

**DRA DATA REQUEST
DRA-SCG-052-KCL
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 1, 2011
DATE RESPONDED: MARCH 15, 2011**

Exhibit Reference: SCG-04 and SCG-04-CWP

Subject: Underground Storage Capital Expenditures

Please provide the following:

1. In SoCalGas' response to data request DEF-SCG-12-KCL dated September 23, 2010 for the SoCalGas 2010 GRC NOI, the comments on Budget Codes 401 through 431 state "To the 5-year average used for years 2011 and 2012 \$1,438(K) was added for turbine-driven compressor (TDC) overhauls that were not included in historic costs for 2005 through 2009". In Workpapers SCG-04-CWP under Budget Number 00411.01, the number shown for 2012 is \$2,336 (K), please explain.

SoCalGas Response:

In Budget Category (BC) 4X1, the five-year average of recorded adjusted costs is \$5,413. For year 2011, \$1,438 for Turbine-Driven compressors (TDC) was added to the five-year average to arrive at the BC plan of \$6,851. In 2012, SoCalGas forecasts the same amount for BC 4X1 as in 2011.

As indicated in SCG-04-CWP 00411.01, the estimated 2012 expense for the TDC project is \$2,336(K). However, when estimating the overall expense for the entire BC 4X1, it was determined that the incremental increase for the TDC project in 2012 would be offset by a corresponding reduction in the Storage blanket account, 00411.00. This has the net effect of applying the same incremental adjustment (\$1,438(K)) for both 2011 and 2012.

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2. In SoCalGas direct testimony SCG-04, pages JDM-21 and -22 under Budget Codes 312, SoCalGas requests capital expenditures for two well replacements per year. Please provide the number of wells replaced each year from 2005 to 2009.

SoCalGas Response:

Note: SoCalGas addresses Budget Code (BC) 412 in response to this question. BC412 represents expenses for “*Gas Transmission - Storage – Wells*”, as presented in Exhibit SCG-04. BC312 represents expenses for “*Gas Transmission Pipeline Replacement*”, as presented in Exhibit SCG-05.

SoCalGas did not drill any new wells as replacements during the 2005 to 2009 period. However, the average annual capital expenditure for the category covering storage wells over this period was \$7,616 (K), excluding expenditures related to the 2005-2006 cushion gas project to benefit CARE customers. This was spent on upgrading old wells, for work such as installing a new gravel pack, installing an inner casing string to cover a hole in the old casing and other capital refurbishment of existing wells instead of drilling new ones. SoCalGas has a number of storage wells that are over 70 years old, and many more approaching 40 years old.

In 2009, SoCalGas determined that it would be better, over the long term, to now direct that capital spending toward the drilling of replacement wells. Drilling larger diameter wells and using modern completion technology often allows replacing the deliverability of several old wells with one new well. This will reduce O&M costs over the long run. That is why the proposed 2012 capital budget for wells has a greatly reduced blanket component (compared to 2005-09) and a new category for replacement wells. Because the mobilization and demobilization of a drilling rig is so costly for only one well, it makes sense to drill at least two at a time in order to spread that equipment cost and lower the unit cost per well.

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3. In SCG-04-CWP under Budget Number 00412.02, the costs for two well replacements are \$7.019 million. Please provide detailed cost buildup for the \$7.019 million.

SoCalGas Response:

Following is a cost estimate per well:



Wells 2 per year cost
calc.xls

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4. Please provide status of the following projects that were scheduled to be completed in 2010:
Budget Numbers 00412.01, 00412.02, 00412.03, 00413.02, and 00414.01.

SoCalGas Response:

Budget Numbers 00412.01 (wellhead replacement) and 00412.03 (tubing replacement) are not budgets that end in the sense that there is a final overall in-service date (as in a single project with its own budget code). These budgets are used as a way to categorize the individual well capital projects that were spent, as in a 'blanket' budget. There are many individual wellheads and tubing that need to be replaced nearly every year; similar to the gas distribution mains and service replacements. There were a number of wellhead and tubing replacement jobs completed in 2010. The finalized 2010 expenditure data is not yet available.

In 2010, SoCalGas planned to drill two new replacement storage wells (Budget Number 00412.02). The well site was prepared for both wells but only one well was drilled because the Honor Rancho expansion was approved by the CPUC mid-year, and with no other suitable drilling rigs available, the same rig needed to be used for drilling on that project.

For Budget Number 00413.02 (Honor Rancho High Pressure Production Pipeline Replacement), this was completed and put into service in July 2010.

For Budget Number 00414.01 (Playa del Rey dehydration plant), this was functional and put into service in May 2010. There are still minor items being completed, and these are to be finished by end of March 2011.