

**DRA DATA REQUEST  
DRA-SCG-136-KCL  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE**

**DATE RECEIVED: AUGUST 1, 2011  
DATE RESPONDED: AUGUST 16, 2011**

**Subject:** Gas Engineering and Transmission Capital Expenditures

**Please provide the following:**

1. On page RKS-80 of direct testimony SCG-05, SCG requested \$6.3 million “to purchase land in exchange for special permits issued by the United States Fish & Wildlife Services (USFWS) and California Department of Fish & Game (CDFG).” Please describe in detail how this “exchange” works.

**SoCalGas Response:**

SoCalGas is currently developing the Coastal Region Conservation Program (CRCP) Habitat Conservation Plan (HCP) in support of applications for state and federal Incidental Take Permits (ITPs) for operation and maintenance (O&M) activities and new construction within a seven-county planning area. Obtaining the ITPs would provide SoCalGas with a means to ensure compliance with the state and federal Endangered Species Acts (ESAs) while conducting O&M and construction activities while providing regulatory certainty and predictability. The purchase of conservation lands is anticipated to be the primary component of SoCalGas’ mitigation strategy under this HCP for the following reason:

The USFWS and CDFG may only issue an ITP to an applicant if the agency finds, among other things, that: (i) the applicant will minimize and mitigate the impacts of such taking; (ii) the applicant will ensure that adequate funding for the HCP will be provided; and (iii) the taking will not appreciably reduce the likelihood of the survival and recovery of the species in the wild (ref: 16 U.S.C. § 1539(a)(2)(A) and (B) for USFWS, and Fish and Game Code § 2081(b) and (c) for CDFG).

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2. Lines 12 to 14 of the same page as described above indicate the \$6.3 million estimate is based on an expectation of \$1.25 million worth of mitigation land purchase per year for five years. Please justify the need and show details on how SCG derived these costs.

**SoCalGas Response:**

As indicated in the response to Question 1, both the state and federal ESAs require applicants to mitigate their “take” impacts and ensure that adequate funding is in place prior to the issuance of the ITPs. “Take” means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect, or attempt to engage in any such conduct (ref: 16 U.S.C. § 1532(19)). Of particular importance is the definition of the term “harm” which could include significant habitat modification or degradation (ref: 50 CFR § 17.3). Since it is not uncommon for SoCalGas’ repairs and maintenance activities to occur within suitable habitat for state and federally listed species, it is vital for the Company to secure the funding for the required mitigation and seek approval of an HCP. Without the benefit of an HCP in place and the ITPs in hand, the Company will be at risk of potential non-compliance with the state and federal ESAs which could result in civil and/or criminal actions toward SoCalGas and its employees.

In an effort to determine the potential cost associated with purchasing the required mitigation, SoCalGas conducted an analysis of documented O&M and new construction activities that took place between 2003 and 2009. Based on this analysis, it was estimated that approximately 150 acres of suitable habitat for one or more of the covered species would be impacted every 5 years. Considering typical mitigation ratios to offset these impacts and current costs associated with obtaining compensatory mitigation credits (primarily via the purchase of conservation lands), SoCalGas estimated that the mitigation cost required to offset the first 5 years of impacts would total approximately \$6.3 million.

In an effort to increase agency support for the CRCP, SoCalGas is planning to propose to the agencies (USFWS and CDFG) the first 5 years of compensatory mitigation up-front, prior to the actual impacts. As projects are implemented over the 5-year period, compensatory mitigation would be deducted from the available mitigation credits. Any remaining credits would rollover to the next 5-year period. This cycle would be repeated every 5 years for the duration of the 50-year permit and will ensure that mitigation stays ahead of impacts. For additional details on this activity, please refer to Capital Work Paper No. 00617.02 on pages RKS-CWP-261 and RKS-CWP-262 of Exhibit No. SCG-05-CWP

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3. Please provide cost-effectiveness study of the “exchange” described in Question 1 above if performed. What other alternatives has SCG considered?

**SoCalGas Response:**

As indicated in the response to Question No.1 above, obtaining the ITPs would provide SoCalGas with a prudent means to ensure compliance with state and federal ESAs while providing regulatory certainty and predictability over a 50-year period during which permit conditions and mitigation requirements could become more onerous and costly. Without the required mitigation and associated dedicated funding in place, SoCalGas could not obtain the ITPs. And without the ITPs, SoCalGas would run the risk of substantial penalties and/or criminal liability if an endangered species or its habitat is disturbed during O&M or construction activities.

Alternatives to SoCalGas’ CRCP would include seeking individual ITPs for each and every activity that may impact a listed species or its habitat, or not seeking the ITPs at all. Seeking individual ITPs could result in substantial delays in conducting maintenance and construction projects, some of which are time-sensitive related to Transmission pipeline reliability and safety. In addition, mitigation for impacts to listed species or their habitat would still be required. The alternative of not seeking the ITPs puts the Company at risk of substantial penalties and/or criminal liability if an endangered species or its habitat is disturbed. Neither of these alternatives is considered a prudent course of action compared to establishing a long-term programmatic permit that would provide SoCalGas with regulatory certainty and predictability over the 50-year life of the permits.