

In The Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for a Certificate of Public Convenience and Necessity for the Pipeline Safety & Reliability Project

Application 15-09-013

Application No: A.15-09-013

Exhibit No.: \_\_\_\_\_

Witness: Claire F. Olegario

**CHAPTER III**  
**PREPARED PHASE 2 DIRECT TESTIMONY OF**  
**CLAIRE F. OLEGARIO**  
**ON BEHALF OF**  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
**AND**  
**SOUTHERN CALIFORNIA GAS COMPANY**

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

**August 12, 2020**

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1     **I.     PURPOSE AND OVERVIEW**

2             The purpose of my prepared Phase 2 direct testimony on behalf of San Diego Gas &  
3 Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (collectively,  
4 the Utilities) is to present the proposed regulatory accounting treatment for costs associated with  
5 implementing the September 26, 2018 Line 1600 Test or Replacement Plan approved by the  
6 Safety and Enforcement Division (SED) on January 15, 2019 (Line 1600 Plan).

7     **II.    REGULATORY ACCOUNT MECHANISM**

8             SDG&E proposes to continue recording the operating and maintenance costs (O&M),  
9 capital-related costs,<sup>1</sup> and associated revenues for Line 1600 costs, in the existing Phase 1  
10 Pipeline Safety Enhancement Plan (PSEP) balancing accounts, namely, the Safety Enhancement  
11 Expense Balancing Account (SEEBA) and the Safety Enhancement Capital Cost Balancing  
12 Account (SECCBA). Decision (D).14-06-007 adopted SDG&E’s and SoCalGas’ Phase 1 PSEP  
13 and authorized the utilities to record costs in the above mentioned balancing accounts subject to  
14 refund, pending a subsequent reasonableness review.<sup>2</sup> Subsequently, as D.20-02-024 noted,<sup>3</sup>  
15 D.16-08-003 authorized the Utilities to recover in rates, subject to refund, 50% of the revenue  
16 requirements associated with actual PSEP costs.<sup>4</sup>

17             Continuing the established Commission two-way balancing account mechanism adopted  
18 in D.14-06-007 is reasonable. As established in D.20-02-024, the reasonableness of actual Line  
19 1600 costs will be determined in a future Reasonableness Review, alleviating any concern that  
20 SDG&E and SoCalGas will recover more than their actual costs. Further, continuation of two-  
21 way-balancing prevents the development of overly conservative estimates that take into account

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<sup>1</sup> Capital related costs (i.e., depreciation, taxes, and return).

<sup>2</sup> D.14-06-007 Ordering Paragraph 2 and 4-5.

<sup>3</sup> D.20-02-024 at 13-15.

<sup>4</sup> D.16-08-003 Ordering Paragraph (OP) 2.

1 every potential cost driver. For example, as described in the testimony of Ronn Gonzalez, given  
2 the significant uncertainty of whether a hydrotest failure will occur during the execution of the  
3 five Line 1600 hydrotest projects included in the Line 1600 Test or Replacement Plan, the  
4 estimates do not include these possible costs to avoid the risk of overinflating the estimates.

5 The Commission has recognized the appropriateness of two-way balancing accounts in  
6 the past. In D.13-015-010, the Commission granted SDG&E's request to establish a two-way  
7 balancing account for Transmission Integrity Management Program (TIMP) and Distribution  
8 Integrity Management Program (DIMP) costs, stating:

9 "A two-way balancing account to cover the costs of complying with TIMP will ensure  
10 that SDG&E has sufficient funds to carry out all the necessary TIMP related work to  
11 ensure that its gas transmission remains safe and reliable."<sup>5</sup>

12 "Parties will have the opportunity to review the reasonableness of these TIMP-related  
13 expenses in this balancing account when those expenses are reported in the Annual  
14 Regulatory Account Balance Update, or in the Tier 3 AL filing."<sup>6</sup>

15 Consistent with D.20-02-024's guidance to manage the Line 1600 PSEP work according  
16 to already existing CPUC institutionalized processes,<sup>7</sup> SDG&E intends to continue the described  
17 tracking and interim cost recovery mechanism until the costs are reviewed for reasonableness in  
18 a future General Rate Case (GRC).<sup>8</sup> Interim cost recovery will be addressed in the Utilities'  
19 Annual Regulatory Account Update filing,<sup>9</sup> to be amortized in rates effective January 1 of the  
20 following year. SDG&E proposes to address the final disposition of Line 1600 costs in a future  
21 GRC.

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<sup>5</sup> D.13-05-010 at 1053 (Finding of Fact 184).

<sup>6</sup> D.13-05-015 at 1053 (Finding of Fact 185).

<sup>7</sup> D.20-02-024 at 13-15.

<sup>8</sup> D.20-02-024 at 2 ("This decision does not grant cost recovery in this phase; reasonableness review of the cost forecast established in this phase will occur in later General Rate Case proceedings.")

<sup>9</sup> D.16-08-003 OP 3b.

1     **III. QUALIFICATIONS**

2             My name is Claire F. Olegario. I am employed by SDG&E as the Regulatory Accounts  
3 Supervisor in the Controller’s Division. My business address is 8330 Century Park Court, San  
4 Diego, California 92123. My current responsibilities include managing the process for the  
5 development, implementation and analysis for regulatory balancing and memorandum accounts.  
6 I assumed my current position in August 2019.

7             I received a Bachelor of Science in Accounting in 2007 from San Diego State University.  
8 I am a Certified Public Accountant (“CPA”) licensed in the State of California since 2009.

9             I have been employed with SDG&E since 2016. Before assuming my current position in  
10 Regulatory Accounts, I served as a Principal Accountant for Utility Accounting at SoCalGas.  
11 Prior to joining SDG&E, I worked for a public accounting firm from 2007 to 2016, and held  
12 various positions with increasing responsibility including an Audit - Supervisor.

13             I have previously submitted prepared testimony before this Commission.