Data Request Number: PAO-SCG-052-STA

Proceeding Name: A2205015_016 - SoCalGas and SDGE 2024 GRC

Proceeding Number: A2205015_016 2024 GRC

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1. For all tables in the workpapers supporting SCG-40, please provide working spreadsheets with formulas intact. Note that the "working spreadsheet" provided in response to EDFSCG-001 is actually a Word document.

SoCalGas Response 1:

Please see the separately attached excel file "SCG-40-WP-R_Post-Test Year Excel.xlsx" for the workpapers used to calculate the Post-Test Year (PTY) revenue requirement proposal.

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2. Referring to pp. KN-4 to KN-5, "O&M Margin Escalation Factors," SCG's testimony describes creating a single weighted average labor and non-labor O&M escalation factor based on 2021 recorded expenses. Please provide workpapers supporting the calculation of this factor including source data for escalation rates and how each different item was weighted. Include detailed narrative for the blind reader. If this information was already provided in existing workpapers, please specify exactly where it can be found, by exhibit name, number, and page or table reference.

SoCalGas Response 2:

As stated in Exhibit SCG-36, the direct testimony of Scott Wilder, on page SRW-4:

A gas O&M utility input price index (GOMPI) is calculated by SoCalGas and used to adjust O&M expenses to reflect the expected cost inflation of goods and services comprising inputs that SoCalGas will use to serve its customers. The GOMPI's underlying PTY escalation indexes are the same O&M indexes described in Section II for escalations from 2021 to TY 2024. Based on SoCalGas's recorded 2021 expenses, the gas labor index is weighted 56.08%, and the non-labor O&M cost index JGTOTALMSX_SCG is weighted 43.92%, to form a single GOMPI. For implementation and ease of calculation in PTY adjustments, the values of GOMPI and its component indexes will be re-based from BY 2021 = 1.0000 to TY 2024 = 1.0000.

Table SRW-2 shows annual percentage changes for each cost escalator.

Table SRW-2
Southern California Gas Company
Summary of Cost Escalation Indexes

Annual Percent Changes	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Shared Services	2.30 %	2.32 %	1.39 %	4.27 %	2.84 %	2.08 %	2.17 %	2.13 %	2.27 %	2.34 %
Operations & Maintenance										
Labor O&M Index	2.76 %	2.76 %	2.56 %	2.97 %	3.46 %	3.13 %	3.08 %	2.79 %	2.85 %	2.89 %
Gas Nonlabor O&M Index	3.17 %	1.75 %	- 0.40 %	7.64 %	4.23 %	- 0.18 %	0.58 %	1.27 %	1.69 %	1.84 %
Post-Test Year GOMPI	2.94 %	2.32 %	1.27 %	4.97 %	3.80 %	1.67 %	2.00 %	2.14 %	2.36 %	2.45 %
Capital-Related										
Total Gas Plant	5.91 %	4.77 %	4.99 %	15.04 %	7.58 %	- 4.98 %	- 3.40 %	- 0.89 %	1.71 %	2.24 %

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3. Referring to pg. KN-8, SoCalGas says that "a weighting factor is applied to the plant additions to determine the weighted average plant additions to be included in rate base for the [Post-Test Year (PTY)] period." Please provide workpapers supporting the calculation of this factor including source data and how each different item was weighted. Include detailed narrative for the blind reader. If this information was already provided in existing workpapers, please specify exactly where it can be found, by exhibit name, number, and page or table reference.

SoCalGas Response 3:

The starting point in developing rate base for each attrition year is the prior year plant in service. Weighted average (WAVG) net plant additions for the attrition year are added, and current year changes to the net depreciation and accumulated deferred tax reserve are made.

a) Weighted Net Plant Additions:

1) The starting point used for the plant additions for the PTY is a five-year average of plant additions. The five-year average comprises two years of recorded (2020-2021) and three years of forecasted (2022-2024) capital additions. Each year is escalated to test year dollars and then averaged. The five-year average is then escalated to 2025, 2026 and 2027. The five-year average excludes certain programs to prevent double counting when determining the five-year average.

2) Plant retirements for the PTY are also calculated using a five-year average of retirements. The five-year average comprises two years of recorded (2020-2021) and three years of forecasted (2022-2024) capital retirements from the Test Year RO model. Each year is escalated to test year dollars and then averaged. The resulting five-year average is then escalated to 2025, 2026 and 2027. The five-year average excludes certain programs to prevent double counting when determining the five-year average.

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SoCalGas Response 3:-Continued

3) WAVG Net Plant Additions: Each PTY's WAVG net plant additions is calculated using the ratio of the prior year WAVG net plant additions balance to the prior year end of year (EOY) net plant additions balance multiplied by the attrition-year's EOY net plant additions.

Please refer to the workpapers for Exhibit SCG-40, specifically SCG-40-WP-R, Page 4, Section 2.a for a detailed discussion including tables, of how SoCalGas's weighted net plant additions were calculated.

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SCG

4. For each of the following PTY exceptions please provide the following:

a) DIMP - SCG Gas Integrity Programs

b) TIMP - SCG Gas Integrity Programs

c) SIMP - SCG Gas Integrity Programs

d) FIMP - SCG Gas Integrity Programs

e) GSEP - SCG Gas Integrity Programs

- A detailed project timeline including milestones for each project segment.
- Cost estimates for each project segment.
- The original estimated completion dates for each project segment.
- The actual completion dates of any completed segments.
- The current forecasted completion dates for all current and future project segments.

SoCalGas Response 4a, b, c, and d:

The Gas Integrity Programs (DIMP, TIMP, FIMP and GSEP) are neither discrete projects nor are they planned by project segment. Rather, these are on-going programs with regular inspection goals and are directly tied to regulations and or industry best practices which in turn dictate the frequency of inspection of gas infrastructure equipment, pipeline and appurtenances dependent upon on the type of equipment, vintage of pipeline and the Consequence Area designation (High Consequence Area – HCA or non-HCA). As a result of the inspection data, mitigating repairs or replacements are subsequently executed and are charged to the Program. SoCalGas has no discretionary ability to delay or suspend mandated inspections nor the necessary repairs and the Gas Integrity Program goals and accomplishments are neither measured nor managed by project segment timelines or milestones. As these are on-going programs SoCalGas cannot provide a completion date, estimated or otherwise. SoCalGas can provide that it follows applicable gas rules and regulations.

SoCalGas also notes that recent and impending gas rules and regulations, some of which have been enacted and others that will be enacted during this GRC period, are a key driver of estimated increased inspection and remediation costs that will have a significant impact on costs in the PTY. Examples of these regulations are the Pipes Act of 2020, PHMSA GTSR Parts 1 and 2 and the Valve Rule. SoCalGas has estimated costs for each of the programs based on the inspection schedule and the anticipated repairs, which are provided below after a brief description of each program's activities.

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Based on the above information as background, SoCalGas responds as follows:

a. Distribution Integrity Management Program (DIMP) – The DIMP is a federally mandated program developed and implemented in compliance with 49 CFR Part 192, Subpart P. DIMP identifies and assesses applicable threats to the gas distribution system and implements measures to mitigate the risks of failure on gas distribution pipelines. DIMP includes the replacement of higher-risk vintage plastic "Aldyl A" and cathodically unprotected steel pipe. DIMP is an on-going program comprised of multiple activities with annual goals. The actual costs will be driven by the results of the annual program evaluations.

DIMP Estimated Capital Expenditures for TY 2024 and PTY 2025-2027
In 2021 $ (000s)

Program Name	2024	2025	2026	2027
DREAMS (BSRP)	$24,042	$13,000	$12,998	$13,722
DREAMS (VIPP)	$182,258	$210,353	$215,993	$221,089
GIPP	$14,264	$14,964	$14,955	$14,867
Total	$220,564	$238,317	$243,946	$249,678

b. Transmission Integrity Management Program (TIMP) – The TIMP is a federally mandated program developed and implemented in compliance with 49 CFR Part 192, Subpart O and other related sections such as 49 CFR § 192.710. TIMP is an on-going program comprised of multiple activities with annual goals. TIMP identifies threats to transmission pipelines in High Consequence Areas (HCAs)[1], determines risks posed by these threats, and performs prescribed assessments to evaluate and mitigate these threats. Historically, assessments were performed at a minimum of every seven years for segments in HCAs. The GTSR Part 1 final rule established a new requirement that operators perform assessments at a minimum of every ten years for segments in non-HCAs. Additionally, impacts from the GTSR Part 2 Final Rule, published in August 2022, is expected to take effect in 2023 and will add further clarifications and enhancements to existing requirements related to integrity assessments, such as changes to repair criteria for certain transmission lines in non-HCAs. These cycles are based on the timing of prior assessments. Repair criteria would be driven by pipeline assessment and findings where timelines associated with completion dates may vary subject to operational considerations (e.g., system constraints, resources) and external factors (e.g.,

permitting). The actual costs will be driven by and can fluctuate based on the outcome of annual evaluations.

TIMP Estimated Capital Expenditures for TY 2024 and PTY 2025-2027
In 2021 $ (000s)

Program Name	2024	2025	2026	2027
TIMP HCA	$805,286	$76,576	$96,827	$52,889
TIMP Non-HCA	$835,037	$68,912	$63,962	$64,584
Total	$167,838	$145,488	$160,789	$117,473

Note: Capital forecast for 2024 includes $3,806 (for a total capital forecast of $167,838) associated with capital enhancements such as new software applications that are not included in HCA/Non-HCA categories.

c. Storage Integrity Management Program (SIMP) – SIMP complies with California Geologic Energy Management Division (CalGEM) and PHMSA regulations, which includes required well inspections and assessments, with follow-up repairs every 24 months or other intervals as approved by CalGEM. Activities include O&M work which consists of physical well inspections using state-of-the-art inspection technologies, risk management, and data management of the activities of the Underground Gas Storage program. SIMP capital work consists of well repairs that may result from the physical well inspections which follow an assessment cycle. SIMP capital costs are as a result of required assessments, the number of which varies from year to year. Results from assessments, coupled with the regulatory requirements for reinspection intervals, establish the timeline for inspections.

SIMP Estimated Capital Expenditures for TY 2024 and PTYs 202452027
In 2021 $ (000s)

Program Activity	2024	2025	2026	2027
SIMP Assessments	$25,482	$25,482	$25,482	$25,482
SIMP Abandonments	$1,500	$1,500	$1,500	$1,500
TOTAL	$26,982	$26,982	$26,982	$26,982

d. Facilities Integrity Management Plan (FIMP) – FIMP is a new cyclical assessment program designed by asset type. Though not a program mandated by regulations, FIMP has been implemented to promote the integrity of facility assets and follows a similar management structure as the other integrity programs, including relevant industry best practices. Asset type includes fixed equipment, electrical equipment, and rotating equipment. Assessment intervals vary depending on the equipment, and remediation activities are performed where applicable after the assessments are performed. FIMP is designed to enhance the safety of facilities in the SoCalGas system by applying integrity management principles to facility equipment. FIMP includes facilities such as compressor stations, pressure limiting stations, natural gas vehicle stations, renewable natural gas facilities and associated equipment. The actual costs will be driven by annual program evaluations.

FIMP Estimated Capital Expenditures for TY 2024 and PTYs 2025-2027
In 2021 $(000s)

	2024	2025	2026	2027
FIMP Transmission	$996	$ 1,096	$ 1,096	$1,096
FIMP Distribution	$100	$100	$100	$100
FIMP Storage	$1,269	$1,269	$1,269	$1,269
Total	$2,365	$2,465	$2,465	$2,465

e. Gas Safety Enhancement Plan (GSEP) – GSEP is comprised of multiple activities with annual goals, and the cost estimates are driven by new PHMSA rules. The program complies with new PHMSA gas rules and regulations, such as the Gas Transmission Safety Rule Parts 1 and 2 or other rules driven by the PIPES Act of 2020. GSEP interprets 'milestone' as the 'implementation dates' and 'deadlines' associated with the new PHMSA rules.

- GTSR Part 1 imposes significant new safety and integrity requirements to gas transmission pipelines under PHMSA's jurisdiction. GTSR Part 1 requires that operators to (1) complete all required reconfirmation actions on at least 50% of pipeline mileage by July 3, 2028; and (2) complete all required actions on 100% of pipeline mileage by July 2, 2035, or no longer than four years after the operating condition of a pipeline segment changes subjecting the segment to the requirement to reconfirm MAOP, whichever is later.

- GTSR Part 2 was recently published on August 24, 2022. As such, SoCalGas is evaluating the full scope of the rules. GTSR Part 2 has two implementation deadlines, May 24th, 2023, and February 24, 2024, which do not have individual projects associated with them, but general program updates.
- The PHMSA Valve Rule was published on April 8, 2022, with its first implementation date on October 5, 2022. Various program updates were required; however, projects were not associated with the requirements. Moving forward risk analyses and other activities are required after April 8, 2023.

GSEP Estimated Capital Expenditures for TY 2024 and PTYs 2025-2027
In 2021 $ (000s)

	2024	2025	2026	2027
GTSR Part 1	$96,132	$159,812	$162,467	$179,142
GTSR Part 2	$5,223	$6,406	$8,076	$7,950
Valve Rule	$7,233	$7,908	$7,908	$7,908
Total	$108,588	$174,126	$178,451	$195,000

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4. For each of the following PTY exceptions please provide the following:

• A detailed project timeline including milestones for each project segment.

• Cost estimates for each project segment.

• The original estimated completion dates for each project segment.

• The actual completion dates of any completed segments.

• The current forecasted completion dates for all current and future project segments.

f) CIS Replacement Program

SoCalGas Response 4f:

Please refer to Ex. SCG-13-WP, p.32, Workpaper: CIS Replacement Program – Supplemental Workpaper _01 for the CIS Replacement Program timeline and milestones.

Refer to Ex. SCG-13-WP, p.12, Workpaper: CIS Replacement Program – Supplemental Workpaper _01 for the CIS Replacement Program cost estimates by project phase.

Please see the table below for the original estimated completion dates of the CIS Replacement Program phases included in the PTY forecast. These are also the current forecasted completion dates.

Project Phase	**Estimated Completion Date**
Plan & Analyze	7/31/2024
Design, Build & Validate	4/30/2025
Test	12/31/2025
Deployment	6/30/2026
Post Go Live Stabilization	3/31/2027

The request for actual completion dates is not applicable to this project, as the estimated completion dates do not begin until 2024.

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- The actual completion dates of any completed segments.
- The current forecasted completion dates for all current and future project segments.

g) Ventura Compressor Modernization

SoCalGas Response 4g:

SoCalGas objects to this request. Subsequent to the September 30, 2022 issuance of this data request, Assigned Commissioner Houck issued a scoping memo and ruling on October 3, 2022 moving consideration of SoCalGas's proposed Ventura Compressor Station Modernization Project into a separate application. Therefore, data requests concerning this project are outside the scope of this proceeding.

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- The actual completion dates of any completed segments.
- The current forecasted completion dates for all current and future project segments.

h) Honor Ranch Compressor Modernization

SoCalGas Response 4h:

Honor Rancho Compressor Station Modernization (HRCM)

Background:

For the purposes of this response regarding the Honor Rancho Compressor Modernization (HRCM) project, SoCalGas interprets a project "segment" to be synonymous with "project component" and "completion date" to be synonymous with "in-service date".

The HRCM Project is comprised of two components; the Principal component and the Advanced Renewable Energy (ARE) component.

The purpose of the Principal Component is to modernize the existing compressor station through installation of new equipment and innovative technology that will comply with South Coast AQMD regulations and enhance the reliability of the station. The Principal Component is expected to go into service in 2027 with an anticipated total cost of $537.927 million.

The purpose of the ARE component is to support Energy Upgrade California® and deploy modern technology to help achieve California's climate goals. The ARE Component is expected to go into service in 2028 with an anticipated total cost of $62.732 million. The revenue requirement for the ARE Component is not being sought in this 2024 GRC.

The HRCM project was initially presented in the 2019 GRC (Exhibit A.17-10-008, Exhibit SCG-10-R, Revised Direct Testimony of Neil P. Navin, NPN-33, and further elaborated on in SCG-207, Joint Rebuttal Testimony of Michael A. Bermel and Beth Musich (Gas Transmission) at page MAB / EAM-15 and continuing in Appendix D. It was noted that the costs were not included in the 2019 GRC and that "the project is ongoing and capital expenditures for this project will be presented in a future General Rate Case."[1] In its final decision (D.19-09-051), the CPUC noted that not only are large capital projects such as the HRCM project necessary to maintain operational reliability and safety, but also that the project execution and costs can span more than one GRC time period.

[1] A.17-10-007/008, Exhibit SCG-07, Joint Rebuttal Testimony of Michael A. Bermel and Beth Musich (Gas Transmission)

> "With respect to the requested amounts for this GRC, we note that other large-scale projects are being planned specifically for the Ventura Compressor Station and the Honor Rancho Compressor Station (and the Moreno Compressor station for SDG&E). Because we recognize the importance of the proposed projects and the role of compressor stations in maintaining operational reliability and safety of the gas transmission system, we find that it is prudent and reasonable to authorize the proposed projects and for SoCalGas to have the necessary funding to conduct these projects (and Moreno Compressor station for SDG&E). At this point, we do not find it necessary to deviate from current GRC practice and authorize funding only for specific projects because of the large scope covered in the GRC and because of the many challenges associated with planning and executing multiple and large projects within a specified timeframe. We do however encourage SoCalGas to place a high priority on critical projects under this category as most of its compressors are over 50 years old and because of key risks that need to be mitigated in this area. Therefore, we find that the requested amounts for Compressor Stations should be authorized."[2]

Due to the expected completion date extending beyond 2024, there is no revenue requirement request for 2022- 2024 being sought in SoCalGas's 2024 GRC. Capital-related revenue requirement for the Honor Rancho Compressor Upgrade capital additions is being requested in the Post Test Year testimony of Khai Nguyen. Given the timing of the in-service date for the Principal Component, the traditional PTY mechanism will not meet the funding requirements.

With the above information as background, SoCalGas responds to the bulleted items PAO requests as follows:

- A detailed project timeline including milestones for each project segment.

Principal Component Project Milestones and Schedule: See the tables below which are extracted from the Prepared Direct Testimony of Larry T. Bittleston and Steve Hruby (Exhibit SCG-10-R). For the purposes of this response, SoCalGas has supplemented Figure HRCM-7 to include the "Actual Completion Date" of project milestones in the table below.

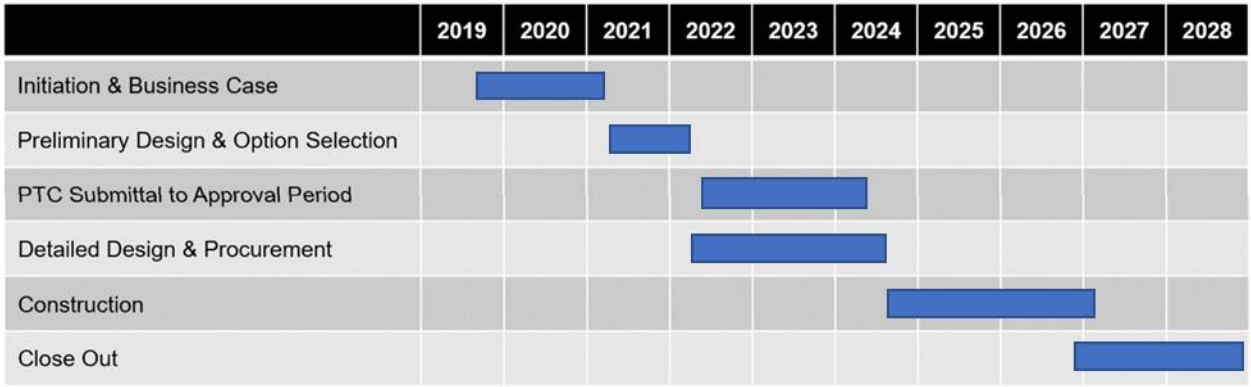
Figure HRCM-7[3]
Principal Component Major Milestones

Major Milestones	Forecasted Date	Actual Completion Date
FEED Phase Completion	Mar-2022	March 16, 2022
Permit to Construct Submission	Jul-2022	June 3, 2022
EPC Contract Executed	Apr-2023	TBD
Permit to Construct Expected Approval	Jul-2024	TBD

[2] D.17-09-051 at pages 116-117.
[3] A.22-05-015, Exhibit SCG-10-R, Prepared Direct Testimony of Larry T. Bittleston and Steve Hruby. See Appendix E Figure HRCM-7

Construction Begins	Oct-2024	TBD
NOP Date	Jan-2027	TBD
Decommissioning of Existing Facilities	Nov-2027	TBD
Project Close-Out	Jan-2029	TBD

Figure HRCM-8[4]
Principal Component Schedule by Stages



ARE Component Milestones and Schedule: See the tables below which are extracted from the Prepared Direct Testimony of Larry T. Bittleston and Steve Hruby (Exhibit SCG-10-R). For the purposes of this response, SoCalGas has supplemented Figure HRCM-9 to include the "Actual Completion Date" of the ARE component milestones that have been completed to date in the table below.

Figure HRCM-9[5]
ARE Component Major Milestones

Major Milestones	Forecasted Date	Actual Completion Date
FEED Phase Completion	Mar-2022	March 16, 2021
EPC Contract Executed	Dec-2024	TBD
Construction Begins	May-2026	TBD
NOP Date	Jan-2028	TBD
Project Close-Out	July-2029	TBD

Figure HRCM-10[6]

[4] Ibid. See Figure HRCM-8
[5] Ibid. See Figure HRCM-9

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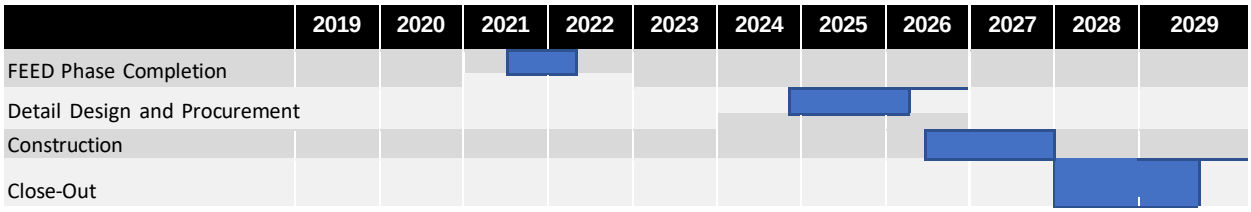
ARE Component Schedule by Stages



- Cost estimates for each project segment.

The estimated costs for the Principal Component and ARE Component in the figure below which are extracted from the Prepared Direct Testimony of Larry T. Bittleston and Steve Hruby (Exhibit SCG-10-R).

Figure HRCM-5[7]
Cost Breakdown

Components	Costs ($ in 000s)
Principal	**$537,927**
Design & Engineering	$47,871
Material & Equipment	$131,057
Construction	$218,645
3rd Party Utility Substation	$28,203
Site Work & Civil	$59,376
Environmental	$1,065
Company Labor & Project Services	$50,895
Other	$815
ARE	**$62,732**
Design & Engineering	$4,967
Material & Equipment	$20,337
Construction	$22,073
Site Work & Civil	$831
Environmental	$207
Company Labor & Project Services	$14,090
Other	$227
Project Total	**$600, 659**

- The original estimated completion dates for each project segment.

The original estimated in-service date for the Honor Rancho Compressor Modernization Project was Q2 2023, as presented in A.17-10-007/008, Exhibit SCG-07 (Joint Rebuttal

[6] Ibid. See Figure HRCM-10
[7] Ibid. See Figure HRCM-5

Testimony of Michael A. Bermel and Beth Musich), June 18, 2018, Table MAB-7, Page MAB / EAM-15 and Pages MAB / EAM-D-2 and MAB / EAM-D-3.

The ARE component was not identified at the time of the 2019 GRC. The completion date of July 2029 is the original and the current estimated completion date.

- The actual completion dates of any completed segments.

Neither of the HRCM Compressor Modernization project components have been completed.

- The current forecasted completion dates for all current and future project segments.

Please see above Figures HRCM-7and HRCM-9 above.