

DRA DATA REQUEST
DRA-SCG-124-KCL
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: JULY 18, 2011
DATE RESPONDED: JULY 28, 2011

Exhibit Reference: SCG-02 and SCG-02-CWP

Subject: Distribution Operations Capital Expenditures

Please provide the following:

1. The project cost tables for several capital projects shown in SCG-02-CWP include collectible amount for Year 2011 and 2012. These projects include Budget Numbers 153 on page GOM-CWP-5, 268 on page GOM-CWP-26, 272 on page GOM-CWP-39, and 270 on page GOM-CWP-37. I assume the collectible amount will be reimbursed by the external agencies that ordered the work. Please explain why the Total Direct Capital was used for the SCG capital expenditures in the GRC instead of the Net Capital. Please also provide the details on how the reimbursed amount will be accounted for in the SCG accounting system and whether the ratepayers will be responsible any of the collectible amounts.

SoCalGas Response:

Total direct capital as shown in testimony represents the total cost to perform the work. The offsetting collectible costs are shown to reflect third party reimbursements. Both components are shown in the work papers and processed in the Results of Operations (RO) model to ensure overhead loaders (i.e., indirect costs) are appropriately computed, allocated and captured. Fully loaded (direct and indirect costs) net capital costs are included in rate base. Whereas, fully loaded collectible costs are reimbursed from third parties and excluded from rate base. This process segregates both components and precludes any cross-subsidization issues.

Capital-related collectible costs billable to third parties are recorded to 11063XX by general work order. At the time of billing, 1106000 – Accounts Receivable is debited and 1106052 – Unbilled Revenue is credited. When combined, the balance in 11063XX (debit balance) and 1106052 (credit balance) will offset and net to \$0 by general work order. Accounts receivable (1106000) is eliminated when paid. Capital-related collectible costs are not recorded in rate base for rate recovery. A third party deposit is recorded as a credit to 11063XX in order to offset capital costs recorded in the same account. Once again, costs net to \$0 with no rate base impact.

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2. Budget Number 161 on page GOM-CWP-4 shows a New Business Forfeitures of \$4.856 million per year for 2009 to 2012. Please explain in detail how this amount gets into the GRC accounting process and whether ratepayers benefit from the forfeitures. Should this amount be a subtraction in SCG's capital expenses request?

SoCalGas Response:

New business forfeitures (reflected as a negative \$4.856 million) is processed in the Results of Operations (RO) model as a reduction to new business expenditures for gas mains and services. The adjustment has the same impact of reducing plant in service or rate base since new business forfeitures are deposits that have expired (i.e., exceeded the tariff period) and are no longer refundable to customers and treated as a contribution to the utility. Ratepayers benefit from this reduction in the form of lower rate base and, therefore, revenue requirement. Please refer to the rate base work papers on pages GGY-WP-17 (2010), GGY-WP-23 (2011) and GGY-WP-29 (2012), ID 449 for reductions to capital.

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3. On page GOM-CWP-41 of the workpapers under Budget No. 715, SCG proposes to purchase approximately three units of the optical imaging instruments per district in 2011. Please explain in detail what are these “districts” and how many are in the SCG service area. Has SCG changed its perceived needs for the optical imaging instrument now that EPA has clarified its adopted rules?

SoCalGas Response:

As discussed in testimony (Exhibit SCG-02 pages GOM-3 and GOM-4) SoCalGas has approximately 1,600 distribution employees located at four operating region headquarter facilities and 51 operating bases throughout the service territory where gas distribution activities are performed. The use of the word “district” as shown in Exhibit SCG-02-CWP, page GOM-CWP-41 is used interchangeably with the term “base(s)” as used in testimony on page GOM-4. Therefore there are 51 “districts” as that term is used in the workpapers.

SoCalGas did not receive the clarification it sought from EPA’s recent changes to rule language, specifically in regards to the definition of “Transfer of Custody City Gate Stations” that will require leak surveys.

As discussed in DRA-SCG-110-DAO, SoCalGas plans on using an Infrared Laser Beam Illuminated Instrument in lieu of the other methods specified in 40 CFR 98 §98.234. Our need to use an Optical Gas Imaging instrument is required for all source types that are inaccessible and cannot be monitored without elevating the monitoring personnel more than two meters above a support surface. In these instances where we are required by regulation to use Optical Gas Imaging instruments, we will need to purchase, train and utilize this equipment along with the other units.