

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

A.10-12-005
(Filed December 15, 2010)

Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.

A.10-12-006
(Filed December 15, 2010)

Application: A.10-12-005
Exhibit No.: SCG-203

**PREPARED REBUTTAL TESTIMONY OF
JOHN L. DAGG
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

OCTOBER 2011



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- 1 • Section III.B – TY2012 Forecasts For Which DRA Proposes Reductions In Funding;
- 2 • Section III.C – TY2012 Forecasts For Which DRA Proposes Disallowance of
- 3 Funding;
- 4 • Section III.D – Rebuttal of TURN’s Testimony and TY2012 Funding Proposals.
- 5 • Section IV - Summary and Conclusion.

6 **II. GAS TRANSMISSION O&M REBUTTAL OVERVIEW**

7 This rebuttal testimony addresses the following issues:

- 8 • DRA’s recommended acceptance of certain TY2012 funding requirements.
- 9 • DRA’s proposal to reduce funding for certain TY2012 expense forecasts.
- 10 • DRA’s proposal to disallow funding for the following legislative/regulatory
- 11 compliance work activities;
- 12 a. California Air Resource Board (CARB) A.B. 32
- 13 b. National Emissions Standards for Hazardous Air Pollution for Reciprocating
- 14 Internal Combustion Engines (RICE NESHAP) 40 C.F.R., and South Coast Air
- 15 Quality Management District (SCAQMD) Rule 1160
- 16 c. CARB Rule AB-10X
- 17 • TURN’s proposal for reducing SoCalGas’ TY2012 Pipeline Operation O&M
- 18 expense forecast.

19 **III. GAS TRANSMISSION O&M EXPENSE – REBUTTAL**

20 **A. TY2012 Expense Forecasts With Which SoCalGas and DRA Agree.**

21 My SoCalGas July, 2011 Errata testimony included the following forecasts of expenses
22 with which DRA in its testimony has specifically indicated agreement.

- 1 • Pipeline Operation - O&M, TY2012, \$17,318,000
- 2 • Compressor Station Operation - O&M, TY2012, \$7,694,000
- 3 • Technical Services - O&M, TY2012, \$1,879,000
- 4 • Gas Transmission Shared Services (Book Value)

5 TY2012 Forecast of Expense of \$4,152,000

6 The Commission therefore should adopt this TY2012 forecast of expense as jointly
7 recommended by SoCalGas and DRA.

8 **B. TY2012 Forecasts For Which DRA Proposes Reductions In Funding**

9 1) SoCalGas included \$750,000 in its TY2012 forecast of expense for Pipeline O&M
10 associated with “Removal of Previously Abandoned Pipelines,” for which DRA has proposed a
11 two-thirds reduction of \$500,000, recommending only \$250,000.

12 DRA acknowledges SoCalGas’ justification for the funding request as being attributable
13 to SoCalGas experiencing an increase in the number of requests for the removal of pipelines
14 which have remained buried in place long after these pipelines were removed from service.

15 DRA states that the basis for its proposed funding reduction is due to a failure by SoCalGas to
16 adequately substantiate the requested TY2012 level of funding.

17 DRA recognizes SoCalGas’ increase in the number of landowner requests for pipeline
18 removal as received by SoCalGas between 2005 and 2010. DRA also acknowledges that
19 SoCalGas incurred \$91,087 in base year 2009 expense related to this specific work activity.
20 DRA does not mention that the 2009 expense was for a limited length of pipeline removal
21 equaling 440 feet of pipe. Even though DRA uses actual 2010 costs extensively elsewhere for its
22 TY2012 forecast, and DRA acknowledges here that SoCalGas recorded additional expenses
23 amounting to \$493,000 in 2010 for the removal of 6,000 feet of pipe, DRA proposes that the

1 Commission adopt TY2012 funding for this activity at a level of only \$250,000. DRA's
2 explanation for its proposal is that it "is for approximately twice the level of activities and
3 funding compared to previous levels and corresponds with the level of increase in the number of
4 requests for removal that SoCalGas experienced in 2009 and 2010."

5 DRA's funding proposal for this specific work activity did not take into account the
6 recorded expense and physical removal activity provided within my workpapers and SoCalGas'
7 data responses which addressed spending in this specific work activity incurred in 2009 and
8 2010. In my workpapers, I provided detailed information used to develop the TY2012 forecast
9 for this incremental work activity. Supportive background data included in both the workpapers
10 and subsequent data request responses included specific line item details as to locations and
11 lengths of pipelines known to potentially impact TY2012 expenses.

12 Regarding DRA's justification for its proposed TY2012 funding level of \$250,000 -- that
13 it is approximately twice the level of activities and funding compared to previous levels that
14 SoCalGas experienced in 2009 and 2010 -- it should be noted that DRA's proposal of funding is
15 approximately half of the 2010 recorded cost of \$493,000. SoCalGas generally opposes the use
16 of actual 2010 cost data for GRC forecasting purposes, but if the Commission nevertheless uses
17 2010 cost data in this proceeding, it should do so here as support for SoCalGas' TY2012 forecast
18 as it shows that these costs are increasing annually. The Commission therefore should approve
19 SoCalGas' TY2012 forecast of \$750,000 for this activity.

20 2) SoCalGas included \$179,000 in its TY2012 forecast of expense for Compressor
21 Stations reflecting a cost increase attributable to the California Air Resource Board (CARB)
22 AB-10X annual fee assessments. These fee assessments are based on recorded "nonattainment
23 pollutants or their precursors of volatile organic compounds (VOCs)" occurring at three of

1 SoCalGas' compressor stations, and are collected by CARB for the purpose of funding
2 California's Stationary Source enforcement program.

3 DRA's testimony again claims that SoCalGas failed to provide sufficient evidence to
4 demonstrate that the fees will increase in TY2012. DRA relies on the following:

- 5 a) Actual fees paid annually for years 2004 – 2009 have not exceeded \$118,051;
- 6 b) Fee assessments for fiscal year (FY) 08/09 totaled \$114,562; and
- 7 c) The three-year average fee amounts for FY06/07 and FY08/09
8 was \$116,273.

9 DRA also states that its proposed funding level is based on the latest fee schedule published by
10 CARB on its website for FY2008/2009. DRA did not acknowledge that these costs were
11 identified in my testimony and associated workpapers as subject to non-standard escalation
12 (NSE), meaning that they would not be based on standard escalation of historical costs. DRA
13 also did not acknowledge that portion of the annual fee assessments equaling 2.5% of the CARB
14 assessed fee imposed by the Mojave Desert Air Quality Management District (MDAQMD) as
15 authorized by CARB is a supplemental assessment fee.

16 In response to DRA's claim that SoCalGas provided no evidence to demonstrate that the
17 fees will increase in TY2012, I included in my workpapers (SCG-03-WP/Witness: J. Dagg, pp.
18 56-63) full descriptions of the various components of the cost factors which make up the annual
19 fees, and the actual FY recorded fee amounts for years 2005 through 2009, and subsequently the
20 recorded amounts for 2010. Additionally, SoCalGas' workpapers provided actual recorded
21 emission tonnage rates for FYs 2008 and 2009, which are one of the key cost factors utilized by
22 CARB in determining the fee assessment amounts for years 2011 and TY2012.

1 Most importantly, my workpapers also reflected the absence of any fee assessment
2 amounts in the 2009 base year for two of the three stations. The absence of 2009 fees was due to
3 the stations operating within allowable emission discharge tonnage limits in the year for which
4 the 2009 assessments was calculated. My workpapers showed the inclusion (incremental annual
5 additional) of fee assessments for these two stations in the calculation of the TY2012 forecast
6 because one of the stations will be assessed starting in 2010 and the other one will be assessed
7 starting in 2011. SoCalGas is including copies of the 2010 and 2011 recorded fee assessments
8 (Attachment "A") for all three of the stations that are subject to the assessment of fees, to show
9 that the forecast provided in my testimony and workpapers is accurate. Attachment A shows that
10 the 2010 invoiced total for two of the three stations was \$144,260 and the 2011 invoiced total for
11 all three stations was \$222,238 which was well in excess of the TY2012 forecast of \$179,000.
12 SoCalGas generally opposes the use of 2010 and 2011 cost data for GRC forecasting purposes,
13 but if the Commission uses such data in this proceeding it should also use the actual 2010 and
14 2011 fee assessments to conclude that SoCalGas' TY2012 forecast is reasonable and should be
15 adopted.

16 The Commission therefore should reject DRA's proposal for reduced funding in TY2012
17 for CARB AB-10X funding and approve SoCalGas' TY2012 forecast of \$179,000 for this NSE
18 expense item.

19 3) SoCalGas included \$1,185,000 in its TY2012 forecast of expense for Technical
20 Services, for costs associated with the performance of Right-Of-Way Maintenance activities
21 including vegetation removal, storm damage and exposed pipe rust mitigation, and roadway
22 resurfacing. This reflects a \$500,000 increase over base year 2009 recorded expense.

1 DRA proposes a \$500,000 reduction in funding to the TY2012 forecast of expense. DRA
2 acknowledges SoCalGas presented adequate evidentiary support and justification for the
3 \$200,000 increase in recorded expenses for this activity between fiscal years 2009 and 2010.

4 DRA states that its proposed funding is based on the following:

5 a) Historical expenses for the work category do not support SoCalGas' claims that more
6 stringent guidelines and restrictions are driving factors for increased funding.

7 b) SoCalGas did not identify the guidelines and/or restrictions that are driving the
8 increase.

9 SoCalGas did in fact provide within workpapers (SCG-03-WP/Witness: J. Dagg, pp. 73-
10 83) a substantive narrative explanation and the cost calculation factors utilized in developing its
11 TY2012 forecast for this work activity. Additionally, the workpapers provided a list of already
12 identified right-of-way maintenance work activities awaiting scheduling which total in excess of
13 \$4,000,000 (in 2009 \$). SoCalGas' lesser forecast amount for TY2012 is because 100% of this
14 work cannot be scheduled for completion within any single year and therefore is prorated over a
15 period of years.

16 In addition, SoCalGas provided a detailed overview of the various legislative/regulatory
17 influences on expenses within this work activity in response to data request TURN-SCG-003
18 (Attachment "B"), in which the following topics and their influence on work performance and
19 costing were covered:

- 20 • Bureau of Land Management and California Dept of Fish and Game - Desert Region
21 Habitat Compensations.
- 22 • California Department of Fish and Game – Santa Barbara County, Mitigation for
23 Impacts to Riparian Vegetation.

- U.S. Fish and Wildlife Service and State of California Wildlife agency requirements for increased biological monitoring.

As further support for SoCalGas' TY2012 forecast, SoCalGas' environmental policy witness, Ms. Haines, provides rebuttal testimony (Exhibit 215, Section III-C, p. DH-13) showing additional quantitative background and clarification of the standards and requirements SoCalGas reasonably expects with respect to land management/right-of-way maintenance activities.

The Commission therefore should reject DRA's proposed reduction in funding for this work activity and should approve SoCalGas' TY2012 forecast of expense in the amount of \$1,185,000.

C. TY2012 Forecasts For Which DRA Proposes Disallowance of Funding

DRA proposes a combined disallowance of \$343,000 in TY2012 funding for the following two legislative/regulatory operational expenses. DRA has not provided any narrative in support of its proposal that the Commission disallow funding for these programs.

The Commission therefore should reject DRA's proposal and approve SoCalGas' total TY2012 forecast of expense for Compressor Station Operations in the amount of \$8,099,000.

The two environmental compliance programs are:

1. California Air Resource Board (CARB) AB-32 _ TY2012 funding \$229,000

DRA proposes TY2012 funding for this regulatory agency compliance requirement of zero, based on the position that "delays in the implementation date, and uncertainties caused by previous court action as well as the fact that as a gas distribution company, SoCalGas is not part of the first wave of entities required to be in compliance when the proposed regulation takes effect."

1 SoCalGas presented in testimony and workpapers (SCG-03-WP/Witness: J. Dagg, pp. 51
2 – 53) detailed explanations for both the compliance requirements and SoCalGas’ resulting
3 calculations of related expenses to be in compliance with these regulations.

4 On DRA’s contention regarding “delays” and “uncertainties” in the implementation of
5 the program, I defer to the rebuttal testimony of SoCalGas’ environmental policy witness, Ms.
6 Haines, (Exhibit 215, Section III-C, p. DH-3), in which she provided additional background,
7 clarification of compliance standards, and requirements SoCalGas must meet to comply with
8 CARB AB-32.

9 The Commission therefore should reject DRA’s proposal to disallow funding for this
10 work activity and should approve SoCalGas’ TY2012 forecast of expense for the activity in the
11 amount of \$229,000.

12 **2. National Emissions Standards for Hazardous Air Pollution for Reciprocating**
13 **Internal Combustion Engines - 40 C.F.R., and South Coast Air Quality**
14 **Management District - Rule 1160 _ TY2012 funding \$114,000**

15 DRA proposes TY2012 funding for this compliance requirement of zero, based on the
16 position that “The EPA has since finalized the rule” and that “SCG’s anticipation that the
17 MDAQMD will revise its rule” as not adequately supporting the need to fund the related work
18 activities.

19 SoCalGas presented in my testimony and workpapers (SCG-03-WP/Witness: J. Dagg,
20 pp. 54 – 55) detailed explanations for both the compliance requirements and SoCalGas’
21 calculations of expenses necessary to ensure compliance.

22 On the question DRA raises relative to the language of the final rule and possible future
23 ruling revisions affecting the implementation of these programs, I defer to the rebuttal testimony
24 of SoCalGas’ environmental policy witness, Ms. Haines, (Exhibit 215, Section III-C, p. DH-3),

1 in which she provides additional background, clarification of standards, and requirements
2 SoCalGas must meet to ensure compliance.

3 The Commission therefore should reject DRA's proposal to disallow funding for this
4 work activity and should approve SoCalGas' TY2012 forecast of expense for the activity in the
5 amount of \$114,000.

6 **D. Rebuttal of TURN's Testimony and TY2012 Funding Proposals**

7 In its testimony, TURN proposes that the base forecast of O&M expenses equate to the
8 six-year average (2005-2010) of \$10,911,000. SoCalGas used the 2009 Base Year amount of
9 \$10,980,000, so TURN's base forecast is \$69,000 lower than SoCalGas' base forecast. The five-
10 year average (2005-2009) was \$10,962,000, which is only \$18,000 less than SoCalGas' base
11 forecast. SoCalGas selected the 2009 Base Year level as the most representative of expected
12 2012 O&M costs because the 2009 adjusted base year expense was determined to be a
13 reasonable indicator of future cost as reflecting recent and representative operational conditions.

14 TURN's use of 2010 actual costs in order to produce a lower TY2012 forecast should be
15 denied for all of the reasons offered by SoCalGas in rebuttal testimony that I will not repeat here.
16 If the Commission prefers to use an average rather than 2009 Base Year costs in this area, it
17 should use the five-year average of \$10,962,000.

18 TURN also addresses two incremental cost items, proposing to reduce the TY2012
19 funding for removal of previously-abandoned pipe from \$750,000 to \$200,000. As discussed
20 above, DRA proposes a similar reduction to \$250,000. As explained above in response to DRA,
21 SoCalGas' TY2012 forecast is reasonable, and this is so in comparison to the proposals of both
22 DRA and TURN.

23 TURN also proposes a complete disallowance of incremental costs for electric pole
24 inspection, stating that the cost of \$17,000 is "trivial" and should therefore be subsumed in the

1 base forecast. While some incremental budget items are larger than others, the fact remains that
2 this represents a new activity not included in SoCalGas' base forecast using the 2009 Base Year
3 level or even TURN's six-year average. SoCalGas Gas Transmission operates many electric
4 lines that are separate from those operated by SoCalGas Storage Operations. These costs result
5 from the Commission's issuance of D.09-08-029 on August 20, 2009, which made SoCalGas'
6 own electric lines and poles subject to Commission General Order (GO) 95. Since this decision
7 was issued in late August, 2009, SoCalGas has been ramping up its GO 95 compliance activities
8 since. The additional electric pole inspections required by GO 95 began in late 2010 and
9 therefore these costs are not reflected in historical data.

10 The Commission therefore should reject TURN's proposed six-year average base forecast
11 and its adjustments for removal of previously-abandoned pipe and electric pole inspections and
12 should adopt SoCalGas' TY2012 expense forecast in its entirety.

13 Based on the above, SoCalGas respectfully request the Commission to approve
14 SoCalGas' TY2012 forecast of expense for pipeline operations in the aggregate amount of
15 \$17,818,000.

16 **IV. SUMMARY AND CONCLUSION**

17 SoCalGas' forecast of expense for TY2012 for the operation and maintenance of the gas
18 transmission system (Pipeline Operations, Compression Operations, Technical Services, and Gas
19 Transmissions Utility Shared Services-Book Value Expense) as presented in my June 2011
20 Errata testimony and workpapers are reasonable and should be approved by the Commission.

21 This concludes my prepared rebuttal testimony.

ATTACHMENT A

CARB AB-10X _ FEE ASSESSMENT INVOICES

2010 Invoices and 2011 Invoices

NONVEHICULAR SOURCE FEES INVOICE

RECEIVED FEB 01 2010

California Environmental Protection Agency
 Air Resources Board
 Federal Employer Identification Number 68-0288069

Invoice No: SCCA090023
 Date: January 26, 2010

Ms. Mary Hale
 Southern California Gas - North Needles
 P.O. Box 2300, SC9314
 Chatsworth, California 91313

Facility ID : 3100069
 Mojave Desert AQMD - San Bernardino County

Payment Due Date: March 26, 2010
 Penalties up to \$10,000 per day may be
 Imposed for nonpayment after this date

Calif Clean Air Act
 Nonvehicular Source Fees

Fiscal Year 2009-2010 Final Fee Determination

<u>Calendar Year 2007 Billable Emissions (tons)*</u>				
ROG	NOx	SOx	PM10	Total
	322			322
Final Fee Basis (dollar per ton)**				\$ 168.15
Final Fee Determination				\$ 54,144.30
★ Mojave Desert AQMD Administration collection fee (2.5%)				\$ 1,353.61
<u>Total Amount Due</u>				<u>\$ 55,497.91</u>

* For further information on emissions, please contact Mr. Richard Wales, Mojave Desert AQMD, at (760) 245-1661, ext. 1803 or Ms. Vivian Lerch, Air Resources Board, at (916) 324-4478.

** \$ 133.11 Base Fee + \$ 35.04 Supplemental Fee = \$ 168.15

Payment Information Contact: Ms. Sue Krieg, Mojave Desert AQMD, at (760) 245-1661, ext. 6229.

Payment Option:

★ Check
Make check payable and send to:
Mojave Desert AQMD
14306 Park Avenue
Victorville, CA 92392

FOR ACCOUNTING USE ONLY

TC 120 FY 09/10
 Index 3900 CA 99115 Source 125600 61
 Subsidiary _____
 Type _____ FM _____ BAT # _____ Date _____



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

January 26, 2010

Ms. Mary Hale
Southern California Gas - North Needles
P.O. Box 2300, SC9314
Chatsworth, California 91313

Dear Ms. Bray:

The Budget Act of 2009 requires the assessment of \$20 million in fees to partially fund the Air Resources Board's (ARB) Stationary Source Program. The fees are to be assessed on facilities emitting 250 tons or more per year of nonattainment pollutants or their precursors as well as on manufacturers of consumer products and architectural coatings whose sales result in the emission of 250 or more tons per year of volatile organic compounds in California.

Pursuant to the Nonvehicular Source, Consumer Products, and Architectural Coatings Fee Regulations implementing the provisions of Chapter IX, Statutes of 2003 (AB 10X), enclosed is the fee assessment for your company. It is due and payable upon receipt, but no later than 60 days hence. Pursuant to California Health and Safety Code section 42402, penalties of up \$10,000 per day may be imposed for nonpayment.

In October 2009, you received a preliminary fee assessment letter from ARB to validate the emissions information on which fees are assessed. You were informed that your fiscal year 2009-2010 final fee determination is based on your company's calendar year 2007 emissions.

As provided in the nonvehicular regulations, instead of the state board collecting fees, the Mojave Desert Air Quality Management District has opted to collect the fees from facilities within the District. **Accordingly, please mail the payment to the District at the following address:**

**Mojave Desert Air Quality Management District
14306 Park Avenue
Victorville, California 92392**

Attention: Administrative Services

The District will forward the collected fees to ARB within 70 days of invoice payment.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

2010 Invoices - Attachment A

Ms. Mary Hale
January 26, 2010
Page 2

If you have questions regarding emissions used as the basis for fees on facilities, please contact Mr. Richard Wales, Mojave Desert Air Quality Management District at (760) 245-1661, extension 1803 or Ms. Vivian Lerch, Air Resources Board at (916) 324-4478 or via email at vlerch@arb.ca.gov. If you have any questions regarding payment, please contact Ms. Sue Krieg, Mojave Desert Air Quality Management District at (760) 245-1661, extension 6229.

Sincerely,



Lauri Brunkhorst, Manager
Accounting & Grants Section

Enclosure

cc: Ms. Vivian Lerch
Planning and Technical Support Division
(electronic copy)

Ms. Sue Krieg
Mojave Desert Air Quality Management District

NONVEHICULAR SOURCE FEES INVOICE

RECEIVED FEB 01 2010

California Environmental Protection Agency
Air Resources Board

Federal Employer Identification Number 68-0288069

Invoice No: SCCA090022

Date: January 26, 2010

Ms. Mary Hale
Southern California Gas - South Needles
P.O. Box 2300, SC9314
Chatsworth, California 91313

Facility ID : 3100068

Mojave Desert AQMD - San Bernardino County

Payment Due Date: March 26, 2010

Penalties up to \$10,000 per day may be
Imposed for nonpayment after this date

Calif. Clean Air Act

Nonvehicular Source Fees

Fiscal Year 2009-2010 Final Fee Determination

Calendar Year 2007 Billable Emissions (tons)*				
ROG	NOx	SOx	PM10	Total
	837			837
Final Fee Basis (dollar per ton)**				\$ 168.15
Final Fee Determination				\$ 140,741.55
Mojave Desert AQMD Administration collection fee (2.5%)				\$ 3,518.54
Total Amount Due				\$ 144,260.09

* For further information on emissions, please contact Mr. Richard Wales, Mojave Desert AQMD, at (760) 245-1661, ext. 1803 or Ms. Vivian Lerch, Air Resources Board, at (916) 324-4478.

** \$ 133.11 Base Fee + \$ 35.04 Supplemental Fee = \$ 168.15

Payment Information Contact: Ms. Sue Krieg, Mojave Desert AQMD, at (760) 245-1661, ext. 6229.

Payment Option:

★ Check

Make check payable and send to:
Mojave Desert AQMD
14306 Park Avenue
Victorville, CA 92392

FOR ACCOUNTING USE ONLY

TC 120 FY 09/10
Index 3900 CA 99115 Source 125600 61
Subsidiary _____
Type _____ FM _____ BAT # _____ Date _____



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

January 26, 2010

Ms. Mary Hale
Southern California Gas - South Needles
P.O. Box 2300, SC9314
Chatsworth, California 91313

Dear Ms. Bray:

The Budget Act of 2009 requires the assessment of \$20 million in fees to partially fund the Air Resources Board's (ARB) Stationary Source Program. The fees are to be assessed on facilities emitting 250 tons or more per year of nonattainment pollutants or their precursors as well as on manufacturers of consumer products and architectural coatings whose sales result in the emission of 250 or more tons per year of volatile organic compounds in California.

Pursuant to the Nonvehicular Source, Consumer Products, and Architectural Coatings Fee Regulations implementing the provisions of Chapter IX, Statutes of 2003 (AB 10X), enclosed is the fee assessment for your company. It is due and payable upon receipt, but no later than 60 days hence. Pursuant to California Health and Safety Code section 42402, penalties of up \$10,000 per day may be imposed for nonpayment.

In October 2009, you received a preliminary fee assessment letter from ARB to validate the emissions information on which fees are assessed. You were informed that your fiscal year 2009-2010 final fee determination is based on your company's calendar year 2007 emissions.

As provided in the nonvehicular regulations, instead of the state board collecting fees, the Mojave Desert Air Quality Management District has opted to collect the fees from facilities within the District. **Accordingly, please mail the payment to the District at the following address:**

**Mojave Desert Air Quality Management District
14306 Park Avenue
Victorville, California 92392**

Attention: Administrative Services

The District will forward the collected fees to ARB within 70 days of invoice payment.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Ms. Mary Hale
January 26, 2010
Page 2

If you have questions regarding emissions used as the basis for fees on facilities, please contact Mr. Richard Wales, Mojave Desert Air Quality Management District at (760) 245-1661, extension 1803 or Ms. Vivian Lerch, Air Resources Board at (916) 324-4478 or via email at vlerch@arb.ca.gov. If you have any questions regarding payment, please contact Ms. Sue Krieg, Mojave Desert Air Quality Management District at (760) 245-1661, extension 6229.

Sincerely,



Lauri Brunkhorst, Manager
Accounting & Grants Section

Enclosure

cc: Ms. Vivian Lerch
Planning and Technical Support Division
(electronic copy)

Ms. Sue Krieg
Mojave Desert Air Quality Management District

2011 Invoices - Attachment A **NONVEHICULAR SOURCE FEES INVOICE**

California Environmental Protection Agency
 Air Resources Board
 Federal Employer Identification Number 68-0288069

Invoice No: SCCA100023
 Date: December 29, 2010

Ms. Mary Hale
 Southern California Gas - Blythe
 P.O. Box 2300, SC9314
 Chatsworth, California 91313

Payment Due Date: March 1, 2011

Facility ID : 3101437

Mojave Desert AQMD - Riverside County

Calif. Clean Air Act
 Nonvehicular Source Fees

Fiscal Year 2010-2011 Final Fee Determination

Calendar Year 2008 Billable Emissions (tons)*				
ROG	NOx	SOx	PM10	Total
	278			278
Final Fee Basis (dollar per ton)**				\$ 176.85
Final Fee Determination				\$ 49,164.30
★ Mojave Desert AQMD Administration collection fee (2.5%)				\$ 1,229.11
Total Amount Due				\$ 50,393.41

Please note that fees not paid by the due date may be subject to penalties of \$1,000 to \$10,000 per day.

* For further information on emissions, please contact Mr. Richard Wales, Mojave Desert AQMD, at (760) 245-1661, ext. 1803 or Ms. Vivian Lerch, Air Resources Board, at (916) 324-4478.

** \$ 137.36 Base Fee + \$ 39.49 Supplemental Fee = \$ 176.85

Payment Information Contact: Ms. Sue Krieg, Mojave Desert AQMD, at (760) 245-1661, ext. 6229.

Payment Option:

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Mojave Desert AQMD
14306 Park Avenue
Victorville, CA 92392

FOR ACCOUNTING USE ONLY

TC 120 FY 10/11
 Index 3900 CA 99115 Source 125600 61
 Subsidiary _____
 Type FM BAT # _____ Date _____



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

December 29, 2010

Ms. Mary Hale
Southern California Gas - Blythe
P.O. Box 2300, SC9314
Chatsworth, California 91313

Dear Ms. Hale:

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**Mojave Desert Air Quality Management District
14306 Park Avenue
Victorville, California 92392**

Attention: Administrative Services

The District will forward the collected fees to ARB within 70 days of invoice payment.

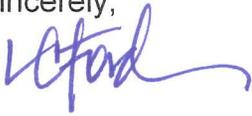
The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Ms. Mary Hale
December 29, 2010
Page 2

If you have questions about the emissions used as the basis for the fees, please contact Mr. Richard Wales, Mojave Desert Air Quality Management District, at (760) 245-1661, extension 1803, or Ms. Vivian Lerch, Air Resources Board, at (916) 324-4478 or via email at vlersch@arb.ca.gov. For questions regarding payment, please contact Ms. Sue Krieg, Mojave Desert Air Quality Management District, at (760) 245-1661, extension 6229.

Sincerely,



Leslie C. Ford, Manager
Grants & Revenues Section

Enclosure

cc: Ms. Vivian Lerch
Planning and Technical Support Division
(electronic copy)

Ms. Sue Krieg
Mojave Desert Air Quality Management District

2011 Invoices - Attachment A NONVEHICULAR SOURCE FEES INVOICE
 California Environmental Protection Agency
 Air Resources Board
 Federal Employer Identification Number 68-0288069

Invoice No: SCCA100024
 Date: December 29, 2010

Ms. Mary Hale
 Southern California Gas - South Needles
 P.O. Box 2300, SC9314
 Chatsworth, California 91313

Payment Due Date: March 1, 2011

Facility ID : 3100068

Mojave Desert AQMD - San Bernardino County

Calif. Clean Air Act

Nonvehicular Source Fees

Fiscal Year 2010-2011 Final Fee Determination

Calendar Year 2008 Billable Emissions (tons)*				
ROG	NOx	SOx	PM10	Total
	948			948
Final Fee Basis (dollar per ton)**				\$ 176.85
Final Fee Determination				\$ 167,653.80
★ Mojave Desert AQMD Administration collection fee (2.5%)				\$ 4,191.35
Total Amount Due				\$ 171,845.15

Please note that fees not paid by the due date may be subject to penalties of \$1,000 to \$10,000 per day.

* For further information on emissions, please contact Mr. Richard Wales, Mojave Desert AQMD, at (760) 245-1661, ext. 1803 or Ms. Vivian Lerch, Air Resources Board, at (916) 324-4478.

** \$ 137.36 Base Fee + \$ 39.49 Supplemental Fee = \$ 176.85

Payment Information Contact: Ms. Sue Krieg, Mojave Desert AQMD, at (760) 245-1661, ext. 6229.

Payment Option:

★ Check
Make check payable and send to:
Mojave Desert AQMD
14306 Park Avenue
Victorville, CA 92392

FOR ACCOUNTING USE ONLY

TC 120 FY 10/11
 Index 3900 CA 99115 Source 125600 61
 Subsidiary _____
 Type FM BAT # _____ Date _____



Linda S. Adams
Secretary for
Environmental Protection

Air Resources Board

Mary D. Nichols, Chairman
1001 I Street • P.O. Box 2815
Sacramento, California 95812 • www.arb.ca.gov



Arnold Schwarzenegger
Governor

December 29, 2010

Ms. Mary Hale
Southern California Gas - South Needles
P.O. Box 2300, SC9314
Chatsworth, California 91313

Dear Ms. Hale:

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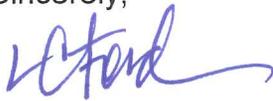
California Environmental Protection Agency

2011 Invoices - Attachment A

Ms. Mary Hale
December 29, 2010
Page 2

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Leslie C. Ford, Manager
Grants & Revenues Section

Enclosure

cc: Ms. Vivian Lerch
Planning and Technical Support Division
(electronic copy)

Ms. Sue Krieg
Mojave Desert Air Quality Management District

2011 Invoices - Attachment A NONVEHICULAR SOURCE FEES INVOICE
 California Environmental Protection Agency
 Air Resources Board
 Federal Employer Identification Number 68-0288069

Invoice No: SCCA100025
 Date: December 29, 2010

Ms. Mary Hale
 Southern California Gas - **North Needles**
 P.O. Box 2300, SC9314
 Chatsworth, California 91313

Payment Due Date: March 1, 2011

Facility ID : 3100069

Mojave Desert AQMD - San Bernardino County

Calif. Clean Air Act

Nonvehicular Source Fees

Fiscal Year 2010-2011 Final Fee Determination

Calendar Year 2008 Billable Emissions (tons)*				
ROG	NOx	SOx	PM10	Total
	387			387
Final Fee Basis (dollar per ton)**				\$ 176.85
Final Fee Determination				\$ 68,440.95
★ Mojave Desert AQMD Administration collection fee (2.5%)				\$ 1,711.02
Total Amount Due				\$ 70,151.97

Please note that fees not paid by the due date may be subject to penalties of \$1,000 to \$10,000 per day.

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** \$ 137.36 Base Fee + \$ 39.49 Supplemental Fee = \$ 176.85

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Payment Option:

★ Check
Make check payable and send to:
Mojave Desert AQMD
14306 Park Avenue
Victorville, CA 92392

FOR ACCOUNTING USE ONLY

TC 120 FY 10/11
 Index 3900 CA 99115 Source 125600 61
 Subsidiary _____
 Type _____ FM _____ BAT # _____ Date _____



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Enclosure

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Planning and Technical Support Division
(electronic copy)

Ms. Sue Krieg
Mojave Desert Air Quality Management District

ATTACHMENT B

**TURN DATA REQUEST
TURN-SCG-003
SOCALGAS 2012 GRC – A.10-12-006
SOCALGAS RESPONSE
DATE RECEIVED: JANUARY 14, 2011
DATE RESPONDED: JANUARY 28, 2011**

Referencing SCG-3

7. At pp. JLD-14 and -15, SCG discusses “Right-Of-Way Management”, attributing increasing costs to “stricter habitat preservation guidelines and restrictions.” Please
- a. Identify the “guidelines and restrictions” that have lead to “stricter habitat preservation,” and the year(s) in which each was implemented.
 - b. Identify the 2010 recorded Right-Of-Way Maintenance expense on the same basis as included in the table of historical costs on p. 73 of SCG-03-WP, and explain why SCG did not include a 2010, 2011, or 2012 forecast when developing its case for Right-Of-Way Maintenance.
 - c. Provide the basis for the forecasted 250,000-dollar incremental increase from 2010 to 2011 and from 2011 to 2012.
 - d. Explain how SCG developed the forecasted incremental increase between 2010 to 2011 and 2011 to 2012, given that the company was not able to forecast 2010.

SoCalGas Response:

- a. Below are examples of new guidelines and restrictions related to stricter habitat preservation.

Programmatic Permit Habitat Compensation:

In the California Desert Region, SoCalGas complies with the federal and state endangered species acts with a Section 7 programmatic permit administered by the Bureau of Land Management and a California Department of Fish and Game Memorandum of Understanding to conduct ROW work. Habitat compensation formulas for impacts are based on geography and the planning area and/or Desert Wildlife Management Area of the impact. In 2009, California Department of Fish and Game instructed SoCalGas that compensation amounts (currently \$500 to \$5,730 per acre) for project impacts need to more appropriately reflect the current price of land.

Mitigation for Impacts to Riparian Vegetation

Impacts to riparian vegetation occur when SoCalGas restores washed out portions of access roads and trims vegetation adjacent to pipeline facilities. In 2009, SoCalGas pursued a programmatic California Department of Fish and Game Streambed Alteration Agreement for ROW work in Santa Barbara County. The would-be Agreement describes riparian vegetation trimming and other regular maintenance activities occurring once a year as permanent impacts that require mitigation at a 5:1 ratio.

Biological Monitoring

SoCalGas operates two transmission pipelines and a valve station facility within Chino Hills State Park. In 2010, biologists with State and Federal wildlife agencies

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Response to Question 7 (Continued)

documented increased nesting activity by the endangered list Bell's vireo within the Park. Many of the nesting territories were noted as near SoCalGas operated pipeline spans. To avoid impacting sensitive birds during nesting season SoCalGas contracts biologists to accompany crews when conducting inspections and maintenance activities within the Park.

In 2010, the US Fish and Wildlife Service revised the critical habitat designation for the Santa Ana Sucker. SoCalGas operate 6 pipelines that traverse the revised critical habitat designated for the Santa Ana River as a span, attached to bridges, or buried under the river bed. ROW activities including removing vegetation from around pipeline facilities will result in informal or formal consultations per maintenance event with the US Fish and Wildlife Service prior to implementation and these consultations would not have occurred absent the revised designation of critical habitat for the Santa Ana Sucker.

- b. SoCalGas has not finalized 2010 recorded expense data and is therefore unable to provide at this time.

SoCalGas's 2010, 2011 and 2012 forecast of Right-Of-Way maintenance expense as presented on pg. 73 of SCG-03-WP was intended to reflect the following annual forecast:

2010 @ \$685,000
2011 @ \$935,000
2012 @ \$1.185M

These were discovered after the first errata review and may be corrected if there is an additional errata review.

- c. The basis of SoCalGas's future year forecast of incremental funding requirement is based on the recent trend of increased cost in the areas of permitting, biological monitoring, hazardous waste abatement management, and various other contract services.
- d. Please refer to response provided to 7b and c above.