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Referencing SCG-3

1. At pp. JLD-9 and-10, Southern California Gas Company (SCG) discusses "D.O.T Safety Fee Assessments." Please
   a. Tie the recorded ($4.554 million for 2009) and forecasted ($5.086 million for 2012) expenses for this Pipeline Operations line item (from Table SCG-JLD-4) to the information presented on pp. 29-30 of SCG-03-WP, including, but limited to, of where the absolute numbers and the implied percentage increase from the testimony in Table SCG-JLD-4, line 1 is derived from the information in the workpapers. If there is no relationship between this line item and the information in the workpapers, please identify the basis for the information presented on line 1 of Table SCG-JLD-4.
   b. Provide invoices from the Department of Transportation supporting the unit (in DOT qualified line miles) and total cost of the user fee the DOT assessed SCG for "pipeline safety activities" (please refer to lines 20-21 of p. JLD-9) for each year from 2005-2010.
   c. Provide any guidance DOT has given SCG in any year from 2007-2010 about the DOT's intentions regarding the fee level it would adopt in the then-upcoming billing cycle. For example, if DOT provided SCG with guidance in 2007 regarding the DOT's intention to raise the user fee in 2008, please provide a copy of such guidance. If guidance was provided in 2010 for 2011, please also provide it, in addition to, all intervening years.
   d. Provide copies of any documentation DOT has provided SCG regarding the reason behind the large fee increases in the past three years. If none was specifically provided, but SCG knows of publicly-available information regarding the increase, please provide the publicly-available information.

SoCalGas Response:

a. The cost category title appearing on table SCG-JLD-4, line 1 is mislabeled. The correct descriptor for the dollar values presented on this line should have been listed "Long Beach Lease Line (NSE)". Similarly, the descriptor title for the dollar values presented on the same table, line 2 was mislabeled, and should have been listed "D.O.T. Safety Fee Assessments (NSE)".

   Additionally, the dollar value shown on line 1 under the heading "2012 Estimated" should have read $4,717, and the dollar value on line 2 under same heading should have read $1,354. The dollar values appearing under the heading "Change" should have been stated at $163 (line #1) and $533 (line #2).

   After incorporating the corrections stated above, the total forecast expense amount for TY2012 remains, as currently stated in the table, $17,818.

Response to Question 1 (Continued)

These corrections (line item cost descriptors and dollar values) will then provide for reconciling the dollar values reflected for DOT Safety Fees as presented on pp. 29-30 of SCG-03-WP. These were discovered after the first errata review and may be corrected if there is an additional errata review.

*(Note: While the form of this request as received read 'including, but limited to . . .', SoCalGas interpreted this as having been intended to read 'including but *not* limited to . . .'. This response is therefore prepared accordingly).*

b. Attached file provides pdf copies of DOT invoices for the period of 2005 through 2010.

DOT Invoices
2005-2010

c. SoCalGas has no record of having received annual fee assessment cost planning guidance from the D.O.T., with the exception of the assessment notification explanation that appears on D.O.T.'s billing invoices. The invoices provide the following statement in address to D.O.T.'s authorization for assessment and collection process, as being pursuant to "Section 60301 of Title 49, U.S. Code (formerly § 7005 of the Consolidated Omnibus Budget Reconciliation Act of 1985)".

d. D.OT. has not provided any specific or separate explanation for the large fee increases experienced over the past three years, except as noted in our response to 1c above. On D.O.T's 2007 invoice the following supplemental advisory notification was given, "Because we have not received an appropriation for Fiscal Year 2007, this first increment assessment is based on Fiscal Year 2006 funding levels; however, if an appropriation bill is passed, this funding level could increase and we would need to issue a second billing to cover any additional funding increases and any new program requirements." Subsequently, 6 months later, D.O.T. did issue a "Second Increment" invoice, which included the following notification, "The first increment assessment was based on Fiscal Year 2006 funding levels; however, Congress passed a Continuing Resolution for Fiscal Year 2007 at slightly higher levels than Fiscal Year 2006 funding levels. This second increment assessment is based on those increased levels."

Similar advisory notifications have been included on other D.O.T. invoices received during the period 2005 – 2010.

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2. At pp. JLD-10 and -11, SCG discusses expense forecasts related to the removal of previously abandoned pipelines. Please

   a. Identify the annual recorded expense for this activity from 2000-2010. In so doing, please divide the expense into two categories: i) "removal work required due to physical conflict" (as described at lines 23-24), and ii) removal request "of landowners desiring to perfect legal title on their land" (as described at lines 27-29).
   b. Identify the annual recorded length (in feet) of pipeline removed, in the manner and for the reasons provided in the text of pp. JLD-10 and -11, from 2000-2010. In so doing, please divide the length into two categories: i) "removal work required due to physical conflict" (as described at lines 23-24), and ii) removal request "of landowners desiring to perfect legal title on their land" (as described at lines 27-29).
   c. Provide a detailed explanation for the any difference between the length of pipe removal forecasted for 2010 (4,500 feet, per p. JLD-11) and the recorded amount identified for 2010 in part B, above. Please provide explanations for the "physical conflict" removal and "perfect legal title" removal work, as appropriate.
   d. For the removals resulting from "physical conflict", please provide a detailed explanation as to why it is that it is SCG's responsibility to pay for the removal of an abandoned pipeline to allow for the implementation of a discretionary project (e.g., the installation of a light-rail system).
   e. For the removals resulting from "perfect[ing] legal title", please provide a detailed explanation as to whether SCG considers remedies for the quit-claim process other than pipeline removal that may reduce cost. Such remedies may include paying, for example, paying the landowner an amount that would allow SCG to quit-claim the easement while still leaving the abandoned pipeline in place. If not, please explain why not.
   f. Identify whether SCG has expensed these types of removal costs in the past. If SCG ever capitalized such removal costs in the past, please identify when the Company began expensing them, and explain why it did so.
   g. Explain why the removal of abandoned pipelines does not qualify for capitalization, as indicated at p. 33 of SCG-03-WP.
   h. Identify the amount of SCG's O&M expense request and the amount that SCG imputed from the settlement for the 2008 GRC for the removal of previously abandoned pipelines.
   i. Identify both the i) "specific projects" and ii) "applicable mandates" that require the company to remove "these types of former abandonments," as indicated on p. 33 of SCG-03-WP.
   j. Provide copies of the eight intent-of-quit-claim notifications filed with SCG in 2009.
   k. Identify the number of intent-of-quit-claim notifications filed in each year, 2005-2008 and 2010.

SoCalGas Response:

a. SoCalGas identified recorded expense in the amount of $91,087.95 for 2009. The removal was due to physical conflict. SoCalGas has no record of removal expense for the years 2000-2008 due to physical conflict or perfecting of legal title.

   SoCalGas has not finalized 2010 expense data, and is therefore unable to provide the requested information for this period at this time.

b. The recorded length of pipe removal for 2009 was 440 feet. The 440 feet was due to physical conflict. SoCalGas has no record of removal footage attributable to perfecting of legal title for 2009.

   SoCalGas has no record of removal footage due to physical conflict or perfecting of title for the period of 2000-2008.

   SoCalGas recorded approximately 6,000 feet of prior abandoned pipe removal due to physical conflict for 2010. No footage was recorded for 2010 attributable to perfecting of legal title.

c. Approximately 6,000 feet of pipe was removed in 2010, due to physical conflict. The approximately 1,500 incremental footage difference between the forecast provided in SCG_03 and the recorded is attributable to "as found/as required" site specific field conditions versus footage estimates determined during project design/pre-construction planning phases.

   The physical conflict with the 2010 project was the planned placement of a train rail system over the location of a 26" formerly abandoned pipeline. SoCalGas did not have any removals occurring in 2010 that were attributable to the perfecting of legal titles.

d. Once pipelines are taken out of service (abandoned), SoCalGas no longer is legally utilizing the property for which the rights were originally acquired, i.e. transportation of natural gas. Whether the land rights are acquired by easement, license agreement, or franchise, SoCalGas is not granted the right under such agreements to abandon its facilities in-place upon the termination of the land right agreement, and is therefore responsible for addressing and resolving any future physical conflict or legal property title issue the presence of the pipeline may create with the landowner. If the issue cannot be resolved in a manner that provides for the line to remain in-place, SoCalGas is required to remove the pipeline at its own cost.

Response to Question 2 (Continued)

e. As noted above in 6.d., SoCalGas does not have a legal right under an easement, license, or franchise to abandon a facility in place and therefore must bear the cost of removal when removal is requested /demanded. However, SoCalGas does have a procedure within its perfecting of legal title process that provides for negotiating/contracting with the landowner to provide for the permanent abandonment in-place of the pipeline. Provided a mutual consent agreement can be reached with the landowner, the pipeline remains in the ground and become the property and responsibility of the landowner. Mutual agreement remedies include, but would not be limited to, the payment of an “alternate construction plan” settlement fee to the landowner.

f. SoCalGas has expensed these types of removal cost in the past. SoCalGas has not previously capitalized these types of cost in the past.

g. Capitalization of removal cost is permissible provided the abandoned line is removed at the time of service abandonment. When removal is not performed concurrent with service abandonment, the cost of removal is then classified as expense. SoCalGas has not historically removed all abandoned pipelines at the time of abandonment when there was no justifiable/identifiable reason for increasing the cost of the service abandonment projects and there was no immediately known plans for future land development which might identify a conflict with the abandoned-in-place pipeline.

h. SoCalGas’s 2012 GRC expense request amount for removal of previously abandoned pipelines is $750,000. SoCalGas has not imputed any amount from the settlement for the 2008 GRC for the removal of previously abandoned pipelines.

i. The specific projects were/are:
   Line 800 - Various Owners
   Line 85 - Castaic Development Project
   Line 85 - South Coast Regional Rail Authority.
   The applicable mandates: Please refer to responses provided to 2 c, d, and e above discussing the legal requirement that SoCalGas remove abandoned facilities which are referred to as a “mandate”.

j. Attached file provides pdf copies of the eight letters requested.

   Quit Claim Letters

Response to Question 2 (Continued)

k. SCG does not send intent-of-quitclaim notifications to landowners. SCG does however receive numerous requests from landowners to quitclaim easements within any given year. Following are the number of quitclaims that were executed and recorded by SCG from 2005 through 2010.

2005 -	4 Quit-Claims
2006 -	4
2007 -	12
2008 -	0
2009 -	17
2010 -	27
Total	64

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3. At p. JLD-11, SCG discusses O&M expenses "attributable to the performance of annual scheduled Pipeline Operation and Maintenance activities." Please identify adjusted-recorded labor and non-labor expenses (reported in constant 2009$) for each year, 2005-2008 and 2010.

SoCalGas Response:

The cost data and the manner in which it's requested for 2005-2009 is provided in SCG-03-WP, on pages 5 and 9.

Page 5 reflects the data under the heading of "Summary of Results".
Page 9 reflects the data under heading of "Determination of Adjusted Recorded"
SoCalGas has not finalized 2010 expense data, and is therefore unable to provide the requested information for this period at this time.

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4. At pp. JLD-12 and -13, SCG discusses RICE NESHAP and MDAQMD Rule 1160.
    a. At lines 1-2 of p. JLD-13, SCG states, "EPA has not finalized a rule for SI engines, but is expected to do so by August 2010." Please indicate the date by which the finalized rule requires mitigation measures to be completed and provide supporting documentation.
    b. At lines 13-14, SCG states, "Capital improvements to comply with these rules can be found in the testimony of Mr. Raymond Stanford." Please identify the specific passages where Mr. Stanford discusses this.

SoCalGas Response:

a. The finalized rule requires mitigations measures to be completed by October 19, 2013. Supporting documentation is included below.

    § 63.6595 When do I have to comply with this subpart?

    Affected sources. (1) If you have an existing stationary RICE, excluding existing non-emergency CI stationary RICE, with a site rating of more than 500 brake HP located at a major source of HAP emissions, you must comply with the applicable emission limitations and operating limitations no later than June 15, 2007. If you have an existing non-emergency CI stationary RICE with a site rating of more than 500 brake HP located at a major source of HAP emissions, an existing stationary CI RICE with a site rating of less than or equal to 500 brake HP located at a major source of HAP emissions, or an existing stationary CI RICE located at an area source of HAP emissions, you must comply with the applicable emission limitations and operating limitations no later than May 3, 2013. If you have an existing stationary SI RICE with a site rating of less than or equal to 500 brake HP located at a major source of HAP emissions, or an existing stationary SI RICE located at an area source of HAP emissions, you must comply with the applicable emission limitations and operating limitations no later than October 19, 2013.

    http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&rgn=div6&view=text&node=40:13.0.1.1.1.1&idno=40

b. Mr. Stanford's response can be found in his direct testimony, Exhibit SCG – 05. Located in Section B.7, page RKS – 77 Line 17.

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5. At p. JLD-13, SCG discusses CARB Rule A.B. 10X. Pp. 56 and 57 of SCG-03-WP support the discussion.
    a. At p. 56 of the workpapers, SCG states, "As the State experienced budget and agency funding allocation constraints, 2010 per/ton base fee increased 12.1%." The table on p. 57 indicates that the 2010 assessment is based at least in part on the emissions rate in 2007. Please identify the amount of the increase from 2009 to 2010 that is related to the "state budget and agency funding allocation constraints" and the amount of the increase that is related to the apparent increase in the emissions rate between 2006 (762 tons) and 2007 (808 tons).
    b. Please identify the "Actual Tons," "Billable Tons," "Cost per Ton," and "MD-AQMD Admin Fee @2.5%" in the same fashion as identified for 2005-2010 in the table on p. 57 of the workpapers, but for 1997-2004.
    c. Please explain how SCG estimates the emissions tonnage for 2011 and 2012 (as shown in the last two lines of the table in the workpapers on p. 57), and explain why the emissions estimates appear to be large increases over the last recorded amount. Also indicate whether the 2010 "Actual Tons" datum (837) is recorded or forecasted. Whether it is recorded or forecasted, please explain why it is so much higher than any amount recorded for the years 2005-2009.

SoCalGas Response:

a. The base fee increased 12.14% between the 2009 and 2010 billing or $14,559, not counting the additional 73 ton increase in emissions. The actual reported tons increased by 73 tons times $168.15 = $12,275 for an increase of $26,834.

b. Billing Data for the time period 1997-2004 exceeds the records retention period for invoices of this nature and are not available.

c. The billable emission tonnage for each billable period is based on the 3rd year prior recorded emission tonnage (i.e. 2013 will be based on 2010 recorded emission rate).

   The billable tonnage calculated for billings to occur in 2011 and 2012 are based on actual recorded fuel usage from 2008 and 2009 respectively.

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6. At p. JLD-14, SCG discusses “Gas Compression Operation and Maintenance activities.” Please identify recorded expenses (divided between labor and non-labor) for each year, 2005-2010.

SoCalGas Response:

The cost data and the manner in which it’s requested for 2005-2009 is provided in SCG-03-WP, on page 43, under the heading “Recorded (Nominal $)”.

SoCalGas has not finalized 2010 expense data, and is therefore unable to provide the requested information for this period at this time.

7. At pp. JLD-14 and -15, SCG discusses "Right-Of-Way Management", attributing increasing costs to "stricter habitat preservation guidelines and restrictions." Please
   a. Identify the "guidelines and restrictions" that have lead to "stricter habitat preservation," and the year(s) in which each was implemented.
   b. Identify the 2010 recorded Right-Of-Way Maintenance expense on the same basis as included in the table of historical costs on p. 73 of SCG-03-WP, and explain why SCG did not include a 2010, 2011, or 2012 forecast when developing its case for Right-Of-Way Maintenance.
   c. Provide the basis for the forecasted 250,000-dollar incremental increase from 2010 to 2011 and from 2011 to 2012.
   d. Explain how SCG developed the forecasted incremental increase between 2010 to 2011 and 2011 to 2012, given that the company was not able to forecast 2010.

SoCalGas Response:

a. Below are examples of new guidelines and restrictions related to stricter habitat preservation.

   Programmatic Permit Habitat Compensation:
   In the California Desert Region, SoCalGas complies with the federal and state endangered species acts with a Section 7 programmatic permit administered by the Bureau of Land Management and a California Department of Fish and Game Memorandum of Understanding to conduct ROW work. Habitat compensation formulas for impacts are based on geography and the planning area and/or Desert Wildlife Management Area of the impact. In 2009, California Department of Fish and Game instructed SoCalGas that compensation amounts (currently $500 to $5,730 per acre) for project impacts need to more appropriately reflect the current price of land.

   Mitigation for Impacts to Riparian Vegetation
   Impacts to riparian vegetation occur when SoCalGas restores washed out portions of access roads and trims vegetation adjacent to pipeline facilities. In 2009, SoCalGas pursued a programmatic California Department of Fish and Game Streambed Alteration Agreement for ROW work in Santa Barbara County. The would-be Agreement describes riparian vegetation trimming and other regular maintenance activities occurring once a year as permanent impacts that require mitigation at a 5:1 ratio.

   Biological Monitoring
   SoCalGas operates two transmission pipelines and a valve station facility within Chino Hills State Park. In 2010, biologists with State and Federal wildlife agencies

Response to Question 7 (Continued)

documented increased nesting activity by the endangered list Bell's vireo within the Park. Many of the nesting territories were noted as near SoCalGas operated pipeline spans. To avoid impacting sensitive birds during nesting season SoCalGas contracts biologists to accompany crews when conducting inspections and maintenance activities within the Park.

In 2010, the US Fish and Wildlife Service revised the critical habitat designation for the Santa Ana Sucker. SoCalGas operate 6 pipelines that traverse the revised critical habitat designated for the Santa Ana River as a span, attached to bridges, or buried under the river bed. ROW activities including removing vegetation from around pipeline facilities will result in informal or formal consultations per maintenance event with the US Fish and Wildlife Service prior to implementation and these consultations would not have occurred absent the revised designation of critical habitat for the Santa Ana Sucker.

b. SoCalGas has not finalized 2010 recorded expense data and is therefore unable to provide at this time.

   SoCalGas's 2010, 2011 and 2012 forecast of Right-Of-Way maintenance expense as presented on pg. 73 of SCG-03-WP was intended to reflect the following annual forecast:

   2010 @ $685,000
   2011 @ $935,000
   2012 @ $1.185M

   These were discovered after the first errata review and may be corrected if there is an additional errata review.

c. The basis of SoCalGas's future year forecast of incremental funding requirement is based on the recent trend of increased cost in the areas of permitting, biological monitoring, hazardous waste abatement management, and various other contract services.

d. Please refer to response provided to 7b and c above.

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8. At p. JLD-15, SCG discusses "Technical Services Support Staffing." Please
    a. Identify the recorded annual expense for Technical Services Support Staffing from 2005-2010.
    b. Identify the forecasted annual expense for Technical Services Support Staffing from 2010-2012.
    c. Identify the recorded Technical Services Support Staffing FTE employee counts from 2005-2010, and provide the names of the positions.
    d. Identify the forecasted Technical Services Support Staffing FTE employee counts from 2010-2012, and provide the names of the positions.
    e. If SCG has not yet hired the employees to fill the forecasted 2012 positions (i.e., Process Manager and Process Analyst, per p. 84 of SCG-03-WP), please explain why.

SoCalGas Response:

a. The recorded annual expense associated with the Technical Services group for 2005-2009 is provided on pg. 70 of SCG-03-WP under the heading "Recorded (Nominal $)".

   Recorded annual expense for 2010 has not been finalized and therefore cannot be provided at this time.

b. The 2010-2012 forecasted annual expense for the Technical Services group is provided on pp. 68-69 and 84 of Exhibit SCG-03-WP.

c. The recorded FTE employee counts for the Technical Services group for 2005-2009 is provided on pg. 70 of SCG-03-WP under the heading "Recorded (Nominal $)".

   Recorded FTE employee count for 2010 has not been finalized and therefore cannot be provided at this time.

   Attached file reflects the FTE counts and names of the current positions within the Technical Services group.

   Technical
   Services Staff Pos

d. The 2010-2012 forecasted annual FTE employee counts for the Technical Services group is provided on pg. 67 of Exhibit SCG-03-WP.

   Refer to above attached file for FTE count and names forecasted positions for the Technical Services group.

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Response to Question 8 (Continued)

e. SoCalGas has not staffed the two subject positions as of the date of this response. Cause for the delayed action is one of timing. SoCalGas does plan to have the positions staffed prior to year-end.

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9. At p. JLD-15, SCG discusses “Technical Services Operation and Maintenance activities.” Please identify recorded expenses (divided between labor and non-labor) for each year, 2005-2010.

SoCalGas Response:

The cost data and the manner in which it’s requested for 2005-2009 is provided in SCG-03-WP, on page 70 under the heading “Recorded (Nominal $)”.

SoCalGas has not finalized 2010 expense data, and is therefore unable to provide the requested information for this period at this time.

10. At p. JLD-18, SCG discusses O&M expenses related to "Director Transmission". Referencing p. 90 of SCG-03-WP, please
    a. Provide a detailed explanation for the increase in non-labor expense between 2009 recorded and 2010 forecasted.
    b. Explain why it is that the FTE count increases by 1.5 FTE employees between 2009 recorded and 2010 forecasted at the same time the labor expense forecast is only $9,000 more than the recorded 2009 expense.
    c. Identify 2010 recorded labor and non-labor expenses (in constant 2009$), and FTE employee count.

SoCalGas Response:

a. The increase between 2009 adjusted-recorded non-labor expense and 2010 forecasted non-labor expense is the result of a change in management responsibility assignments which transferred a portion of associated non-labor expenses to the Director of Transmission organization.

b. The cause of the FTE change between the years 2009 and 2010 is the result of a change in management responsibility assignments which transferred a portion of associated employee activities (FTE's) to the Director of Transmission organization.

c. SoCalGas has not finalized 2010 expense data, and is therefore unable to provide the requested information for this period at this time.

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11. At p. JLD-20, SCG discusses O&M expense related to "FOM Olympic". At p. 109 of SCG-03-WP, SCG indicates a labor decrease from $176,000 recorded for 2009 to $48,000 forecasted for 2010. At the same time, SCG is forecasting an unchanged employee count, at 1.8 FTE. Please explain the increase in labor expense at the same time the employee count is unchanged.

SoCalGas Response:

SoCalGas is not forecasting an increase in labor between 2009 and 2010 for this work group, as inferred by the above question.

SoCalGas <u>is forecasting a reduction in labor expense</u> for this work group between 2009 and 2010.

The forecasted reduction in labor expense is attributable to the termination of shared service cost allocation designation for this work group during the 2010 period. The change in shared service designation occurred at the end of March 2010. Therefore the 2010 forecast of expense was equivalent to approximately one quarter (1/4) of the annual adjusted-recorded amount realized for 2009.

Because the FTE / employee count contributing to the 2009 adjusted-recorded result was unchanged at the start of the 2010 forecasting period, the number remained unchanged.

Because 2010 data has not been finalized, actual results cannot be provided at this time.