

**SCGC DATA REQUEST**  
**SCGC-SCG-DR-10**  
**SOCALGAS 2012 GRC – A.10-12-006**  
**SOCALGAS RESPONSE**

**DATE RECEIVED: AUGUST 16, 2011**

**DATE RESPONDED: AUGUST 30, 2011**

10.1. With respect to the document entitled “Redacted SCG Strategic Outlook” that was provided in response to SCGC Data Request Question 5.7.2, please provide a complete definition of the term “biofuels” as it is used in Slides 4 & 7.

**SoCalGas Response:**

Biofuel is a type of fuel where energy is derived from the anaerobic digestion of organic matter and final conditioning to pipeline quality biomethane for on-site electric generation or pipeline injection to a natural gas distribution system. The Biofuels investment component outlined in the Strategic Outlook pertains to the capital expenditure associated with the digestion and/or conditioning plant to produce biomethane.

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10.2. With respect to SoCalGas' proposed provision of biogas production and biogas conditioning services as described in 4.10.4:

- 10.2.1 If SoCalGas provides the biogas production services, would SoCalGas be the developer that is referred to in the table?
- 10.2.2 If SoCalGas is the developer, would it own the biogas?
- 10.2.3 What are the GHG credits referred to in the last section of the final column?
- 10.2.4 Please provide specific details explaining how the developer or the feedstock owner or SoCalGas, respectively, would each qualify for "GHG credits." Cite specific ARB regulations or other relevant information in support of this explanation.

**SoCalGas Response 10.2.1:**

No.

**SoCalGas Response 10.2.2:**

With respect to the Bio-Gas Conditioning Service and Bio-Gas Production Facilities Service filed for in Advice Letter 4172, SoCalGas would not be the developer of the project.

**SoCalGas Response 10.2.3:**

This refers to any GHG credits or offsets that might be created by the project, including both compliance off-sets or credits as well as GHG credits traded in voluntary markets.

**SoCalGas Response 10.2.4:**

The specific details how the developer or the feedstock owner would qualify for "GHG Credits" have not yet been worked out. For the NTP&S services it would be up to the developer or the feedstock owner to take the steps necessary to qualify for GHG credits. This chart does not assume that GHG credits or other credits for the renewable attributes would be created, it simply clarifies that should such credits be created who would own them.

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- 10.3 With respect to the testimony of Gregory Shimansky at GDS-5 that states: “The NERBA will record the actual costs that have been proposed in this application against the corresponding revenue requirement that is authorized in this GRC. Specifically, these costs include: 1) an allocation of administrative fees charged by the California Air Resources Board (CARB) which are an authorized recoverable by CARB under Assembly Bill 32 (AB 32); 2) costs associated with CARB’s proposed cap-and-trade (C&T) program; and 3) additional monitoring and reporting requirements required by the Environmental Protection Agency (EPA) under a proposed new “Subpart W” of the GHG Mandatory Reporting Rule (MRR).”
- 10.3.1 Please identify the amount of the “corresponding revenues requirement” for the “costs associated with CARB’s proposed cap-and-trade (C&T) program” and provide specific citations to the testimony and workpapers of the relevant witnesses in support of the figures.
- 10.3.2 Please identify the amount of the “corresponding revenues requirement” for the “additional monitoring and reporting requirements required by the Environmental Protection Agency (EPA) under a proposed new “Subpart W” of the GHG Mandatory Reporting Rule (MRR)” and provide specific citations to the testimony and workpapers of the relevant witnesses in support of the figures.

**SoCalGas Response 10.3.1:**

The “corresponding revenue requirement” is the O&M costs described below.

The testimony of witness Ms. L. Gomez describes the GHG program requirements that have cost impacts to SoCalGas. The testimony and workpapers also identify upward pressure that the Environmental Services Department will specifically incur (testimony reference SCG-15, pages 7-11). Justification for O&M-related upward pressures are detailed in the Environmental Services’ workpapers (reference SCG-15-WP, pages 29 and 30) and include the O&M upward pressure direct costs for labor (\$140K) and employee expenses (\$10K) for two FTE’s who will be responsible for overseeing GHG, air quality compliance requirements and new software tool management and the incremental direct non-labor costs for third-party verification (\$6K) that is mandated under the California GHG Mandatory Reporting Rule.

As described in the testimony and workpapers of witness Mr. R. Stanford, Cap-and-Trade requirements include AB 32 Cap and Trade open market emission credit offset purchases for major emitters within SoCalGas service territory in the amount of \$5,000K in 2012 (testimony reference SCG-05, pages 21-22; workpaper reference SCG-05-WP, page 23 of 321) and 1 FTE to manage the Cap-and-Trade program in the amount of \$135K for labor and employee expenses (testimony reference SCG-05, page 61; workpaper reference SCG-05-WP, pages 215-216 of 321).

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**Response to Question 10.3 (Continued)**

**SoCalGas Response 10.3.2:**

The “corresponding revenue requirement” is the O&M costs and capital-related costs described below.

The testimony of witness Ms. L. Gomez describes the GHG program requirements that have cost impacts to SoCalGas. The testimony and workpapers also identify upward pressure that the Environmental Services Department will specifically incur (testimony reference SCG-15, pages 7-11). Justification for O&M-related upward pressures are detailed in the Environmental Services’ workpapers (reference SCG-15-WP, pages 29 and 30) and include the O&M upward pressure direct costs for labor (\$140K) and employee expenses (\$10K) for two FTE’s who will be responsible for overseeing GHG, air quality compliance requirements and new software tool management and the incremental direct non-labor costs for third-party verification (\$6K) that is mandated under the California GHG Mandatory Reporting Rule. The two FTE’s will have responsibilities that support the Subpart W requirements of the GHG Mandatory Reporting Rule for SoCalGas in addition to other GHG-related compliance support responsibilities.

The testimony of witness Mr. R. Stanford for SoCalGas’ Gas Engineering describes the GHG-related compliance upward pressures (reference SCG-05, pages 6, 9-10, 21-23, 53, 62-63, 81 and 84). Detailed in the workpapers of witness Mr. R. Stanford is justification for O&M-related upward pressure direct costs including non-labor expenses associated with compliance to new environmental and air quality regulations, materials testing and technician certifications totaling \$162K. Specifically, total costs include additional stationary engine source testing (\$120K), GHG gas monitoring at stations and M&R facilities for combustion and fugitives (\$15K), additional compliance testing requirements which drive an increase in frequency of engine analysis and condition monitoring (\$15K), and increased frequency and quality of materials testing due to integrity management data requirements (\$12K). These costs are associated with Subpart W compliance activities for the Engineering Analysis Center (reference SCG-05-WP, page 17).

The testimony of witness Mr. J. Mansdorfer for SoCalGas’ Underground Storage also describes GHG-related compliance upward pressures (reference SCG-04, pages 14-15). Detailed in the workpapers of witness Mr. J. Mansdorfer is justification for O&M-related upward pressure direct costs for 2012 including four FTE’s for GHG-related compliance (leak surveys, monitoring and repairs, program administration, compliance monitoring, recordkeeping, and reporting) totaling \$340K (reference SCG-04-WP, pages 9 and 22 of 24).

In addition, the testimony of witness Ms. G. Orozco-Mejia for SoCalGas’ Gas Distribution describes GHG-related compliance upward pressures (reference SCG-02, pages 7, 22-23 and 39-40). Detailed in the workpapers of witness Ms. G. Orozco-Mejia is justification for O&M-related upward pressures direct costs for 2012 including 1 FTE to aid in compliance monitoring, recordkeeping, and reporting of GHG emission requirements totaling \$76K (reference SCG-02-

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**Response to Question 10.3 (Continued)**

**Question 10.3.2 (Continued)**

WP, pages 145 and 217 of 234) and GHG Mandatory Reporting Rule Subpart W requirements for natural gas distribution systems totaling \$23,443K (reference SCG-02-WP, pages 35 of 234) to be managed through the new environmental regulatory balancing account, “NERBA.”

The testimony of witness Mr. J. Dagg for SoCalGas’ Gas Transmission also describes GHG-related compliance upward pressures (reference SCG-03, pages 7 and 12). Detailed in the workpapers of witness Mr. J. Dagg is justification for O&M-related upward pressures direct costs for 2012 including the CARB-AB 32 Greenhouse Gas Management for labor (\$77K) and non-labor (\$152K) compliance activities totaling \$229K in incremental costs (reference SCG-03-WP, page 42 of 164).

NERBA capital spending in 2011 is anticipated at \$15.7 million for GHG Subpart W. A separate calculation of revenue requirement was not performed for this spending, however estimated in 2012 to be approximately \$3 million. This was determined by starting with the \$15.7 million and adding escalation and overhead loaders of \$4 million and then applying a rule of thumb of 17% to determine the revenue requirement (\$16 million + \$4 million = \$20 million; then \$20 million \* 17% = \$3 million).

The revenue requirements for the O&M and capital costs described above in responses 3.1 and 3.2 are for the environmental regulations described in this application and do not cover other changes to environmental regulations that may result in an increase to this revenue requirement.

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- 10.4 In reference to the August 9, 2011 letter from the Director of the Commission’s Energy Division that rejects SoCalGas’ Advice Letter 4172, at page 3:
- 10.4.1 Does SoCalGas intend to use excess or underutilized capacity in pursuing its proposed non-tariffed product and services (“NTP&S”) biogas conditioning services or bioenergy production facilities services?
  - 10.4.2 If the answer to the previous question is “yes,” please specify what excess or underutilized capacity that would be utilized.
  - 10.4.3 Does SoCalGas intend to file a separate application to request Commission approval of NTP&S biogas conditioning services or bioenergy production facilities services as proposed in Advice Letter 4172?
  - 10.4.4 Does SoCalGas consider the NTP&S biogas conditioning services or bioenergy production facilities services to be an issue in its pending GRC, A.10-12-006?
  - 10.4.5 If the answer to the previous question is “no,” does SoCalGas intend to pursue its proposed changes to NTP&S activities exclusive of biogas development/conditioning in the pending GRC?

**SoCalGas Response 10.4.1:**

SoCalGas currently is determining whether to pursue its proposed biogas conditioning services and/or bioenergy production facilities services.

**SoCalGas Response 10.4.2:**

Not Applicable

**SoCalGas Response 10.4.3:**

SoCalGas has not made a determination at this point whether to file an application to request Commission approval of biogas conditioning services or bio-energy production facilities services.

**SoCalGas Response 10.4.4:**

No. SoCalGas never considered the NTP&S bio-gas conditioning services or bio-energy production facilities to be an issue in A.10-12-006, what is at issue is the development of a sharing mechanism for any NTP&S that the utility is authorized to offer. SoCalGas requested authority to offer such services in AL4172 and had hoped that it would be granted authority to offer this service to its customers, so as to provide interested customers with this innovative solution for their energy needs, in that venue. Should SoCalGas desire to pursue these services in the future it will seek authorization elsewhere, but authority to offer this service, or any other NTP&S is not an issue in A.10-12-006.

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**Response to Question 10-4 (Continued)**

**SoCalGas Response 10.4.5:**

SoCalGas intends to pursue its proposed sharing mechanism and would have this apply, as appropriate, to any NTP&S authorized by the Commission.