

Docket: : A.14-12-016  
Exhibit Number : \_\_\_\_\_  
Reference Number : ORA-02  
Commissioner : C. Peterman  
ALJ : R. Mason  
Witness : J. Lee



**OFFICE OF RATEPAYER ADVOCATES  
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Prepared Testimony on Southern California  
Gas Company and San Diego Gas & Electric  
Company Application for  
Pipeline Safety and Reliability Memorandum  
Account (PSRMA) Cost Recovery**

ORA Audit Report

San Francisco, California  
August 7, 2015

1

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## RESULTS OF EXAMINATION

### 3 I. INTRODUCTION

4 The Office of the Ratepayer Advocates (ORA) has performed a limited  
5 examination of Southern California Gas Company (SCG or SoCalGas) and San Diego  
6 Gas & Electric Company (SDG&E) financial records for the period from February 24,  
7 2011 to June 12, 2014 regarding SCG & SDG&E's Application A.14-12-016 filed with  
8 the California Public Utilities Commission on December 17, 2014. SCG & SDG&E seek  
9 the Commission's approval for recovery of \$9.7 million in Capital Expenditures and  
10 \$48.4 million in Operations and Maintenance (O&M) costs that were booked to its  
11 Pipeline Safety and Reliability Memorandum Account (PSRMA). The purpose of the  
12 PSRMA Memorandum Account was to set up a new model of natural gas pipeline  
13 safety regulation applicable to all California pipelines. The purpose of ORA's audit was  
14 to verify SCG's and SDG&E's spending, but not to ascertain reasonableness of the  
15 expenditures.

### 16 II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

#### 17 A. Summary of Operations and Maintenance (O&M)

18 Based on the audit procedures performed, ORA has no recommended  
19 adjustments to operations and maintenance.

#### 20 B. Summary of Capital Expenditures

21 Based on the audit procedures performed, ORA has no recommended  
22 adjustments for Capital.

### 23 III. EXAMINATION OVERVIEW

24 The scope of this review covered SoCalGas & SDG&E's Operation &  
25 Maintenance expenses and Capital expenditures by cost centers and FERC account  
26 during the period February 24, 2011 to June 12, 2014. ORA's examination focused on

1 the verification of general ledger integrity, and the Utilities' compliance with Commission  
2 established rules and regulations. The purpose of this examination was to audit  
3 spending, not to ascertain the reasonableness of the expenditures. The following areas  
4 were included in the examination:

5  
6 **Capital**

- 7 a. Project 42-66-1/42-66-2
- 8 SRV-Construction work\*
- 9 b. Project Facilities Build-Out
- 10 Material-Other & SRV-Other work

11 **O&M**

- 12 c. Project Playa Del Rey Phase 1 & 2
- 13 SRV-Construction work\*
- 14 d. Project 2000-A
- 15 SRV-Construction & Engineering work\*
- 16 e. Project 2000 West
- 17 SRV-Engineering work\*
- 18 f. Project 407
- 19 SRV-Construction\*, SRV-Engineering\*, & SRV-Environmental work\*

20 (\* SRV stands for Services; it includes third-party supporting services costs)

21  
22 A test basis sample of 42 selections of supporting documents (e.g., invoice,  
23 control sheet, and other source data) representing 41% of total costs were examined to  
24 determine the accuracy of booking to the PSRMA Memorandum Account. Documents  
25 were reviewed for date, type and the unit cost of service performance which was  
26 compared to the related contracts from eight major contractors (e.g., Southwest  
27 Contracts (2), Jacobs Field Services (2), ABR Inc., KPMG LLP, Associates Purchasing,  
28 and Corporate Contracts Inc.). Two competitive contractor bids with Southwest  
29 Contracts and ARB Inc. were also reviewed to identify the competitive process to select  
30 qualified contractors and supplies to support PSRMA activities.

1 **IV. DISCUSSION AND RECOMMENDATIONS**

2 Based solely on the audit, ORA recommends no adjustment to the SCG and  
3 SDG&E request of \$9.7 million Capital costs and \$48.4 million O&M costs recorded in  
4 the PSRMA memorandum account during the period from February 24, 2011 to June  
5 12, 2014. ORA makes its recommendations of the reasonableness of certain of SCG's  
6 and SDG&E's expenditures in ORA-01.

1 **V. WITNESS QUALIFICATIONS**

2 Q.1 Please state your name and address.

3 A.1 My name is Joyce Lee. My business address is 505 Van Ness Avenue,  
4 San Francisco, California, 94102.

5

6 Q.2 By whom are you employed and in what capacity?

7 A.2 I am employed by the California Public Utilities Commission as a Financial  
8 Examiner III in the Office of Ratepayer Advocates Energy Cost of Service  
9 and Natural Gas Branch.

10

11 Q.3 Briefly describe your educational background and work experience.

12 A.3 I received my MBA degree in Business of Finance from Holy Names  
13 University in 1990. I have worked in various offices in the finance and  
14 accounting field for more than 23 years.

15 Since joining the Commission in January 2011 I have conducted various  
16 examinations related to General Rate Cases for SDG&E and SoCalGas,  
17 SCE, and PG&E. I have also worked on multiple Catastrophic Event  
18 Memorandum Accounts.

19

20 Q.4 What is your area of responsibility in this proceeding?

21 A.4 I am responsible for ORA's audit in this proceeding.

22

23 Q.5 Does that complete your prepared testimony?

24 A.5 Yes, it does.