

TURN DATA REQUEST
TURN-SCG-DR-43
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: NOVEMBER 8, 2011
DATE RESPONDED: NOVEMBER 17, 2011

1. At page BW-10 of Ex. SCG-227, SCG states that it still has a great deal of older pipe in its service territory susceptible to corrosion. Please provide the dollar value and corresponding feet of older pipe by vintage addition by account for each type of older pipe referenced. The information should be provided both in hard copy and on electronic medium in Excel readable format. If SCG does not have the information as requested, please provide SCG's best estimate for each item, and describe how it arrived at that estimate.

SoCalGas Response:

The attached file contains information for all vintages for FERC account G376 (dollar value and corresponding feet of pipe by vintage addition by account for each type). Recorded history did not capture pipe by bare, wrapped, or other distinguishing features.



C:\SCG 376 main
detail.xls

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2. At page BW-10 of Ex. SCG-227, SCG references other reasons for pipe retirement, such as relocations, outside party damage, and changes in gas volumes that may require pipe replacements. Please provide the dollar level of retirements by year by account for the past 10 years associated with each separate other reason referenced by SCG. If SCG does not have the information as requested, please provide SCG's best estimate for each item, and describe how it arrived at that estimate.

SoCalGas Response:

The information requested is not available in this detail. Retirements occur in the field for various reasons and each specific and or unique activity is not recorded as requested. There is no available estimate by reason for the requested time period. Ten years of available retirements for FERC 376 are attached.



C:\SCG 376 retired
main detail.xls

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3. At page BW-10 of Ex. SCG-227, SCG states that TURN envisions “quick fixes” as it relates to possible significant replacements. Please identify with specificity each place in TURN’s testimony that SoCalGas contends represents TURN envisioning “quick fixes.” Please also provide a detailed explanation as to what “quick fixes” means as SCG uses the term here, and the specific basis for SCG interpreting TURN’s testimony as envisioning “quick fixes.”

SoCalGas Response:

“Quick fixes” refers to TURN’s many different approaches to yield longer ASLs to the detriment of future ratepayers. As stated in rebuttal (BW-10), the focus should be on the proper intergenerational equity allocation of ratepayer costs (current and future) based on the current mix of the plant assets.

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4. At the top of page BW-11 of Ex. SCG-227, SCG states that recorded history shows that average service life will reflect change in environments as the mix within an account changes. Is it SoCalGas's position that any such change is fully reflected immediately in the ASL? If not, please state how long SoCalGas believes the impact on average service life due to each changing environment will take to be fully reflected in life analyses for each account. Please also provide the basis for SoCalGas's expectation of the amount of time it will take to have the change in environments fully reflected in the actuarial or semi-actuarial analyses for each account.

SoCalGas Response:

Updated depreciation studies reflect Average Service Life (ASL) changes. During every GRC, SoCalGas presents a new depreciation study reflecting the new life analyses. The proposed ASL for each account reflects history (including change in environments) up through the base year.

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5. At the top of page BW-12 in Ex. SCG-227, SCG states that a great deal of older service pipe in its service territory. Please provide the dollar level and corresponding linear feet of older service pipe by type of service material by vintage year referenced. The response should be provided both in hard copy and on electronic medium in Excel readable format. If SCG does not have the information as requested, please provide SCG's best estimate for each item, and describe how it arrived at that estimate.

SoCalGas Response:

The attached file contains information for all vintages for FERC account G380 (dollar level and corresponding linear feet of service pipe by type of service material by vintage year).



C:\SCG 380 service
detail.xls

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6. On page BW-12 of Ex. SCG-227, as it relates to General plant structures and improvements, SCG states that investments in fixed contract terms associated with leases must be based on the structure's lease period. Regarding this issue, please provide the following:
- (a) the dollar level of investment in Account 390 segregated between investment at Company owned locations versus investment at leased locations;
 - (b) the dollar level of investment leased segregated by term of lease;
 - (c) the number of times during the past 20 years the Company has renewed a lease associated with investment in Account 390 after the initial fixed contract term, along with the corresponding dollars of leased investment associated with each such renewal;
 - (d) specific identification of the Company's largest leased facility that has been associated with a 20-year lease and now is associated with a new 15-year lease term in 2012, as referenced at the bottom of page BW-12.

SoCalGas Response:

(a)

| | |
|------------------|---|
| \$ 110,946,876 | Owned |
| <u>7,463,884</u> | Leased |
| \$ 118,410,760 | Total Investment Account 390 as of 12/31/2009 |

(b)

| <u>Lease Terms</u> | <u>Inv. Cost as of 12/31/09</u> |
|--|---------------------------------|
| Month to Month | \$ 33,008 |
| 20 Year Lease | 7,128,702 |
| Lease Terminated - Assets subsequently retired | <u>302,175</u> |
| Total | \$ 7,463,884 |

- (c) Twice – initially in the early 1990's and now. Remaining information not readily available.
- (d) The Gas Company Tower

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7. On page BW-14 of Ex. SCG-227, SCG states that there are times when transactions on individual projects and work orders may not be recorded in the same year. Please identify the dollar level of retirement activity by account by year for each of the accounts TURN has taken issue with in this proceeding in which the gross salvage or cost of removal were not recorded in the same year as the retirements. Further, for each such instance by account, identify when such values were ultimately recorded. If SCG does not have the information as requested, please provide SCG's best estimate for each account of the amount of gross salvage or cost of removal that was not recorded in the same year as the year the plant was retired.

SoCalGas Response:

NARUC (Public Utility Depreciation Practices, August 1996, page 159) cautions that salvage and cost of removal amounts appearing in a utility's accumulated depreciation account will be related to retirements of plant recorded simultaneously, is frequently not the case, therefore, this timing mismatch can be largely negated by analyzing a band of years. This is exactly the discussion and detail submitted by SoCalGas in the TURN-SCG-DR-18-Q1 data request response and is also reflected as one views the 15 year historical study for each FERC account submitted by SoCalGas.

The information is not readily available in the desired format, and SoCalGas has not prepared an estimate for each account. The use of the 15 year historical band is wide enough to capture what NARUC calls the "timing mismatch."

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8. On page BW-14 of Ex. SCG-227, SCG states that future focus in net salvage analyses results from discussions with engineering, operating, and planning personnel who are in tune with issues generating the activity. Please identify each separate item of information obtained from discussions with engineering, operating, and planning personnel that had a meaningful or significant impact on the determination of net salvage factors for each of the accounts TURN has addressed in this proceeding. Further, identify where in the Company's original testimony, workpapers, or exhibits such information was specifically identified and provided, as well as the impact each item of information had on determining the final value proposed by the Company. Finally, provide all underlying support and documentation associated with each item of information obtained from any of the Company individuals in sufficient detail to demonstrate the validity of such information, including but not limited to any notes that Mr. Wiczorek made as a result of these discussions.

SoCalGas Response:

Testimony (Exh. SCG-27-R page BW-3 lines 9 through 21) describes this process. Other than the interactions noted, there are no separate or distinct items of information obtained from discussions with engineering, operating, and planning personnel. The content of the discussions re-affirmed the study results. The "future focus" will continue to include discussion and input from many sources including engineering, operating, and planning personnel. All available notes were submitted through previous data request responses (see TURN-SCG-DR-018).

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9. On page BW-14 of Ex. SCG-227, SCG states that because of technological environmental constraints, gross salvage is becoming a thing of the past. At this time, please identify each separate technological and/or environmental constraint referenced, when each became effective, and how each specifically impacts gross salvage by account corresponding to those accounts TURN has raised as an issue in this proceeding. Finally, specifically identify and explain how each technological and environment constraint results in the elimination of gross salvage by account. If SCG believes this request is unduly burdensome, please identify the ten examples of such technological or environmental constraint that are having the largest impact on gross salvage.

SoCalGas Response:

Rebuttal testimony identifies many examples impacting gross salvage by account (BW-14 through BW-20). Effective date of each constraint is unknown.

For example, gross salvage changes by account:

- G352 - For FERC account 352, the last 7 of 8 years reflect zero gross salvage. FNS 15 year study in 2008 showed % of Removed from Service (RFS) at 3.44% and for 2012 it reflects 2.66%. (Exh-SCG-27-WP-R-BW-WP-333)
- G367 – While retirements are increasing the last few years, the gross salvage ratio (% of RFS) has been minimal averaging 2% for the last three (3) years. FNS 15 year study in 2008 showed % of RFS at 5.23% and for 2012 it reflects 2.22%. (Exh-SCG-27-WP-R-BW-WP-340)
- G376 - While retirements are increasing the last few years, the gross salvage ratio (% of RFS) has been minimal averaging 2.1% for the last three (3) years. FNS 15 year study in 2008 showed % of RFS at 5.99% and for 2012 it reflects 5.65%. (Exh-SCG-27-WP-R-BW-WP-345)
- G378 - While retirements are increasing the last few years, the gross salvage ratio (% of RFS) has been minimal averaging 0% for the last three (3) years. FNS 15 year study in 2008 showed % of RFS at .11% and for 2012 it reflects 0%. (Exh-SCG-27-WP-R-BW-WP-346)
- G391.2 – Replacements occur as needed. FNS 15 year study in 2008 showed % of RFS at 2.34% and for 2012 it reflects 1.91%. (Exh-SCG-27-WP-R-BW-WP-354)

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10. Regarding the statement on page BW-14 pf Ex. SCG-227 that the practice of abandonment in certain situations has been subject to increased scrutiny, please identify and describe each of the “certain situations” referenced and the specific facts and circumstances associated with such additional scrutiny that has resulted in additional cost of removal by year in each of the accounts TURN has addressed in this proceeding. Further, provide all underlying support and justification for any claim presented.

SoCalGas Response:

As stated in SoCalGas’ previous responses to Data Request (TURN-SCG-DR-20- Q2g and Q4k), there are two Gas Standards which guide the abandon versus removal issue:

SoCalGas abandons or removes transmission pipe in accordance with SoCalGas Gas Standard 223.0130 "Abandonment, Conversion, and Reinstatement of Transmission Pipelines ". Transmission pipe is abandoned in place as a general practice except where removal is required by the permit-issuing agency, for Company construction purposes, or to salvage items where the salvage value justifies the cost of removal.

SoCalGas abandons or removes pipe in accordance with SoCalGas Gas Standard 184.0085 "Abandonment or Inactivation of Gas Distribution Pipelines" which states that above ground facilities are removed at time of replacement and buried facilities are abandoned in place except where removal is required by the permit-issuing agency, for Company construction purposes, or to salvage items where the salvage value justifies the cost of removal.

Requests from customers, governmental Agencies (including city, county, and state) to remove pipe are increasing. Please also see responses to questions 11 and 16.

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11. Regarding the statement at the bottom of page BW-14 of Ex. SCG-227 that the Company is experiencing more situations on past abandonment pipelines that require present day physical removal never envisioned, please provide a detailed identification of each previously abandoned pipeline that the Company now must remove. For each such situation, state when the initial retirement occurred, the year that the Company had to ultimately remove the pipeline, the dollar level of retirement associated with each such instance by account, and the specific reason and support for such reason that required the Company to actually remove previously abandoned pipelines. The response should be in sufficient detail to further explain the reference to “this accelerating situation” as referenced at the bottom of the same page.

SoCalGas Response:

SoCalGas is seeing more instances where governmental agencies, customers, and private land owners are requesting SoCalGas to remove existing abandoned pipe. Some issues can be with the pipe wrap containing asbestos and other environmentally unfriendly materials (i.e. PCBs) or perceived structural reasons why customers and entities desire removal. Specific parameters for each situation are not readily available. Examples are:

- Long lengths of previously abandoned pipe in Goleta have been removed;
- Long lengths of previously abandoned pipe in Beaumont have been removed;
- The Port of Long Beach has insisted removal of existing abandoned pipe (recently abandoned) which is currently 50 feet under water in the Cerritos Channel;
- The Cities of Palmdale and Lancaster have recently insisted removal of existing abandoned pipe.

See reference to SoCalGas Gas Standards in response to question 16.

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12. At the top of page BW-15 of Ex. SCG-227, SCG states that for Account 352, assets as a whole are experiencing a trend toward more negative net salvage. At this time, please specifically identify what constitutes a trend as that term is used here, and fully explain the basis for SCG's position.

SoCalGas Response:

DRA states within their own testimony (A.10-12-005 / 006 – DRA 36 page 6 lines 9 & 10), “The prevailing trend in the energy industry is towards higher negative net salvage rates.” DRA goes on to specify increasing costs of removal and reduced revenues from gross salvage as two main factors.

For FERC account 352, the last 7 of 8 years reflects zero gross salvage. Also during the last four (4) years, this FERC account has experienced <56%> FNS which is higher than the current 15 year historical picture recorded at <47%> (Exh-SCG-27-WP-R-BW-WP-333).

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13. Please provide a copy of all workpapers, analyses, studies, etc., associated with each analysis performed by SCG in support of its rebuttal testimony on depreciation. For example, on page BW-15 of Ex. SCG-227, SCG refers to an analysis of removing gross salvage for Account 352, which results in a negative 49% net salvage.

SoCalGas Response:

SoCalGas relied upon the 15 year historical FNS study for its proposed FNS. SoCalGas did not refer to any additional analysis on page BW-15 as TURN infers. The 15 year FNS study analysis for FERC G352 performed for the original GRC testimony and work papers identifies the <49%> stated by SoCalGas in page BW-15 (line 18), of exhibit SCG-227. SoCalGas refers TURN to column (F) of the 2012 GRC 15 year historical FNS study detail (work paper BW-WP-333) for FERC 352 which shows the <49.73%>.

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14. Regarding the statement on the top of page BW-16 of Ex. SCG-227 as it applies to Account 352, where SCG references the appearance of a slight downward trend of the data, please specifically identify what constitutes a slight trend as SCG used that term and provide all support and justification for such position.

SoCalGas Response:

Removing the previous four years of historical data (1991 thru 1994 at <113%>), and replacing those years with the four most recent years (2006 thru 2009 at <56%>) results in reflecting a lower 15 year historical picture (“% of RFS”) which can be considered as the appearance of a slight downward trend. Considering that detail and the fact that the recent four years are displaying <56%> FNS, offers additional credence supporting SoCalGas’ proposed FNS at <45%> which is based on the current 15 years of historical data (BW-WP-333).

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15. Regarding the statement at the top of page BW-18 of Ex. SCG-227 where SCG claims that the one-time large gross salvage for Account 367 will never be reflected in the future, please identify the type of pipe remaining in the ground by size and material, as well as the basis for the statement that there is no gross salvage market for retired steel pipe or valves.

SoCalGas Response:

The one-time large gross salvage entry in the year 2000 (Exh-SCG-27-WP-R-BW-WP-345) is a reference to G376 (BW-18 of Ex. SCG-227) and not G367 as implied by TURN. Retired distribution pipe may not be reflecting large gross salvage value like it has in the past. The majority of distribution pipe FERC 376 (steel and plastic) is gathered and disposed of rather than sold for any scrap value.

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16. Regarding the statement on page BW-18 of Ex. SCG-227 where SCG states that for both Transmission and Distribution pipe, retirements will consist of physical removal and not abandonment, please provide all support and justification for the position that the Company will no longer abandon pipe in place. Please also identify the amount of pipe investment that was retired in place in each year from 2001-2010.

SoCalGas Response:

As stated in the response to question 11 in this data request, SoCalGas is experiencing more situations where Transmission and Distribution pipelines are requested to be removed. In SoCalGas' previous responses to Data Request (TURN-SCG-DR-20- Q2g and Q4k), there are two Gas Standards which guide the abandon versus removal. Also as stated in that response, it would be overly burdensome to identify the quantity of pipe abandoned versus removed.

While SoCalGas' position is not that no abandonments will occur in any and all situations, the trend is towards more removal of infrastructure pipe. See statements in rebuttal:

- BW-14 – “accelerating situation”;
- BW-17 – “recent transmission pipeline integrity and safety efforts to be undertaken at SoCalGas could accelerate more retirements with additional higher levels of removal.”;
- BW-18 – “ the increased costs associated with actual removal for pipelines rather than abandonment not currently reflected within the FNS study”;
- BW-18 – “For both transmission and distribution pipe, retirements will consist of a physical removal and not abandonment more in line with the renewed focus at the utility and the Commission on ensuring pipeline location, integrity, and safety. This accelerating situation....”

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17. Regarding the statement on page BW-18 of Ex. SCG-227 that SCG specifically considered the fact that the Company will no longer be abandoning plant in service due to the accelerating situation regarding pipeline integrity and safety. Please provide the specific reference in the original depreciation study, workpapers, testimony, and exhibits where such specific consideration was identified.

SoCalGas Response:

SoCalGas' testimony, line 12, "These factors are considered in SCG's depreciation FNS proposals, but are lacking or given little weight in TURN's analysis," refers to the factors listed earlier, on lines 1 through 7. With respect to FERC account G376, TURN has recommended their FNS based on a segmented 4 year picture. SoCalGas has suggested that there are "other factors to consider" rather than limiting to just this type of a narrow scoped view (see BW-18 of Ex. SCG-227 lines 1 through 7).

For FERC account G376, SoCalGas used the 15 year FNS historical study results to substantiate its <55%> proposed change. No specific references exist nor were intended because SoCalGas used the 15 year historical FNS detail. Reference to renewed focus on pipeline location, integrity, and safety is information raised in rebuttal which supports SoCalGas' FNS rate, and which should be considered, even though the depreciation study was performed prior to the events which gave rise to the renewed focus on pipeline safety and integrity.

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18. Regarding the statement in the middle of page BW-18 of Ex. SCG-227 that “a more relevant analysis shows that 11 of the 15 years reflect a simple -78% average FNS rate,” please provide all criteria relied upon for the claim that the analysis is more relevant, and why a simple average was relied upon.

SoCalGas Response:

SoCalGas believes that both the viewing of 15 years and 11 years of data is more relevant than TURN’s arbitrary use of a 4 year picture, thus representing a more rational, consistent, and systematic approach to a FNS study rather than subjectively changing the parameters for each and every FERC account.