

**ORA DATA REQUEST**  
**ORA-SCG-DR-039-DAO**  
**SOCALGAS 2016 GRC – A.14-11-004**  
**SOCALGAS RESPONSE**  
**DATE RECEIVED: JANUARY 7, 2015**  
**DATE RESPONDED: JANUARY 15, 2015**

**Exhibit Reference:** SCG-4, Gas Distribution O&M and Capital Expenditures

**Subject:** Pipeline Relocations – Franchise

**Please provide the following:**

1. Referring to page FBA-118, lines 20 to 21, in which SoCalGas states, “This is supported by SoCalGas’ approximately \$31 million in franchise capital projects currently in progress.”  
Please provide the following:
  - a. Is SoCalGas referring to the 2014 spending for pipeline relocations associated with franchise work? If not, please explain what is meant by this statement and identify the capital work category referenced.
  - b. Please explain in detail how the \$31 million in approximate franchise capital projects provide support for SoCalGas forecasts for Pipeline Relocations-Franchise as proposed on pages FBA-117 to FBA-118.
  - c. Provide the 2014 recorded capital expenditures for pipeline relocations associated with franchise work.
  - d. Provide the 2009-2014 recorded capital expenditures for pipeline replacements related to franchise work.

**SoCalGas Response 01:**

- a. The amount referenced represents the estimated total forecast of all franchise projects that were initiated, planned, scheduled, or in construction in early 2014. This work would all be part of the Pipeline Relocations – Franchise work category, but it is not limited to the year 2014. Additional projects would have been initiated as work was identified during the year, and some of the projects included in the \$31 million estimate will be completed in 2015 or later. As stated on page FBA-117:

It is difficult to predict an accurate timeline for when franchise projects will be executed, since SoCalGas does not have control over the construction schedules. When projects do come up, however, SoCalGas must promptly complete its portion of the work to minimize schedule delays for the municipality or agency.
- b. The estimated total forecast for franchise work in progress was provided as an example of the franchise work that has already been identified, and to demonstrate that the 2014 forecast of \$18.5 million was a reasonable level for anticipated franchise pipeline relocation capital spending.
- c. 2014 financial information will not be available until after SoCalGas makes its 10-K filing with the SEC in early 2015.

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**SoCalGas Response to Question 1, Continued:**

- d. The 2009 – 2013 recorded capital expenditures can be found on page 131 of Exhibit SCG-04-CWP:

Forecast Method		Adjusted Recorded				
Years		2009	2010	2011	2012	2013
Labor	Base YR Rec	1,134	963	736	641	651
Non-Labor	5-YR Linear	9,780	12,187	9,910	16,474	15,916
NSE	5-YR Linear	0	0	0	0	0
<b>Total</b>		<b>10,914</b>	<b>13,150</b>	<b>10,646</b>	<b>17,115</b>	<b>16,566</b>
FTE	Base YR Rec	13.0	10.8	8.4	8.0	7.8

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2. Please explain in detail how SoCalGas applied IHS Global Insight of non-farm employment growth data to derive the 2014-2016 forecasts for Pipeline Relocations-Franchise. Please include a copy of all data and/or calculations and/or models used, in the application of IHS Global Insight data, to derive the forecasts.

**SoCalGas Response 02:**

As stated on pages FBA-117 – FBA-118 of Exhibit SCG-04:

Gas Distribution has chosen non-farm employment growth, as reported by IHS Global Insight, as a directional indicator for general economic conditions and potential economic growth. This IHS Global Insight employment forecast is shown in the SoCalGas Customers workpapers of witness Rose-Marie Payan, Exhibit SCG-30-WP. In general, IHS Global Insight forecasts that the non-farm employment growth rate in Southern California is projected to increase in the next few years.

The non-farm employment growth was not used in Franchise forecast calculations, but rather served as a direction indicator of economic conditions, which impact Franchise work. This relationship is described on page FBA-117:

Franchise pipeline replacements are driven by the level of construction activity from municipalities, who are generally responding to a need for upgrading an aging infrastructure or expansion requirements. This work is normally driven by the availability of funds for municipalities. Long term forecasting of franchisee work is difficult, given the changes in governmental project funding, the large number of governmental jurisdictions involved and limited long-term information on upcoming specific projects. However, in SoCalGas' observation, municipality work generally fluctuates with economic conditions.

The forecast method for Pipeline Relocations – Franchise was a five-year linear trend of the 2009 – 2013 historical adjusted-recorded costs. The 2009 through 2013 labor and non-labor used in the linear trend calculation are shown in the table provided in response to Question 1.d. above. This linear trend calculation was generated by a function within the database system used for GRC forecasting called 'GRID'.