

**SOUTHERN CALIFORNIA GAS COMPANY**  
**Compression Services Application**  
**(A.11-11-011)**  
**(1st DATA REQUEST FROM DRA)**

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**Question 1**

Please explain in detail and quantify all benefits that would accrue to SCG ratepayers as a result of this application. Attach all spreadsheets with formulas if applicable.

**Response 1**

Please see application testimony, Chapter II, Section IV “Ratepayer Benefits,” pp. 23-27, and supporting workpapers to the testimony of Jeffrey Reed, Workpapers 9, 10, 11, and 13. As outlined in the referenced testimony, the proposed service will provide both financial and environmental benefits to ratepayers.



Ch 2 Reed  
Testimony.pdf

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**Question 2**

Please explain in detail and quantify all costs that would accrue to SCG ratepayers as a result of this application. Attach all spreadsheets with formulas if applicable.

**Response 2**

No incremental costs will accrue to ratepayers as a result of this application. As stated in application testimony, Chapter I, p.2, (attached) “the proposed tariff is designed not to burden non-participating ratepayers with the cost of providing the service.”



Ch 1 Reed  
Testimony.pdf

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**Question 3**

Please explain in detail and quantify all of the risks that are associated with this application. For each risk explain whether the risk is assumed by SCG shareholders, SCG ratepayers, or customers of the gas compression service. For example:

- a. Please explain in detail any liability risks associated with the construction of or operation of the gas compression services. Who takes on those risks (i.e., SCG shareholders, SCG ratepayers, customers of the gas compression service)?
- b. Are there any risks associated with stranded assets that would occur during construction of the compression service facilities or after the facilities are built? For example, the customer cancels service prior to the specified termination date, or the customer defaults on the contract, or the customer sells the site? Who takes on those risks (i.e., SCG shareholders, SCG ratepayers, customers of the gas compression service)?

**Response 3**

- a. The risks associated with this application can be broadly divided into two areas of liability: (i) those associated with Applicant's facilities, and (ii) those associated with SoCalGas' facilities. In Section 7.c. of the Proposed Tariff located in Appendix A of the Compression Services Application (attached), Applicant is responsible for ensuring that its own facilities are properly planned, designed, installed, constructed, maintained and operated to receive and dispense compressed natural gas and that its facilities comply with applicable standards and laws. In addition, in Section 7.f. of the Proposed Tariff, SoCalGas is not responsible for any damage, loss or injury resulting from Applicant's facilities, and in Section 7.h., Applicant indemnifies SoCalGas for pre-existing environmental liability. As additional protection for Applicant's facilities, the Compression Services Agreement located in Appendix B, Section 7 of the Compression Services Application (attached), requires Applicant to obtain and maintain at Applicant's sole cost and expense the insurance coverage for the entire term of this Agreement to insure against any and all liabilities, claims, losses, damages or expenses related to Applicant's facilities. With respect to SoCalGas' compression facilities, there is potential liability during construction and operation phases. During construction, SoCalGas requires its contractors to carry liability insurance in an amount to be determined based on the size of the project. After the compression facilities are in service, any liability related to the

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compression facilities are covered in accordance with SoCalGas' standard protections for ratebase assets.



AppendixB\_Compres  
sionAgreement.pdf



AppendixA\_Tariff.pd  
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- b. As with any other tariff service, the infrastructure assets used in providing that service are ratebase assets and any customer specific charges are treated as miscellaneous revenues. If SoCalGas constructs and places into operation a compression facility on behalf of a customer, that specific customer will be charged the full cost of service including capital, O&M and all applicable overheads. Those assets will be incorporated into ratebase and the associated customer revenues will become part of miscellaneous revenues in the next GRC proceeding. If a Compression Services Tariff customer files for bankruptcy, cancels service, or is ultimately unable to pay for any reason for the infrastructure installed on its behalf, SoCalGas will first exhaust all commercial and legal remedies to collect the remaining balance due and the required costs to remove and redeploy the asset from the customer premises. If not redeployed the asset will be retired. SCG shareholders bear the economic loss between GRCs until the undepreciated capital invested is rolled-in to ratebase along with miscellaneous revenues forecasts associated with compression services tariff for approval in the subsequent GRC.

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**Question 4**

On Testimony Chapter 2, page 2, lines 1-2, SCG specifies that it developed the Compression Services Tariff in response to customer inquiries.

- a. How many and on what dates did SCG receive customer inquiries in regards to gas compression services?
- b. Please send electronic copies of all customer inquiries that SCG received in regards to gas compression services.

**Response 4**

- a. SoCalGas did not maintain specific records on customer inquiries prior to development of a formal gas compression service proposal. The statement was based on requests made from time to time by customers about the possibility of SoCalGas constructing and operating gas compression services on customer property to provide fuel to customer operated vehicle fleets. Customer interest was confirmed in a formal survey(see attached file) referenced in the direct testimony of Jeffrey Reed - Services, Customer Demand, and Benefit testimony, Chapter 2, pages 15-18 and Appendix C. In the survey, 94% of customers (60 out of 64 responding) found the proposed service “beneficial” and 77% of customers (49 out of 64 responding) stated that the proposed service would make them more likely to build a new CNG station or replace/enhance an existing one.



AppendixC\_  
Survey.pdf

- b. See Response to Question 4a.

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**Question 5**

In Chapter II, page 14, lines 14-15, the witness specifies that gas compression services can be provided by customers or third parties.

- a. Please identify all SCG customers that currently provide their own gas compression services.
- b. For all third parties that already provide gas compression services in SCG's service territory, please specify the following information: physical mailing address, internet address, contact information, pricing options for gas compression services.

**Response 5**

- a. There are approximately 171 individual customers that own and operate compressed natural gas vehicle refueling stations.
- b. As part of the SoCalGas NGV customer information, education and training program, we provide customers with a list of NGV-related vendors that includes "CNG Fuel Station Provider/Packager" (see attached file). Please note that pricing options vary by vendor and project and is often confidential, so that information is unavailable to SoCalGas.



022212 SoCalGas  
Supplier Directory.pdf

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**Question 6**

In Chapter III, page 9, lines 3-5, the witness states that SCG's GRC filing, currently before the CPUC, contains no requests for additional funding for the Compression Services Tariff activities in the test year or any forecasted revenues from offering the service did SCG consider this proposal prior to the GRC (or any opportunity after allowing SCG to amend its GRC testimony)? If so, please indicate the rationale for not including the request in the GRC.

**Response 6**

Although the proposed tariff is not limited to natural gas vehicle applications, it was the judgment of SoCalGas to wait until a CPUC decision was issued related to the Order Instituting Rulemaking on the Commission's own motion to consider alternative-fueled vehicle tariffs, infrastructure and policies to support California's greenhouse gas emissions reduction goals. On July 14, 2011, the CPUC approved D.11-07-029, "Phase 2 Decision Establishing Policies to Overcome Barriers to Electric Vehicle Deployment and Complying with Public Utilities Code 740.2". No new policy was set relative to Natural Gas Vehicle infrastructure and SoCalGas deemed the timing to be appropriate to file the Compression Services Tariff. Our GRC Application was filed on December 15, 2010.

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**Question 7**

In Chapter III, page 9, lines 15-16, the witness states that the Compression Services Tariff charges consist of two components: (1) Ownership Charge; and (2) Operation & Maintenance (O & M) Charge. Will the tariff charges include the entire rate base revenue requirement necessary for the service life for all capital additions? Please show this analysis on a year by year basis for the service life of the capital additions. Attach all spreadsheets with formulas if applicable.

**Response 7**

Per our meeting on February 29, 2012 – The tariff charges will include the entire rate base revenue requirement necessary for the service life for all capital additions. As stated in application testimony located in Chapter III, section IV, page 9, line 22 through page 13 line 2, which is attached, provides an example of how this will be accomplished.



Ch 3 Reyes  
Testimony.pdf



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**Question 8**

In Chapter III, page 8, lines 8-11, the witness states that the accounting methods described above are designed to ensure that the service provided under the tariff for Compression Services Tariff customers are appropriately tracked on a fully loaded basis and that ratepayers are credited for any costs embedded in general rates, until such time as the miscellaneous revenues received for these services are incorporated into rates. For the example project described on Chapter III, pages 9-12 please show, on a year by year basis, how the SCG ratepayers are credited for any costs embedded in general rates. Provide this analysis in an excel spreadsheet with all formulas intact.

**Response 8**

Per our meeting on February 29, 2012 and as described in Chapter III, page 9, line 3-5 "SoCalGas" general rate case ("GRC") filing, currently before the California Public Utilities Commission ("CPUC"), contains no requests for additional funding for the Compression Services Tariff activities in the test year or any forecasted revenue from offering the service." The example project described on Chapter III, pages 9-12, is for illustrative purpose for the calculation of the compression services charges and did not assume any costs associated with the use of SoCalGas' existing resources that are recovered through SoCalGas' authorized base margin. However, to the extent that SoCalGas uses its existing resources to provide compression services, SoCalGas shall reimburse ratepayers by adjusting its fixed cost balancing accounts as described in the application testimony located in Chapter III, pages 11, lines 9-16, and page 12, lines 17-22 (see Chapter 3 testimony located in response 7). The balance in these fixed cost balancing accounts will be amortized in rates in connection with SoCalGas' annual regulatory account balance update filing for rates effective January 1 of the following year.

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**CONFIDENTIAL**  
**Submitted under the Provisions of**  
**Public Utilities Code Section 583 and**  
**General Order 66-C.**

**Question 9**

In Chapter III, page 3, the witness specifies that direct costs can be separated into six types of activities: Customer Outreach, Contract Development, Engineering and Cost Estimation, Procurement and Construction, Engineering Oversight, and Operation and Maintenance. Please specify what SCG estimates the staff of Full Time Equivalent (FTE) employees necessary to staff each of these six activities for the Gas Compression Service Program.

**Response 9**

*Response 9 is considered confidential and is being submitted under the confidentiality provisions of General Order 66-C and section 583 of the Public Utilities Code and provided only to the DRA.*

SoCalGas' current estimates for these activities amount to only 0.05 FTE per signed contract as illustrated in the below table. Actual hours may vary from these estimates and the SoCalGas resource requirements will depend upon customer response. For each project, utility staff requirements in terms of FTE by activity type would be estimated as follows:

<b>Category</b>	<b>Total Hrs</b>	<b>FTE 1-project</b>
Customer Outreach	10	0.00
Contract Development	62	0.03
Engineering and Cost Estimation	0	0.00
Procurement and Construction	0	0.00
Construction and Engineering Oversight	36	0.02
Operations and Servicing	2	0.00
<i>Total</i>	110	0.05

The workload and staff availability in the relevant departments will depend upon other forms of project activity and new service requests. In the event that existing resources are not adequate to meet the number of requests for service under the proposed tariff, work will be contracted out or utility staff will be added. As previously stated, the pending General Rate Case requests no incremental revenue to cover the services proposed under the Compression Services Tariff.

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**Question 10**

In Chapter III, page 2, the witness specifies that all costs incurred in providing service under the Compression Services Tariff are properly tracked and ratepayers are credited for any embedded costs already included in general rates. And on the following pages the witness specifies that many of the direct cost activities will be performed by utility staff and utility Account Managers. How much excess resources are available from the embedded resources approved in the GRC to implement the Compression Services Tariff?

**Response 10**

The utility groups that would be needed to implement Compression Services do not have any excess resources. However, to the extent that SoCalGas uses its existing resources to provide compression services, SoCalGas shall reimburse ratepayers by adjusting its fixed cost balancing accounts as described in application testimony located in Chapter III, pages 11, lines 9-16, and page 12, lines 17-22 (see Chapter 3 testimony located in response 7) .

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**Question 11**

In Chapter III, page 12, lines 1-3, the witness refers to the revenues from the specific Compression Services Tariff customers in both the interim period and the next GRC cycle cover the cost of providing the service, including a return on investment to the shareholders. Please quantify the return on investment to the shareholders. Is this return, the only shareholder benefit that accrues to shareholders as a result of this application?

**Response 11**

The return on investment to shareholders will be SoCalGas' authorized rate of return. This is the only benefit to shareholder.

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**Question 12**

In Chapter III, page 9, the witness specifies that by separately tracking all Compression Services Tariff costs, SCG will ensure that appropriate pricing is developed that is sufficient to recover the costs associated with compression services. Please provide a comparison of the current gas compression service market costs with SCG’s proposed appropriate pricing for comparable services. How does SCG know that the SCG appropriate pricing will be competitive with the market competitors in SCG’s service territory?

**Response 12**

Project costs and pricing will vary depending on the scope, and location of individual projects. Therefore, the cost of compression services is unique for each customer application. There are no comparable compression services market costs available for comparison since CNG retail prices are marketed at a dollar per Gasoline Gallon Equivalent (\$/GGE) rate and wholesale prices are generally not available. However, based on expected levels of facility utilization, SoCalGas believes that Compression Services Tariff customers will be able to produce CNG for their vehicles at costs that compare favorably to historical CNG retail prices. For instance, to determine the cost per GGE using the SoCalGas Compression Services Tariff the customer will need to add the following costs: Monthly compression tariff charge, electric cost for the SoCalGas Compressors, 3rd Party fee to own operate and maintain station, Monthly tariff commodity and transportation charge (G-NGU) divided by the GGEs used per month.

A hypothetical example is provided below.

<b><i>Monthly CNG Price Per Gasoline Gallon Equivalent (GGE)</i></b>	
<b><i>Monthly CNG Station Expenditures</i></b>	<b><i>Cost</i></b>
Compression Cost	\$ 12,000.00
Electricity Cost	\$ 1,500.00
3rd Party fee to own operate and maintain station	\$ 3,000.00
Natural Gas Procurement and Transportation	\$ 10,000.00
<b><i>Total monthly Expenditures</i></b>	<b><i>\$ 26,500.00</i></b>
<b><i>Equivalent price per GGE at 12,000 GGE/mo:</i></b>	<b><i>\$ 2.21</i></b>

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**Question 13**

DRA understands that SCG has been involved in providing gas compression services in the past.

- a. Please provide the historical context of SCG's involvement in gas compression service in the past.
- b. How many gas compression service installations has SCG installed in the past? Does SCG still own any of these facilities? When has SCG sold off any of these facilities in the past?
- c. Please provide insight on any Commission proceedings and Commission Decisions regarding gas compression services.

**Question 13**

SoCalGas has not previously provided gas compression services as proposed in the current Application. SoCalGas has provided, and provides now, some services that include compression as part of the service, most notably NGV refueling services. This is described below:

- a. In the context of NGV refueling services, SoCalGas has provided gas compression for CNG vehicles since 1992. D.95-11-035 removed the authority existing at the time for SoCalGas to recover costs for NGV refueling facilities located on customer property through general rates. SoCalGas was permitted to continue to recover costs through general rates for fueling stations on utility property for the purpose of refueling utility vehicles. SoCalGas continues to provide public access at 10 of these facilities, for which incremental service ratepayer costs are offset through the G-NGC Compression Surcharge.
- b. Prior to D.95-11-035, SoCalGas installed approximately 64 CNG vehicle refueling stations on both customer property and at utility bases. D.95-11-035 ordered SoCalGas to sell or remove all SoCalGas owned CNG vehicle refueling stations on customer property within six years of the Decision, which SoCalGas did. Currently SoCalGas owns and operates 17 CNG vehicle refueling stations at utility bases.
- c. With respect to NGV refueling, the Commission first authorized ratepayer-funded infrastructure for NGVs in D.91-07-018 (for PG&E). In D.93-07-054,

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the Commission adopted guidelines for approval of ratepayer funding for low-emission vehicle (LEV) activities. In D.95-11-035, the Commission limited the extent to which ratepayer funds could be used for LEV infrastructure projects. On July 21, 2005, Senate Bill 76 was signed by the Governor of California. Senate Bill 76 changed Public Utilities Code 740.8, effective January 1, 2006, to read as follows: "As used in Section 740.3, "interests" of ratepayers, short- or long-term, mean direct benefits that are specific to ratepayers in the form of safer, more reliable, or less costly gas or electrical service, consistent with Section 451, and activities that benefit ratepayers and that promote energy efficiency, reduction of health and environmental impacts from air pollution, and greenhouse gas emissions related to electricity and natural gas production and use, and increased use of alternative fuels." As a result, the definition of ratepayer "interests", as used in Public Utilities Code 740.3 and used to develop current Commission policy in D.95-11-035, was changed and substantially expanded. More recently, the alternative fuel vehicle OIR (R.09-08-009) included NGV issues in scope, but ultimately did not change policy.

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**Question 14**

Please provide the market outlook and any studies regarding the gas compression service market in SCG's service territory.

**Response 14**

Please see application testimony located in Chapter II, p.15 for SoCalGas' assessment of the market for gas compression among NGV refuelers, and p.18 for the market assessment among CHP operators (see Chapter 2 testimony located in response 1).



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**Question 15**

In Chapter III, page 2, lines 21-23, the witness specifies that the majority of costs associated with the provision of service under the Compression Services Tariff will be incremental charges from third-party service providers. Does the funding for the incremental charges from third parties initially come from SCG's ratepayers or SCG's shareholders?

**Response 15**

Per our meeting on February 29, 2012 – Funding for the incremental charges from third parties initially come from SoCalGas' shareholders.