

Docket:	<u>A.25-08-009</u>
Exhibit Number	<u>CA-XX</u>
Commissioner	<u>Christine Harada</u>
Admin. Law Judge	<u>Maria Sotero</u>
Witnesses	<u>Bret Weinberger</u>
	<u>Kayla Lutes</u>
	<u>Ryan Condensa</u>



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**ERRATA**

**PREPARED TESTIMONY**  
**ON THE**  
**APPLICATION OF SOUTHERN CALIFORNIA GAS**  
**COMPANY (U 904 G) AND**  
**LAKESIDE PIPELINE LLC TO INITIATE**  
**REASONABLENESS REVIEW AND**  
**RECOVERY OF LAKESIDE MAAS ENERGY WORKS**  
**DAIRY BIOMETHANE PILOT**  
**PROJECT COSTS**

**(PUBLIC)**

San Francisco, California  
May 1, 2026

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APPEND IX A – Qualifications of Witnesses

APPENDIX B – Supporting Attachments

1 This testimony was prepared by the Public Advocates Office at the California  
2 Public Utilities Commission (Cal Advocates) for Lakeside Pipeline LLC (Lakeside) and  
3 Southern California Gas Company’s (SoCalGas) (collectively, Applicants) Application  
4 (A.) 25-08-009, *Application of Southern California Gas Company (U 904 G) and*  
5 *Lakeside Pipeline LLC to Initiate Reasonableness Review and Recovery of Lakeside*  
6 *MAAS Energy Works Dairy Biomethane Pilot Project Costs* (Application), filed August  
7 15, 2025. SoCalGas and Lakeside request that the California Public Utilities  
8 Commission (Commission) initiate a reasonableness review of costs incurred for the  
9 Lakeside: Maas Energy Works Senate Bill (SB) 1383 Dairy Biomethane Pilot Project  
10 (Project). Lakeside seeks to recover \$6,691,208 above its authorized amount of  
11 \$9,327,295 for its portion of the Project. SoCalGas seeks to recover \$7,831,000 above its  
12 authorized amount of \$10,844,000 for its portion of the Project. In this testimony, Cal  
13 Advocates presents its analyses and recommendations associated with the Applicants’  
14 requests.

15 Bret Weinberger serves as Cal Advocates’ project coordinator in this review and is  
16 responsible for the overall coordination in the preparation of this testimony. The  
17 witnesses’ prepared qualifications and testimony declarations are contained in Appendix  
18 A of this report.

19 **List of Cal Advocates’ Witnesses and Respective Chapters**

<b>Chapter Number</b>	<b>Description</b>	<b>Witness(es)</b>
-	Executive Summary	Weinberger
1	Review of SoCalGas’s Overages	Weinberger, Lutes, and Condensa
2	Review of Lakeside’s Overages	Weinberger, Condensa

20

21

1 **EXECUTIVE SUMMARY (Weinberger)**

2 Southern California Gas Company (SoCalGas) and Lakeside Pipeline LLC  
3 (Lakeside) (collectively, Applicants) filed Application (A.) 25-08-009 (Application) on  
4 August 15, 2025, in which the Applicants request that the California Public Utilities  
5 Commission (Commission) conduct a reasonableness review of the Lakeside: Maas  
6 Energy Works Senate Bill (SB) 1383 Dairy Biomethane Pilot Project (Project) costs  
7 incurred over the bid amount approved by the Commission’s dairy biomethane pilot  
8 project Selection Committee (Selection Committee). Lakeside seeks to recover  
9 \$6,691,208 above its authorized amount of \$9,327,295 for its portion of the Project.  
10 SoCalGas seeks to recover \$7,831,000 above its authorized amount of \$10,844,000 for its  
11 portion of the Project.<sup>1</sup> In total, Lakeside and SoCalGas seek to collectively recover  
12 \$14,522,208 above the amount the Commission authorized for the Project.

13 The Applicants claim that their expenditures over the authorized amounts are  
14 reasonable and should therefore be reimbursed by ratepayers.<sup>2</sup> SoCalGas claims that it  
15 prudently managed and made reasonable decisions to achieve the Project’s objectives at a  
16 reasonable cost, but the Project’s scope and schedule changes led to greater expenditures  
17 on the Project’s engineering, design and construction.<sup>3</sup> Lakeside claims that the Project  
18 had to overcome many obstacles, including the Coronavirus disease 2019 (COVID-19)  
19 pandemic, challenges associated with the establishment of the dairy biomethane industry,  
20 the need to design and develop entirely new biomethane projects and project components,  
21 and utilizing first-of-its-kind arrangements for the transportation of biomethane.<sup>4</sup>

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<sup>1</sup> *Application of Southern California Gas Company (U 904 G) and Lakeside Pipeline LLC to Initiate Reasonableness Review and Recovery of Lakeside MAAS Energy Works Dairy Biomethane Pilot Project Costs (Application)*, August 15, 2025, at 1.

<sup>2</sup> Application at 5.

<sup>3</sup> Southern California Gas Company’s Prepared Direct Testimony of Martiza Pacheco (SCG-3), August 15, 2025, at MP-2.

<sup>4</sup> A.25-08-009 Chapter 2 Prepared Direct Testimony of Daryl Maas on Behalf of Lakeside Pipeline LLC (SCG/Lakeside-02) at DM-A-4.

1 Lakeside claims that these factors led it to incur significant additional expenses.<sup>5</sup> The  
2 Applicants also claim that they acted as reasonable managers of the Project based upon  
3 facts that were known at the time and that they prudently executed the Project.<sup>6</sup> Due to  
4 these reasons, the Applicants request that the Commission authorize recovery of the  
5 Project's cost overages from SoCalGas's ratepayers.<sup>7</sup>

6 Cal Advocates' analysis demonstrates that SoCalGas fails to show that it managed  
7 the Project in an effective, timely manner, and thus incurred costs totaling over 70%  
8 above the amount that the Commission authorized. SoCalGas fails to provide reasonable  
9 estimates of the Project's costs, it began and completed the Project behind schedule, and  
10 it fails to track and record the Project's costs, let alone keep the costs within the  
11 authorized budget. Additionally, SoCalGas fails to produce evidence to support the  
12 reasonableness of SoCalGas's expenditures on the Project. Therefore, the Commission  
13 should disallow SoCalGas's request of \$7,831,000 above its authorized amount, or, at a  
14 minimum, disallow \$5,641,429 of cost overages that SoCalGas fails to demonstrate were  
15 reasonably incurred.

16 Cal Advocates' analysis shows that Lakeside proposed a low-cost, ready-to-build  
17 project to the Selection Committee, but once awarded the pilot opportunity, Lakeside  
18 redesigned and changed several fundamental aspects of the Project. For example,  
19 Lakeside significantly changed the designs of its biogas treatment technology,<sup>8</sup> changed  
20 the pipeline route,<sup>9</sup> and increased pipe sizes.<sup>10</sup> As a result, Lakeside spent more than  
21 71% above the amount that Lakeside proposed to the Selection Committee and that the  
22 Commission authorized. In addition, Lakeside fails to demonstrate that pandemic-related

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<sup>5</sup> SCG/Lakeside-02 at DM-A-4.

<sup>6</sup> Application at 5.

<sup>7</sup> Application at 5.

<sup>8</sup> SCG/Lakeside-02 at DM-A-18.

<sup>9</sup> SCG/Lakeside-02 at DM-A-37.

<sup>10</sup> SCG/Lakeside-02 at DM-A-39.

1 inflation caused substantial cost overages.<sup>11</sup> The Commission should therefore disallow  
2 \$2,702,145 of cost overages that Lakeside seeks to recover because Lakeside fails to  
3 demonstrate the reasonableness of these overages.  
4 In total, the Commission should deny \$10.533 million in excess charges, or at a minimum  
5 \$8.344 million, due to the management decisions made by SoCalGas and Lakeside.

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<sup>11</sup> SCG/Lakeside-02 at DM-A-25 and DM-A-35.

1                   **CHAPTER 1   REVIEW OF SOCALGAS’S OVERAGES**  
2                   (Witnesses – Bret Weinberger, Kayla Lutes, and Ryan Condensa)

3   **I.       INTRODUCTION (Weinberger and Condensa)**

4               SoCalGas seeks to recover \$7,831,000 above its authorized amount of  
5   \$10,844,000 for its portion of the Project.<sup>12</sup> This chapter provides: (1) an overview of  
6   SoCalGas’s portion of the Application, supporting testimony, and workpapers (2) Cal  
7   Advocates’ analysis of the Application, supporting testimony, workpapers, and  
8   discovery, and (3) Cal Advocates’ recommendations.

9   **II.      OVERVIEW OF SOCALGAS’S APPLICATION AND TESTIMONY**  
10           **(Condensa)**

11           On September 19, 2016 the Governor of California approved Senate Bill (SB)  
12   1383, California’s Short-Lived Climate Pollution Reduction Strategy, which set the goal  
13   of achieving a reduction in methane by 40%, hydrofluorocarbon gases by 40%, and  
14   anthropogenic black carbon by 50% below 2013 levels by 2030.<sup>13</sup> The bill established  
15   California Health and Safety Code (H&SC) section 39730.7, which required that the  
16   Commission, no later than January 1, 2018, “direct gas corporations to implement not  
17   less than five dairy biomethane pilot projects to demonstrate interconnection to the  
18   common carrier pipeline system.”<sup>14</sup>

19           On December 18, 2017, the Commission issued Decision (D.) 17-12-004, which  
20   established the implementation and selection framework to implement the dairy  
21   biomethane pilot program required by SB 1383.<sup>15</sup> On December 3, 2018, the Selection  
22   Committee, which consisted of the Commission, the California Air Resources Board, and

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<sup>12</sup> Application at 1.

<sup>13</sup> Codified under California Health and Safety Code section 39730.5.

<sup>14</sup> H&SC section 39730.7.

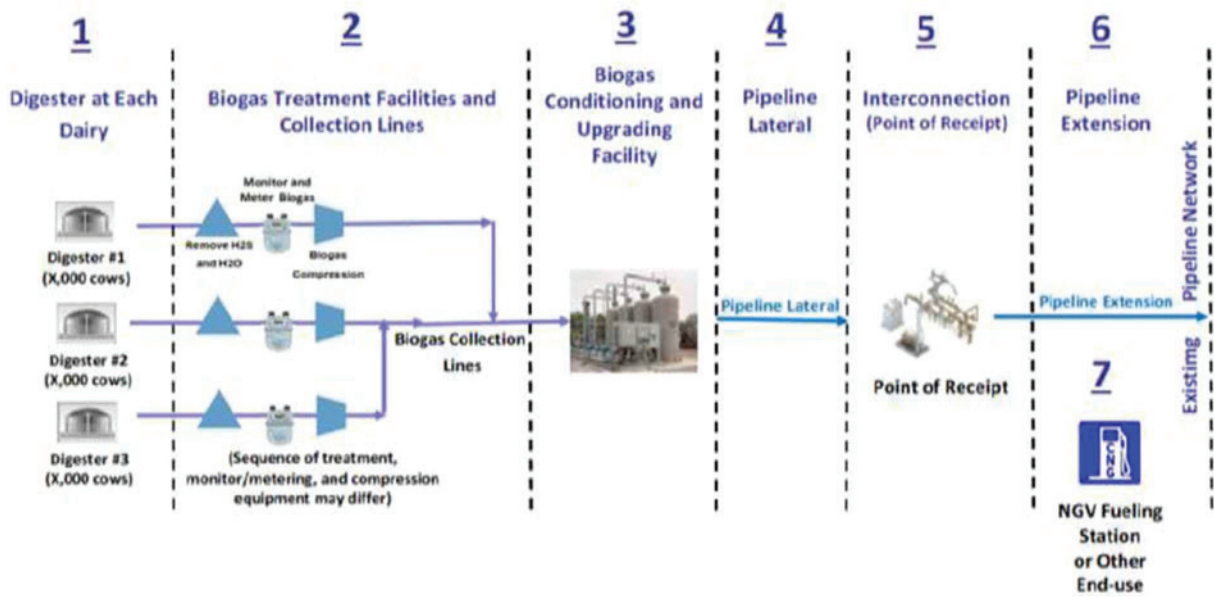
<sup>15</sup> D.17-12-004 at 23.

1 the California Department of Food and Agriculture, selected six Dairy Biomethane Pilot  
2 Projects, which included the Lakeside Project.<sup>16</sup>

3 **A. Dairy Pilot Implementation and Framework**

4 D.17-12-004 provides a diagram that identifies the lanes which make up the dairy  
5 biomethane pilot projects which the Commission used to designate eligible funding for  
6 the dairy biomethane pilot projects.<sup>17</sup> The diagram is shown in Figure 1 below.

7 **Figure 1: Dairy Biomethane Pilot Primary Components**



8  
9 The Lakeside Project was divided into six lanes, which include a digester (Lane 1)  
10 and biogas treatment facility (Lane 2) at each dairy, biogas collection lines (Lane 2) to a  
11 centralized gas conditioning and upgrading system (Lane 3), and utility-owned  
12 compressors, Point of Receipt, and pipeline extension facilities (Lanes 4 through 6) that  
13 connect the Lakeside Project to the utility pipeline network.<sup>18</sup> SoCalGas also states that,

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<sup>16</sup> SB 1383 Dairy Biomethane Pilot Project Selection Committee Score Card Summary (Score Card) at 2, available at: [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

<sup>17</sup> D.17-12-004 at 16.

<sup>18</sup> Application at 3.

1 as a part of Lane 6, pressure betterment enhancements along existing pipeline routes were  
2 necessary to provide sufficient receipt capacity for the biogas volumes.<sup>19</sup> Lakeside was  
3 responsible for Lanes 1 through 3, and SoCalGas was responsible for Lanes 4 through  
4 6.<sup>20</sup>

5 **B. Balancing and Memorandum Accounts, and Contract**  
6 **Approvals**

7 In D.17-12-004, the Commission concluded that, to ensure only reasonable and  
8 verifiable costs for pipeline infrastructure developed for the Dairy Pilots are collected  
9 from ratepayers, biomethane producer-owned pipeline infrastructure costs should be  
10 recorded in a balancing account.<sup>21</sup> The Commission also concluded that, to ensure only  
11 reasonable costs of pipeline infrastructure developed for the Dairy Pilots are collected  
12 from ratepayers, utility-owned pipeline infrastructure costs should be recorded in a  
13 memorandum account.<sup>22</sup> The Commission also directed SoCalGas to file a Tier 2 advice  
14 letter for approval of the contracts with the selected Dairy Biomethane Pilot Projects.<sup>23</sup>

15 On December 13, 2018, SoCalGas filed Advice Letter (AL) 5398-G to: (1)  
16 establish the Dairy Biomethane Pilot Balancing Account (DBPBA) to record  
17 expenditures for biogas collection lines and facilities for treatment, monitoring, metering  
18 and compression of biogas before it enters the collection lines (Lane 2), and (2) establish  
19 the Dairy Biomethane Pilot Memorandum Account (DBPMA) to record costs associated  
20 with the compressor and pipeline lateral (Lane 4), the Point of Receipt (Lane 5) and the  
21 pipeline extension (Lane 6).<sup>24</sup>

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<sup>19</sup> SCG-3 at MP-2.

<sup>20</sup> Application at 3.

<sup>21</sup> D.17-12-004, Conclusion of Law 11 at 22.

<sup>22</sup> D.17-12-004, Conclusion of Law 10 at 22.

<sup>23</sup> D.17-12-004, Ordering Paragraph 6 at 24.

<sup>24</sup> See, SoCalGas Advice Letter (AL) 5398-G, Establishment of Balancing and Memorandum Accounts for SB 1383 Pilot Program Pursuant to D.17-12-004, filed December 13, 2018, at 2, available at: [SCG\\_GAS\\_Advice-5398\\_Approved](#). AL 5398-G became effective on January 14, 2019.

1 On January 28, 2019, SoCalGas filed AL 5398-G-A, which supplements AL 5398-  
2 G to include its revenue requirement and updated costs.<sup>25</sup> In its supplemental filing,  
3 SoCalGas corrects the Score Card Summary project costs for the awarded projects in its  
4 service territory and revises the Lakeside Project’s Install Cost to \$19,516,460 and  
5 Annual Operations and Maintenance (O&M) to \$367,945.<sup>26</sup> Within Appendix A of AL  
6 5398-G-A, SoCalGas states that the total cost for the Lakeside Cluster, which refers to  
7 Lanes 2, 4, 5, and 6 of the Project, will be \$30.141 million.<sup>27</sup> This figure is comprised of  
8 the “fully loaded and escalated Capital Expenditures, O&M Expenditures, Construction  
9 Work in Progress (CWIP) Property Tax, and Allowance for Funds Used During  
10 Construction (AFUDC).”<sup>28</sup> AL 5398-G and AL 5398-G-A were approved on February  
11 14, 2019.<sup>29</sup>

12 On March 5, 2019, SoCalGas filed AL 5432-G, Establishment of Contracts with  
13 the Selected Dairy Biomethane Pilot Projects pursuant to D.17-12-004.<sup>30</sup> The  
14 Commission approved SoCalGas’ executed contracts, including the contract with  
15 Lakeside, on April 30, 2019.<sup>31</sup>

### 16 C. Soliciting and hiring contractors

17 SoCalGas hired several engineering contractors to support the Project in  
18 conjunction with its other SB 1383 project sites. These contractors include [REDACTED]  
19 [REDACTED] for the engineering and design of SoCalGas’s

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<sup>25</sup> SoCalGas Advice Letter (AL) 5398-G-A, Partial Supplement - Balancing and Memorandum Accounts for Senate Bill (SB) 1383 Pilot Program Pursuant to Decision (D.) 17-12-004, available at [SCG GAS Advice-5398-A Approved](#).

<sup>26</sup> SoCalGas AL 5398-G-A at 4, available at [SCG GAS Advice-5398-A Approved](#).

<sup>27</sup> SoCalGas AL 5398-G-A at 9, available at [SCG GAS Advice-5398-A Approved](#).

<sup>28</sup> SoCalGas AL 5398-G-A at 9, available at [SCG GAS Advice-5398-A Approved](#).

<sup>29</sup> SoCalGas AL 5398-G-A at 2, available at [SCG GAS Advice-5398-A Approved](#).

<sup>30</sup> SoCalGas AL 5432-G, Establishment of Contracts with the Selected Dairy Biomethane Pilot Projects, Pursuant to D.17-12-004 (AL 5432-G), at 2, available at: [SCG GAS Advice-5432 Approved](#). AL 5432-G became effective on April 4, 2019.

<sup>31</sup> SoCalGas AL 5432-G at 1, available at [SCG GAS Advice-5432 Approved](#).

1 Lakeside Facility (Lane 4 and 5),<sup>32</sup> [REDACTED] for the design and  
2 fabrication of the compressor systems (Lane 4),<sup>33</sup> and [REDACTED] for the  
3 engineering and design of the pipeline extension and pressure betterment (Lane 6).<sup>34</sup>  
4 Release Order 5660055153 authorizing [REDACTED] scope of work was issued in July of  
5 2018.<sup>35</sup> According to Amendment 2 and Amendment 3 to Release Order (RO)  
6 5660055058, RO 5660055058 authorizing [REDACTED] scope of work was effective on either  
7 March 19 or March 14, 2019 and amended January 18, 2022 and August 26, 2022.<sup>36</sup> For  
8 another of its contractors, SoCalGas provided [REDACTED] Intent to Bid, which [REDACTED]  
9 submitted to SoCalGas on October 10, 2018<sup>37</sup> and [REDACTED] most recent revised proposal  
10 on submitted March 18, 2019, along with several intermediate submissions.<sup>38</sup>

11 SoCalGas issued a Request for Proposal (RFP) to solicit a contractor to perform  
12 the Facility and Pipeline Extension Installation (Pipeline Extension) on May 19, 2020  
13 with a due date of June 18, 2020.<sup>39</sup> This RFP included a scope of work for Lanes 4 and 5  
14 of the Project. SoCalGas issued a separate RFP to solicit a contractor to perform the  
15 Pipeline Pressure Betterment Installation (Pressure Betterment) on February 12, 2021

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<sup>32</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Question 1(b).

<sup>33</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Question 1(b), "5660055219 [REDACTED]"

<sup>34</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Question 1(b), "5660055058 [REDACTED]"

<sup>35</sup> Appendix B, Attachment 1-2, SoCalGas Response to Cal Advocates SoCalGas DR 004 (Confidential), Question 3(a)(iv), "5660055153-R\_CONFIDENTIAL."

<sup>36</sup> Appendix B, Attachment 1-2, SoCalGas Response to Cal Advocates SoCalGas DR 004 (Confidential), Question 5(a)(iv), [REDACTED]  
[REDACTED]

<sup>37</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Request 3(a), "(95)att\_02\_Intent\_to\_Bid\_Form\_(RFP\_85288)\_SIGNED\_CONFIDENTIAL.pdf."

<sup>38</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Request 3(a), "(76)att\_QS0218009-4\_REV4 - [REDACTED] PROPOSAL - SoCal\_Gas - Lakeside\_4\_(71\_mcfh)\_CONFIDENTIAL."

<sup>39</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential), Request 1(b), Attachment "RFP104829\_Main\_Doc\_rev0.pdf."

1 with a due date of March 5, 2021.<sup>40</sup> This RFP was intended for work on Lane 6 of the  
2 Project.

3 [REDACTED] submitted bids for the Pipeline Extension on  
4 June 18, 2020<sup>41</sup> and the Pressure Betterment on February 17, 2021.<sup>42</sup> SoCalGas  
5 subsequently contracted [REDACTED] for the construction of both Pipeline Extension, which  
6 began in September 2020,<sup>43</sup> and the Pressure Betterment, which began in April 2021.<sup>44</sup>  
7 SoCalGas's provided schedule states that project engineering and design began in  
8 October 2018 and was completed in July 2020.<sup>45</sup> SoCalGas states that construction  
9 began in August 2020 and the Project was completed in August 2021.<sup>46</sup>

#### 10 **D. Cost Overages**

11 SoCalGas requests that the Commission approve cost recovery for \$7,831,000<sup>47</sup>  
12 above the authorized amount of \$10,844,000 for SoCalGas's design, construction, and  
13 commissioning of SoCalGas's Pipeline Laterals, Compressor, Point of Receipt, and  
14 Pipeline Extension."<sup>48</sup> SoCalGas categorizes the \$7,831,000 in overages into six groups:

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<sup>40</sup> Appendix B, Attachment 1-1, SoCalGas Response to Cal Advocates SoCalGas DR 005 (Confidential),  
“(1)Attachment\_1\_-\_SB1383\_Pressure\_Betterment\_RFP\_v3.pdf”

<sup>41</sup> Appendix B, Attachment 1-1, SCG's Confidential Response to Cal Advocates DR 005, Request 1(b),  
Attachment “(11)att\_02\_-\_Intent\_to\_Bid\_Form\_[REDACTED].pdf.”

<sup>42</sup> Appendix B, Attachment 1-1, SCG's Confidential Response to Cal Advocates DR 005, Request 1(b),  
Attachment “(13)[REDACTED]\_Intent\_to\_Bid\_Form\_RFP\_112445.pdf.”

<sup>43</sup> Appendix B, Attachment 1-3, SCG's Confidential Response to Cal Advocates DR 003, Request 1(b),  
Attachment “5811906318 CONFIDENTIAL.pdf.”

<sup>44</sup> Appendix B, Attachment 1-3, SCG's Confidential Response to Cal Advocates DR 003, Request 1(b),  
Attachment  
“(7)Submittal\_08\_Sched\_SB\_1383\_Lakeside\_Press\_Betterment\_508\_523\_CONFIDENTIAL.pdf”.

<sup>45</sup> Appendix B, Attachment 1-1, SCG Confidential Response to Cal Advocates DR 005, Request 5,  
Attachment “DR5 Q 5-5c.”

<sup>46</sup> SCG-03 at MP-13.

<sup>47</sup> This figure changed to \$7,834,000 in SoCalGas's Response to Cal Advocates' fourth data request.  
SoCalGas states that it will amend its testimony to include this number. See Appendix B, Attachment 1-  
2, SoCalGas Response to Cal Advocates SoCalGas DR 4, Question 1.

<sup>48</sup> SCG-03 at MP-1.

1 1) Engineering, 2) Equipment & Materials, 3) Construction, 4) Company Labor, 5) Other  
2 Construction Management, and 6) Indirect Costs.

3 **III. DISCUSSION**

4 **A. SoCalGas did not reasonably manage the Project.**  
5 **(Weinberger)**

6 SoCalGas far exceeded the authorized budget for its portion of the Project despite  
7 SoCalGas’s inclusion of contingencies in its authorized budget for each part of the  
8 Project. Additionally, although given several opportunities, SoCalGas failed to present  
9 correct and complete documentation of the Project’s costs, which suggests that SoCalGas  
10 did not adequately track and manage the Project’s costs. Therefore, the Commission  
11 should find that SoCalGas did not act as a reasonable manager of the Project and reject  
12 SoCalGas’s request to recover \$7,831,000 in additional ratepayer funds.

13 **a.) SoCalGas exceeded the Project’s budget in**  
14 **every category, despite large contingencies.**

15 SoCalGas states that, in its approval of AL 5398-G-A, the Commission approved a  
16 total, “full loaded” cost of \$30,141,000 for the Project,<sup>49</sup> which included \$9,327,000 for  
17 Lakeside’s portion of the Project and \$9,970,000 of Operations and Maintenance (O&M)  
18 expenses, leaving \$10,844,000 for SoCalGas’s portion of the Project.<sup>50</sup> SoCalGas states  
19 that the \$10,844,000 authorized cost included authorized costs of \$683,000 for  
20 engineering-related expenses,<sup>51</sup> \$3,127,000 for equipment and material costs,<sup>52</sup>  
21 \$2,813,000 for construction costs,<sup>53</sup> \$704,000 for company labor,<sup>54</sup> \$1,284,000 for other

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<sup>49</sup> Advice Letter 5398-G-A, Appendix A at 9.

<sup>50</sup> Appendix B, Attachment 1-1, SCG Response to DR 005, Attachment “Follow-Up Responses to Discussion Items from April 1 Meeting” at 2.

<sup>51</sup> SCG-3 at MP-8.

<sup>52</sup> SCG-3 at MP-10.

<sup>53</sup> SCG-3 at MP-11.

<sup>54</sup> SCG-3 at MP-14.

1 construction management costs,<sup>55</sup> and \$2,233,000 in indirect costs.<sup>56</sup> This is depicted in  
2 Table 1 below.

3 **Table 1: Summary of Fully Loaded Facility Cost Variance (in \$000s) Provided in**  
4 **SoCalGas Chapter 3 Testimony<sup>57</sup>**

Costs Component	Authorized (2019) <sup>14</sup>	Actuals Costs	Variance
Engineering	683	3,105	2,422
Equipment & Materials	3,127	3,386	259
Construction	2,813	6,031	3,218
Company Labor	704	1,161	457
Other Construction Management	1,284	1,861	577
<b>Direct Costs</b>	<b>8,611</b>	<b>15,544</b>	<b>6,933</b>
<b>Indirect Costs</b>	<b>2,233</b>	<b>3,131</b>	<b>898</b>
<b>Total Loaded Costs</b>	<b>10,844</b>	<b>18,675</b>	<b>7,831</b>

5  
6 In response to a Cal Advocates data request about its engineering expenditures,  
7 SoCalGas claimed that after further review, it determined revisions to cost components  
8 were necessary.<sup>58</sup> SoCalGas presented revised cost figures, including revised  
9 “authorized” costs, for each of the cost categories except for company labor, shown in  
10 Table 2 below.<sup>59</sup> SoCalGas states that it will amend its testimony at the next possible  
11 opportunity to reflect the numbers shown in Table 2.<sup>60</sup>

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<sup>55</sup> SCG-3 at MP-15.

<sup>56</sup> SCG-3 at MP-16.

<sup>57</sup> SCG-3 at MP-7.

<sup>58</sup> Appendix B, Attachment 1-2, SCG Response to DR 004, Question 1 at 2.

<sup>59</sup> Appendix B, Attachment 1-2, SCG Response to DR 004, Question 1 at 2.

<sup>60</sup> As described, SoCalGas originally provided the revised cost figures in data request responses. However, on April 21<sup>st</sup> and April 22<sup>nd</sup>, 2026, SoCalGas served two revised testimonies that updated these cost figures. Because these testimonies were served soon before this testimony is due to be served, this testimony refers to the data request responses in which SoCalGas originally provided updated cost figures. See Southern California Gas Company’s Revised Prepared Direct Testimony of Martiza Pacheco (Revised SCG-3), April 22, 2026, at MP-7.

1 **Table 2: Revised Summary of Fully Loaded Facility Cost Variance (in \$000s)**  
 2 **Provided in SoCalGas Response to Data Request 5<sup>61</sup>**

Costs (in \$000)	Authorized (2019)	Actuals	Delta Over/(Under)
Engineering	<del>683</del> 684	<del>3,105</del> -2,583	<del>2,422</del> -1,899
Equipment & Materials	3,127	<del>3,386</del> -3,627	<del>259</del> 500
Construction	<del>2,813</del> 3,155	6,031	<del>3,218</del> -2,876
Company Labor	704	1,161	457
Other Construction Management	<del>1,284</del> 941	<del>1,861</del> -2,142	<del>577</del> 1,201
<b>Direct Costs</b>	<b>8,611</b>	<b>15,544</b>	<b>6,933</b>
<b>Indirect Costs</b>	<b>2,233</b>	<del><b>3,131</b></del> <b>3,134</b>	<del><b>898</b></del> <b>901</b>
<b>Total Loaded Costs</b>	<b>10,844</b>	<del><b>18,675</b></del> <b>18,678</b>	<del><b>7,831</b></del> <b>7,834</b>

3  
4

5 Although SoCalGas states that the figures above represent authorized costs, the  
 6 Commission did not authorize costs for individual categories of the Project.<sup>62</sup> Rather, the  
 7 Commission authorized SoCalGas’s cost recovery request of \$30,141,000 for the entire  
 8 Project, which also includes Lakeside’s portion of the Project and O&M expenses.<sup>63</sup>

9 SoCalGas states that, in order to inform its cost recovery request, it developed a  
 10 cost estimate for its portion of the Project (Lanes 4-6) prior to filing AL 5398-G.<sup>64</sup>  
 11 SoCalGas states that the estimates for Lanes 4 and 6 were based on standard estimating  
 12 practices in combination with SoCalGas’s experience,<sup>65</sup> while the “typical [Renewable  
 13 Natural Gas] RNG Point of Receipt project” was used to estimate the Lane 5 portion of  
 14 the Facility.<sup>66</sup> SoCalGas explains that the cost estimates for each Lane were based on

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<sup>61</sup> Appendix B, Attachment 1-2, SCG Response to DR 004, Question 1 at 2.

<sup>62</sup> “AL 5398-A did not break down the cost into the individual cost components or approve cost at the cost component level but rather approved the costs as a total number.”. See Attachment XX, SCG Response to DR 005, Attachment “Follow-Up Responses to Discussion Items from April 1 Meeting” at 2.

<sup>63</sup> Advice Letter 5398-G-A, Appendix A at 9.

<sup>64</sup> SCG-03 at MP-5.

<sup>65</sup> Workpapers at WP-19-WP-20.

<sup>66</sup> Workpapers at WP-19.

1 cost estimates of tasks that SoCalGas expected to perform for the construction of each  
2 Lane, plus contingencies.<sup>67</sup> SoCalGas states that Lane 4 included a [REDACTED] contingency,  
3 while Lanes 5 and 6 included [REDACTED] contingencies.<sup>68</sup>

4 In its testimony, SoCalGas claims that it did not have sufficient time to develop a  
5 reliable cost estimate.<sup>69</sup> SoCalGas claims that the Project required a more complex  
6 operational model that varied in several ways from the typical Point of Receipt project  
7 that SoCalGas was familiar with.<sup>70</sup> As a result, SoCalGas states, it developed a “Class 4  
8 estimate” of the Project’s costs.<sup>71</sup> SoCalGas explains that Class 4 estimates range “from -  
9 30% on the low side to +50% on the high side.”<sup>72</sup>

10 SoCalGas’s explanation for its cost overages falls short for three reasons. First, as  
11 described above, SoCalGas’s cost estimate included contingences. SoCalGas fails to  
12 explain why these contingencies were unable to cover the Project’s expenditures.  
13 Second, SoCalGas’s costs exceeded 70% of the authorized costs, far beyond the range of  
14 “50% on the high side.” In fact, as described in the sections below, SoCalGas signed  
15 contracts with the contractors that worked on the Project for amounts that already  
16 exceeded the authorized budget, before millions of dollars in additional expenditures  
17 were added after SoCalGas signed the contracts. Third, SoCalGas states that it lacked  
18 experience with the operational model of the compression and Point of Receipt parts of  
19 the Project, which correspond to Lanes 4 and 5.<sup>73</sup> However, SoCalGas does not state that  
20 it lacked experience with the pipeline extension and pressure betterment portion of the

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<sup>67</sup> Appendix B, Attachment 1-1, SCG Confidential Response to DR 005, Request 6(a)(ii) at 21.

<sup>68</sup> Appendix B, Attachment 1-1, SCG Confidential Response to Cal Advocates DR 005, Request 6(a)(ii) at 21.

<sup>69</sup> SCG-03 at MP-6 to MP-7.

<sup>70</sup> SCG-03 at MP-3 to MP-4.

<sup>71</sup> SoCalGas describes a “Class 4 estimate” as an estimate prepared with only ~1–15% engineering definition. See SCG-03 at MP-5.

<sup>72</sup> SCG-03 at MP-6.

<sup>73</sup> SCG-03 at MP-3.

1 Project, which corresponds to Lane 6. As described in Section D of this chapter,  
2 SoCalGas overspent by similar margins on the construction of Lane 6 as well.

3 **b.) SoCalGas fails to distinguish costs spent on**  
4 **this Project from its other SB 1383 pilot**  
5 **projects.**

6 SoCalGas fails to demonstrate that its overage requests are reasonable because its  
7 documentation of the Project’s costs includes costs from SoCalGas’s other SB 1383  
8 Dairy Digester Pilot projects. There are several instances in which multiple projects’  
9 costs are included together in single invoices (or other cost documentation); however,  
10 SoCalGas does not distinguish which costs are attributable to the Lakeside Project. It is  
11 therefore not possible to accurately verify several of SoCalGas’s claimed costs.

12 Cal Advocates identified invoices for SoCalGas’s Buttonwillow, South Tulare,  
13 and North Visalia project sites, which SoCalGas included in response to data requests  
14 pertaining to “other construction management” costs.<sup>74</sup> Cal Advocates informed  
15 SoCalGas that it appeared that SoCalGas had sent invoices that were from other  
16 projects.<sup>75</sup> SoCalGas acknowledged that invoices for other projects are included in  
17 documentation it provided for the Lakeside Project’s costs; however, SoCalGas did not  
18 identify the invoices that should be excluded, or which amounts from the invoices are  
19 actually being sought for recovery.<sup>76</sup> In another example, SoCalGas did not identify  
20 which of the compressor costs are attributable to the Lakeside Project, as discussed below  
21 in Section B.<sup>77</sup> SoCalGas provided change orders that contain compressor design and  
22 fabrication work done by ██████ for the Buttonwillow, North Visalia, and South Tulare

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<sup>74</sup> Appendix B, Attachment 1-3, SCG Confidential Response to DR 003, Folder “Invoices 2232026”, and Folder “5b Other Construction Management.”

<sup>75</sup> Appendix B, Attachment 1-5, Email from Cal Advocates to SoCalGas 3/3/2026 at 10:40 AM, RE: A.25-08-009: Question for SoCalGas about Data Request Responses.

<sup>76</sup> Appendix B, Attachment 1-5, Email from SoCalGas to Cal Advocates, 3/10/2026 at 2:08 PM, RE: A.25-08-009: Question for SoCalGas about Data Request Responses.

<sup>77</sup> Appendix B, Attachment 1-2, SCG Confidential Response to DR 004, Attachment “Project Change Request Form.”

1 SB 1383 Dairy Digester Pilot project sites, yet the costs are presented in aggregate as  
2 opposed to line items for each project site.<sup>78</sup>

3 SoCalGas’s failure to distinguish which cost information is actually attributable to  
4 the Lakeside Project makes it impossible to verify several of SoCalGas’s claimed costs.  
5 As such, Cal Advocates recommends that the Commission find that SoCalGas failed to  
6 act as a reasonable manager of the Project.

7 **B. SoCalGas’s Project incurred unreasonable engineering-**  
8 **related overages. (Condensa)**

9 SoCalGas states that it spent \$3,105,000 on the Project’s engineering-related  
10 activities.<sup>79</sup> SoCalGas claims that this is \$2,422,000 above its estimated budget of  
11 \$683,000, as shown in Table 5 below.<sup>80</sup> This represents spending of over four and a half  
12 times what SoCalGas estimated for its engineering budget.

13 **Table 5: Summary of Engineering Cost Variance (in \$000s) Provided in**  
14 **SoCalGas Chapter 3 Testimony**

Scope	Authorized Amount (2019) <sup>15</sup>	Actual Cost	Variance
SoCalGas’s Facility	683	3,105	2,422

15  
16 In response to a Cal Advocates data request, SoCalGas revised the cost  
17 components, increasing its claimed authorized engineering-related budget to \$684,000  
18 and decreasing the actual engineering-related cost and variance to \$2,583,000 and  
19 \$1,899,000, respectively, as shown in Table 6 below.<sup>81</sup> With these revisions, SoCalGas  
20 still represents that it spent nearly four times its expected budget on engineering-related  
21 activities.

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<sup>78</sup> Appendix B, Attachment 1-2, SCG Confidential Response to DR 004, Attachment “Project Change Request Form.”

<sup>79</sup> SCG-3 at MP-7.

<sup>80</sup> SCG-3 at MP-7.

<sup>81</sup> Appendix B, Attachment 1-2, SCG Response to DR 004, Question 1 at 2.

**Table 6: Revised Summary Engineering Cost Variance (in \$000s) Provided in SoCalGas Response to Data Request 4**

Costs (in \$000)	Authorized (2019)	Actuals	Delta Over/(Under)
Engineering	683 684	3,105-2,583	2,422-1,899

SoCalGas fails to show that its claimed engineering-related cost overages are reasonable for three reasons. First, SoCalGas fails to provide evidence of cost impacts totaling SoCalGas’ claimed engineering-related cost variance. Second, SoCalGas fails to demonstrate the reasonableness of its “Additional Electrical, Civil, and Structural Design” Project expenses. Third, SoCalGas fails to demonstrate the reasonableness of its “Detailed Design Support Activities” scope change overages. Therefore, Cal Advocates recommends that the Commission disallow \$1,684,000 of SoCalGas’s claimed engineering-related cost overages.

**a.) SoCalGas does not provide evidence of cost impacts totaling SoCalGas’ claimed engineering-related cost variance.**

SoCalGas fails to show that the \$671,000 it attributes to engineering-related Project expenses beyond the three primary engineering scope changes described in SoCalGas’s testimony are reasonable because SoCalGas fails to identify and describe the expenditures associated with these costs. SoCalGas’s three identified engineering-related scope changes account for \$1,228,000 of the \$1,899,000 that SoCalGas claims represents its total engineering-related overages. SoCalGas fails to show that it is reasonable to recover \$671,000 for unspecified engineering-related expenditures from its ratepayers.

In its testimony, SoCalGas states:

“Increases in Engineering costs were incurred as a result of several factors, but not limited to, expanded engineering scope to include additional equipment and materials, detailed engineering and design support for the multi-discipline project, and drawing as-built close-out support.”<sup>82</sup>

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<sup>82</sup> SCG-3 at MP-8.

1 SoCalGas lists three primary engineering scope changes in its testimony:  
2 “Additional Electrical, Civil, and Structural Design,” “Detailed Design Support  
3 Activities,” and “Project Modification and Close-out.” SoCalGas states the “Additional  
4 Electrical, Civil, and Structural Design” scope change had a cost impact of \$847,000,  
5 “Detailed Design Support Activities” scope change had a cost impact of \$450,000, and  
6 “Project Modification and Close-out” scope change had a cost impact of \$215,000.<sup>83</sup>  
7 Subsequently, as a part of the data request response in which SoCalGas revised its  
8 claimed engineering-related costs and overages, SoCalGas amended the “Detailed Design  
9 Support Activities” scope change from \$450,000 to [REDACTED]<sup>84</sup> Soon after, SoCalGas  
10 submitted a revised data request response that again changed “Detailed Design Support  
11 Activities” scope change to from [REDACTED] to [REDACTED] and the “Additional Electrical,  
12 Civil, and Structural Design” scope change to from \$847,000 to [REDACTED].<sup>85</sup> With these  
13 revisions, the three engineering scope change categories total \$1,228,000 of the  
14 \$1,899,000 that SoCalGas claims represents engineering-related overages.

15 The primary scope changes and associated cost impacts provided by SoCalGas are  
16 shown below in Table 7 as stated in SoCalGas’s testimony and as revised in SoCalGas’s  
17 data request responses. These costs are compared to SoCalGas’s claimed total  
18 engineering-related cost overages.<sup>86</sup>

19

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<sup>83</sup> SCG-3 at Table 4, MP-9.

<sup>84</sup> Appendix B, Attachment 1-2, SCG Confidential Response to DR 004, Question 4 at 11.

<sup>85</sup> Appendix B, Attachment 1-2, SCG Confidential Revised Response to DR 004, Questions 3 and 4 at 8-11.

<sup>86</sup> SCG-3 at MP-8 and MP-9; Appendix B, Attachment 1-2, SCG Supplemental Response to DR 004, Questions 3, 4, and 5 at 8-11.

1 **Table 7: Costs of Engineering Scope Changes and Total Claimed Engineering Cost**  
 2 **Overages, Original Costs Provided in Testimony and Revised Costs**

Engineering Scope Change	Testimony Cost Impact	Revised Cost Impact
Additional Electrical, Civil, and Structural Design	\$847,000	████████
Detailed Design Support Activities	\$450,000	████████
Project Modification and Close-out	\$215,000	████████
<b>Total of Scope Changes</b>	<b>\$1,512,000</b>	<b>\$1,228,000</b>
<b>Total Claimed Engineering Cost Overages</b>	<b>\$2,422,000</b>	<b>\$1,899,000</b>

3  
 4 These scope change categories total only \$1,228,000 of the \$1,899,000 that  
 5 SoCalGas claims represents engineering-related overages, even after SoCalGas’s  
 6 revisions. Thus, the evidence SoCalGas provided does not account for the \$671,000  
 7 difference between its \$1,899,000 variance and \$1,228,000 identified expenditures.

8 Cal Advocates reviewed other potential sources of engineering-related Project  
 9 expenses to account for the \$671,000. In its testimony, SoCalGas states that “detailed  
 10 information [is] available in the supporting Facility workpaper (Section IV.C.1.  
 11 Engineering).”<sup>87</sup> In its workpapers, SoCalGas describes the engineering-related Project  
 12 expenses that occurred as the design progressed beyond the initial estimate.<sup>88</sup> The first  
 13 three design change categories match the aforementioned engineering-related Project  
 14 expenses in both description and pre-revision costs. However, SoCalGas also states that  
 15 “[a]n engineering analysis was completed on the pipe supports during detailed design,  
 16 which resulted in an increased number of pipe supports required primarily due to  
 17 vibrations from the compressors.”<sup>89</sup> SoCalGas does not assign a cost to this final

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<sup>87</sup> SCG-3 at MP-8.

<sup>88</sup> Workpapers at WP-24 through WP-26.

<sup>89</sup> Workpapers at WP-26.

1 engineering analysis within the workpapers. In response to Cal Advocates’ data request,  
2 SoCalGas confirms that “[t]he engineering analysis is included in the scope change  
3 reference in Table 4 under ‘Additional Electrical, Civil, and Structural Design.’”<sup>90</sup>  
4 SoCalGas does not put forward any additional engineering-related Project expenses that  
5 account for the \$671,000.

6 The evidence SoCalGas provides shows that SoCalGas cannot account for the  
7 \$671,000 difference between the \$1,899,000 overage variance seeks to recover and the  
8 \$1,228,000 expenses it identifies. Therefore, SoCalGas fails to show that it is reasonable  
9 to recover the \$671,000 in unaccounted for engineering-related Project expenses. Cal  
10 Advocates recommends that the Commission disallow the recovery of the \$671,000  
11 SoCalGas claims for unspecified engineering-related expenditures.

12 **b.) SoCalGas does not demonstrate the**  
13 **reasonableness of the “Additional Electrical,**  
14 **Civil, and Structural Design” Project**  
15 **expenses.**

16 SoCalGas fails to show that the \$625,000 it attributes to “Additional Electrical,  
17 Civil and Structural Design” Project expenses are reasonable because SoCalGas fails to  
18 delineate, provide evidence of, or otherwise describe how the expenses were determined.  
19 Therefore, SoCalGas fails to show that it is reasonable to recover \$625,000 for  
20 “Additional Electrical, Civil, and Structural Design” from its ratepayers.

21 In a data request, Cal Advocates requested that SoCalGas provide the following  
22 for the Additional Electrical, Civil, and Structural Design Scope Changes:

- 23 “List and provide a description of each engineering or design  
24 scope change made;  
25 Provide the total cost, or line-item amount, for each  
26 engineering or design scope change made; and  
27 Provide invoices or accounting documentation for the costs  
28 associated with each engineering or design scope change.”<sup>91</sup>

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<sup>90</sup> Appendix B, Attachment 1-2, SCG’s Confidential Response to DR 004, Request 7(a)(iii).

<sup>91</sup> Appendix B, Attachment 1-2, Cal Advocates SCG DR 004, Request 3.

1 In response, SoCalGas provides a single scope change described as “[REDACTED]”  
2 [REDACTED] for a total value of [REDACTED].<sup>92</sup> In lieu of providing invoices or  
3 documentation for how SoCalGas derived the \$625,000, SoCalGas states:

4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]<sup>93</sup>

9 The Release Order describes that [REDACTED]  
10 [REDACTED] was contracted for a Not-To-Exceed amount of [REDACTED]  
11 with [REDACTED] being attributed to the Hanford facility, which represents the Lakeside  
12 Project.<sup>94</sup>

13 The Release Order describes the scope of services to include:

14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]<sup>95</sup>

21 SoCalGas states that the “Additional Electrical, Civil, and Structural Design”  
22 scope change Project expenditures result from:

23 “[a] larger and more complex Power Distribution Center  
24 (PDC) [needing] to be designed, and multiple equipment sizes  
25 and specifications were revised to accommodate the updated

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<sup>92</sup> Appendix B, Attachment 1-2, SCG Supplemental Response to DR 004 (Confidential), Request 3, and Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>93</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>94</sup> Appendix B, Attachment 1-2, SCG Confidential Response to DR 004, Request 3(a)(iv), Attachment “5660055153-R\_CONFIDENTIAL” at 5.

<sup>95</sup> Appendix B, Attachment 1-2, SCG Confidential Response to DR 004, Request 3(a)(iv), Attachment “5660055153-R\_CONFIDENTIAL” at 3.

1 design. Furthermore, geotechnical report findings completed  
2 after the estimate was created identified soft ground  
3 conditions at the project site. These findings necessitated  
4 modifications to the civil and structural design, particularly in  
5 the sizing and configuration of equipment foundations.”<sup>96</sup>

6 The scope of services defined in [REDACTED] Release Order appears to  
7 cover the design work changes associated with the “Additional Electrical, Civil, and  
8 Structural Design” described in SoCalGas’s testimony.

9 However, SoCalGas has not provided “invoices or accounting documentation for  
10 the costs associated with each engineering or design scope change” that falls within the  
11 “Additional Electrical, Civil, and Structural Design” cost category, as requested by Cal  
12 Advocates.<sup>97</sup> Such documentation should show whether the amounts paid to [REDACTED]  
13 [REDACTED] equaled, exceeded, or were less than the contract amount provided in the  
14 Release Order. A Release Order or contract alone does not demonstrate that SoCalGas  
15 paid the company and incurred an expense, nor does it document the variances in the  
16 expenses paid beyond what was expected. As described above, SoCalGas indicates that  
17 the [REDACTED]

18 [REDACTED]<sup>98</sup> However, SoCalGas has not  
19 provided the original estimate for electrical, civil, and structural design engineering work  
20 from which SoCalGas claims the scope change amount was calculated.

21 SoCalGas fails to show that \$625,000 for “Additional Electrical, Civil, and  
22 Structural Design” Project expenses is reasonable because SoCalGas fails to provide  
23 evidence of the actual expenditures made related to this cost category and fails to provide  
24 the original cost estimate from which the claimed overage was derived. Cal Advocates

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<sup>96</sup> SCG-3 at MP-9.

<sup>97</sup> Appendix B, Attachment 1-2, Cal Advocates SCG DR 004, Request 3.

<sup>98</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

1 recommends that the Commission disallow the recovery of the \$625,000 SoCalGas  
2 claims for “Additional Electrical, Civil, and Structural Design.”

3 **c.) SoCalGas does not demonstrate the**  
4 **reasonableness of the “Detailed Design**  
5 **Support Activities” scope change overages.**

6 SoCalGas fails to show that the \$388,000 it attributes to “Detailed Design Support  
7 Activities” engineering-related scope changes is reasonable because SoCalGas fails to  
8 delineate, provide records for, or otherwise describe how the overages were determined.  
9 Therefore, SoCalGas fails to show that it is reasonable to recover \$388,000 for “Detailed  
10 Design Support Activities” from its ratepayers.

11 In testimony, SoCalGas describes “Detailed Design Support Activities” as: 1)  
12 advanced drafting and 3D Modeling, 2) a detailed Process Hazard Analysis that led to  
13 safety-driven design enhancements, and 3) design revisions that validated compressor  
14 designs for operational compatibility.<sup>99</sup>

15 Cal Advocates requested that SoCalGas provide the following for the Detailed  
16 Design Support Activities:

17 “List and provide a description of each engineering or design  
18 scope change made;

19 Provide the total cost, or line-item amount, for each  
20 engineering or design scope change made”; and

21 Provide invoices or accounting documentation for the costs  
22 associated with each engineering or design scope change.”<sup>100</sup>

23 In response, SoCalGas provides a single scope change for a total of [REDACTED]  
24 with the description: [REDACTED]  
25 [REDACTED]

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<sup>99</sup> SCG-3 at MP-9.

<sup>100</sup> Appendix B, Attachment 1-2, Cal Advocates SCG DR 004, Request 4.

1 [REDACTED]<sup>101</sup> In lieu of providing invoices or documentation  
2 for how this figure was derived, SoCalGas states:

3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]<sup>102</sup>

9 Although SoCalGas did not directly identify the contractor or reference any  
10 invoices in the data request response quoted above, SoCalGas provided an attachment to  
11 this data request with invoices from [REDACTED],<sup>103</sup> which had been hired to provide  
12 compressor packages, ancillary equipment, and all associated compressor package  
13 engineering design, fabrication, commissioning, and start-up for all four facilities for SB  
14 1383 Dairy Pilot Projects.<sup>104</sup> Although SoCalGas demonstrated that [REDACTED] submitted an  
15 intent to bid on the associated work on October 10, 2018<sup>105</sup> and submitted proposals on  
16 each of four compressor scenarios in November and December of 2018<sup>106</sup> and subsequent

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<sup>101</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>102</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>103</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Request 4(a)(iv).

<sup>104</sup> Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Request 1(b), Attachment “5660055219 [REDACTED]”

<sup>105</sup> Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Attachment “(95)att\_02\_Intent\_to\_Bid\_Form\_(RFP\_85288)\_SIGNED\_CONFIDENTIAL.”

<sup>106</sup> Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Attachment “(142)QS0218009-2\_REV0 - [REDACTED] PROPOSAL - SoCal\_Gas - BioGas\_Scenario\_2\_CONFIDENTIAL.”

1 revisions in March of 2019,<sup>107</sup> SoCalGas has not provided the date which [REDACTED] was  
2 contracted or the total contract amount.

3 The Project Change Request Form, dated December 1, 2020, contains thirteen  
4 change order items for a total cost of [REDACTED].<sup>108</sup> However, the change orders appear to  
5 aggregate cost across the four SB 1383 Dairy Biogas Project sites, as indicated by change  
6 orders such as CC04 – “Add recirc line to Buttonwillow” and CC12 – “Upsize recirc  
7 lines on Lakeside and STul” that reference two of SoCalGas’s other SB 1383 Dairy  
8 Digester Pilot Project sites, Buttonwillow and South Tulare. The page provided by  
9 SoCalGas only presents the costs of the change orders in aggregate. The other invoice  
10 provided in this attachment from [REDACTED], dated November 18, 2020, is specific to the  
11 Lakeside location and appears to describe eight change order line items for a total of  
12 [REDACTED].<sup>109</sup>

13 In the attachment SoCalGas provides for the data request question regarding the  
14 “Additional Electrical, Civil, and Structural Design” Project expenditures, SoCalGas  
15 provides three more invoices from [REDACTED]. These invoices are for “Stage 2 – Submittal of  
16 30% Design Documents Due Upon Receipt” on September 17, 2019, “Stage 3 –  
17 Submittal of 60% Design Documents Due Upon Receipt” on September 20, 2019, and  
18 “Stage 4 – Submittal of 90% Design Documents Due Upon Receipt” on November 19,  
19 2019 for [REDACTED], [REDACTED] and [REDACTED] respectively.<sup>110</sup> SoCalGas has not provided  
20 invoices associated with the Project start or Project completion and delivery. SoCalGas

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<sup>107</sup> Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Attachment  
“(76)att\_QS0218009-4\_REV4 - [REDACTED] PROPOSAL - SoCal\_Gas -  
\_Lakeside\_4\_(71\_mcfh)\_CONFIDENTIAL.”

<sup>108</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “Project Change  
Request Form.”

<sup>109</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment  
“5811944640\_CONFIDENTIAL.”

<sup>110</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment  
“5811432162\_CONFIDENTIAL”; “5811432203\_CONFIDENTIAL”; “5811517342\_CONFIDENTIAL.”

1 further does not provide an explanation as to what amounts of these invoices exceeded  
2 the initial estimates for design support activities or what those initial estimates were.

3 The five [REDACTED] documents SoCalGas provides total [REDACTED], compared to the  
4 \$388,000 SoCalGas requests for “Detailed Design Support Activities.” However, as  
5 described above, one of the change orders contains costs associated with changes made  
6 on sites other than the Lakeside Project.<sup>111</sup> The invoices also do not describe what costs  
7 exceeded the initial budgets for design support activities, since SoCalGas does not  
8 provide the initial estimates from which the excess is to be estimated. In fact, SoCalGas  
9 states that [REDACTED]<sup>112</sup>

10 Further, SoCalGas failed to provide potentially relevant invoices from [REDACTED]. SoCalGas  
11 provided invoices for “Stage 2 – Submittal of 30% Design Documents” through “Stage 4  
12 – Submittal of 90% Design Documents,” but did not provide invoices for Stage 1 or a  
13 later stage corresponding to Project completion.

14 Cal Advocates recommends that the Commission disallow \$388,000 in cost  
15 overages that SoCalGas claims for “Detailed Design Support Activities” because  
16 SoCalGas fails to demonstrate what its actual expenditures were on the Lakeside Project.  
17 SoCalGas also fails to demonstrate that its claimed expenditures exceeded its initial  
18 estimates, which makes it impossible to verify if these costs were overages or for what  
19 reason the overages occurred.

20 **C. SoCalGas’s Project incurred unreasonable equipment-**  
21 **and material-related overages. (Condensa)**

22 As shown in Table 7 below, SoCalGas revised the equipment- and material-related  
23 costs presented in its testimony through data request responses to Cal Advocates.

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<sup>111</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “Project Change Request Form.”

<sup>112</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

1 SoCalGas increased the actual equipment and material-related costs and variance from  
2 \$3,386,000 and \$259,000 to \$3,627,000 and \$500,000, respectively.<sup>113</sup>

3 **Table 7: Revised Summary Equipment & Materials Cost Variance (in \$000s)**  
4 **Provided in SoCalGas Response to Data Request 004**

Costs (in \$000)	Authorized (2019)	Actuals	Delta Over/(Under)
Engineering	683,684	3,105,258	2,422,189
Equipment & Materials	3,127	3,386,367	259,500

5  
6 SoCalGas fails to show that its claimed equipment- and material-related cost  
7 overages are reasonable for two reasons. First, SoCalGas fails to demonstrate the  
8 reasonableness of the “Power Distribution Center Material Costs” over its initial  
9 estimates. Second, SoCalGas fails to provide evidence of cost impacts totaling  
10 SoCalGas’ equipment- and material-related costs. Therefore, Cal Advocates  
11 recommends that the Commission disallow the recovery of the \$500,000 SoCalGas  
12 claims for equipment- and material-related overages.

13 **a.) SoCalGas does not demonstrate the**  
14 **reasonableness of the “Power Distribution**  
15 **Center Material Costs” overages.**

16 SoCalGas fails to show that the \$453,000 it attributes to “Power Distribution  
17 Center Material Costs” is in excess of its initial estimates for a power distribution center.  
18 Therefore, SoCalGas fails to show that it is reasonable to recover \$453,000 for “Power  
19 Distribution Center Material Costs” from its ratepayers.

20 In its testimony, SoCalGas states that the primary equipment and material-related  
21 cost variance is due to \$445,000 in Project expenses for increases in “Power Distribution  
22 Center Material Costs.”<sup>114</sup> In response to Cal Advocate’s data request, SoCalGas revises  
23 this figure to \$453,000 to “account for approximately \$8,000 that was inadvertently

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<sup>113</sup> Appendix B, Attachment 1-2, SCG Revised Response to DR 004, Question 1.

<sup>114</sup> SCG-3 at MP-11.

1 charged to an incorrect project.”<sup>115</sup> In its revised testimony, SoCalGas states that it  
2 identified \$8,000 in direct costs (and associated indirect costs) and a separate \$3,000 in  
3 indirect costs, but claims that it will not request recovery of these amounts in this  
4 Application.<sup>116</sup> However, this \$8,000 appears in the revisions to the “Power Distribution  
5 Center Material Costs.”

6 SoCalGas did not provide information regarding: (1) which project these costs had  
7 been inadvertently charged to, (2) how SoCalGas identified the charges, or (3) how  
8 SoCalGas confirmed that the Lakeside Project was the correct budget for these charges.  
9 SoCalGas did not provide any invoices or records that show additional \$8,000 in charges  
10 are reasonable, and whether they are attributable to the Lakeside Project.

11 SoCalGas fails to demonstrate that the \$8,000 that it attributes to changes in costs  
12 related to “Power Distribution Center Material Costs” is reasonable. SoCalGas fails to  
13 provide records of what these charges were for or evidence that they are attributable to  
14 the Lakeside Project. Cal Advocates recommends that the Commission disallow the  
15 recovery of the \$8,000 SoCalGas claims for costs “inadvertently charged to an incorrect  
16 project,” which is included in the \$453,000 discussed in this section.

17 In a data request, Cal Advocates requested that, for the “Equipment and Materials  
18 Component,” SoCalGas describe the scope change, provide the costs for each line-item  
19 amount, and provide documentation or invoices for the costs associated with the  
20 component.<sup>117</sup>

21 In response, SoCalGas provides a single item for a total of [REDACTED], with the  
22 description: [REDACTED]

23 [REDACTED]

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<sup>115</sup> Appendix B, Attachment 1-2, SCG Revised Response to DR 004 (Confidential), Request 6.

<sup>116</sup> Revised SCG-3 at MP-7.

<sup>117</sup> Appendix B, Attachment 1-2, Cal Advocates DR 004, Request 6.

1 [REDACTED]<sup>118</sup> In response to Cal Advocate’s request for  
2 invoices or documentation for how this figure was derived, SoCalGas states,

3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]<sup>119</sup>

9 SoCalGas provides invoices from [REDACTED]  
10 [REDACTED] for the following line items and costs:<sup>120</sup>

11 **Table 9: [REDACTED] Invoice Amounts for Power Distribution Center**

Description	Total Amount
Arc-Shield-Resistant MCC 480V, 800A, 3-Phase, 3-Wire, 60 HTZ, 65 KAIC, Consisting of (7) NEMA 12 Vertical Structures	[REDACTED]
Expedited Fee to Complete Initial Drawings	[REDACTED]
Integrated Power Center “Lakeside Dairy Pilot”: Designed for Unclassified Area Operation, Pad Mounting and Top Entry/Exit	[REDACTED]
Change Order #1 Engineering, Labor & Material to Provide (2) Pull Boxes/Cable Cabinets 30"W X 24"D X 166" HPowder Coated & Oven Baked	[REDACTED]
Change Order #2 (1) Com Lock Box Exterior NEMA 3R Extension	[REDACTED]
Change Order #3 Supply & Install (2) Fire Extinguishers to Replace Previously Purchased Units	[REDACTED]
Change Order #4 Engineering, Labor, & Material to Furnish & Install 1" - 3" Conduit Risers; (2) Ground Fault Current Transformers	[REDACTED]

<sup>118</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>119</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>120</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “5811713275.confidential.”

Transportation Charges	
Taxes	
<b>Grand Total</b>	

1

2 The total cost across these line items amounts to [REDACTED], compared to the  
3 \$453,000 requested by SoCalGas. Notably, these line items sum up to a similar amount  
4 as SoCalGas’s total costs attributable to equipment and materials overages.

5 As further evidence of these overages, SoCalGas also provides documents that  
6 appear to be [REDACTED].<sup>121</sup> However, the documents do not include vendor  
7 information or descriptions of the amounts being transferred into or out of the account.

8 In its response to Cal Advocates, SoCalGas claims that the scope change request  
9 of \$453,000 is equal to the difference between the invoiced value and the approximate  
10 cost of for an electric shelter for a typical RNG project.<sup>122</sup> For this to be true, the typical  
11 shelter would need to be a tenth of the cost of the installed Power Distribution Center.  
12 While SoCalGas states that the Power Distribution Center “is approximately four times  
13 the size and weight of a typical RNG electrical shelter,”<sup>123</sup> SoCalGas fails to provide  
14 any estimation for the cost of a typical RNG electrical shelter.

15 Cal Advocates requested that SoCalGas “[p]rovide the associated budget of the  
16 typical RNG Point of Receipt Project, or budgets if there were multiple, that were used to  
17 estimate the budget for the Lane 5 portion of the Facility,”<sup>124</sup> “[e]xplain the standard  
18 estimating practices used to develop the components of the Project’s budget attributable  
19 to Lane 4 and Lane 6 of the Project,”<sup>125</sup> and “provide a line-item breakdown of the cost

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<sup>121</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “5006882122-WE\_CONFIDENTIAL.”

<sup>122</sup> Appendix B, Attachment 1-2, Cal Advocates DR 004, Request 6.

<sup>123</sup> Workpapers at WP-27.

<sup>124</sup> Appendix B, Attachment 1-2, Cal Advocates DR 004, Request 1(b)(iii).

<sup>125</sup> Appendix B, Attachment 1-2, Cal Advocates DR 004, Request 2(a).

1 estimates for Lane 4 and 6.”<sup>126</sup> Cal Advocates later requested a similar line-item  
2 breakdown of the cost estimates for Lane 5.<sup>127</sup> SoCalGas failed to provide information  
3 regarding a typical project budget, stating, “there is no single typical project budget or set  
4 of historical project budgets that specifically served as the Lane 5 estimate; the basis is  
5 the conceptual configuration and professional estimating judgment.”<sup>128</sup> The line-item  
6 breakdown for Lanes 4, 5, and 6 similarly did not clearly identify a cost estimation for a  
7 typical RNG electrical shelter.<sup>129</sup>

8 Because SoCalGas did not provide its original estimate for the Power Distribution  
9 Center, it fails to show that the \$453,000 attributed to “Power Distribution Center  
10 Material Costs” overages exceed the cost of a typical RNG electrical shelter. Rather, the  
11 \$453,000 SoCalGas has presented is roughly the total amount that it paid for the Power  
12 Distribution Center’s materials. Therefore, SoCalGas fails to show that it is reasonable to  
13 recover \$453,000 for these claimed cost overages from its ratepayers.

14 **b.) SoCalGas fails to provide evidence of cost**  
15 **impacts totaling SoCalGas’ equipment- and**  
16 **material-related costs.**

17 SoCalGas fails to show that the \$47,000 that it attributes to equipment and  
18 material-related Project expenses is reasonable because SoCalGas fails to identify and  
19 describe the expenditures associated with these costs. Therefore, SoCalGas fails to show  
20 that it is reasonable to recover \$47,000 for unspecified equipment- and material-related  
21 costs from its ratepayers.

22 In its testimony, SoCalGas states,

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<sup>126</sup> Appendix B, Attachment 1-2, Cal Advocates DR 004, Request 2(b).

<sup>127</sup> Appendix B, Attachment 1-1, Cal Advocates DR 005, Request 2(a).

<sup>128</sup> Appendix B, Attachment 1-2, SoCalGas Response to DR 004 (Public), Request 1(b).

<sup>129</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “DR4 Q2b Lane 4 Estimate\_CONFIDENTIAL,” Attachment “DR4 Q2b Lane 6 Estimate\_CONFIDENTIAL”; Appendix B, Attachment 1-1, SCG Confidential Response to DR 005, Attachment “DR5 Q2a Lane 5 Estimate\_CONFIDENTIAL.”

1 “The Facility design required the installation of a power  
2 distribution center, piping material for pipe supports due to  
3 vibrations from the compressors and for the  
4 compressor/pipeline laterals, additional instrumentation and  
5 controls material/equipment, and additional instrument air  
6 compressor package.”<sup>130</sup>

7 SoCalGas does not describe or provide evidence for the cost impacts associated  
8 with the piping material, additional instrumentation and controls, and additional  
9 instrument air compressor package. In its testimony, SoCalGas only provides a  
10 description of the Power Distribution Center Material Costs, shown in Table 8 below.<sup>131</sup>

11 **Table 8: Equipment and Materials Cost Impact Matrix**<sup>132</sup>

Cost Impact Matrix		
Scope Change	Description	Cost Impact
Power Distribution Center Material Costs	The preliminary estimate assumed an electrical shelter similar to an RNG site would be utilized for the project site. Due to the additional equipment and electrical load requirements to operate the compressors and the methane detection system, the Project required the installation of a power distribution center (PDC).	\$445,000

12  
13 Cal Advocates requested that SoCalGas:

14 “Describe the following ‘Equipment and Materials  
15 Component’ scope changes [listed in SoCalGas’s testimony]:

- 16 1) Power Distribution Center Material Costs,
- 17 2) Instrument air compressor packages,
- 18 3) Piping material,
- 19 4) Duct banks for electrical installation, and
- 20 5) Instrumentation and controls equipment.”<sup>133</sup>

21 Cal Advocates requested that SoCalGas describe, identify the total costs of, and  
22 provide invoices or accounting documentation for the costs associated with each of the

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<sup>130</sup> SCG-3 at MP-10.

<sup>131</sup> SoCalGas revised the cost impact to \$453,000 in response to a Cal Advocates data request.

<sup>132</sup> SCG-3 at MP-11.

<sup>133</sup> Appendix B, Attachment 1-2, Cal Advocates SCG DR 004, Request 6.

1 described scope changes. In response, SoCalGas only addresses the power distribution  
2 center, stating:

3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]<sup>134</sup>

7 SoCalGas fails to show that the \$47,000 for equipment- and material-related  
8 overages is reasonable because SoCalGas does not provide evidence for any costs beyond  
9 that of the “Power Distribution Center Material Costs.” Cal Advocates recommends that  
10 the Commission disallow the recovery of the \$47,000 that SoCalGas claims for the  
11 unsupported equipment- and material-related expenditures.

12 **D. SoCalGas’s Project incurred unreasonable construction-**  
13 **related overages. (Lutes)**

14 In its testimony, SoCalGas requests \$3,218,000 above its claimed estimated  
15 amount of \$2,813,000 for construction costs incurred during the Project.<sup>135</sup> In response to  
16 a Cal Advocates data request, SoCalGas revised the construction-related costs presented  
17 in its testimony. SoCalGas increased its claimed estimated amount from \$2,813,000 to  
18 \$3,155,000, and decreased the variance from \$3,218,000 to \$2,876,000, as shown in  
19 Table 10 below.<sup>136</sup>

20 **Table 10: Revised Summary Construction Cost Variance (in \$000s) Provided in**  
21 **SoCalGas Response to Data Request 004**

Costs (in \$000)	Authorized (2019)	Actuals	Delta Over/(Under)
Engineering	683,684	3,105,258	2,422,189
Equipment & Materials	3,127	3,386,362	259,500
Construction	2,813,315	6,031	3,218,287

<sup>134</sup> Appendix B, Attachment 1-2, SCG Response to DR 004 (Confidential), Attachment “A.25-08-009 Public Advocates Office Data Request 4 Engineering Spreadsheet Delineating Costs For Engineering and Material Modifications – Additional Electrical, Civil, and Structural Design Scope Changes.”

<sup>135</sup> SCG-3 at MP-11.

<sup>136</sup> Appendix B, Attachment 1-2, SCG Response to DR 004, Request 1.

1 SoCalGas fails to show that its claimed construction-related cost overages are  
2 reasonable for two reasons. First, SoCalGas fails to demonstrate that numerous changes  
3 it made to the scope of the Project’s construction were reasonable. Second, SoCalGas  
4 fails to demonstrate the reasonableness of delays to the construction schedule that  
5 SoCalGas claims resulted in cost overruns.<sup>137</sup> Therefore, Cal Advocates recommends  
6 that the Commission disallow \$1,150,599.76 for construction-related cost overruns.

7 **a.) SoCalGas does not demonstrate the**  
8 **reasonableness of cost overruns related to**  
9 **changes to the scope of the Project’s**  
10 **construction.**

11 In response to a Cal Advocates data request, SoCalGas states:

12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]<sup>138</sup>

16 In fact, solicitation documents show that [REDACTED] gave SoCalGas an estimate of  
17 [REDACTED] for the pipeline extension<sup>139</sup> and an estimate of [REDACTED] for the pressure  
18 betterment,<sup>140</sup> and SoCalGas awarded [REDACTED] contract prices of [REDACTED]<sup>141</sup> and  
19 [REDACTED],<sup>142</sup> respectively. Subsequent change orders resulted in a final construction

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<sup>137</sup> SCG-3 at MP-13.

<sup>138</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 1(a).

<sup>139</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Folder “Facility and Pipeline Extension to be sent”, Attachment “Attachment\_05\_-\_Pricing\_Workbook\_RFP104829\_rev2\_CONF.”

<sup>140</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Folder “Pressure Betterment”, Attachment “Submittal\_04\_RFP\_Pricing\_Workbook\_v2\_CONF.”

<sup>141</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Folder “CCO-Confidential”, Attachment “PCP114\_028\_PD\_4\_CONTRACTOR CHANGE ORDER 1 PIPE EXT-FACILITY\_CONFIDENTIAL.”

<sup>142</sup> Appendix B, Attachment 1-3, SCG Response to Cal Advocates DR 003 (Confidential), Folder “CCO-Confidential”, Attachment “PCP115\_028\_PD\_4\_CCO 01\_PB\_CONFIDENTIAL.”

1 cost of [REDACTED] for the pipeline extension,<sup>143</sup> and [REDACTED]<sup>144</sup> for the pressure  
2 betterment, a total difference of [REDACTED] from the contract prices.

3 In its testimony, SoCalGas attributes changes in construction activities to several  
4 “unforeseen conditions.”<sup>145</sup> Cal Advocates asked SoCalGas to explain the unforeseen  
5 conditions that necessitated additional construction activities<sup>146</sup> which SoCalGas  
6 approved via change orders, and which SoCalGas claims resulted in overages of  
7 [REDACTED].<sup>147</sup> In response, SoCalGas directed Cal Advocates to its Workpapers,  
8 which identify four categories of changes: 1) Environmental, 2) Field Design Changes, 3)  
9 Schedule Delay states , and 4) Substructures.<sup>148</sup>

10 For environmental changes, SoCalGas states that the Project required full-time  
11 dust control monitoring for the duration of construction.<sup>149</sup> However, SoCalGas fails to  
12 explain why a dust control monitor was not accounted for in the analysis it claims to have  
13 conducted prior to the signing of the construction contract. SoCalGas claims that all  
14 required documents for the construction bid package had been collected and dispersed  
15 prior to the bid being awarded.<sup>150</sup> It is also unclear from the change orders that SoCalGas  
16 provides which costs can be attributed to dust control monitoring and the total cost  
17 impact.

18 With regard to Field Design changes, SoCalGas states that the Project team  
19 redesigned duct banks within the station to the roadway crossing to safely complete

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<sup>143</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Folder “CCO-Confidential”, Attachment “PCP114\_028\_PD\_4\_CONTRACTOR CHANGE ORDER 3 PIPE EXT-FACILITY\_CONFIDENTIAL.”

<sup>144</sup> Appendix B, Attachment 1-3, SCGs’ Response to Cal Advocates DR 003 (Confidential), Folder “CCO-Confidential”, Attachment “PCP115\_028\_PD\_4\_CCO 03\_PB\_CONFIDENTIAL.”

<sup>145</sup> SCG-3 at MP-13.

<sup>146</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 3.

<sup>147</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 3(c).

<sup>148</sup> Workpapers at WP-11.

<sup>149</sup> Workpapers at WP-11.

<sup>150</sup> Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Request 1(c).

1 future maintenance activities.<sup>151</sup> However, SoCalGas fails to explain what these future  
2 maintenance activities are, or why such activities were not considered in the engineering  
3 and design portion of the Project. SoCalGas again fails to identify which of the change  
4 orders and costs are specifically attributed to Field Design changes, as well as the total  
5 cost impact.

6 Regarding the claimed Schedule Delay, SoCalGas states that the Project team  
7 identified a valve that would require replacement before installation, which resulted in a  
8 three-day delay to receive the replacement valve.<sup>152</sup> However, SoCalGas fails to explain  
9 why this issue was not identified before construction took place, and thereby avoiding a  
10 three-day wait for the replacement part to arrive. Additionally, SoCalGas does not  
11 identify which change orders or costs correspond to the Schedule Delay. Furthermore,  
12 when Cal Advocates asked SoCalGas to explain the reason for each deviation to the  
13 Project's construction schedule, which is discussed in detail below, SoCalGas failed to  
14 mention the valve replacement and the associated cost impact.<sup>153</sup>

15 Finally, regarding changes to the Substructures, SoCalGas states that the Project  
16 team relocated the alignment of Supply Line 38-523 to avoid the existing communication  
17 lines.<sup>154</sup> However, SoCalGas fails to explain why these communication lines were not  
18 identified in the analysis or documents collected prior to the awarding of the construction  
19 bid. Likewise, SoCalGas does not identify which change orders or costs correspond to  
20 this change.

21 For these reasons, SoCalGas fails to demonstrate the reasonableness of the  
22 construction change orders. SoCalGas does not explain why the changes made could not  
23 have been foreseen after it conducted its lengthy engineering and design phase, prior to

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<sup>151</sup> Workpapers at WP-11.

<sup>152</sup> Workpapers at WP-11.

<sup>153</sup> When asked, SoCalGas only referenced three separate changes that resulted in delays of [REDACTED]  
[REDACTED] See Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request  
4(c).

<sup>154</sup> Workpapers at WP-11.

1 signing the construction contracts with [REDACTED]. SoCalGas also fails to explain why these  
2 changes resulted in expenditures that were beyond the contingencies that were already  
3 built into the authorized amount for the Project.<sup>155</sup> Cal Advocates thus recommends that  
4 the Commission disallow \$1,150,599.76 of SoCalGas’s claimed construction overages.

5 **b.) SoCalGas does not demonstrate the**  
6 **reasonableness of cost overruns related to**  
7 **the extension of the construction schedule.**

8 SoCalGas states that, due to the scope changes described above, the construction  
9 schedule was approximately three times longer than originally estimated.<sup>156</sup> Cal  
10 Advocates requested that SoCalGas provide documentation to explain how the estimated  
11 schedule was determined; SoCalGas explains that it did not develop the Project schedule  
12 based on any specific project, but instead based the schedule on its experience with  
13 similarly constructed facilities, including prior RNG projects.<sup>157</sup> In a subsequent data  
14 request, SoCalGas claimed again that the Project schedule was not based on a specific  
15 RNG project, and failed to provide any documentation or demonstrate how the schedule  
16 estimate was determined.<sup>158</sup> SoCalGas has not provided evidence that the schedule was  
17 based on any identifiable comparable project, documented scheduling assumptions, or  
18 reasonable project execution analysis available at the time the estimate was prepared.

19 Likewise, SoCalGas has not adequately explained why the construction schedule  
20 needed to be extended from five months to a year. The original schedule estimate  
21 provided by SoCalGas showed that construction was expected to last from [REDACTED]  
22 [REDACTED].<sup>159</sup> In fact, construction did not begin until August 2020<sup>160</sup> and was

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<sup>155</sup> SoCalGas states it included contingencies of [REDACTED] for Lanes 4, 5, and 6, respectively. See Appendix B, Attachment 1-1, SCG Response to DR 005 (Confidential), Request 6 (a)(ii).

<sup>156</sup> SCG-3 at MP-13.

<sup>157</sup> Appendix B, Attachment 1-3, SCG Response to DR 003, Request 4(a).

<sup>158</sup> Appendix B, Attachment 1-1, SCG Response to DR 005, Request 5(b).

<sup>159</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 4(b), Attachment "DR 3 Q4b Original Schedule Estimate."

<sup>160</sup> SCG-3 at MP-13.

1 not completed until August 2021.<sup>161</sup> In a data request, Cal Advocates asked SoCalGas to  
2 explain when the schedule was changed and to identify each change, the reason for each  
3 deviation, and the cost impact associated with each delay.<sup>162</sup> In response, SoCalGas only  
4 accounted for [REDACTED] out of approximately [REDACTED] of delays.<sup>163</sup> As an explanation  
5 for the delays, SoCalGas cites three separate change orders, and the number of days  
6 associated with each change order.<sup>164</sup> These changes include: [REDACTED]  
7 [REDACTED]<sup>165</sup> [REDACTED]  
8 [REDACTED]<sup>166</sup> [REDACTED]<sup>167</sup> However, SoCalGas fails to  
9 justify why these three changes resulted in [REDACTED] of delays. SoCalGas also fails to  
10 justify approximately six and a half months of scheduling delays, and the associated cost  
11 impacts. In the absence of a complete accounting of the schedule deviations and their  
12 associated cost impacts, SoCalGas has failed to demonstrate whether the extended  
13 construction duration was caused by unforeseeable conditions.

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<sup>161</sup> In its testimony, SoCalGas states: "Construction for the Facility started August 24, 2020 and was completed on August 27, 2021." However, SoCalGas provides an invoice from [REDACTED] for [REDACTED]. See Appendix B, Attachment 1-3, SCG Response DR 003 (Confidential), Folder "[REDACTED] CONFIDENTIAL," Attachment "5812448015\_CONFIDENTIAL."

<sup>162</sup> Appendix B, Attachment 1-3, SCG Response to Cal Advocates DR 003, Request 4(c).

<sup>163</sup> Appendix B, Attachment 1-3, SCG's Response to Cal Advocates DR 003 (Confidential), Request 4(c).

<sup>164</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 4(c).

<sup>165</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 4(c), Folder "CCO-Confidential", Attachment "PCP114\_028\_PD\_4\_CONTRACTOR CHANGE ORDER 3 PIPE EXT-FACILITY\_CONFIDENTIAL."

<sup>166</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 4(c), Folder "CCO-Confidential", Attachment "PCP115\_028\_PD\_4\_CCO 02\_PB - CONFIDENTIAL."

<sup>167</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 4(c), Folder "CCO-Confidential", Attachment "PCP115\_028\_PD\_4\_CCO 03\_PB CONFIDENTIAL."

**E. SoCalGas fails to demonstrate the reasonableness of its claimed Company Labor and Other Construction Management cost overages. (Lutes)**

In its testimony, SoCalGas requests recovery of \$457,000 for cost overages related to company labor,<sup>168</sup> as well as \$577,000 for cost overages related to “other construction management” costs incurred during the Project.<sup>169</sup> In response to a Cal Advocates data request, SoCalGas revised the costs for other construction management to reflect \$1,201,000 in overages, as shown in Table 11.

**Table 11: Revised Summary of Company Labor and Other Construction Management Cost Variance (in \$000s) Provided in SoCalGas Response to Data Request 4<sup>170</sup>**

Costs (in \$000)	Authorized (2019)	Actuals	Delta Over/(Under)
Engineering	683 684	3,105-2,583	2,422-1,899
Equipment & Materials	3,127	3,386-3,627	259 500
Construction	2,813 3,155	6,031	3,218-2,876
Company Labor	704	1,161	457
Other Construction Management	1,284 941	1,861-2,142	577 1,201

As discussed below, SoCalGas primarily attributes these overruns to the Project’s extended timeline. However, SoCalGas fails to demonstrate the reasonableness of the delays to the construction schedule. Furthermore, SoCalGas fails to explain the causes of its claimed overages that are not attributed to the Project’s extended timeline. For these reasons, Cal Advocates recommends that the Commission disallow \$457,000 for SoCalGas’s claimed company labor cost overruns and \$1,201,000 in its claimed construction management cost overruns.

<sup>168</sup> SCG-3 at MP-14.

<sup>169</sup> SCG-3 at MP-15.

<sup>170</sup> Appendix B, Attachment , SCG Response to DR 004, Request 1.



1 consequences of unsupported initial planning assumptions. Without an explanation to  
2 justify the additional \$138,000 in company labor overruns, SoCalGas fails to support the  
3 reasonableness of its claimed overages related to company. For these reasons, Cal  
4 Advocates recommends the Commission disallow \$457,000 in company labor cost  
5 overruns.

6 **b.) SoCalGas does not demonstrate the**  
7 **reasonableness of the overages for other**  
8 **construction management.**

9 SoCalGas fails to show that its requested \$1,201,000 for cost overages associated  
10 with other construction management were reasonably incurred. In response to a Cal  
11 Advocates data request, SoCalGas revised its claimed authorized amount and actual costs  
12 for other construction management from the amounts SoCalGas presented in testimony.  
13 SoCalGas originally claimed an authorized amount of \$1,284,000, with actual costs of  
14 \$1,861,000 for other construction management.<sup>175</sup> As shown above in Table 11,  
15 SoCalGas later revised these amounts to reflect an estimated amount of \$941,000 and  
16 actual costs of \$2,142,000.<sup>176</sup>

17 Cal Advocates asked SoCalGas to provide invoices to verify the costs for other  
18 construction management overruns.<sup>177</sup> In response, SoCalGas provided a folder which  
19 included multiple invoices for projects other than Lakeside.<sup>178</sup> Cal Advocates identified  
20 this error and informed SoCalGas that a number of invoices had mistakenly been  
21 included.<sup>179</sup> Despite acknowledging that invoices for other projects had been sent,  
22 SoCalGas failed to identify which invoices should be excluded, or which amounts from

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<sup>175</sup> SCG-3 at MP-7.

<sup>176</sup> Appendix B, Attachment 1-2, Cal Advocates SCG DR 004, Request 1.

<sup>177</sup> Appendix B, Attachment 1-3, SCG Response to DR 003, Request 5.

<sup>178</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Folder “5b Other Construction Management” and “Invoices 2232026.”

<sup>179</sup> Appendix B, Attachment 1-5, Email from Cal Advocates to Southern California Gas Company, 3/3/2026 at 10:40 AM, RE: A.25-08-009: Question for SoCalGas about Data Request Responses.

1 the invoices SoCalGas is actually seeking for recovery.<sup>180</sup> Without a clear identification  
2 of Project-specific costs, SoCalGas has not shown that the claimed construction  
3 management costs were actually incurred for this Project, or if unrelated costs have been  
4 included. SoCalGas has not provided an explanation or documentation to demonstrate  
5 that it did not allocate incorrect costs to the Project.

6 Furthermore, as previously noted, SoCalGas states the Project duration was  
7 approximately three times longer than originally estimated.<sup>181</sup> SoCalGas states that the  
8 extended construction duration was the primary scope change for other construction  
9 management costs, resulting in overages of \$727,000.<sup>182</sup> However, as described in  
10 Section D, SoCalGas fails to justify its schedule estimate and subsequent schedule delays.

11 SoCalGas offers no explanation regarding the additional \$474,000 in other  
12 construction management cost overruns. In reference to other construction management  
13 costs, Cal Advocates requested that SoCalGas provide the cost for each additional  
14 construction support activity, workpapers and invoices to verify the costs.<sup>183</sup> SoCalGas  
15 stated that it provided invoices for \$727,000 “for the revised cost of construction  
16 management support required for the extended construction duration.”<sup>184</sup> SoCalGas has  
17 not explained the balance of the claimed other construction management variance beyond  
18 the invoiced amount, leaving the additional \$474,000 of the overage unsupported by  
19 workpapers, invoices, or narrative explanation. As a result, SoCalGas fails to provide  
20 any evidentiary basis to conclude that the remaining claimed overages were reasonably  
21 incurred. For these reasons, Cal Advocates recommends that the Commission disallow  
22 \$1,201,000 from SoCalGas’s cost recovery request.

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<sup>180</sup> Appendix B, Attachment 1-5, Email From Southern California Gas Company to Cal Advocates, 3/10/2026 at 2:08 PM, RE: A.25-08-009: Question for SoCalGas about Data Request Responses.

<sup>181</sup> SCG-3 at MP-15.

<sup>182</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 5(b).

<sup>183</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 5(b).

<sup>184</sup> Appendix B, Attachment 1-3, SCG Response to DR 003 (Confidential), Request 5(b).

1           **F.     SoCalGas’s Project incurred unreasonable Indirect Costs.**  
2           **(Condensa)**

3           SoCalGas fails to show that its claimed indirect cost overages are reasonable.

4           SoCalGas states that indirect costs include “SoCalGas overheads, Allowance for Funds  
5           Used During Construction (AFUDC), and ad valorem taxes.”<sup>185</sup> SoCalGas also states:

6                     “Indirect Costs are estimated as a function of Facility direct  
7                     costs. The Facility scope changes that increased the direct  
8                     cost categories discussed above also increased the Indirect  
9                     Cost category.”<sup>186</sup>

10           As such, the Commission should disallow the claimed overages due to indirect  
11           costs because SoCalGas failed to present correct and complete documentation of the  
12           Project’s costs, failed to distinguish costs spent on this Project from its other SB 1383  
13           pilot projects, and failed to prove the reasonableness of claimed cost overages across all  
14           expense categories. These failures suggest that SoCalGas failed to reasonably manage  
15           the Project and that the indirect expenditures associated with these overages should  
16           likewise not be recovered from ratepayers. If the Commission finds that it is reasonable  
17           for SoCalGas to recover a portion of the overages that it identifies, the Commission  
18           should disallow claimed overages resulting from indirect costs proportional to the  
19           specific disallowances that Cal Advocates identified here. In that alternative case, Cal  
20           Advocates has recommended that the Commission disallow \$4,992,600 of SoCalGas’s  
21           claimed direct cost-related overages of \$6,933,000. Consequently, Cal Advocates  
22           recommends that the Commission disallow \$648,829 of the \$901,000 SoCalGas claims  
23           for indirect cost-related overages.

24           **IV.    CONCLUSION**

25           Cal Advocate’s review of SoCalGas’s application, testimony, and responses to  
26           discovery, has raised key concerns regarding SoCalGas’s request for recovery. SoCalGas  
27           fails to explain why its contingencies were not sufficient to cover the Project’s

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<sup>185</sup> SCG-3 at MP-16.

<sup>186</sup> SCG-3 at MP-16.

1 unexpected cost overages. SoCalGas's recordkeeping was inadequate to credibly verify  
2 its Project overages across any of its expense categories or distinguish Project costs from  
3 SoCalGas's other SB 1383 pilot projects. The records and testimony that SoCalGas  
4 provides contain numerous discrepancies that SoCalGas has failed to account for.  
5 SoCalGas further is unable to support the reasonableness of changes to Project timelines  
6 that had cost impacts across its claimed construction management costs. Ultimately,  
7 SoCalGas fails to show that it reasonably managed the Project and that the cost overages  
8 it incurred are reasonable and should be recovered from its ratepayers.

9         The Commission should reject SoCalGas's request to recover \$7,831,000 above its  
10 authorized amount of \$10,844,000 for its portion of the Project. However, to the extent  
11 that the Commission finds it reasonable for SoCalGas to recover some portion of its cost  
12 overages, the Commission should at a minimum disallow \$5,641,429 of specific cost  
13 overages that SoCalGas seeks to recover for the reasons provided herein (\$4,992,600 of  
14 the direct cost overages and \$648,829 of the indirect cost overages).

1                                   **CHAPTER 2    REVIEW OF LAKESIDE’S OVERAGES**  
2                                   (Witnesses – Bret Weinberger and Ryan Condensa)

3   **I.       INTRODUCTION (Weinberger and Condensa)**

4           Lakeside seeks recovery of \$6,691,208 above its authorized amount of \$9,327,295  
5 for its portion of the Project.<sup>187</sup> This chapter provides: (1) an overview of Lakeside’s  
6 portion of the Application and supporting testimony, (2) an overview of Cal Advocates’  
7 analysis of the Application and supporting testimony, and (3) a summary of Cal  
8 Advocates’ recommendations.

9   **II.      OVERVIEW OF LAKESIDE’S APPLICATION AND TESTIMONY**  
10           **(Condensa)**

11           On December 18, 2017, the Commission issued D.17-12-004, which established  
12 the implementation and selection framework to implement the dairy biomethane pilot  
13 program required by SB 1383.<sup>188</sup> On June 15, 2018, Maas Energy Works, LLC (MEW)  
14 submitted its application for the proposed Lakeside Project to the Selection  
15 Committee.<sup>189</sup> On December 3, 2018, the Selection Committee, which consisted of the  
16 Commission, the California Air Resources Board, and the California Department of Food  
17 and Agriculture, issued a press release that identified the selected six Dairy Biomethane  
18 Pilot Projects, which included MEW’s Lakeside Project.<sup>190</sup>

19           On June 23, 2021, MEW entered a Development, Operations and Maintenance  
20 Agreement with two of the principal dairy farmers participating in the Project, forming an

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<sup>187</sup> Application at 1.

<sup>188</sup> D.17-12-004 at 23.

<sup>189</sup> SCG/Lakeside-02 at DM-A-3.

<sup>190</sup> Scorecard Summary at 2, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

1 equal three-way partnership referred to as Lakeside Pipeline LLC, or Lakeside.<sup>191</sup> MEW  
2 carried out most of the development activities on behalf of the Lakeside partnership.<sup>192</sup>

3 Lakeside received initial cost estimates from Electric Innovations, Inc. (Energy  
4 Innovations) for the design and fabrication of oxygen injection systems and biogas  
5 blowers (O2 injection and blower packages)<sup>193</sup> and howitzers on June 20, 2018.<sup>194</sup>  
6 Lakeside subsequently entered into a contract with Energy Innovations to construct the  
7 O2 injector system and biogas blowers.<sup>195</sup> Lakeside states that it decided not to retain  
8 Energy Innovations for the construction of the howitzers.<sup>196</sup> Lakeside states that it  
9 instead contracted Maas Motor Works to construct the howitzers.<sup>197</sup> Invoices from Maas  
10 Motor Works for the construction of the howitzers span from May 8, 2020 to March 17,  
11 2022;<sup>198</sup> invoices from Energy Innovations for the O2 injection and blower packages  
12 range from March 16, 2020 to May 31, 2022.<sup>199</sup>

13 Lakeside contracted Biogas Engineering to conduct engineering and design work  
14 for the Lakeside biogas collection pipeline system (collection lines). Biogas  
15 Engineering's work spanned January 2019 to August 2021.<sup>200</sup> Lakeside contracted Cal  
16 Valley Construction to construct the collection lines; construction began in June 2020 and  
17 was finalized in March 2022.<sup>201</sup> Lakeside completed its portion of the Project in two

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<sup>191</sup> SCG/Lakeside-02 at DM-A-2.

<sup>192</sup> SCG/Lakeside-02 at DM-A-2.

<sup>193</sup> Lakeside Appendix A at 394.

<sup>194</sup> Lakeside Appendix A at 398-399.

<sup>195</sup> SCG/Lakeside-02 at DM-A-28.

<sup>196</sup> SCG/Lakeside-02 at DM-A-22.

<sup>197</sup> Lakeside Appendix A at 1395.

<sup>198</sup> Lakeside Appendix A at 1395.

<sup>199</sup> Lakeside Appendix A at 1395.

<sup>200</sup> Invoices from Biogas Engineering range from January 15, 2019 to August 16, 2021. See Appendix B, Attachment 2-1, All Invoices at 1395.

<sup>201</sup> Invoices from the construction contractor, Cal Valley Construction, range from June 15, 2020 to March 15, 2022. See Appendix B Attachment 2-1, All Invoices at 1395.

1 phases to accommodate the later schedule on which the western digester facilities were to  
2 come online and to finalize the design and permitting for the west side.<sup>202</sup>

3 Cal Advocates' analysis shows that Lakeside fails to demonstrate the  
4 reasonableness of its claimed overages for costs related to material costs for the  
5 construction of the collection lines due to pipe diameter changes, installation of 4-inch  
6 pipeline, increased pipeline length due to route changes, as well as overages that  
7 Lakeside attributes to the construction of the biogas conditioning system. Cal Advocates  
8 recommends that the Commission disallow \$2,702,145 of cost overages that Lakeside  
9 seeks to recover because Lakeside fails to demonstrate the reasonableness of these  
10 overages.

### 11 **III. DISCUSSION**

#### 12 **A. Lakeside fails to demonstrate that cost overages for biogas** 13 **processing were reasonable. (Weinberger)**

14 Lakeside states that there was \$2,064,901 in cost overruns in two categories of  
15 installed biogas treatment equipment: 1) howitzers, and 2) oxygen (O<sub>2</sub>) injection and  
16 biogas blower systems.<sup>203</sup> Lakeside claims that the cost overruns in both categories are  
17 the result of design changes meant to satisfy the pilot project solicitation requirements to  
18 remove hydrogen sulfide (H<sub>2</sub>S) from the biogas before transporting the biogas from the  
19 dairies to the centralized cleanup system<sup>204</sup> as well as unexpectedly high inflation.<sup>205</sup>  
20 However, Lakeside fails to demonstrate that design changes were necessary to construct  
21 the Project that the Selection Committee approved and that its claimed inflation overages  
22 were reasonably incurred.

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<sup>202</sup> Appendix B, Attachment 2-1, Lakeside Response to Cal Advocates DR 002, Request 3.

<sup>203</sup> SCG/Lakeside-02 at DM-A-17.

<sup>204</sup> SCG/Lakeside-02 at DM-A-17-DM-A-18.

<sup>205</sup> SCG/Lakeside-02 at DM-A-18.

1                                   **a.) Lakeside fails to demonstrate that cost**  
2                                   **overages for the howitzers were reasonable.**

3               Lakeside claims that the cost increase due to design changes to the howitzers is  
4 \$256,819 over the original estimate amount,<sup>206</sup> while inflation added \$144,015 to the  
5 total overage requested for recovery for the howitzers.<sup>207</sup> However, Lakeside fails to  
6 demonstrate that either of these cost overruns are reasonable. The Commission should  
7 therefore disallow \$400,834 from Lakeside’s cost recovery request.

8                                   **a. Lakeside fails to demonstrate that the design changes**  
9                                   **for the howitzers were necessary.**

10           Lakeside states that the requirement to remove H2S made biogas treatment cost  
11 overruns reasonable because there was zero industry experience available in removing  
12 the H2S upstream of a large dairy project pipeline.<sup>208</sup> However, removal of H2S prior to  
13 it entering the biogas collection lines was a central component of the pilot project  
14 requirements established by the Commission.<sup>209</sup> In fact, in its application to the Selection  
15 Committee, MEW represented to the Selection Committee that it could meet the H2S  
16 requirements using “highly commercialized” technology with “thousands of installations  
17 worldwide” due to their “high reliability.”<sup>210</sup> The Selection Committee’s scoring criteria  
18 for the proposed pilot’s Technology Plans indicated that technological feasibility was an  
19 important consideration when selecting pilots for funding.<sup>211</sup> In its review of Lakeside’s  
20 Project proposal, the Selection Committee notes that the Project “is essentially the lowest

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<sup>206</sup> SCG/Lakeside-02 at DM-A-22.

<sup>207</sup> SCG/Lakeside-02 at DM-A-23.

<sup>208</sup> SCG/Lakeside-02 at DM-A-20.

<sup>209</sup> “Biomethane producers shall own and operate the biogas collection lines and any treatment equipment to remove hydrogen sulfide and water from the raw biogas prior to it entering the biogas collection lines.” See D.17-12-004, Appendix A at 9.

<sup>210</sup> Lakeside Appendix A at 22.

<sup>211</sup> Score Card Summary at 3-8, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

1 technology option, which is good for long-term, robust operation.”<sup>212</sup> Lakeside claims  
2 now that the technology was based on a prototype H2S removal design during the 110  
3 day bid window to submit the pilot project application,<sup>213</sup> which is far different than the  
4 proven, reliable, and robust, technology that MEW had described to the Selection  
5 Committee.<sup>214</sup> In fact, the Selection Committee stated that the “technology selected is  
6 essentially the industry standard at this point, with no significant technical innovations or  
7 advancements compared to the other applicants.”<sup>215</sup> Additionally, the Selection  
8 Committee stated that “significant design changes that deviate from the technology  
9 submitted in the project application could become grounds for rejection of the  
10 application.”<sup>216</sup> Lakeside fails to explain why it proposed an industry standard  
11 technology to the Selection Committee, but in its testimony for this Application refers to  
12 the same technology as “prototype,” necessitating costly design changes.

13 Lakeside states in testimony that design changes to the howitzers were necessary  
14 to ensure the materials withstood ambient conditions and handle intense pressure  
15 changes, which was derived from real-world experience.<sup>217</sup> However, Lakeside indicated

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<sup>212</sup> Score Card Summary at 54, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

<sup>213</sup> SCG/Lakeside-02 at DM-A-20.

<sup>214</sup> The Selection Committee noted that “[t]he digesters are the common covered lagoon design engineered for long-term operation, employing advanced digester, biogas conditioning/upgrading, and solid- liquid separation technology. Technology selected is proven to be reliable and robust and is currently in use today in nearly all California digester applications.” See Score Card Summary at 54, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

<sup>215</sup> Score Card Summary at 54, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

<sup>216</sup> Score Card Summary at 55, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf).

<sup>217</sup> SCG/Lakeside-02 at DM-A-21.

1 to the Selection Committee that it was uniquely situated to remove H2S. Lakeside stated  
2 that each dairy would use “Maas Energy Work’s proprietary biological fixation system,  
3 which is capable of reducing Hydrogen Sulfide to undetectable levels in most covered  
4 lagoon digesters” as part of a two-stage system “common on all Project Team digestors  
5 as it reduces the operating cost of the absorption media, while providing failsafe design  
6 for H2S removal.”<sup>218</sup> Lakeside has not explained why the howitzer design proposed in its  
7 2018 application was unable to ensure H2S removal. Lakeside proposed a “fail safe  
8 design for H2S removal” to the Selection Committee; however, after selection, Lakeside  
9 made changes to its howitzer design for reasons that are inconsistent with its 2018  
10 application statements and the Selection Committee’s scoring feedback on Lakeside’s  
11 project proposal, which resulted in Lakeside incurring higher costs.

12 Lakeside fails to show that its decision to materially change the project it proposed  
13 to the Selection Committee is reasonable. Lakeside also fails to demonstrate that it is  
14 reasonable for ratepayers to pay for Lakeside’s decision to depart from the howitzer  
15 design that it proposed and received approval to construct.

16 **b. Lakeside fails to demonstrate the reasonableness of its**  
17 **claim that inflation caused howitzer cost overruns.**

18 Lakeside states that inflation on both physical components and labor increased the  
19 costs of the howitzers. Lakeside claims that the manufacturing and construction industry  
20 in general saw high inflation across the board during the Covid-19 pandemic, which  
21 included rising labor wages to produce the gas processing equipment needed to complete  
22 the Project.<sup>219</sup> Lakeside states that Energy Innovations provided Lakeside with an  
23 approximate inflation range for the period between the proposal to the Selection  
24 Committee and the construction of the howitzers to estimate that inflation added  
25 \$144,015 to the total overage requested for recovery for howitzers.<sup>220</sup>

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<sup>218</sup> Lakeside Appendix A at 25.

<sup>219</sup> SCG/Lakeside-02 at DM-A-24.

<sup>220</sup> SCG/Lakeside-02 at DM-A-23.

1 Lakeside fails to demonstrate the reasonableness of the inflation claims for two  
2 reasons: 1) invoices for the howitzers do not indicate how the money was spent, and 2)  
3 Lakeside does not show that either materials or labor increased costs beyond what would  
4 have been covered by the Project’s 10% contingency.

5 Invoices from Maas Motor Works<sup>221</sup> for construction of the howitzers contain one  
6 line with lump sum costs, and do not stipulate what was spent on equipment and labor.  
7 In response to a Cal Advocates data request, Lakeside states that Ramirez Service and  
8 Repair (Ramirez) was the contractor Maas Motor Works hired to be responsible for  
9 executing the purchases and performing the physical construction and fabrication of the  
10 howitzers.<sup>222</sup> Lakeside provides some invoices from Ramirez, but these invoices also do  
11 not break up costs among separate items.<sup>223</sup> Thus the invoices do not show that higher  
12 materials prices or higher labor costs contributed to cost overruns on the howitzers.

13 Lakeside provides an analysis from Energy Innovations that Lakeside claims  
14 presents evidence of inflation between the Project’s selection in 2018 and buildout in  
15 2020-21.<sup>224</sup> However, the analysis contains unsubstantiated claims that labor comprised  
16 28-35% of the cost of howitzers and labor inflation ranged from 15-35% over the span of  
17 the Project.<sup>225</sup> Energy Innovations’ analysis does not explain how it estimated the labor  
18 component of its services, nor do Energy Innovation’s invoices provide a breakdown  
19 between labor and material costs.<sup>226</sup> Energy Innovations similarly does not provide

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<sup>221</sup> In response to a Cal Advocate data request, Lakeside states that the listed invoices are from Maas Motor Works. However, the invoice letterhead is from Maas Energy Works and the invoices request checks be made payable to Maas Energy Works. See Appendix B, Attachment 2-2, A.25-08-009 Cal Advocates Data Request to Lakeside No. 1 (Lakeside Response to Lakeside DR 001), “Cal Advocates - MEW - DR Q12BIII - MMW Invoices.”

<sup>222</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Request 12(b)(i).

<sup>223</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Request 12(b)(ii), Attachment “Cal Advocates - MEW - DR Q12BIII - Ramirez Invoices.”

<sup>224</sup> Lakeside Appendix A at 1146-1241.

<sup>225</sup> Lakeside Appendix A at 1154.

<sup>226</sup> Appendix B, Attachment 2-2, Lakeside’s Response to Lakeside DR 001, Request 13.

1 external citations or empirical evidence of global or local labor inflation rates. The only  
2 precise information that Energy Innovations’ analysis presents in regard to these claims is  
3 a table that shows wages increases for various employee positions at Energy Innovations  
4 itself.<sup>227</sup>

5 Energy Innovations’ analysis also purports that material costs comprise 55-65% of  
6 the total cost of contracted work on howitzers and estimates that the materials inflation  
7 ranged from 25-55% over the span of the Project,<sup>228</sup> but provides no evidence to support  
8 these claims other than Energy Innovation’s internal comparative pricing between 2018  
9 and 2020.<sup>229</sup> Energy Innovations’ analysis does not provide any justification for these  
10 price increases.

11 Because Lakeside fails to provide documentation to verify that its inflation claims  
12 are accurate and reasonable, Cal Advocates recommends that the Commission disallow  
13 the \$144,015 in overages spent on the howitzers that Lakeside attributes to inflation.

14 **b.) Lakeside fails to demonstrate that cost**  
15 **overages for the O2 injection and biogas**  
16 **blower systems were reasonable.**

17 Lakeside claims that design changes to the O2 injection and biogas blower  
18 systems resulted in a cost increase of \$1,182,709 over the original estimate,<sup>230</sup> while  
19 inflation added \$481,358 to the total overage requested for recovery for the O2 injection  
20 and biogas blower systems.<sup>231</sup> However, Lakeside fails to demonstrate that either of  
21 these cost overruns were reasonable.<sup>232</sup> The Commission should therefore disallow  
22 \$1,664,067 from Lakeside’s cost recovery request.

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<sup>227</sup> Lakeside Appendix A at 1153.

<sup>228</sup> Lakeside Appendix A at 1157.

<sup>229</sup> Lakeside Appendix A at 1156.

<sup>230</sup> SCG/Lakeside-02 at DM-A-32.

<sup>231</sup> SCG/Lakeside-02 at DM-A-34.

<sup>232</sup> SCG/Lakeside-02 at DM-A-30.

1                                   **a. Lakeside fails to demonstrate that the design changes**  
2                                   **for the O2 injection and biogas blower systems were**  
3                                   **necessary.**

4                   Lakeside states that it made seven design changes to the O2 injection and biogas  
5 blower systems,<sup>233</sup> as well as changes to the scope of labor necessary to fabricate and  
6 commission these H2S removal systems,<sup>234</sup> that led to cost overages. However, Lakeside  
7 fails to show these design changes were justifiable given its representation to the  
8 Selection Committee of the Project’s viability and reliability. First, Lakeside states that it  
9 changed the piping for the biogas conditioning and transportation equipment from high  
10 density polyethylene (HDPE) to stainless steel biogas piping to improve safety and  
11 durability.<sup>235</sup> Lakeside claims that operational experience supported the use of HDPE in  
12 ambient pressure applications such as lagoon covers and biogas collection pipes, but in  
13 higher pressure gas handling equipment, containers, or frequently-serviced equipment,  
14 HDPE presented a risk of degradation and eventual leaks.<sup>236</sup> Secondly, Lakeside states  
15 that it found that its proposed design for chilling biogas could not always maintain  
16 reliability in hot and dusty environments, so it added air-to-air coolers.<sup>237</sup> Third,  
17 Lakeside states that it decided to add additional gauges, meters, and sensors to allow for  
18 detailed gas analytics to inform proper equipment operation and to comply with various  
19 carbon credit agencies and other regulatory requirements.<sup>238</sup> Fourth, Lakeside states that  
20 it increased the capacity of the blowers to deal with dust, direct sunlight, and other  
21 conditions in the field that stressed the system.<sup>239</sup> Fifth, Lakeside states that it needed to  
22 upgrade its electrical equipment, reconfigure power distribution, and enhance control

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<sup>233</sup> SCG/Lakeside-02 at DM-A-28-30.

<sup>234</sup> SCG/Lakeside-02 at DM-A-30.

<sup>235</sup> SCG/Lakeside-02 at DM-A-28.

<sup>236</sup> SCG/Lakeside-02 at DM-A-28.

<sup>237</sup> SCG/Lakeside-02 at DM-A-28.

<sup>238</sup> SCG/Lakeside-02 at DM-A-29.

<sup>239</sup> SCG/Lakeside-02 at DM-A-29.

1 room design to account for the increased power needs for the greater capacity of the  
2 blowers.<sup>240</sup> Sixth, Lakeside states that it added gas condensate separators to avoid  
3 condensation and water build up in the gas processing systems and the collection lines to  
4 improve safety and avoid maintenance.<sup>241</sup> Seventh, Lakeside states that it installed  
5 backflow prevention devices to prevent pipeline backflow into the digester which could  
6 over-pressurize the covered lagoons.<sup>242</sup>

7 As for the changes to the scope of work related to the installation of the O2  
8 injection and biogas blower systems, Lakeside states that it revised its scope of work to  
9 account for the aforementioned design changes; added scope of work related to  
10 automation and remote controls; added scope of work to prepare the site for the use and  
11 installation of highly specialized equipment; added electrical work to install the electrical  
12 infrastructure for lagoon mixers and equipment; and added commissioning scope of work  
13 to have a technical team travel to the site to ensure the complex electrical, mechanical,  
14 and control features were properly installed, implemented, and operating as intended.<sup>243</sup>

15 Lakeside’s explanations for its numerous changes to its O2 injection and blower  
16 packages’ designs also are inconsistent with the statements it made in its 2018 application  
17 to the Selection Committee. First, it is reasonable to conclude that Lakeside should have  
18 been aware of the ambient conditions at the Project site. Lakeside chose the Project site,  
19 which it proposed to the Selection Committee, and included the site’s local climate data  
20 in its proposal.<sup>244</sup> Lakeside stated in its proposal:

21 “The Lakeside Pipeline Dairy Digester Cluster project will  
22 utilize covered lagoon digester technology. Nearly all  
23 successful digesters in California utilize this technology since

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<sup>240</sup> SCG/Lakeside-02 at DM-A-29.

<sup>241</sup> SCG/Lakeside-02 at DM-A-30.

<sup>242</sup> SCG/Lakeside-02 at DM-A-30.

<sup>243</sup> SCG/Lakeside-02 at DM-A-30-31.

<sup>244</sup> Lakeside Appendix A at 28-29.

1 it is ideal for the state’s high ambient temperatures and flush  
2 manure management systems.”<sup>245</sup>

3 Additionally, Lakeside told the Selection Committee:

4 “In addition to H2S removal, the biogas will be cooled to  
5 condense water vapor out of the gas. This system includes an  
6 Xchanger brand heat exchanger and associated chiller that  
7 will drop the gas to approximately 35F and then re-heat it to  
8 at least 60F at each dairy. This system assures that not only  
9 will nearly all moisture be removed, but also that the gas will  
10 not drop below its dewpoint while travelling in the gathering  
11 lines.”

12 Lakeside stated “the project will also install comprehensive remote monitoring  
13 hardware and software to give 24x7 access to all major system components”<sup>246</sup> and  
14 added:

15 “Each building will be equipped with a gas monitoring  
16 system that present a visible alarm if biogas is present, and  
17 also sends out an alarm to the controller via the SCADA  
18 system. If gas is detected, no personnel will enter the  
19 building. Rather, all SCADA-controlled equipment will be  
20 shut down remotely.”<sup>247</sup>

21 In another instance, Lakeside said that HDPE can be patched and welded easily,  
22 and that the covered lagoons where the biogas processing takes place are designed with  
23 pressure reliefs to avoid over-pressuring.<sup>248</sup> Finally, Lakeside told the Selection  
24 Committee:

25 “We run our pipeline at very low pressures (under 15 psi) to  
26 reduce the maintenance costs and increases the tolerances of  
27 the on-dairy compressors. We build our own proven gas  
28 handling equipment using proven equipment such as  
29 condensers and blowers that are already common on our  
30 many California projects. As described elsewhere, the on-

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<sup>245</sup> Lakeside Appendix A at 18.

<sup>246</sup> Lakeside Appendix A at 71.

<sup>247</sup> Lakeside Appendix A at 80.

<sup>248</sup> Lakeside Appendix A at 52.

1 dairy H2S removal system uses a simple dry media that is  
2 cheap to maintain.”<sup>249</sup>

3 Taken together, the evidence shows that Lakeside told the Selection Committee  
4 that it was equipped to handle each task. Lakeside presented its chosen technologies as  
5 common, reliable, and low-cost. The Selection Committee selected Lakeside’s proposal  
6 based on its representation and costs that Lakeside presented to the Selection  
7 Committee.<sup>250</sup> Lakeside fails to show that its decision to materially change the project it  
8 proposed to the Selection Committee is reasonable. Lakeside also fails to demonstrate  
9 that it is reasonable for ratepayers to pay for Lakeside’s decision to depart from the O2  
10 injection and biogas blower packages that it proposed and received approval to construct.

11 **b. Lakeside fails to demonstrate the reasonableness of its**  
12 **claim that inflation caused cost overruns for the O2**  
13 **injection and biogas blower packages.**

14 Lakeside makes the same inflation claims for the O2 injection and blower  
15 packages that it does for the howitzers. Lakeside states that labor and materials costs  
16 increased during the Covid-19 pandemic and presents the same analysis from Energy  
17 Innovations to support its claims.<sup>251</sup> However, in spite of the fact that Energy  
18 Innovations constructed and installed the O2 injection and blower packages for the  
19 Project, Energy Innovation only presents estimates of how much it charged Lakeside for  
20 materials and labor.<sup>252</sup> As stated before, Energy Innovations presents wage increases for  
21 various employee positions at its company from 2018 to 2021. The wage increases are

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<sup>249</sup> Lakeside Appendix A at 52.

<sup>250</sup> In addition to the Selection Committee’s comments about the common, reliable technology that Lakeside proposed, the Selection Committee stated that the “project is one of the more cost-effective projects submitted, ranking second.” See Score Card Summary at 61, available at [https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc\\_website/content/utilities\\_and\\_industries/energy/energy\\_programs/gas/natural\\_gas\\_market/finalectioncomscorecardsum.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/files/uploadedfiles/cpuc_website/content/utilities_and_industries/energy/energy_programs/gas/natural_gas_market/finalectioncomscorecardsum.pdf)

<sup>251</sup> SCG/Lakeside-02 at DM-A-33.

<sup>252</sup> Lakeside Appendix A at 1153.

1 large, ranging from 54% to 86% in a span of three years. However, the evidence shows  
2 that Energy Innovations contributed to MEW’s proposal for the Lakeside Project in 2018,  
3 when its wages were much lower, and that the wages increased following the Selection  
4 Committee’s selection of the Lakeside Project. It is not reasonable to rely on Energy  
5 Innovations’ wage data to demonstrate that the cost overruns for the O2 injection and  
6 blower packages were reasonably incurred, especially absent any evidence that materials  
7 prices increased by the amounts claimed. Without any external evidence, economic  
8 analysis, even other sector-specific examples, the table that Energy Innovation provides  
9 delineating its internal wage increases does not demonstrate an instance of “Covid-19  
10 related inflation,” nor does it serve as a proxy for the labor inflation rate over this time  
11 period. Energy Innovation’s statements further do not demonstrate that Lakeside was  
12 obligated to incur unforeseen costs in order to complete the Project. Therefore, the  
13 Commission should disallow all cost overruns that Lakeside claims were due to inflation  
14 of the O2 injection and blower packages.

15 **B. Lakeside fails to demonstrate that cost overages for the**  
16 **collection line-related expenses were reasonable.**  
17 **(Condensa)**

18 Lakeside fails to show that its claimed collection line-related cost overages were  
19 reasonable. Lakeside fails to 1) demonstrate the reasonableness of cost overages due to  
20 pipe diameter changes, 2) demonstrate the reasonableness of cost overages due to  
21 pipeline route changes, and 3) demonstrate the reasonableness of 4-inch pipeline costs.  
22 Cal Advocates recommends that the Commission disallow \$637,244 of Lakeside’s  
23 claimed collection line-related cost overages.

24 **a.) Lakeside fails to demonstrate the**  
25 **reasonableness of cost overages due to the**  
26 **pipe diameter changes.**

27 Lakeside fails to show that the \$416,000 it requests for increased material costs  
28 associated with changes to pipe diameters from the proposed Project is reasonable  
29 because Lakeside fails to prove that these changes were necessary, whether to comply

1 with safety standards or address other engineering concerns. Cal Advocates recommends  
2 that the Commission disallow \$416,000 that Lakeside requests to cover increased  
3 material costs associated with changes to pipe diameters from the proposed Project.

4 Lakeside states:

5 “After final engineering was completed, the larger pipe sizes  
6 were determined to be necessary to ensure the pipeline would  
7 be operated in the 3-15 pounds per square inch gauge (“psig”)  
8 pressure range, consistent with Selection Committee  
9 proposals. MEW’s encroachment permits with Kings County  
10 also stipulated a pipeline pressure of 10-15 psig.”<sup>253</sup>

11 Lakeside also states that “the increase of pipeline size helped mitigate significant  
12 pressure loss between the digester outlet and biogas treatment facility inlet which would  
13 have significantly impacted pipeline performance at the size selected in the initial  
14 design.”<sup>254</sup> However, Lakeside does not provide any engineering evaluation attesting to  
15 this claim or otherwise supporting the need for increased pipe diameters for pipe  
16 segments that were not at risk of exceeding 15 psig. Therefore, Lakeside fails to provide  
17 evidence that supports the design changes.

18 Cal Advocates requested that Lakeside “identify which pipeline segments were at  
19 risk of exceeding the 15 psig and the diameters and lengths of those pipeline  
20 segments.”<sup>255</sup> In response, Lakeside provided a figure that identifies which pipe  
21 segments were at risk of exceeding 15 psig.<sup>256</sup> The figure shows that, along the original  
22 route, the eastern pipeline segments up to the connection point between the Dixie Creek  
23 Ranch/Lone Oak Farms #1 and Centralized Decade/Clear Lake Dairy as well as a

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<sup>253</sup> SCG/Lakeside-02 at DM-A-39

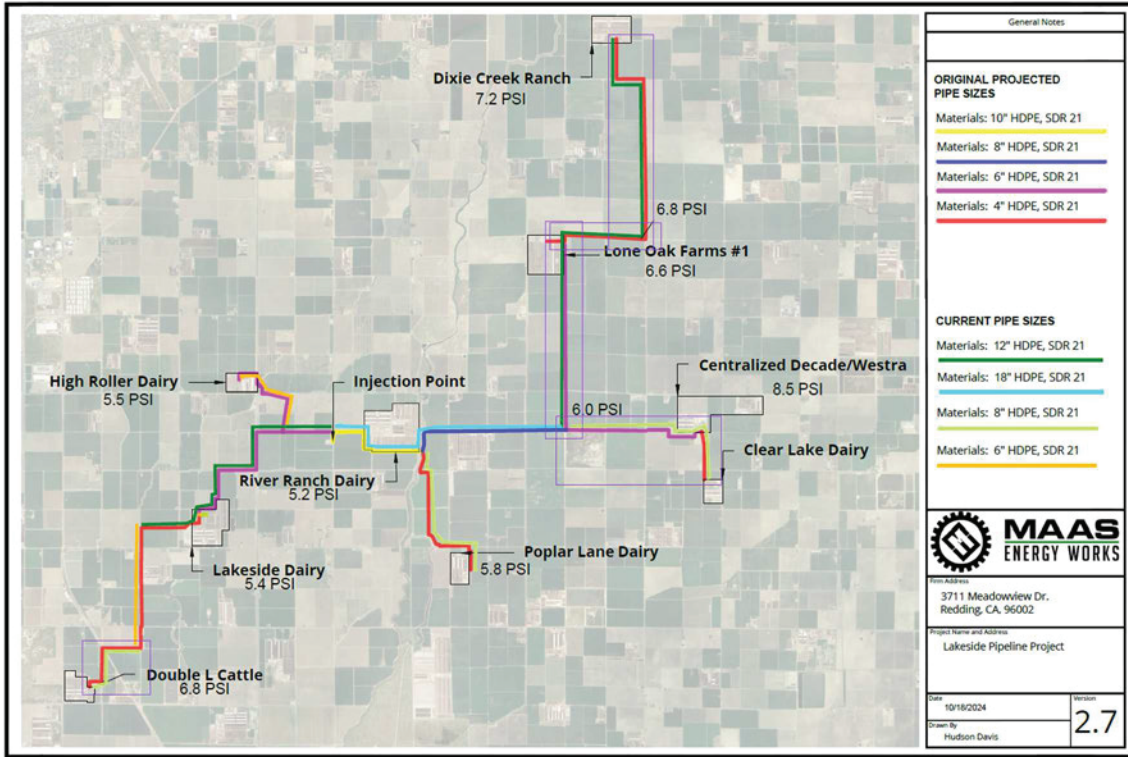
<sup>254</sup> SCG/Lakeside-02 at DM-A-40.

<sup>255</sup> Appendix B, Attachment 2-2, Cal Advocates Lakeside DR 001, Request(3)(b)(i).

<sup>256</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q3BI - Pipeline Pressure Map - At-Risk Segments.”

1 pipeline segment connected to Double L Cattle dairy were at risk of exceeding the  
2 pressure guideline, shown below in Figure 2.<sup>257</sup>

3 **Figure 2: Lakeside Project – Pipe Segments at Risk of Exceeding 15 psig in**  
4 **Original Pipeline Route<sup>258</sup>**



5  
6 Although Cal Advocates requested that Lakeside identify the diameter and lengths  
7 of the pipeline segments that were at risk of exceeding 15 psig, Lakeside instead  
8 referenced the total lengths of each pipeline size in the original proposed and as-built  
9 route, shown in Table 12 below.<sup>259</sup>

<sup>257</sup> Appendix B, Attachment 2-2, Lakeside Response to Cal Advocates Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q3BI - Pipeline Pressure Map - At-Risk Segments.”

<sup>258</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q3BI - Pipeline Pressure Map - At-Risk Segments.”

<sup>259</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Request 3(d).

1 **Table 12: Lakeside Pipe Lengths for Original Proposed Route and As-Built Route<sup>260</sup>**

Pipeline Size	Original Proposed Route (FT)	As-Built Route (FT)
4"	56,953.00	3,190.00
6"	45,208.00	8,351.00
8"	11,009.00	33,149.00
10"	8,172.00	-
12"	-	54,715.00
18"	-	23,990.00

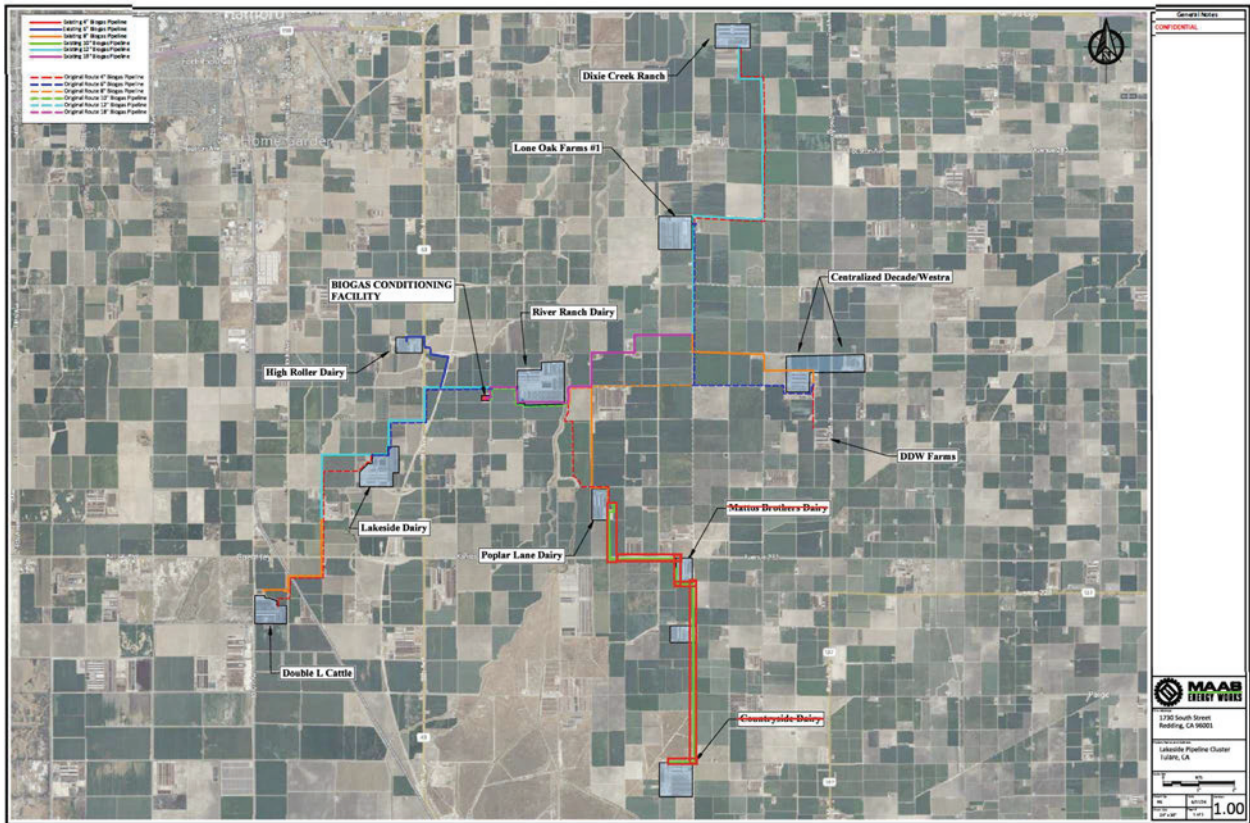
2  
3 Lakeside also provides a pipeline route map that distinguishes the pipe sizes used  
4 in both the original proposed and as-built route, shown in Figure 3 below.<sup>261</sup> The figure  
5 demarks in red boxes the existing 10” pipeline segments that connect to dairies that are  
6 not a part of the application provided to the Selection Committee. Those segments are  
7 excluded from this analysis. However, pipe segments downstream of the two non-pilot  
8 dairies starting at Poplar Lane Dairy have increased in size compared to the estimations  
9 that Lakeside provided to the Selection Committee.

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<sup>260</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Request 3(d).

<sup>261</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q3C - Pipeline Route Map.”

1 **Figure 3: Lakeside Project – Comparison of Original Proposed Route and**  
2 **Pipeline Sizes to As-Built Route and Pipeline Sizes<sup>262</sup>**



3  
4 Based on the information Lakeside provided, Cal Advocates estimated the pipe  
5 lengths at risk of exceeding the pressure guideline in the proposed route and the  
6 equivalent segment in the as-built route by scaling the lengths of each pipe segment in the  
7 pipeline route map to the total length of the respective pipeline size provided in Table 12.

8 From the information provided by Lakeside, Cal Advocates estimates that the  
9 following pipe lengths were not at risk of exceeding 15 psig in the original proposed  
10 route and the equivalent segments in the as-built routes, shown in Table 13. Lakeside  
11 provided material costs of the 4", 6", 8", 12", and 18" pipe sizes. Lakeside did not  
12 provide the material costs of the 10" pipe size because, while 10" pipes were presented in  
13 the original bid estimate, they were not used in the pipeline segments included in the Pilot

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<sup>262</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment "Cal Advocates - MEW - DR Q3C - Pipeline Route Map."

1 project. Cal Advocates assumes that material cost for the 10” pipe size is approximately  
 2 the average of the 8” and 12” collection line materials costs (\$5.00 per linear foot),  
 3 shown in Table 14.<sup>263</sup>

4 By comparing the total material costs of the pipe segments not at risk of exceeding  
 5 the pressure guideline in the original proposed route to that of the segments in the as-built  
 6 route, Cal Advocates estimates the cost impact of the pipe size changes for pipe segments  
 7 that were not at risk of exceeding the 15 psig safety threshold.

8 **Table 13: Estimated Not-At-Risk Pipe Lengths in Original Proposed Route**  
 9 **and As-Built Route and Cost Impact<sup>264</sup>**

Pipe Size	Length in Original Proposed Route (ft)	Length in As-Built Route (ft)	Delta (ft)	Cost Impact
4"	25,265	--	(25,265)	
6"	21,976	8,351	(13,625)	
8"	11,009	14,623	3,614	
10"	8,172	--	(8,172)	
12"	--	23,942	23,942	
18"	--	23,990	23,990	
TOTAL	66,422	70,906	4,484	

10  
 11

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<sup>263</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q6 - All Invoices – Confidential.pdf” at 63 and 83.

<sup>264</sup> Cal Advocates bases the cost impacts on invoices Lakeside shared in response to a data request. See Appendix B, Attachment 2-2, Lakeside Response to Cal Advocates Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q6 - All Invoices – Confidential” at 63 and 83.

**Table 14: Material Cost per Foot-Length of Lakeside Pipe Sizes<sup>265</sup>**

Pipe Size	Material Cost (\$/foot)
4" Collection Line	
6" Collection Line	
8" Collection Line	
10" Collection Line	
12" Collection Line	
18" Collection Line	

Lakeside attests that the total Project overage attributable to the larger diameter pipeline materials was \$229,515.<sup>266</sup> Lakeside states that this figure comes from “123,395 linear feet of pipeline length priced with a cost increase of \$1.86 per linear foot”, which is calculated by comparing the “average material cost per linear foot of pipeline for the Project,” \$7.86, to the “expected average of \$6 per linear foot based on initial estimates using the smaller diameter pipe at the time of application.”<sup>267</sup> However, this \$6 per linear foot figure does not appear in Lakeside’s project proposal to the Selection Committee. Instead, Lakeside’s proposal cites two cost estimations for biogas collection lines from [REDACTED]<sup>268</sup> These companies had provided proposals to construct Lakeside’s previous Calgren Dairy Fuels, LLC (Calgren) biogas pipeline in May 2017, however the proposals differed because the two contractors: 1) expected to use 18” and 20” and 10”, 12”, 18”, and 20” HDPE piping for the Calgren project; and 2) did not provide a material cost for the pipeline material outside of the installation costs.<sup>269</sup> The true average material cost for the original proposal would have been approximately [REDACTED] per linear foot, using the information shown in Table 12 and Table 14.

<sup>265</sup> Appendix B, Attachment 2-2, Lakeside Response to Cal Advocates Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q6 - All Invoices – Confidential” at 63 and 83.

<sup>266</sup> SCG/Lakeside-02 at DM-A-41.

<sup>267</sup> SCG/Lakeside-02 at DM-A-41.

<sup>268</sup> Lakeside Appendix A at 84.

<sup>269</sup> Lakeside Appendix A at 414 and 418.

1 Because Lakeside fails to provide any evidence of the engineering need for the  
2 pipe lengths not at risk of exceeding 15 psig to be increased in size, Cal Advocates  
3 recommends that the Commission disallow \$416,874 of the expenditures that Lakeside  
4 claims are associated with increased pipe diameters.

5 **b.) Lakeside fails to demonstrate the**  
6 **reasonableness of 4-inch pipeline costs.**

7 Cal Advocates recommends that the Commission disallow \$107,426 that Lakeside  
8 requests for expenses related to the construction of 3,190 feet of 4” collection lines  
9 because Lakeside fails to show that 4” collection lines were utilized in the as-built  
10 pipeline routes.<sup>270</sup>

11 Lakeside provides a pipeline route map that distinguishes the pipe sizes used in  
12 both the original proposed route and the as-built route, shown in color in Figure 3.<sup>271</sup>  
13 While the map indicates that there were several pipeline segments along the original  
14 proposed route in which 4” collection lines were expected to be used, as seen by the  
15 dashed red lines, there are no segments of the as-built route that have been identified to  
16 have been built using 4” collection lines.

17 According to Cal Advocate’s analysis of the pipeline diameter, the original  
18 proposed pipe segment connecting DDW Farms (also occasionally referred to by  
19 Lakeside as Clear Lake) to Centralized Decade/Westra dairy is approximately the length  
20 of the 4” collection line for which Lakeside requests cost recovery in the Application.  
21 Lakeside does not indicate that a collection line was constructed for this segment in  
22 Figure 3. Lakeside further states in its testimony:

23 “The owner of Decade Centralized and Clear Lake decided to  
24 postpone the construction of Clear Lake until the financial  
25 validity of Decade Centralized could be solidified, leaving 8

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<sup>270</sup> In response to a Cal Advocates data request, Lakeside provides an Excel spreadsheet of the total costs of each pipe size’s installed segments. See Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q4B.”

<sup>271</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001, Attachment “Cal Advocates - MEW - DR Q3C - Pipeline Route Map.”

1 participating digesters. Costs relating to the Clear Lake  
2 digester are hence not included herein for reimbursement.  
3 Accordingly, the exclusion of Clear Lake dropped the dairy  
4 participation from 10 dairies to 9 dairies.”<sup>272</sup>

5 If the 3,190 feet of 4” collection pipeline was in fact constructed but corresponds  
6 to the route connecting Clear Lake to Decade Centralized, it is not eligible for  
7 reimbursement because Clear Lake is no longer a participant in the Project. It appears  
8 that the 3,190 feet of 4” collection pipeline either was not utilized or was utilized to  
9 connect a non-participating dairy to the Project’s pipeline system. In either case, Cal  
10 Advocates recommends that the Commission disallow \$107,426 that Lakeside requests  
11 for expenses related to the construction of the 4” collection lines.<sup>273</sup>

12 **c.) Lakeside fails to demonstrate that cost**  
13 **overages due to the pipeline route change are**  
14 **reasonable.**

15 Cal Advocates recommends that the Commission disallow \$113,818 that Lakeside  
16 requests for pipeline material and installation costs for the additional 2,053 feet of  
17 pipeline length constructed for the final route compared to the route in the proposed bid.

18 Contrary to what MEW stated to the Selection Committee,<sup>274</sup> the proposed  
19 pipeline route required third party easements. In its June 2018 application to the  
20 Selection Committee, MEW represented that it had control of the pipeline route, stating  
21 that “[a]ll of the necessary land is controlled by dairy farms and so no third party or  
22 public easements are required to complete the pipeline, except where crossing county  
23 roads.”<sup>275</sup> However, Lakeside now claims that:

24 “There were multiple instances where MEW had made  
25 contact with landowners during the 110 days prior to bid

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<sup>272</sup> SCG/Lakeside-02 at DM-A-37.

<sup>273</sup> This segment between Clear Lake and Decade Decentralized is a part of the original proposed route segments identified by Lakeside to be at risk of exceeding the 15 psig safety threshold. It therefore is not included in Cal Advocate’s recommended disallowance.

<sup>274</sup> Lakeside Pipeline LLC had not yet been created in June 2018. MEW was the applicant.

<sup>275</sup> Lakeside Appendix A at 21.

1 submission to the Selection Committee, but later was unable  
2 to negotiate an easement with private landowners for the full  
3 route that was proposed to the Selection Committee.”<sup>276</sup>

4 Lakeside continues, stating, “when a small number of property owners would not  
5 agree to easements, MEW was able to reroute the project using either public rights of  
6 way or alternative private routes” which resulted in an additional 2,053 feet of  
7 pipeline.<sup>277</sup>

8 In response to Cal Advocate’s data request, Lakeside provides internal  
9 communications from March 1, 2018 regarding a land owner, [REDACTED], who was [REDACTED]  
10 [REDACTED]<sup>278</sup> The communication also states that

11 [REDACTED]  
12 [REDACTED]<sup>279</sup>  
13 Lakeside provides a second communication from May 17, 2019, which states, [REDACTED]

14 [REDACTED]  
15 [REDACTED]<sup>280</sup>

16 Lakeside’s statements in its testimony are inconsistent with its representation to  
17 the Selection Committee that no third-party easements would be required to construct the  
18 pipeline. The communications show that Lakeside was aware of the need for third-party  
19 easements prior to the submission of its proposal to the Selection Committee and that at  
20 least one third party did not enter into an agreement with Lakeside, which caused  
21 Lakeside to change its pipeline route and incur greater costs. Because Lakeside did not  
22 disclose the Project’s need for acquiring third-party easements to the Selection

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<sup>276</sup> SCG/Lakeside-02 at DM-A-37.

<sup>277</sup> SCG/Lakeside-02 at DM-A-38.

<sup>278</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q2AI - Email - [REDACTED] First Contact.”

<sup>279</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q2AI - Email - [REDACTED] First Contact.”

<sup>280</sup> Appendix B, Attachment 2-2, Lakeside Response to Lakeside DR 001 (Confidential), Attachment “Cal Advocates - MEW - DR Q2AI - Email - [REDACTED] First Contact.”

1 Committee and knew or should have known it did not have permission to construct the  
2 pipelines on private property owners' lands, changes to the pipeline routes due to  
3 challenges with acquiring said easements are unreasonable. Therefore, the \$113,818 that  
4 Lakeside requests for additional pipeline material and installation costs are unreasonable  
5 and should be disallowed.

6 **IV. CONCLUSION (Weinberger)**

7 In 2018, Lakeside presented a proposal to the Commission for a lower-cost,  
8 standard technology biogas project, which was ultimately selected for ratepayer funding  
9 based on this representation. Now, Lakeside asks the Commission to recover costs from  
10 SoCalGas's ratepayers because Lakeside built a project that differed from its proposal in  
11 several significant and costly ways. Cal Advocates' analysis demonstrates that Lakeside  
12 knew, or should have known, that it would make these changes to the Project, and thus  
13 incur substantial cost overages. Cal Advocates recommends that the Commission deny  
14 cost recovery for those overages and thereby disallow \$2,702,145 from Lakeside's  
15 request.

# **APPENDIX A**

## **Qualification of Witnesses**





