

**DRA DATA REQUEST
DRA-SCG-053-MRK
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 2, 2011
DATE RESPONDED: MARCH 18, 2011**

Exhibit Reference: SCG-27 Depreciation

Subject: Depreciation

Please provide the following:

1. Please provide on a plant by plant account basis, a schedule reflecting the existing and future legal obligations associated with the retirement of assets associated with SoCalGas' implementation of FASB Statement 143.

SoCalGas Response:

See attached file for schedule of retirement obligations as of 12/31/2009.



Microsoft Office
Excel Worksheet

DRA DATA REQUEST
DRA-SCG-053-MRK
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 2, 2011
DATE RESPONDED: MARCH 18, 2011

2. Further to Question 5, MDR Chapter 27- Depreciation, please provide the following information re: third party reimbursements:
- a. Provide a list and description of the major types of SCG's third party reimbursements, including "relocation", "damage/insurance", and any other types.
 - b. Provide sufficient actual example from SCG's records of each of these categories of third party reimbursements to demonstrate all the various possibilities of how they could be booked plant in service, depreciation reserve, O&M expense, or elsewhere.
 - c. Describe the method, rationale, and legal basis for how this was done in each case.

SoCalGas Response:

- a. **Major types of SoCalGas' third party reimbursements:**

Installations / Relocation Work - The majority of third party reimbursements for capital activity are for relocation of pipeline. For these projects, the customer payment is recorded to the general ledger and offsets the costs (including removal costs, if any) incurred to relocate the pipeline. Any differences at the end of the job are either refunded or billed to the customer. None of the costs are recorded to plant. If any pipe is removed, the book value of the pipe will be retired to accumulated depreciation, FERC 108 as prescribed by the FERC Uniform System of Accounts. There are some instances where we perform new capital installations for a customer. The accounting for these jobs is the same as the relocation work, where the customer payment offsets the costs incurred for the project. No costs are recorded to plant.

Services Alterations - Customers request service alterations for many reasons such as remodeling and relocation of their gas meters. After exposing the service lines, in some instances the entire service may be replaced in lieu of alteration. The reasoning for the complete replacement is for safety purposes, especially when the service is in poor condition and it would be cost effective to replace when the lines are already exposed, instead of returning at a later date. The customer pays the cost of the alteration only, but is not charged for the entire replacement. All costs associated with the job are capitalized and the payment from the customer is an offset to capital.

Claims Damage – Claims damages occur when someone damages company-owned property, for example, someone accidentally damages a distribution main while digging. A minor repair to a pipeline, (replacement of same size pipe less than 40 feet) would be expensed in accordance with our capitalization policy. Any pipe retired would be recorded to accumulated depreciation, FERC 108, as prescribed by the FERC Uniform System of Accounts. All costs associated with the job and any proceeds received from the claims damage would be charged to O&M.

DRA DATA REQUEST
DRA-SCG-053-MRK
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 2, 2011
DATE RESPONDED: MARCH 18, 2011

Response to Question 2 (Continued)

b. Installations / Relocations:

Relocation Example:



Microsoft Office
Excel Worksheet

Installation Example:



Microsoft Office
Excel Worksheet

Service Alterations:



Microsoft Office
Excel Worksheet

Claims Damage:



Microsoft Office
Excel Worksheet

- c. Since customers reimburse SoCalGas for the work performed, these costs are offset by customer payments and are not recorded to plant. Therefore, these costs are excluded from rate base. Any assets removed due to the activities described will be retired and its book value less any salvage credit will be recorded to accumulated depreciation, FERC 108, as prescribed by the FERC Uniform System of Accounts.

DRA DATA REQUEST
DRA-SCG-053-MRK
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: MARCH 2, 2011
DATE RESPONDED: MARCH 18, 2011

3. Provide a simplified spreadsheet showing for each of the above examples, how the data was used in the calculation of historical and test year salvage rates. Describe the rationale and legal basis for how this was done in each case.

SoCalGas Response:

The four attachments provided in response to Question 2b contain simplified examples within the spreadsheets that reflect how the removal cost data was used / not used in the calculation of historical and test year salvage rates. In simple terms, any removal cost that has been reimbursed by the customer is not recorded in FERC 108. Likewise, any non-collectible portion would be recorded in FERC 108.

In the “Relocation Example”, which is provided at rows 94 – 102 of the spreadsheet, of the total project costs of \$1,025,920.62, only the non-collectible portion of the removal costs was recorded to FERC 108. Those removal costs (see row 97) totaled \$5,925.29.

In the “Installation Example”, which is provided at rows 45 – 54 of the spreadsheet, embedded in the total project costs of \$279,874.08 were the actual removal costs of \$3,778.29 (see row 49) which was totally paid for / reimbursed by Occidental of Elk Hills, Inc. These removal costs were recorded to FERC 174 and not FERC 108.

In the “Service Alteration Example”, which is provided at rows 33 – 39 of the spreadsheet, the scope of the alteration changed for company convenience to a total replacement. Of the total project costs of \$6,103.99, the customer reimbursed the Company \$1,477.82 which included removal costs of \$14.78. Only the remaining non-collectible portion \$46.27 (see cell R26 & row 36) of the total removal costs of \$61.05 was recorded in FERC 108.

In the “Claims Damage Example”, which is provided at rows 27 – 35 of the spreadsheet, all costs were recorded to FERC 892 (row 31) and no dollars were recorded in FERC 108 (see row 30).

The SoCalGas work papers (BW-WP-328 thru BW-WP-371) previously submitted with the application detailing the Future Net Salvage (FNS) calculation by FERC account contains the historical retirements for the most recent 15 year period, including any retirement activity referenced in the examples to question 2. The actual removal cost associated with any customer reimbursement has not been established nor recorded in FERC 108 and therefore, is not included in the SCG FNS calculations, thereby correctly lessening the impact on any requested FNS %.