

**DRA DATA REQUEST
DRA-SCG-080-DAO
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: APRIL 26, 2011
DATE RESPONDED: MAY 10, 2011**

Exhibit Reference: SCG-2 Gas Distribution O&M Expenses

Subject: Main Maintenance

Please provide the following:

1. Referring to pages GOM-27 to GOM-29, provide the following information:
 - a. A copy of all supporting documents and/or calculations used to substantiate the statement, “SCG expects to see an increase in main leak repairs as a result of increased survey work performed ahead of street improvements.” Include a copy of any and all comparisons performed to determine the increase in survey work.
 - b. A copy of any and all supporting documents and/ or calculations used to determine that the Los Osos City Sewer System will require “...additional work [that] will range from altering the elevation segments of main lines in their present locations, to relocating segments of pipe.”
 - c. A copy of any and all supporting documents and/or calculations used to determine the increase of \$523,000 for main maintenance as a result of the Los Osos City Sewer System.
 - d. A copy of any and all supporting documents and/or calculations used to determine that there will be an increase in city/municipality requirements in 2012. Include a copy of any and all comparisons used to determine this assertion.
 - e. A copy of any and all supporting documents and/or calculations used to determine the \$648,000 increase in main maintenance expenses as a direct result of increased city/municipality requirements.

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SoCalGas Response 01:

- a. When street improvement projects are completed, governing municipalities will often impose moratoriums that limit the access utilities have to their facilities located in the newly paved streets for several years. If SoCalGas discovers an underground leak that needs to be repaired while the street is under a moratorium, the paving costs associated with the repair are very costly since the municipality often requires a restoration of the street that significantly exceeds the actual cut size to match aesthetic conditions prior to excavation. This repair can include the restoration of an entire lane of traffic, several lanes or curb to curb for any length requested by the municipality. To prevent costly leak repairs in newly paved streets, SoCalGas surveys its pipeline and facilities in the impacted area for leakage and makes repairs **ahead** of street improvements.

SoCalGas expects to see an increase in the number of street and highway improvement projects in upcoming years as municipalities receive federal stimulus funding. This increase in municipal work will generate the need for additional leakage survey being completed by SoCalGas. As a result of the increased leak surveys, SoCalGas will locate and repair more leaks ahead of street improvement projects. In this manner, SoCalGas is avoiding higher repair costs should a hazardous leak be identified at a later date when the moratorium is in place.

The calculations for the incremental leak repair costs driven by federal stimulus funding were estimated based on polling SoCalGas' Field Supervisors/Managers who have or expect to have, federal stimulus projects in their area. The forecast is supported by information which shows that the Recovery Act monies have been granted, received and expended by California Counties for Transportation Works. According to the Transportation Distribution Funds Graph, located at <http://www.recovery.ca.gov/html/funding/transportation/transportation.shtml>, California has spent approximately 20% of the potentially available Federal funding as of April 28, 2011. In 2011 and 2012 SoCalGas expects increases in transportation projects as more of the awarded stimulus dollars become available to the State.

Based on the information provided by field supervisors/managers, it is estimated that an incremental 17 leaks will need to be repaired per year at a total cost of approximately \$66,000 per year. Please see pages 90 – 91 of 234 of Exhibit SCG-02-WP for the assumptions and calculations for the increased main repair costs resulting from leak surveys performed ahead of stimulus funded street improvement projects.

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SoCalGas Response to Question 1 (Continued):

- b. Please see the response to DRA-SCG-057-DAO, Question 5a for a copy of the status update on the Los Osos sewer system replacement project prepared by the San Luis Obispo County Department of Public Works.

Although SoCalGas has not yet received any sewer project plans from the city of Los Osos that can be used to identify conflicts that would result in main relocations and/or alterations, as the project has been described to SoCalGas' field supervisor virtually every street in Los Osos will be excavated to install sewer pipelines. Because of this extensive undertaking by the City, SoCalGas anticipates that it will be required to relocate or alter segments of main that are in the path of the proposed sewer pipeline. Please see pages 88-89 of 234 of Exhibit SCG-02-WP which provides the assumptions and estimates used to derive the incremental cost of this work.

- c. Please see pages 88-89 of 234 of Exhibit SCG-02-WP which provide the assumptions and calculations used to determine the increased costs for main maintenance work as a result of the Los Osos sewer project.
- d. In preparing the estimate related to increased city/municipality requirements, SoCalGas Field Managers and Technical Supervisors were polled as to the expected impact of these requirements on SoCalGas' operations. These managers and supervisors have firsthand knowledge of the changing city/municipality requirements, and based on the poll results, further discussions and historical observations, the increase in these requirements was estimated. As noted on pages GOM-6 and GOM-7, SoCalGas has observed an increasing trend associated with costs in several areas including permits, paving repairs, and restricted work hours:

“SoCalGas' average O&M cost per permit has increased by 33% since 2005, well in excess of general non-labor inflation. Additionally, city requirements for engineered traffic control plans as a condition of permitting construction and maintenance also contribute to increased expenditures. Cities are citing safety concerns as the reason for this additional requirement. Historically, only projects having special circumstances related to traffic control required engineered traffic plans. These specialized engineered plans must be prepared by a contract engineering firm, thus increasing costs to the operations. Based on experience in SoCalGas' Technical Planning office, during 2009 the percentage of jobs requiring these plans rose from 3% to 10%. Most recent experience indicates that this trend will continue into the future.

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SoCalGas Response to Question 1 (Continued):

SoCalGas is facing additional paving repair requirements imposed by municipalities that impact field construction practices and therefore result in increased costs. These include requiring T-Cuts, grinding for steel plate installation, and paving repair size that exceeds the actual cut size. From 2005 to 2009 SoCalGas' average cost per paving order increased by 65%. SoCalGas anticipates this significant cost increase in paving will continue in future years.”
“Finally, cities are also imposing restricted work hours resulting in more days to complete work. As urban centers become more congested with vehicular traffic, more cities are restricting the hours when construction work can be performed during the day or even requiring some work to be completed at night. This growing trend toward restricted working hours reduces the time available to complete work, impacting field productivity.”

Please see pages 82-85 of 234 of Exhibit SCG-02-WP which provides the assumptions and calculations used to determine the incremental costs relating to the increased city and municipality requirements.

SoCalGas does not maintain a comparative tracking of changes in city/municipality construction requirements over time.

- e. Please see pages 82-85 of 234 of Exhibit SCG-02-WP which provides the assumptions and calculations used to determine the increased costs for main maintenance work as a result of increased city/municipality requirements. In addition, please see the “Miscellaneous Supporting Material” on page 213 of 234 for the itemized increases related to increased city/municipality requirements.