SCG-32) and testimonies of other witnesses describing workforce planning.

Additionally, SoCalGas must attract and retain the best possible talent by offering a competitive total compensation package including pension and post-retirement health benefits. A new pension funding policy is appropriate so that the interest of either retirement system beneficiaries or the future generation of ratepayers will not be jeopardized by underfunding challenges posed by previous policies, as explained in the Corporate Center – Pension & PBOPs testimony of Debbie Robinson (Exhibit SCG-31/SDG&E-29).

F. Environmental Stewardship Towards a Clean Energy Future

Maintaining and further investing in our natural gas infrastructure can be the building block to help reduce air pollution and achieve statewide GHG emissions reductions across multiple industries and allow more renewable energy to be transported and stored on our existing system. Natural gas can also help California achieve its State Implementation Plans (SIP) strategy to achieve the reductions necessary from the mobile sector to meet federal ozone and particulate matter standards over the next fifteen years. To clean our air in the next decade, the South Coast and San Joaquin Valley Air Districts must both achieve significant reductions in nitrogen oxide (NOx) to attain ozone and particulate matter National Ambient Air Quality Standards. More than 80% of the region's NOx emissions come from mobile sources. With heavy-duty trucks as the largest categorical contributor, the widespread deployment of near-zero emissions heavy-duty trucks is the single most impactful emission reduction strategy. As explained in the Fleet Services and Facility Operations testimony of Carmen Herrera (Exhibit SCG-23), SoCalGas has set a goal that a majority of its fleet will use alternative fuels such as

compressed natural gas (CNG), which also aligns with the State's transportation policy goals.[18] SoCalGas is also investing in research, development, and demonstration (RD&D) for fueling systems, natural gas on-board storage, and ultra-low emission engine development to ultimately reduce the cost of vehicle fueling compression and storage infrastructure, as discussed in the Customer Services – Technologies, Policies, & Solutions testimony of Lisa Alexander (Exhibit SCG-21).

ARB's own recently adopted Short-Lived Climate Pollutant (SLCP) Plan notes that using renewable gas as a transportation fuel can reduce criteria pollutant emissions from the transportation sector.[19] SB 1383 requires ARB to develop and implement a plan to reduce emissions of short-lived climate pollutants, including methane. As part of the requirement, the California Energy Commission (CEC) will include a recommendation in its 2017 Integrated Energy Policy Report (IEPR) on the development and use of renewable gas. SB 32, signed into law on September 8, 2016, set a statewide goal to reduce GHG emissions to 40% below 1990 levels by 2030. Meeting this target will require capturing methane emissions primarily from the State's agricultural and waste industries, which can be achieved with dramatic advances in efficiency and development of renewable gas that can be stored in our pipeline system, as well as developing other low-carbon resources. As addressed by Ms. Alexander (Ex. SCG-21), SoCalGas' proposals related to its RD&D program would develop and deploy biomass gasification technologies and "power-to-gas" systems to produce sufficient renewable gas to begin decarbonizing the natural gas system.

Additionally, we provide our services in an ecologically responsible manner, complying with an increasing number of regulations and requirements to advance the State's climate change and clean energy goals. The Environmental Services testimony of Darrell Johnson (Exhibit SCG-25), in addition to Ms. Alexander's testimony (Ex. SCG-21), describe some of the environmental regulations and pressures that are driving costs in our gas operations and support services areas that will help build a clean energy future.

[18] Assem. Bill No. 692 (2015-2016 Reg. Sess.) "Low-carbon transportation fuels," requires state fleets to procure increasing volumes of alternative transportation fuels and Executive Order S-01-07 establishes a statewide goal to reduce (1) the carbon intensity of California's transportation fuels by at least 10% by 2020, and (2) reduce petroleum fuel use to 15% below 2003 levels by 2020.

[19] *See* Short-Lived Climate Pollutant Strategy, Air Resources Board, (Mar. 2017), at 125.

V. CONCLUSION

SoCalGas remains focused on our customers and delivering safe, clean, and reliable service at reasonable rates. We are dedicated to taking steps to evolve risk management through this first RAMP/GRC cycle to a more quantitative state and to investing in our system and technologies that advance clean energy for our customers and the environment.

This concludes my prepared direct testimony.

VI. WITNESS QUALIFICATIONS

My name is Bret Lane. I serve as the President and Chief Operating Officer (COO) of SoCalGas and am a member of the SoCalGas Board of Directors. Prior to becoming COO, I served as Senior Vice President of Gas Operations and System Integrity for SoCalGas and SDG&E, responsible for all aspects of gas delivery services, including region operations, engineering, transmission, storage, and pipeline safety.

I have held several senior-level positions with SoCalGas and SDG&E, including: Vice President of Gas Operations and System Integrity; Vice President of Gas Transmission and Distribution; Vice President of Field Services; Vice President of Environmental, Safety and Facilities; Vice President of Labor Relations; and Chief Environmental Officer. I started my career with SoCalGas in the company's transmission and storage operations division in 1982.

I currently serve on the board of directors for the American Gas Association, the Gas Technology Institute, and the Community Advisory Board of the Hank Lacayo Institute for Workforce. I hold a Bachelor of Science degree in petroleum engineering from Oklahoma State University.

I have previously testified before the Commission.

LIST OF ACRONYMS

ACRONYM	DEFINITION
AB	Assembly Bill
ADA	Americans with Disabilities Act
AMI	Advanced Metering Infrastructure
ARB	California Air Resources Board
CARE	California Alternate Rates for Energy Program
CEC	California Energy Commission
CNG	Compressed Natural Gas
CO_2e	Carbon Dioxide Equivalent
COO	Chief Operating Officer
CPUC	California Public Utilities Commission
DIMP	Distribution Integrity Management Program
DOCC	Distribution Operations Control Center
DOGGR	Department of Conservation's Division of Oil, Gas, and Geothermal Resources
EPA	Environmental Protection Agency
FOF	Fueling Our Future
GHG	Greenhouse Gas
GO	General Order
GRC	General Rate Case
HCA	High Consequence Area
IEPR	Integrated Energy Policy Report
ILI	In-Line Inspection
ISN	ISNetworld
MSA	Meter Set Assembly
NO_x	Nitrogen Oxide
NSC	National Safety Council
O&M	Operations and Maintenance
OP	Ordering Paragraph
PBOP	Post-Retirement Benefits Other Than Pensions
PG&E	Pacific Gas and Electric Company
PHMSA	Pipeline and Hazardous Materials Safety Administration
PSEP	Pipeline Safety Enhancement Plan
PTY	Post-Test Year
RAMP	Risk Assessment Mitigation Phase
RD&D	Research, Development, and Demonstration
RPS	Renewables Portfolio Standard
SB	Senate Bill
SDG&E	San Diego Gas & Electric Company
SED	Safety and Enforcement Division
SIMP	Storage Integrity Management Programs
SIP	State Implementation Plans
SLCP	Short-Lived Climate Pollutant

S-MAP	Safety Model Assessment Proceeding
SoCalGas	Southern California Gas Company
TCJA	Tax Cuts and Jobs Act
TIMP	Transmission Integrity Management Program
TY	Test Year
USA	Underground Service Alert

SCG 2019 GRC Testimony Revision Log – April 2018

Exhibit	Witness	Page	Line or Table	Revision Detail
SCG-01	Bret Lane	JBL-1	28	Updated RAMP % from "57%" to "55%."
SCG-01	Bret Lane	JBL-9 and JBL-10	20-23; 10 and 23	Updated references to other witnesses' second revised testimonies (-2R).
SCG-01	Bret Lane	JBL-9	25-28	Added $59MM reduction in revenue requirement (from $2.99BB to $2.931BB) due to TCJA.
SCG-01	Bret Lane	JBL-9	29	Changed "$480" to "$475" and added new footnote 10. Changed "as-expected authorized" to "authorized."
SCG-01	Bret Lane	JBL-10	2-3	Changed "$777" to "$745" and "18.7%" to "17.9%." Changed "as-expected authorized" to "authorized." Removed previous footnote 10.
SCG-01	Bret Lane	JBL-11	4	Changed "$7.54" to "$7.01" and "17.7%" to "17.0%." Changed "as-expected authorized" to "authorized."
SCG-01	Bret Lane	JBL-11	7	Changed "$260" to "$263" and "~54%" to "~55%."
SCG-01	Bret Lane	JBL-11	8	Changed "$57" to "$60."
SCG-01	Bret Lane	JBL-11	9	Changed "~22%" to "~23%." Changed "~78%" to "~77%."
SCG-01	Bret Lane	JBL-11	13	Changed "54%" to "55%."