BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) to Amend its Certificate of Public Convenience and Necessity for the Honor Rancho Natural Gas Storage Facility.	Application No. 09-07-___ (Filed July 13, 2009)

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO AMEND ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE HONOR RANCHO NATURAL GAS STORAGE FACILITY

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Pursuant to Sections 1001, 1002, 1003.5 and 1004 *et seq.* of the California Public Utilities Code ("P.U. Code"); California Environmental Quality Act ("CEQA") Guidelines Sections 15301, 15304, 15311, and 15061(b)(3); and Rules 2.4, 3.1, 3.2, *et al*. of California Public Utilities Commission ("Commission") Rules of Practice and Procedure; Southern California Gas Company ("SoCalGas") hereby files this application requesting that the Commission:

1. amend SoCalGas' Certificate of Public Convenience and Necessity ("CPCN") in order to authorize the construction and operation of the facilities necessary to further expand its existing Honor Rancho natural gas storage facility ("Honor Ranch Expansion Project");
2. find that the Honor Rancho Expansion Project is exempt from CEQA review;
3. approve SoCalGas' revenue requirement, rate treatment, and regulatory accounting for the Honor Rancho Expansion Project; and

4. confirm that the Commission, in granting this amendment to the CPCN, has preemptory authority over conflicting local zoning regulations, ordinances, codes, or requirements, under a finding that the Honor Rancho Expansion Project serves the public interest.

I. EXECUTIVE SUMMARY

A. Background

SoCalGas' Honor Rancho facility is located in Northern unincorporated Los Angeles County, near Valencia, California. Approximately 50% of the facility is located in the City of Santa Clarita, with the remainder located in unincorporated Los Angeles County. The Honor Rancho facility is one of SoCalGas' natural gas storage sites used to serve both its core and noncore customers and allows SoCalGas to meet customer demand for gas with adequate supply. SoCalGas acquired the Honor Rancho facility from Texaco in 1975 (then, a depleted oil reservoir) and converted it to a natural gas storage facility upon the Commission's granting of a CPCN in 1975 ("1975 CPCN").[1] The 1975 CPCN allowed SoCalGas "to acquire and operate an underground storage reservoir and to construct, operate, and maintain a compressor plant and related facilities."[2] SoCalGas currently has 41 wells at Honor Rancho, consisting of 23 of the original oil producing wells that were converted to gas storage wells and 18 additional wells that have been drilled by SoCalGas, including two existing brine injection wells. Over the course of 30 years, the working inventory capacity at Honor Rancho has expanded from 17.5 billion cubic feet ("Bcf") to 23.0 Bcf, primarily due to the effects of fluid production associated with gas withdrawal.

[1] *See* Decision ("D.") 84923 (*mimeo*), p. 9 (September 19, 1975) approving Application ("A.") 55319.
[2] *Id.* at 10.

SoCalGas entered into a settlement in Phase 1 of its 2009 Biennial Cost Allocation Proceeding[3] ("BCAP Phase 1 Settlement"). As part of the BCAP Phase 1 Settlement, SoCalGas agreed to "make commercially reasonable efforts to expand storage inventory capacity by 7.0 Bcf over the period 2009 – 2014."[4] Furthermore, "[t]he parties hereto agree to support expeditious approval of any CPCN application filed by SoCalGas with the Commission for authority to construct the inventory expansion facilities . . . ."[5]

The BCAP Phase 1 Settlement set forth an estimated schedule for the inventory expansion, with 1.0 Bcf to be added to the combined core's inventory capacity in each of the four years 2010 – 2013, and an additional 1.0 Bcf of expansion capacity to be added to the unbundled storage program in 2010, 2012, and 2014.[6] A detailed summary of inventory capacities each year is shown in Table 1 below. Assuming timely approval of this application, SoCalGas can still meet this schedule with a slight exception: the 1.0 Bcf of noncore inventory scheduled for 2012 may not be produced until 2014; and, the 1.0 Bcf of noncore inventory scheduled for 2014 may not be produced until 2015.

[3] A.08-02-001.
[4] *See* Joint Motion of SoCalGas, *et al.*, for Adoption of Settlement Agreement and Immediate Suspension of Briefing Schedule for Phase One Issues, Appendix A, "Settlement Agreement," para. 6 (August 22, 2008). The BCAP was separated into Phase 1, which relates to certain storage issues, and Phase 2, which deals with all remaining issues.
[5] *Id.*
[6] *Id.*, para. 7.

Table 1 Detailed Summary of Inventory Capacity				
	Core Storage Bcf	**Balancing Bcf**	**Unbundled Storage Bcf**	**Total Inventory Bcf**
2009	79.0	4.2	47.9	131.1
2010	80.0	4.2	48.9	133.1
2011	81.0	4.2	48.9	134.1
2012	82.0	4.2	48.9	135.1
2013	83.0	4.2	48.9	136.1
2014	83.0	4.2	49.9	137.1
2015	83.0	4.2	50.9	138.1
2016	83.0	4.2	50.9	138.1

The Commission approved the settlement in D.08-12-020, finding that the provisions of the settlement relating to this expansion of storage inventory capacity were "reasonable and in the public interest."[7] Expedited approval of this application is necessary for drilling to begin in early 2010 and for storage inventory to be added on schedule after 2010.[8] SoCalGas is working collaboratively with the BCAP Phase 1 Settlement parties and with the Commission's Energy Division to ensure their support for expedited approval of this application.

B. Description of Proposed Facilities

SoCalGas proposes to drill up to six new wells (three liquid production wells and three liquid injection wells), install associated piping to connect the wells to the existing processing plant and modify existing process equipment and surface liquid handling facilities. The plant modifications will provide capacity to process the increased liquids production and to improve the quality of the processed brine. The proposed plant modifications include upgrades to existing plant equipment, and electrical, piping, civil, and controls infrastructure. All facilities

[7] D.08-12-020 (*mimeo*), p. 19.
[8] SoCalGas is currently in the process of modifying the compressor cooling system at Honor Rancho, which will allow SoCalGas to meet its storage expansion goals for 2010 set forth in the BCAP Phase 1 Settlement. That project, which is already underway, is not part of this application.

and expansion activities will take place within the Honor Rancho facility's existing property boundaries. A more detailed project description is provided in Appendix A.

C. CEQA Compliance – Exemption from CEQA Review

1. The Honor Rancho Expansion Project Is Exempt from CEQA Review

Commission Rule 2.4 states that "[a]ny application for authority to undertake a project that is statutorily or categorically exempt from CEQA requirements shall so state, with citation to the relevant authority." As discussed below, the Honor Rancho Expansion Project is exempt from CEQA review under the following provisions:

- Class 1: Section 15301 categorically exempts minor alterations to existing facilities, including existing facilities of both investor and publicly-owned utilities used to provide natural gas or other public utility services, involving negligible or no expansion on an existing use.
- Class 4: Section 15304 categorically exempts minor alterations to land.
- Class 11: Section 15311 categorically exempts the construction of minor structures accessory to existing commercial, industrial, or institutional facilities.
- Common Sense Exemption: Section 15061(b)(3) exempts a project if "it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment."

Section 21084 of the California Public Resources Code and Title 14, California Code of Regulations Sections 15300, *et seq.* establish categories of development that have been categorically determined not to have a significant effect on the environment and, therefore, are exempt from CEQA. The proposed activities fall within at least three such categories of exemption: Class 1 Minor Alterations to Existing Facilities, Class 4 Minor Alterations to Land, and Class 11 Accessory Structures. Moreover, as discussed below, it can be seen with certainty that the project as proposed will have no significant effect on the environment. Therefore, the proposed activities also fall within the "common sense exemption" contained in CEQA.

Furthermore, none of the exceptions to categorical exemptions described in CEQA Guidelines Section 15300.2 apply. As noted in Appendix A, the proposed activities will take place in previously disturbed sections of a working natural gas storage field, and not in a particularly sensitive environment. The project is not located within and will not impact any designated, precisely-mapped, and officially-adopted environmental resource of hazardous or critical concern, nor will it result in cumulative impacts. In addition, the project will not have a significant effect on the environment due to unusual circumstances. The project is not visible from or located within any State scenic highway and therefore will not damage scenic resources within a State scenic highway. The project is not located on a site which is included on any list compiled pursuant to Section 65962.5 of the California Government Code. Lastly, based in part on a cultural resources report prepared for a prior project, the project will not cause a substantial adverse change in the significance of a historical resource.

Given the scope and nature of the Honor Rancho Expansion Project, the Commission should find that the proposed expansion work qualifies for the CEQA exemptions listed above. In SoCalGas' cushion gas application (A.01-04-007), which involved the expansion of natural gas storage by 14.0 Bcf, the Commission determined that the drilling of 8 new wells with new piping at its Aliso Canyon natural gas storage facility, and the reworking of 4 existing wells at Aliso Canyon and its La Goleta storage fields, were activities that were exempt from CEQA review under Class 1 Categorical Exemption and the Common Sense Exemption.[9] The Commission stated:

> Since all of the proposed activities are consistent with the existing and surrounding land use, the ongoing operations will remain the same. Also, the drill sites and existing wells are all on previously disturbed areas, so the drilling and rework will not have a significant effect upon the environment (citation omitted). Accordingly, we agree with the Energy Division that the activities

[9] *See* D.01-06-086 (*mimeo*) (June 28, 2001).

proposed by SoCalGas will not have a significant effect upon the environment, and therefore are not subject to CEQA.[10]

By comparison, the Honor Rancho Expansion Project will be significantly smaller than the work done pursuant to the cushion gas application in size and scope (14.0 Bcf expansion compared with the proposed 5.0 Bcf[11] expansion in this application). The cushion gas case is applicable precedent given that the nature of the work performed by SoCalGas to expand the natural gas storage capacity at Aliso Canyon and La Goleta is materially similar to the Honor Rancho Expansion Project, and the size of the expansion of natural gas storage is significantly smaller. Consistent with this precedent, the Commission should therefore find that the Honor Rancho Expansion Project is CEQA-exempt.

2. The Honor Rancho Expansion Project Will Not Have a Significant Effect on the Environment

In light of the project scope, setting, surrounding uses, and best management practices, the Honor Rancho Expansion Project will not have a significant effect upon the environment. The proposed activities will take place within a working natural gas storage field that is isolated from public view and physically isolated from sensitive receptors (such as residences, schools, and hospitals) by topography and distance. Consequently, the project is not likely to result in any impacts beyond the storage field.

In addition, the project has been designed to minimize environmental impacts. The proposed construction activities will take place entirely within the existing property boundaries of the Honor Rancho facility and almost exclusively within areas that were previously disturbed when the site was first converted to a storage field pursuant to the 1975 CPCN. Construction

[10] *Id.* at 28.
[11] Two of the 7.0 Bcf capacity expansion per the BCAP Phase 1 Settlement will result from ongoing liquid production at SoCalGas' Aliso Canyon storage facility as well as from compression upgrades at the Honor Rancho facility. Those efforts are not within the scope of this application.

will primarily occur within existing well pads, roads, and other previously disturbed areas. As such, all proposed drilling sites will be located within existing drill pads or, alternatively, within a previously disturbed materials storage area. Moreover, the proposed activities primarily comprise modifications to existing equipment rather than constructing and/or installing new equipment. For example, existing tanks and vessels will be modified internally to improve efficiency, which will provide additional fluid processing and improved fluid quality without creating environmental impacts.

Specifically, no significant biological impacts are anticipated. Impacts to streambeds and potential habitat for special status species will be avoided and all plant equipment and process modifications will take place within disturbed areas within the facility's boundaries. Less than 0.010 acres of vegetation is proposed to be removed in connection with new piping. SoCalGas' biologist and environmental specialist have confirmed that no impacts to special status species are anticipated as a result of the proposed vegetation removal. (*See* Appendix F.)

Similarly, no significant impacts to cultural resources are anticipated, as confirmed by a recent SoCalGas cultural resource study prepared in connection with a previous project. As detailed in Appendix A, SoCalGas has incorporated into the project a series of best management practices that will further minimize and avoid environmental impacts to other resource areas.

In approving the 1975 CPCN, the Commission, as lead agency for conducting environmental review, found that "[t]here are no adverse environmental impacts of the proposed action which have not been mitigated by the proposals put forth by SoCal."[12] The Honor Rancho Expansion Project will be materially consistent with the work that was done pursuant to the 1975 CPCN except that the proposed work is significantly smaller in size and scope. The proposed activities are similar in nature to activities that have taken place at the storage field in connection

[12] D.84923, p. 7.

with ongoing operations, and are not expected to be perceptible outside of the Honor Rancho facility.

These reasons support a Commission finding that the Honor Rancho Expansion Project will not result in significant impacts on the environment.

D. Conformance with California Gas Storage Policy

This application presents the Commission with another important opportunity to implement the State's forward-looking gas storage policy. Specifically, the Commission and Legislature have sought to promote competition in gas storage services by encouraging the development of natural gas storage facilities that provide service to market storage customers. The Commission and the California Energy Commission ("CEC") have continued to recognize the benefits of natural gas storage, and reiterated their support for increased in-state natural gas storage. In the 2005 Energy Action Plan II, the Commission and CEC identified under Natural Gas Supply, Demand, and Infrastructure, the following key actions:

- Provide that the natural gas delivery and storage system is sufficient to meet California's peak demand needs.
- Encourage the development of additional in-state natural gas storage to enhance reliability and mitigate price volatility.[13]

In its 2007 Integrated Energy Policy Report ("2007 IEPR"), the CEC affirmed that:

> The natural gas infrastructure system is critical to California's ability to provide a stable and reliable supply of gas since only 15 percent of its natural gas supplies are produced in state. Just as California looks for adequate supplies of natural gas, it must also ensure that its infrastructure can move and store supplies.[14]

[13] Energy Action Plan II, Natural Gas Supply, Demand, and Infrastructure, (September 21, 2005), Key Actions 3 and 4, p. 10.
[14] 2007 IEPR, (November 2007), CEC-100-2007-008-CTF, p. 176-177. World Wide Web address to the report: http://www.energy.ca.gov/2007publications/CEC-100-2007-008/CEC-100-2007-008-CMF.PDF

The 2007 IEPR also recognized that "California's natural gas storage has been instrumental to help guard against interruptions or severe weather changes, ensuring adequate supplies and making some contributions to more stable prices."[15]

Expansion of the gas storage capacity at the Honor Rancho facility is consistent with the goals articulated above, and will provide California with 5.0 Bcf of additional capacity to meet the needs of customers in the SoCalGas service territory, which currently consist of more than 6.0 million end-use customers and approximately 1,300 noncore customers.

E. Requested Approval

1. SoCalGas' Purpose for Filing an Application

Natural gas utilities have expanded existing utility facilities without seeking approval via a CPCN application pursuant to P.U. Code Section 1001, which states in relevant part, "[t]his article shall not be construed to require any such [gas] corporation to secure such certificate for an extension within any city or city and county within which it has theretofore lawfully commenced operations. . .or for an extension within or to territory already served by it, necessary in the ordinary course of its business."[16] SoCalGas believes the Honor Rancho Expansion Project would be an activity that would not require a second CPCN review from the Commission. However, this application is being filed to: (1) adjust SoCalGas' transportation rates to reflect the additional costs allocated to the core storage and load balancing functions; (2) update the costs allocated to SoCalGas' unbundled storage program; and (3) confirm that the Commission's authorization preempts any local regulations that would deny, or significantly delay, the Honor Rancho Expansion Project.

[15] *Id.* at 178.
[16] *See, e.g.*, D.99-11-023, 1999 Cal. PUC LEXIS 856, 865 (granting WGRC a CPCN would open the door for "WGRC to expand later by building duplicate facilities [to PG&E's], without the need to seek explicit [CPUC] permission first."

2. SoCalGas' Requests for Approval

Based on the foregoing, as more fully developed herein, SoCalGas requests that the Commission amend the 1975 CPCN as required in order to authorize the construction and operation of the Honor Rancho Expansion Project and to authorize SoCalGas' requested revenue requirement, rate treatment, and regulatory accounting necessary for the project. Further, SoCalGas requests a finding confirming that the Commission, in granting this amendment to the CPCN, has preemptory authority and jurisdiction over local zoning, construction, or other regulations, ordinances, codes, or requirements, pursuant to Article XII of the California Constitution, to the extent that they would deny, or significantly delay, the Honor Rancho Expansion Project.

Article XII, Section 8, states, "[a] city, county, or other public body may not regulate matters over which the Legislature grants regulatory power to the Commission."[17] This confirmation is requested because of changes in the local zoning that have taken place since the approval of the 1975 CPCN. When the 1975 CPCN was approved, the storage field was located within the County of Los Angeles and was zoned to allow oil production uses. Subsequently, the City of Santa Clarita was incorporated to include a portion of the storage field. Although the storage field was already in operation pursuant to the 1975 CPCN, the City of Santa Clarita zoned a portion of the storage field for business park and residential uses. The remaining portion of the storage field continues to fall within the County of Los Angeles' jurisdiction and is zoned to allow oil production uses. Because of the uncertainties and potential confusion created by the existence of two local jurisdictions and multiple zoning designations at the Honor Rancho

[17] Section 8 continues, "[t]his section does not affect power over public utilities relating to the making and enforcement of police, sanitary, and other regulations concerning municipal affairs pursuant to a city charter existing on October 10, 1911, unless that power has been revoked by the city's electors, or the right of any city to grant franchises for public utilities or other businesses on terms, conditions, and in the manner prescribed by law."

facility, SoCalGas believes it is in the public interest to expressly preempt local zoning as long as the storage field is operational.

As described later in this application, SoCalGas expects to obtain the necessary approvals to construct and operate the Honor Rancho Expansion Project (*i.e.*, California Department of Conservation's Division of Oil, Gas and Geothermal Resources ("DOGGR") Notices of Intention to Drill a Well). However, in the event a local permitting requirement, for example, operates as a barrier to the Honor Rancho Expansion Project, or causes an undue delay in the activities authorized by the Commission in a CPCN (or amendment thereto), the Commission would have preemptory authority over the local permitting requirement. SoCalGas requests that the Commission confirm that the granting of a CPCN (or amendment thereto) constitutes an exercise of that regulatory authority.

II. PROJECT DESCRIPTION

In accordance with Commission Rules 3.1(a) and (f), the following project description is hereby provided. SoCalGas' best estimate for a total capital cost of the Honor Rancho Expansion Project is $48.9 million. In addition, there will be incremental operations and maintenance ("O&M") costs associated with the construction and operation of the Honor Rancho Expansion Project, which are discussed in Section IV below.

A. Description of Facilities

All drilling and construction activities for the Honor Rancho Expansion Project will take place within approximately 600 surface acres which comprise the Honor Rancho facility, which is located at 25205 West Rye Canyon Road, City of Santa Clarita, California.

1. New Wells

SoCalGas will need to drill new wells to remove liquids (*i.e.*, brine) from the working gas reservoir and re-inject the liquids into a more shallow structure. To achieve this, *up to* three liquid production wells and *up to* three brine injection wells will need to be added. The three liquid production wells will be completed in the reservoir near the original oil-water contact. The reservoir held oil and gas under pressure for millions of years down to the original oil-water contact, and as long as the gas-liquid contact in the reservoir is not lowered below this point, reservoir integrity will be assured. The production wells will be drilled as horizontal wells as deep as possible while staying above the original oil-water contact in order to minimize premature gas breakthrough. Brine injection wells are required for the injection of the produced fluids, and will be completed in the Pico Zone, which is about 2,000 feet above the storage zone and separated by impermeable shale caprock. Use of this zone for water injection has been approved by DOGGR; and SoCalGas' two existing brine injection wells operate within this zone.

As shown in its Project Description (*see* Appendix A), SoCalGas evaluated various drilling options for the liquid production and brine injection wells. Based on a number of factors, including construction and material cost, and design functionality, SoCalGas decided on the drilling sites described in its Project Description. In the event SoCalGas discovers upon drilling that a chosen drill site is no longer viable (*e.g.*, discovery of poor formation thickness, rock type, or permeability), SoCalGas may utilize an alternate drilling site.

Each liquid production well is projected to cost $6.9 million and each liquid injection well is projected to cost $3.9 million. The total projected cost for the well work is $32.4 million.

2. Surface Equipment for Liquid Production

Plant equipment modifications are required to process the increased liquid production from the new wells. Currently, a high production day typically involves approximately 2,000 barrels per day of total fluid. This high production period typically lasts from a few days to a few weeks late in the withdrawal season, when liquid encroachment into the reservoir is occurring. Expanding the working inventory to meet the revised BCAP Phase 1 Settlement schedule will require production of 4,500 barrels per day on a continuous basis for several years.

The fluid that is produced must be processed and filtered before it can be injected into the brine injection wells. SoCalGas has an existing system that processes all produced fluids; however, this system will need to be modified to handle the increased volumes. Although physically large enough to handle the increased fluids, four existing vessels and two existing tanks will need internal modifications to efficiently separate and process the increased fluid volume. These internal modifications are minor in nature and cost. In addition to modifying this equipment, several small pumps and filters will need to be replaced to process the higher fluid volumes. Replacing these pumps and filters is also considered to be minor and routine.

The Honor Rancho facility currently provides the majority of its own electrical power with local generation for its plant operations, and also has an existing electric supply from Southern California Edison Company's ("SCE's") local distribution system to provide back-up power for critical equipment. The Honor Rancho facility has enough electrical generation capacity to continue to operate the plant equipment loads under the expansion; however, an expansion of the existing 0.225 megawatt ("MW") distribution electric service to 1.3 MW will be required to operate the three downhole well pumps. SoCalGas is currently working with SCE to develop a detailed scope of work and cost estimate; however, the cost of that particular facet

of the upgrades is expected to be less than $100,000. In total, the surface equipment described above is projected to cost $4.9 million.

3. Cushion Gas

The expansion of the gas cap in the reservoir to create 5.0 Bcf of additional working inventory will require an additional 1.5 Bcf of cushion gas, which will be injected in the newly drilled wells. If cushion gas is not added as the gas cap is expanded, pressure, and hence withdrawal rate, would be reduced at low inventory. An alternative to adding cushion gas would be to drill additional injection/withdrawal wells in the gas cap to maintain current withdrawal rate at low inventory. Since the cost of both natural gas and well drilling can change rapidly, SoCalGas will choose the most economical solution. If additional wells are drilled, they will be drilled from existing pads if possible. As explained in the Project Description (*see* Appendix A), the maximum number of operational wells to be drilled will be six.

SoCalGas will purchase the cushion gas on the open market. The proposed addition of 1.5 Bcf of cushion gas is projected to cost $11.5 million, assuming a market price for gas of $7.67 per million cubic feet. While the price of gas can and will likely fluctuate, SoCalGas believes that its stated price is a reasonable forecast. Notwithstanding, due to the variations in natural gas prices, SoCalGas proposes balancing account treatment for cushion gas commodity costs so that the actual costs will be used for purposes of rates and cost allocation.

4. Preliminary Construction Schedule

A preliminary project construction schedule is contained in Appendix A. The BCAP Phase 1 Settlement estimates that the additional storage capacity will be fully available by 2014. Even if drilling and construction activities are completed by January 2011, SoCalGas now estimates that the last 1.0 Bcf will not be available until 2015. The well drilling and piping

installation is expected to take 13 months to complete (work to begin January 1, 2010). The internal modification work is expected to take 6 months to complete. The upgrade to the SCE electrical distribution service is expected to take 5 months. Work on these project segments can occur simultaneously. Additional time after the wells are drilled and surface equipment is constructed and/or installed will be needed to remove reservoir liquids and purchase and inject cushion gas. This schedule assumes that the application is approved and adopted on an expedited basis, by year end 2009. If the Commission approves and adopts this application after that date, the construction schedule will be extended accordingly.

B. Competitors/Area of Service

In accordance with Commission Rule 3.1(b), below are the names and addresses of all entities which are or may be competitors to SoCalGas for storage services:

1. Pacific Gas and Electric Company
   Law Department
   Attn: Keith Sampson
   77 Beale Street
   San Francisco, CA 94105

2. Gill Ranch Storage, LLC
   c/o Ann Trowbridge
   Day Carter & Murphy LLP
   3620 American River Drive, Suite 205
   Sacramento, CA 95864

3. Sacramento Natural Gas Storage, LLC
   c/o Law Office of Alfred F. Jahns
   3436 American River Drive, Suite 12
   Sacramento, CA 95864

4. Lodi Gas Storage, LLC
   c/o James W. McTarnaghan
   Duane Morris, LLP
   One Market Street, Suite 2000
   San Francisco, CA 94105

5. Wild Goose Storage Inc.
c/o Jeanne B. Armstrong
Goodin MacBride Squeri Day & Lamprey LLP
505 Sansome Street, Suite 900
San Francisco, CA 94111

6. Central Valley Gas Storage
c/o Nicor, Inc.
P.O. Box 3014
Naperville, IL 60566-7014

7. Tricor Ten Section Hub, LLC
c/o Chris Kunzi
4675 Mac Arthur Court, Suite 670
Newport Beach, CA 92660

Appendix B contains, among other things, a map of the present and proposed storage facilities, and a legend of the owners of those storage facilities.

The Honor Rancho facility will continue to perform its storage services in the City of Santa Clarita and the unincorporated County of Los Angeles. Their addresses are:

1. City of Santa Clarita
23920 Valencia Blvd.
Santa Clarita, CA 91355

2. County of Los Angeles
Kenneth Hahn Hall of Administration
500 W. Temple Street
Los Angeles, CA 90012

C. Maps

In accordance with Commission Rule 3.1(b), a map showing the location of the Honor Rancho Expansion Project is provided in Appendix B. A map depicting the Honor Rancho facility in relation to its closest possible competitors is also included in Appendix B.

D. Permits and Approvals

In accordance with Commission Rule 3.1(d), beyond the permits and approvals SoCalGas has previously obtained pursuant to its original construction of the Honor Rancho facility,

additional drilling permits will be required from DOGGR. The City of Santa Clarita has indicated to SoCalGas that it does not believe SoCalGas will need to obtain any further permits for the Honor Rancho Expansion Project. SoCalGas is currently in the process of obtaining a formal confirmation from the City of Santa Clarita in this regard.[18]

E. Financial Ability

In accordance with Commission Rule 3.1(g), SoCalGas hereby states that it has filed a financing application (A.09-03-009) on March 5, 2009 to seek the authority to issue up to $800 million in long-term debt to finance, among other things, the Honor Rancho Expansion Project. Furthermore, SoCalGas' ability to fund the project is demonstrated through its financial statements, which are attached under Appendix C.

III. PUBLIC CONVENIENCE AND NECESSITY

Pursuant to Commission Rule 3.1(e), SoCalGas provides the following statement of facts and reasons why the public convenience and necessity requires the approval of the Honor Rancho Expansion Project.

A. The Proposed Inventory Expansion Project is Necessary

Adding storage capacity to meet increased demand during peak periods is wholly consistent with a gas utility's obligation to serve its customers. Moreover, the Commission should give considerable weight to the fact that the parties to the BCAP Phase 1 Settlement, which include a diversity of interests, all support the Honor Rancho Expansion Project as well as the expedited approval of this application. The BCAP Phase 1 Settlement was a joint-party settlement that was approved by this Commission in D.08-12-020. The parties joining SoCalGas in the BCAP Phase 1 Settlement were: San Diego Gas & Electric Company ("SDG&E"), the

[18] The Honor Rancho Expansion Project will take place entirely in the City of Santa Clarita, and as such, there are no permitting issues with unincorporated Los Angeles County.

Division of Ratepayer Advocates ("DRA"), SCE, Indicated Producers, the Southern California Generation Coalition, the City of Long Beach, Southwest Gas Corporation, Watson Cogeneration Company, the California Cogeneration Council, and the California Manufacturers and Technology Association.[19] In fact, the uncontested settlement was executed by all parties representing SoCalGas end-use customers. This provision of the BCAP Phase 1 Settlement was based on a collective understanding that increased gas storage capacity benefits the State of California as well as SoCalGas' customers. Increased storage inventory capacity will increase overall reliability of the SoCalGas gas transportation system and will allow both core and noncore customers to minimize gas commodity costs by injecting gas during summer months, when gas prices are typically lower, and withdrawing gas during the winter months, when gas prices are typically higher. SoCalGas contends that the BCAP Phase 1 Settlement creates a presumptive and actual need for the Honor Rancho Expansion Project.

B. P.U. Code Section 1002

P.U. Code Section 1002(a) provides that "[t]he Commission, as a basis for granting any certificate pursuant to Section 1001 shall give consideration to the following factors:

1. Community values
2. Recreational and park areas
3. Historical and aesthetic value
4. Influence on the environment . . ."

The Commission has observed that, independent of its obligations under CEQA, it must "include environmental influences and community values in [its] consideration of a request for a CPCN."[20] SoCalGas addresses each of the factors below.

[19] *See* D.08-12-020 (*mimeo*), p. 6.
[20] P.U. Code Section 1002.

1. Community Values

The proposed project will not adversely affect community values. The existing Honor Rancho facility site, where the Honor Rancho Expansion Project activities will occur, is physically isolated from surrounding residential and commercial uses by topography and distance. To be conservative, however, SoCalGas has identified surrounding uses to confirm that no sensitive residential or commercial uses will be adversely affected. The nearest residential and commercial contacts are outside of a 500 foot buffer zone drawn around the storage field property line. (*See* Appendix A.) SoCalGas has prepared a bill insert that will notify ratepayers of the application. In addition, SoCalGas has been in communication with the City of Santa Clarita regarding the Honor Rancho Expansion Project and to confirm that no additional public outreach is required; and the City of Santa Clarita has been supportive of the project.

The Honor Rancho Expansion Project will have a favorable socio-economic impact on the City of Santa Clarita and Los Angeles County. The project will create temporary construction-related jobs over a 13-month period. The workforce may vary month-to-month. During the first 3 months of construction, the average daily workforce is estimated to peak at 79 workers. That number rises to 135 workers in the middle months, and then gradually declines as the project nears completion. (*See* Appendix A.) The increased employment may provide a temporary reduction in unemployment for the State. Furthermore, during the construction period, it is anticipated that the local economy will experience a correlative increase in retail and sales tax revenue due to the workforce employed during the construction period.

2. Recreational and Park Areas Not Impacted

The Honor Rancho Expansion Project will take place entirely on the existing Honor Rancho facility, which is not openly accessible to the public, and has operated as a natural gas

storage field for over 30 years. No recreational, park, or other lands outside of the site's boundaries will be disturbed or otherwise affected. The nearest recreational or park area, Hasley Canyon County Park, is located approximately half a mile west of the proposed project site. Within a two mile radius of the Honor Rancho facility, there are approximately six recreational and park areas, none of which will be impacted by the project. The project will not increase or otherwise affect the use of the recreational/park areas. Ingress and egress of construction vehicles to the construction site within the storage facility should likewise result in no impacts to any recreational or park areas. For these reasons, the Honor Rancho Expansion Project will not impact recreational or park areas.

3. Historical and Aesthetic Values Respected

As stated in Section I.A. above, the Honor Rancho facility has been in operation since 1975 when it was converted from the depleted oil field that was operated by Texaco. Much of the Honor Rancho facility has been subject to disturbance due to the continual operations and maintenance of the natural gas wells. Based on a June 2007 cultural resources study, there are no known archaeological sites within the Honor Rancho storage field.

The Honor Rancho Expansion Project will not have an aesthetic impact on the scenic vistas within the Santa Clarita area. The project will be developed on existing well pads and will not be visible outside of the storage facility.

For these reasons, the Honor Rancho Expansion Project will not compromise the historical or aesthetic values of the community.

4. Efforts to Minimize Influence on Environment

As stated in Section I.C.2 above, the Honor Rancho Expansion Project will have no significant impacts on the environment. SoCalGas will undertake all reasonable efforts to

ensure that construction activities will be conducted safely and with minimal environmental impacts. The project will avoid and/or minimize impacts to biological resources, water resources, and air quality by incorporation of specific project design features, and implementation of best management practices and biological mitigation measures.

In addition, to the extent feasible, the Honor Rancho Expansion Project has been designed and located to avoid areas that have not been previously disturbed. This is consistent with SoCalGas' track record on maintenance efforts at the Honor Rancho facility that enhance safety and environmental protection above and beyond what is required by law.[21]

IV. REVENUE REQUIREMENT, RATE, AND REGULATORY ACCOUNTING TREATMENT

Pursuant to Commission Rules 3.1(h) and 3.2(a), SoCalGas provides the following description of its revenue requirement, rate, and regulatory accounting treatment associated with the Honor Rancho Expansion Project. The revenue requirement associated with this expansion project will be recorded in the Honor Rancho Storage Memorandum Account ("HRSMA") and incorporated into rates each January 1 of the following year for facilities placed into service the prior year. For example, for wells actually drilled and withdrawing liquids in 2010, rates will be adjusted on January 1, 2011 to reflect the costs of such facilities. Subsequent to 2015, the Honor Rancho Expansion Project's incremental rate base will become part of the next appropriate General Rate Case ("GRC") recorded level plant.

A. Revenue Requirement

The revenue requirement associated with the storage assets that will be recovered in rates will be based on the total capitalized storage costs of facilities placed into service and the

[21] In June 2009, DOGGR awarded SoCalGas the "Outstanding Lease Maintenance Award" for the 23rd consecutive year for the Honor Rancho facility. Sites are nominated for the award by DOGGR field inspectors.

difference between incremental O&M costs and incremental oil revenues associated with the Honor Rancho Expansion Project.

The revenue requirement prepared in this application was developed by separating capitalized storage costs into four specific cost categories corresponding to a specific Federal Energy Regulatory Commission property account, book depreciable life, and negative salvage component. A description of the accounts include Wells (Acct. 352) with a depreciable life of 26 years and negative salvage component of 60%, Lines (Acct. 353) with a depreciable life of 40 years and negative salvage component of 55%, and Purification Equipment (Acct. 356) with a depreciable life of 38 years and negative salvage component of 25%. The component for negative salvage represents additional costs included in the revenue requirement associated with future decommissioning, cost of removal and abandonment of the identified assets noted above. The depreciation lives and negative salvage components used in the revenue requirement reflect the most recently approved rates authorized by the Commission in SoCalGas' GRC decision (D.08-07-046). The fourth category of cost identified is Cushion Gas (Acct 117). This cost is not depreciated and does not contain an added cost component for negative salvage as described above. In addition, the revenue requirement prepared in this application also utilizes the most recently approved weighted-average cost of capital ("WACC") structure authorized by the Commission (in D.08-07-046) which includes a rate of return ("ROR") of 8.68% and an authorized return on equity of ("ROE") of 10.82%.

This revenue requirement will be recorded in the HRSMA each month and placed into rates each January 1 of the following year, with the first incorporation occurring January 1, 2011. The estimated capitalized storage costs and the resulting revenue requirement that will be collected in rates, excluding the difference between incremental O&M and incremental oil

revenues which will be addressed in the disposition of the HRSMA balance as described in Section C below, are shown in Table 2:

TABLE 2
Estimated Capitalized Costs and Resulting Revenue Requirement
(excludes net O&M/Oil Revenue)

Year	Capitalized Cost $millions	Revenue Requirement in Rates(*) $millions/year
2010	$33.0	$0.0
2011	$6.8	$9.1
2012	$2.3	$7.9
2013	$2.3	$7.1
2014	$2.3	$7.1
2015	$2.3	$7.1
2016	$0.0	$7.4
Total	$49.0	

(*) Revenue requirements continue until fully depreciated. For display purposes, this Table stops at year 2016.

B. Rate Treatment

The balance in the HRSMA is to be allocated to (i) the Combined SoCalGas and SDG&E Core Storage, (ii) Balancing, and (iii) Unbundled Storage. This allocation will be based on the total inventory capacity after the expansions approved in D.08-12-020 have been completed. These "post-expansion" inventory capacities are shown in Table 3:

TABLE 3 Storage Inventory Capacity (Bcf)				
	Current Bcf	**Proposed Expansion Bcf**	**Post Expansion Bcf**	**Post Expansion %**
Core Storage	79.0	4.0	83.0	60.1%
Balancing	4.2	0.0	4.2	3.0%
Unbundled Storage	47.9	3.0	50.9	36.9%
Total	131.1	7.0	138.1	100%

Note: 7.0 Bcf of expansion capacity is shown here consistent with the BCAP Phase 1 Settlement; however, as stated earlier, this application is seeking approval for 5.0 of the 7.0 Bcf.

Applying the post-expansion inventory capacities from Table 3 to the annual revenue requirement from Table 2 results in the following allocation to core, balancing and unbundled storage inventory costs and the resulting transportation rate impacts shown in Table 4:

TABLE 4 Allocation of Revenue Requirement and Rate Impact $000's and $/therm						
	Rev Req $000s	**Core Storage**	**Balancing**	**Unbundled Storage**	**Core Rate Impact $/therm (2)**	**Noncore Rate Impact $/therm (3)**
2010	$0.0	$0.0	$0.0	$0.0	$0.00000	$0.00000
2011	$9,084	$5,459	$276	$3,349	$0.00142	$0.00004
2012	$7,878	$4,734	$239	$2,904	$0.00123	$0.00004
2013	$7,093	$4,262	$216	$2,615	$0.00111	$0.00003
2014	$7,104	$4,269	$216	$2,619	$0.00111	$0.00003
2015	$7,128	$4,284	$217	$2,628	$0.00112	$0.00003
2016	$7,361	$4,424	$224	$2,714	$0.00115	$0.00003

(1) Includes FF&U
(2) Impact on SoCalGas' average core rate each year as compared to current rates.
(3) Impact on SoCalGas' average noncore rates, excluding SDG&E wholesale rate, as compared to current rates.
(4) Upon project completion, SDG&E's wholesale rate will increase by $0.00038/therm.

The Core Storage costs in Table 4 will be allocated among SoCalGas' core customer classes and to the SDG&E wholesale rate based upon the allocation of core storage capacity that was approved in the BCAP Phase 1 Settlement decision.[22] However, the BCAP Phase 1 Settlement parties believe that the gas commodity benefits to core customers will outweigh the costs identified in Table 4. The Balancing costs in Table 4 will be allocated among SoCalGas' noncore customers using the Equal Cents per Therm ("ECPT") method, pursuant to the BCAP Phase 1 Settlement decision. The allocation of the SDG&E wholesale charges among SDG&E's customer classes will be carried out by recording these charges in SDG&E's Core Fixed Cost Account ("CFCA") and Noncore Fixed Cost Account ("NFCA"), or other appropriate regulatory accounts, to be incorporated into rates each January 1 of the following year, similar to SoCalGas. SDG&E's CFCA and NFCA are allocated using the ECPT method.

Upon full completion of the project, the impact on average core rates will be $0.00115/therm, and the impact on average noncore rates will be $0.00003/therm. However, SDG&E's wholesale rate will increase by $0.00038/therm because SDG&E is also being allocated core storage costs.

The unbundled storage cost will be increased from its current level to reflect the higher costs in Table 3 above, which, in turn, will be reflected in the storage incentive mechanism approved in the BCAP Phase 1 Settlement decision.[23]

C. Regulatory Accounting Treatment

The storage assets in the Honor Rancho Expansion Project will be placed in service at various times during 2010-2011 period. As stated in the prior section, SoCalGas proposes to recover the revenue requirements associated with these storage assets, including cushion gas,

[22] *See* D.08-12-020 (*mimeo*), p. 12-16.
[23] *Id.* at 23.

placed in service in gas transportation rates on January 1 of the following year. In addition, to ensure that SoCalGas recovers its incremental costs of these storage assets for the period the storage assets are placed in service and the time the applicable revenue requirements are recovered in gas transportation rates, SoCalGas proposes to establish the HRSMA.

The HRSMA is an interest bearing account that is recorded on SoCalGas' financial statements. The HRSMA will consist of two subaccounts. As indicated above, one subaccount of the HRSMA will record the incremental capital-related costs (such as depreciation, return on investment and related taxes) associated with the storage assets for the Honor Rancho Expansion Project.

The other subaccount of the HRSMA will record the difference between actual incremental O&M expenses and any incremental oil revenues realized as a result of the Honor Rancho Expansion Project. To identify incremental oil revenues, SoCalGas will conduct an annual analysis of the liquids produced by the new liquid production wells to determine the ratio of hydrocarbons to other liquids. This will allow SoCalGas to calculate the barrels of oil produced each year by these wells, and this figure will then be multiplied by average oil prices for the year to determine the revenues to record in this subaccount. For incremental O&M costs, SoCalGas will establish accounting procedures to separately track certain costs (*e.g.*, maintenance of the electrical submersible pumps in the new liquid production wells specifically used in the storage expansion) that are directly associated with the Honor Rancho Expansion Project and record those costs in this subaccount of the HRSMA. In addition, SoCalGas will allocate a pro rata share of other incremental O&M costs that vary with the increased inventory capacity resulting from the Honor Rancho Expansion Project and record those amounts to this subaccount of the HRSMA. This subaccount will terminate at the completion of the Honor

Rancho Expansion Project. Oil revenues and O&M costs at that time will be treated in accordance with the treatment of such revenues and costs generally for storage operations.

At the end of each year, the balance in the HRSMA (the combined balance of both subaccounts) will be allocated to core customers, to the Unbundled Storage Program, and to noncore customers, as shown above in Table 3. The portion allocated to the Unbundled Storage Program will be transferred to the Noncore Storage Balancing Account ("NSBA") and be used to determine the allocation of net storage revenues between ratepayers and shareholders for the year under the Commission-adopted sharing mechanism. The remaining balance in the HRSMA associated with core storage and load balancing will be recovered in the following year's rates in connection with SoCalGas' annual regulatory account balance update filing. Also, since the annual regulatory account balance update filing is filed with the Commission in October of every year, the regulatory account balances described above will include estimates for part of the year which will be trued-up in the following year's regulatory account balance update filing, similar to the disposition of other regulatory account balances.

V. DESCRIPTION OF APPLICANT

A. Legal Name and Principal Place of Business; Correspondence or Communication Regarding this Application

Pursuant to Commission Rules 2.1(a) and (b), Applicant's legal name is SOUTHERN CALIFORNIA GAS COMPANY, a public utility corporation organized and existing under the laws of the State of California, with its principal place of business at 555 West 5th Street, Los Angeles, California 90013. All correspondence or communications regarding this application should be addressed to:

Beth Musich
Regulatory Case Manager
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1034
Phone: (213) 244-3697
Fax: (213) 244-3201
Email: bmusich@semprautilities.com

With a copy to:

David J. Gilmore
Attorney
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Email: jpong@sempra.com

B. Authority

Pursuant to Commission Rule 2.1(a), this application is being made pursuant to the statutory provisions of P.U. Code Sections 1001-1005; the Commission's Rules of Practice and Procedure; CEQA Guidelines; and prior decisions, orders, and resolutions of the Commission.

C. Articles of Incorporation

Pursuant to Commission Rule 2.2, a copy of SoCalGas' Restated Articles of Incorporation, presently in effect and certified by the California Secretary of State, was filed with the Commission on October 1, 1998 in connection with A.98-10-012, and is incorporated herein by reference.

D. Proxy Statement

Pursuant to Commission Rules 3.1(i) and 3.2(a)(8), a copy of SoCalGas' most recent proxy statement, dated April 17, 2009, was mailed to the Commission on April 23, 2009 and is incorporated herein by reference.

E. Balance Sheet, Income Statement, and Financial Statements

Pursuant to Commission Rules 2.3 and 3.2(a), a copy of SoCalGas' most recent balance sheet, income statement, and other related financials are attached under Appendix C.

F. Description of Property and Equipment

Pursuant to Commission Rule 3.2(a), a general description of SoCalGas' property and equipment was previously filed with the Commission on May 31, 2004, in connection with A.04-05-008 and is hereby incorporated by reference. SoCalGas' most recent original cost of utility plant, together with the relative reserves for depreciation and amortization, is attached hereto under Appendix D.

G. Capitalization

SoCalGas' regulatory capitalization as of March 31, 2009 is attached hereto under Appendix E.

H. Statement on Tax Depreciation

Pursuant to Commission Rule 3.2(a)(7), for financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis, at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-

fixing purposes, "flow through accounting" has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, tax depreciation has computed using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

I. Statement of Pass-Through

Pursuant to Commission Rule 3.2(a)(10), the rate changes that SoCalGas seeks in this application reflect costs to SoCalGas; and, SoCalGas proposes to pass through to customers only costs that SoCalGas incurs for the services and commodities it furnishes.

J. Service

Pursuant to Commission Rule 1.9, this application is being served on the parties identified on the attached certificate of service. Further, SoCalGas will duly execute the noticing requirements under Commission Rule 3.2.

VI. COMMISSION RULE 2.1(c) REQUIREMENTS

A. Proposed Category of Proceeding

SoCalGas proposes to categorize this application as a "ratesetting" proceeding within the meaning of Rule 1.3(e).

B. Need for Hearing and Proposed Schedule

SoCalGas believes that no hearing is necessary in this proceeding. Ex parte grant of the authorizations sought herein at the earliest achievable date will permit SoCalGas to proceed with the Honor Rancho Expansion Project under the construction schedule set forth in this application. If the Commission finds that a public hearing is necessary, SoCalGas requests that

such hearing be conducted as soon as practicable. SoCalGas proposes the following procedural schedule:

ACTION	DATE
Application filed	July 13, 2009
Protest filed, if any	30 days after notice of filing in the Daily Calendar
Draft decision	October 1, 2009
Comments on draft decision	November 2, 2009
Final Commission decision	November 2009

VII. CONCLUSION

For the reasons provided in this application, SoCalGas requests that the Commission:

1. amend SoCalGas' CPCN in order to authorize the Honor Rancho Expansion Project;
2. find that the Honor Rancho Expansion Project qualifies for exemptions from CEQA per the CEQA guidelines and applicable precedent;
3. approve SoCalGas' requested revenue requirement, rate treatment, and regulatory accounting for the Honor Rancho Expansion Project; and
4. confirm that the Commission, in granting this amendment to the CPCN, has preemptory authority over city and county zoning regulations, ordinances, codes, or requirements, under a finding that the Honor Rancho Expansion Project serves the public interest.

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Respectfully submitted,

/s/ Johnny J. Pong

By Johnny J. Pong

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JOHNNY J. PONG
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jpong@sempra.com

Dated: July 13, 2009

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) to Amend its Certificate of Public Convenience and Necessity for the Honor Rancho Natural Gas Storage Facility.

Application No. 09-07-___
(Filed July 13, 2009)

VERIFICATION

I am an officer of Southern California Gas Company, the Applicant in the above-captioned matter, and am authorized to make this verification on its behalf. The statements in the foregoing document are true on my own knowledge, except as to matters which are stated therein on information or belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 13, 2009 at Los Angeles, California.

/s/ Lee M. Stewart
Lee M. Stewart
Senior Vice President – Gas Operations

APPENDIX A

HONOR RANCHO EXPANSION PROJECT
DESIGN AND DESCRIPTION

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1.0 PROJECT DESCRIPTION

The proposed project is the expansion of the storage inventory capacity at the Southern California Gas Company (SoCalGas) Honor Rancho Storage Field from 23 billion cubic feet (Bcf) to 28 Bcf. The additional inventory will be achieved through removing brine water at the lower sections of the reservoir thereby creating additional volume for gas storage. Related improvements include drilling up to three new liquid production wells, upgrading existing liquid processing equipment (*e.g.*, separators, sediment tanks, filtration system, associated pumps, and piping, etc.) and drilling up to three new brine injection wells.

1.1 PROJECT LOCATION

The proposed project will be located within the Honor Rancho Storage Field, which is located entirely within Los Angeles County. The Storage Field is located at 25205 West Rye Canyon Road, City of Santa Clarita, California, and encompasses approximately 600 acres.

The natural gas storage field is the only existing land use within and surrounding the proposed project site. Figure 1.1-1 shows existing land uses in the general vicinity of the facility. These uses include a public utility transmission corridor, open space, a County correctional facility, commercial, residential, and agricultural.

Figure 1.1-2 depicts the locations of several proposed project components, including the new liquid production wells, new brine injection wells, and gathering line locations. In addition, the figure illustrates the existing Dehydration/Brine Processing Plant, existing gathering lines, and brine injection wells.

Table1.1-1 provides a list of photographs showing the location of the new and existing wells, required equipment upgrades, and typical production and injection well sites at Honor Rancho.

Table 1.1-1 Index of Site Photographs

Photo Number	Description
1	Location of two liquid production wells on west side of project
2	Location of third liquid production well within the plant
3	Alternate location for liquid production wells
4	Location of an existing brine injection well and two new injection wells
5	Existing Dehydration/Brine Processing Plant
6	Separator and Sediment Tank on one of two processing trains to be modified
7	Pumps and associated piping to be upgraded in the Dehydration/Brine Processing Plant
8	Pumps, filters, and associated piping to be upgraded
9	Typical production well site at Honor Rancho
10	Typical brine injection well site at Honor Rancho
11	Pipeline spanning the ephemeral creek to connect two liquid production wells
12	Pipeline from Plant to the two liquid production wells across the ephemeral creek
13	Liquid production well in Plant and connecting pipelines
14	Pipeline from Plant to the two liquid production wells across the ephemeral creek or to alternate well location in typical road
15	Pipeline from Plant to the two liquid production wells across the ephemeral creek in typical road

Figure 1.1-1 Land Uses within Project Vicinity

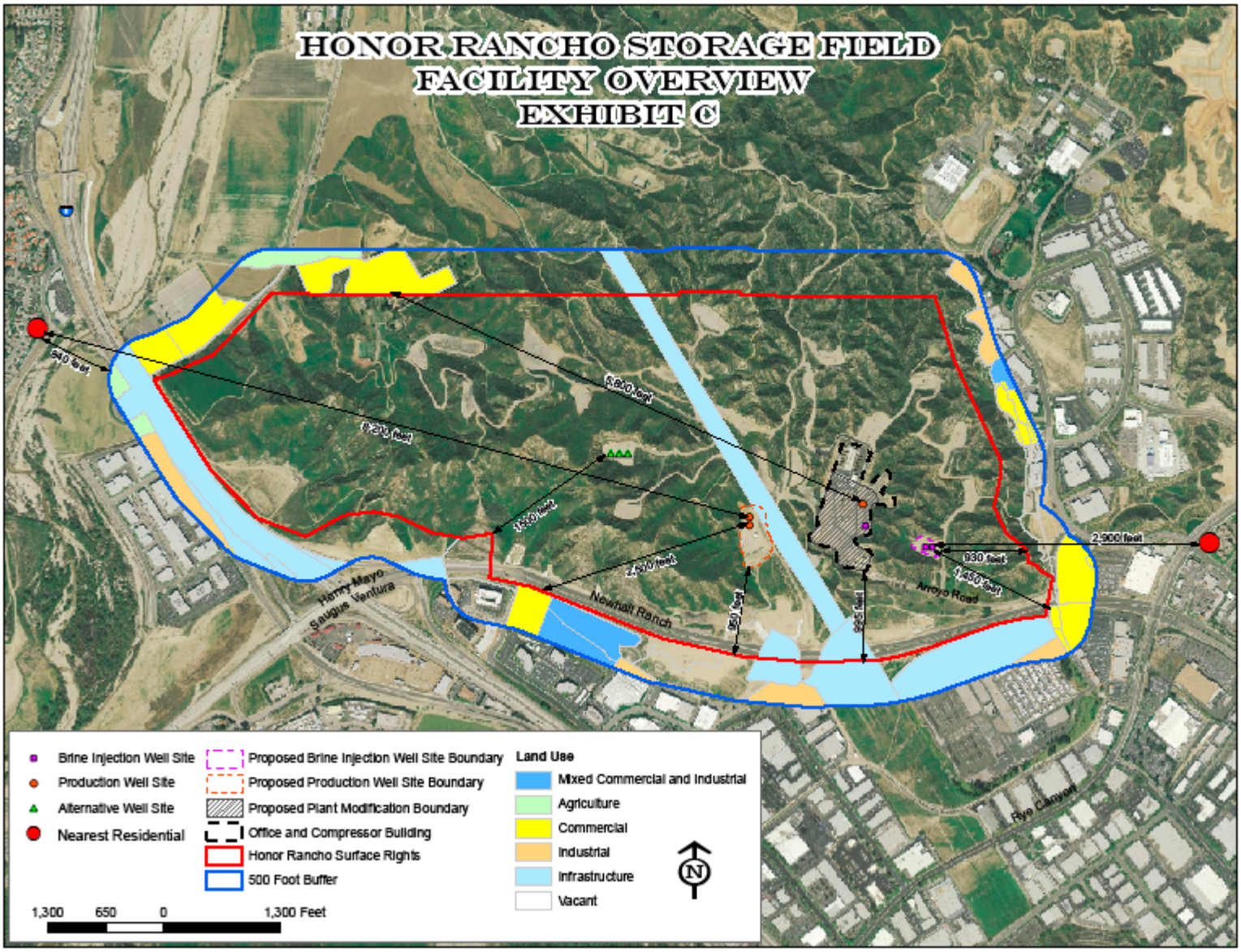
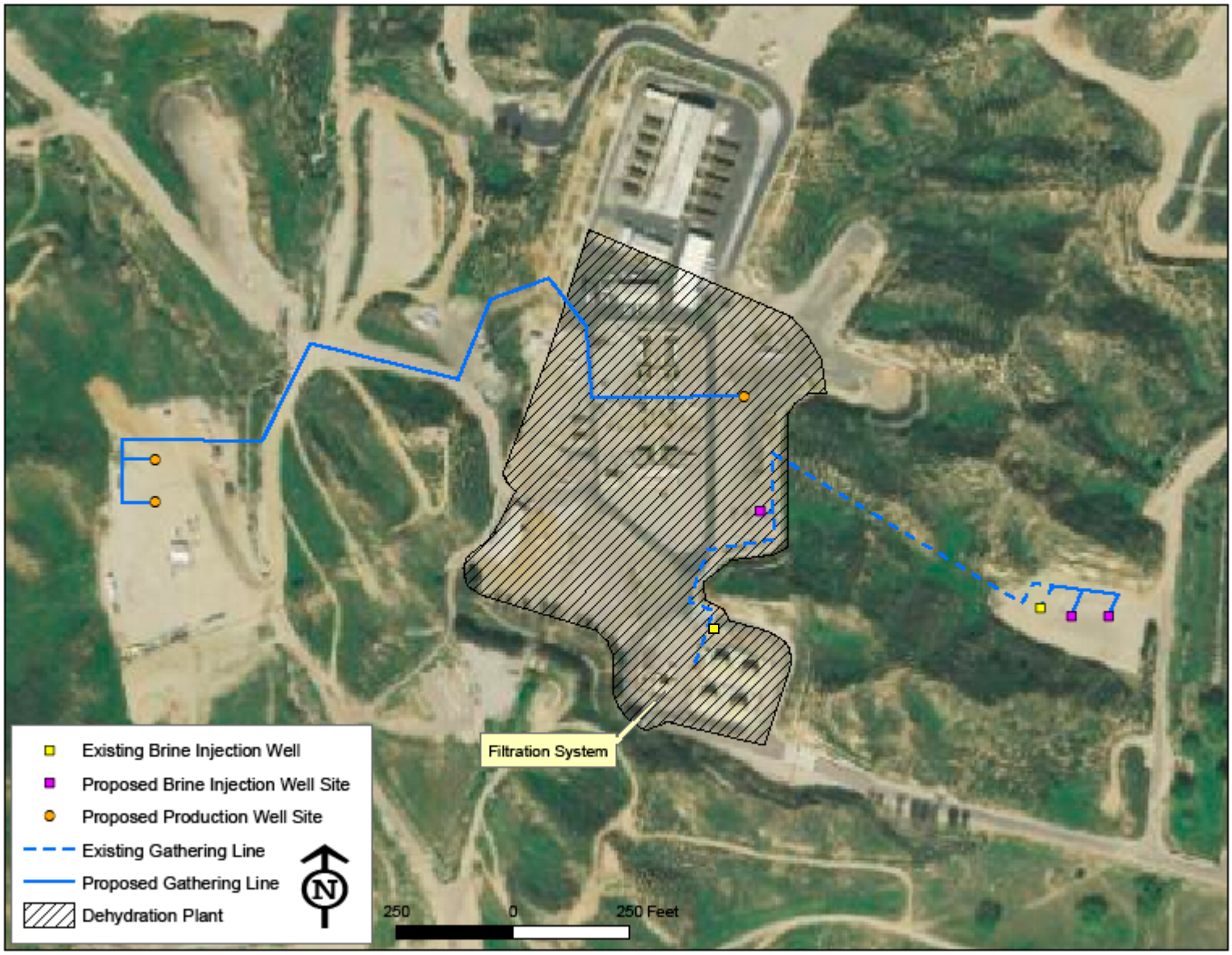


Figure 1.1-2 Location of New Wells, Gathering Lines, and Existing Facilities



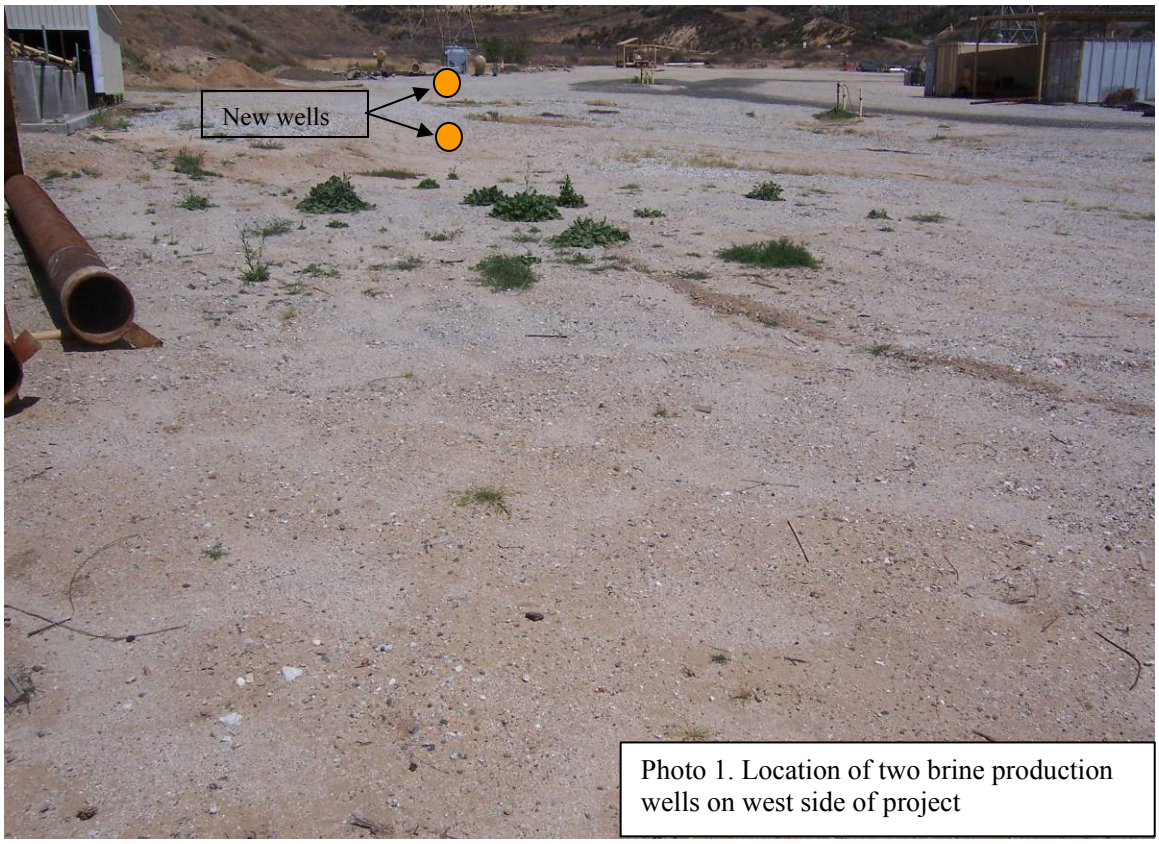


Photo 1. Location of two brine production wells on west side of project

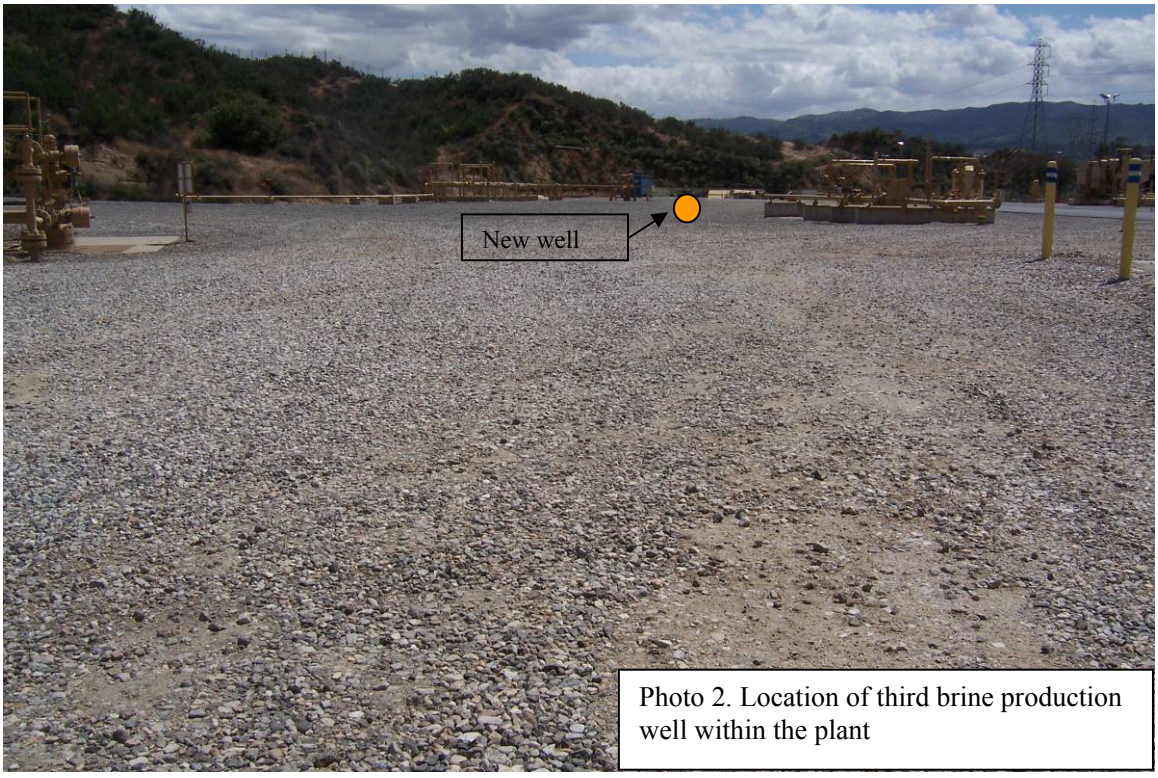


Photo 2. Location of third brine production well within the plant

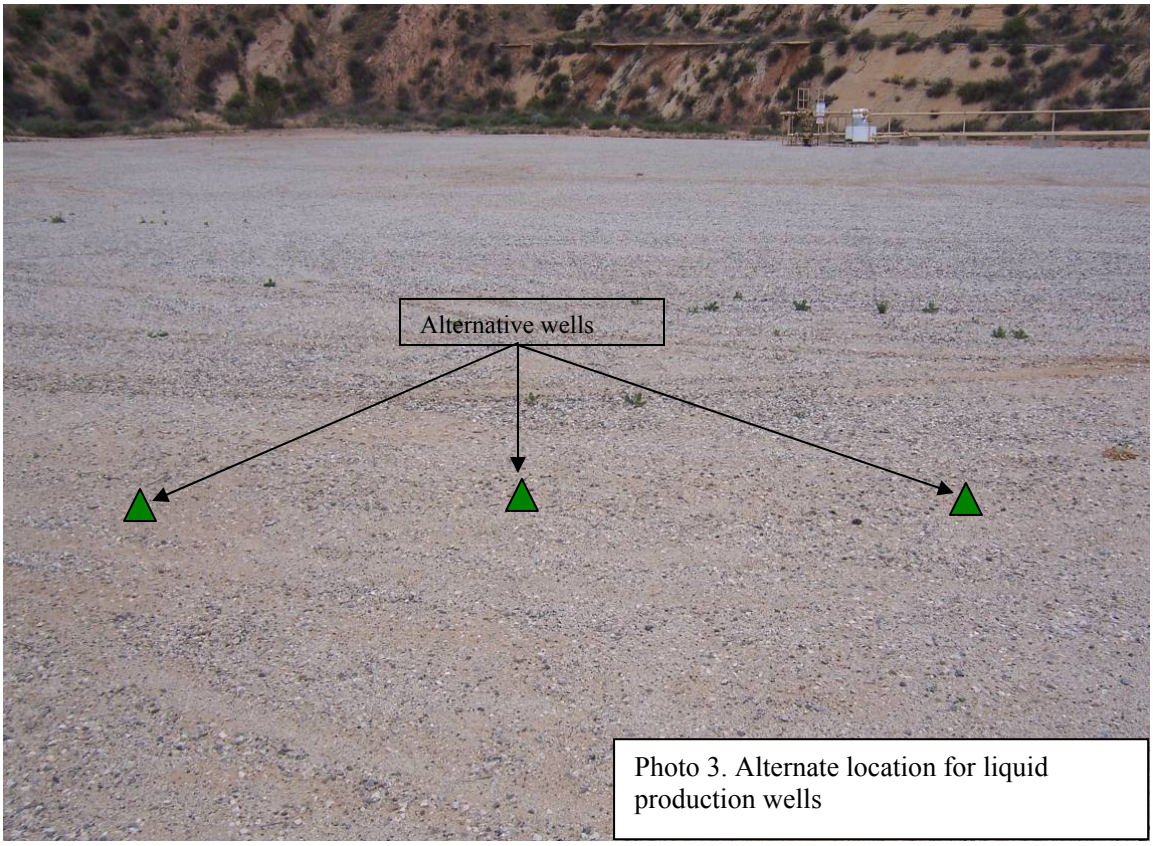


Photo 3. Alternate location for liquid production wells

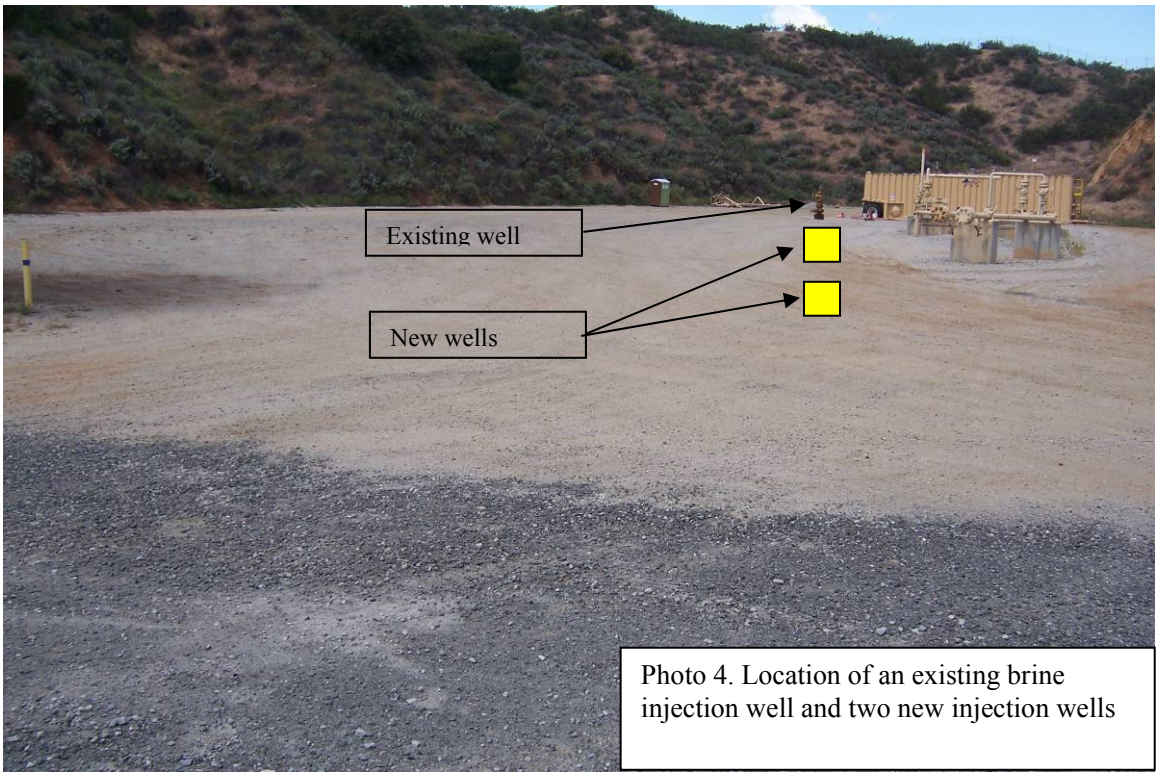


Photo 4. Location of an existing brine injection well and two new injection wells

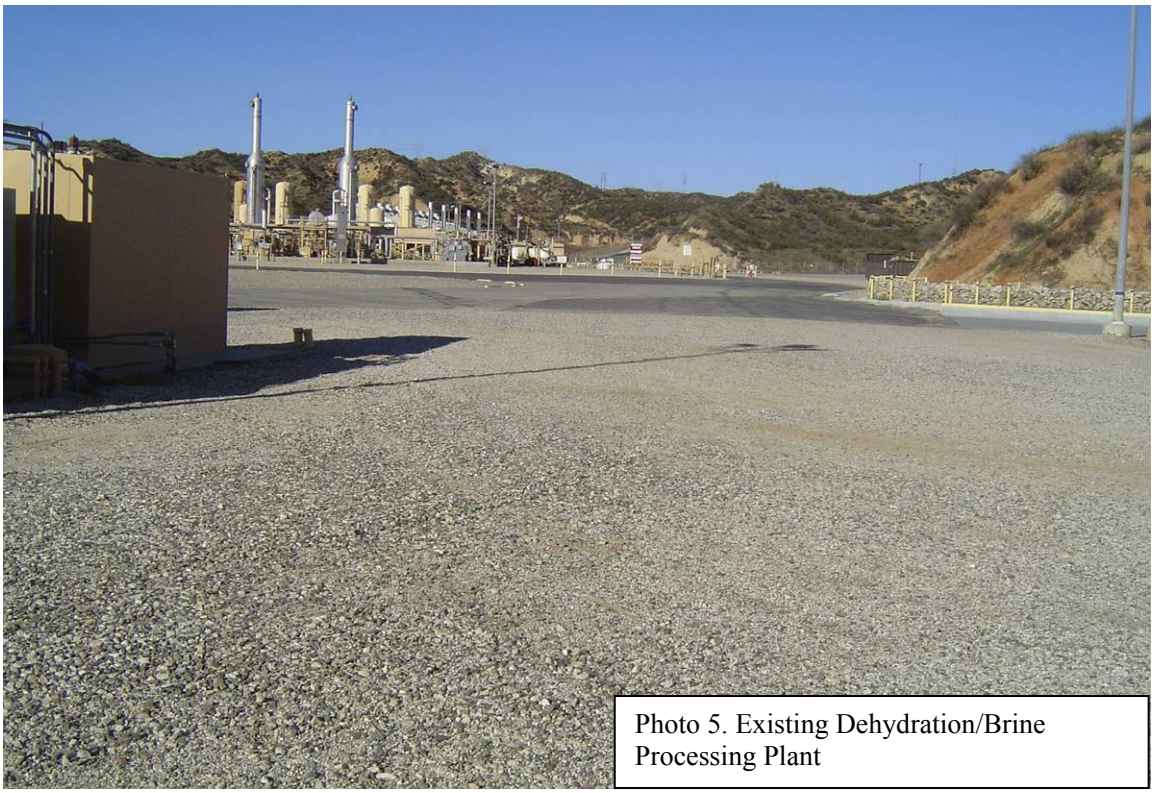


Photo 5. Existing Dehydration/Brine Processing Plant

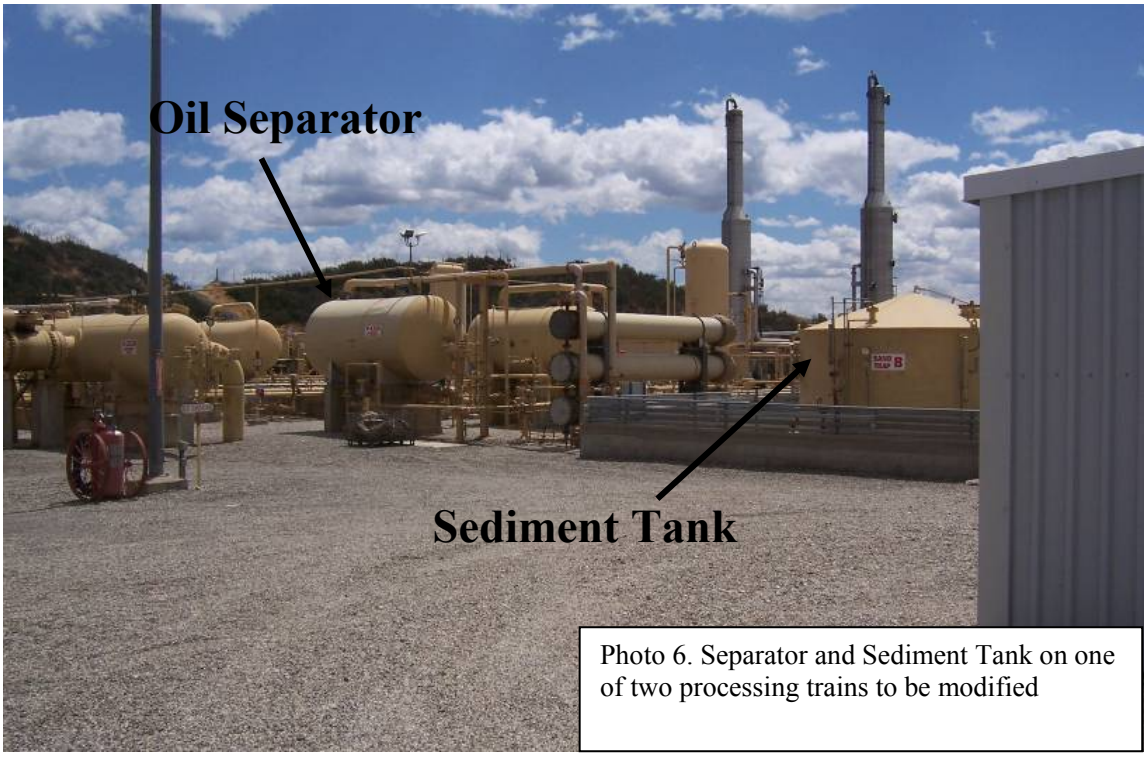


Photo 6. Separator and Sediment Tank on one of two processing trains to be modified

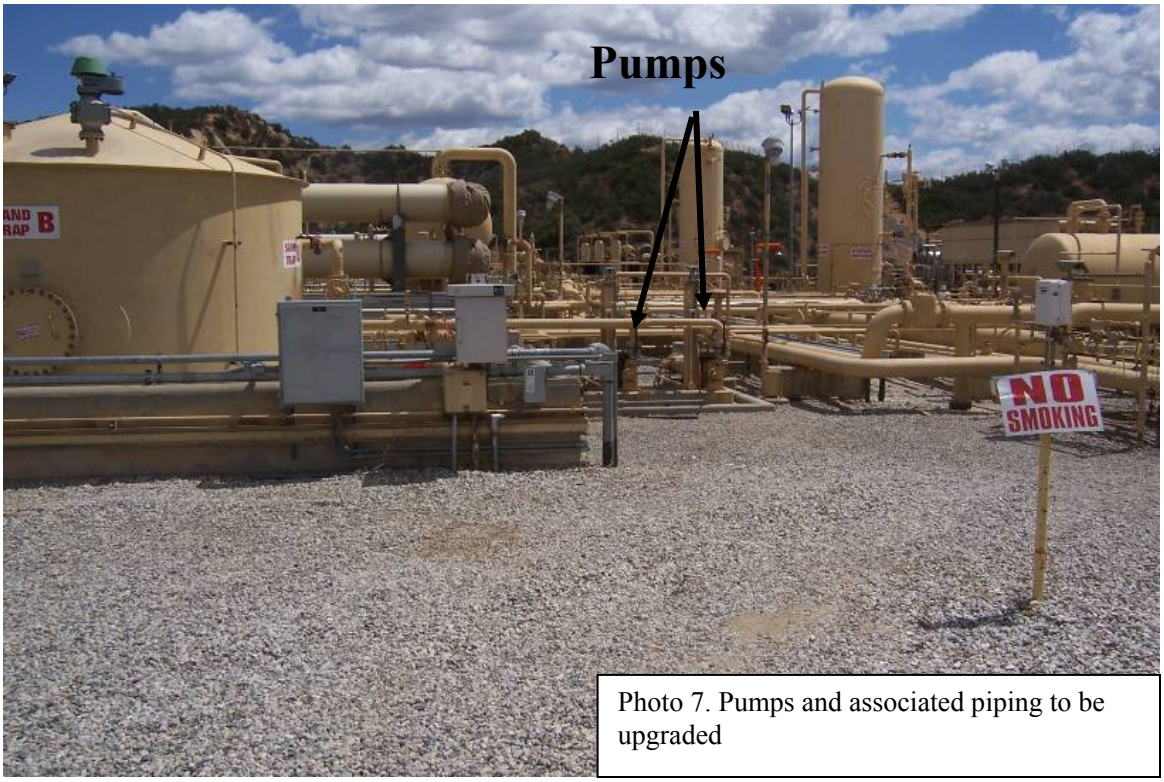


Photo 7. Pumps and associated piping to be upgraded

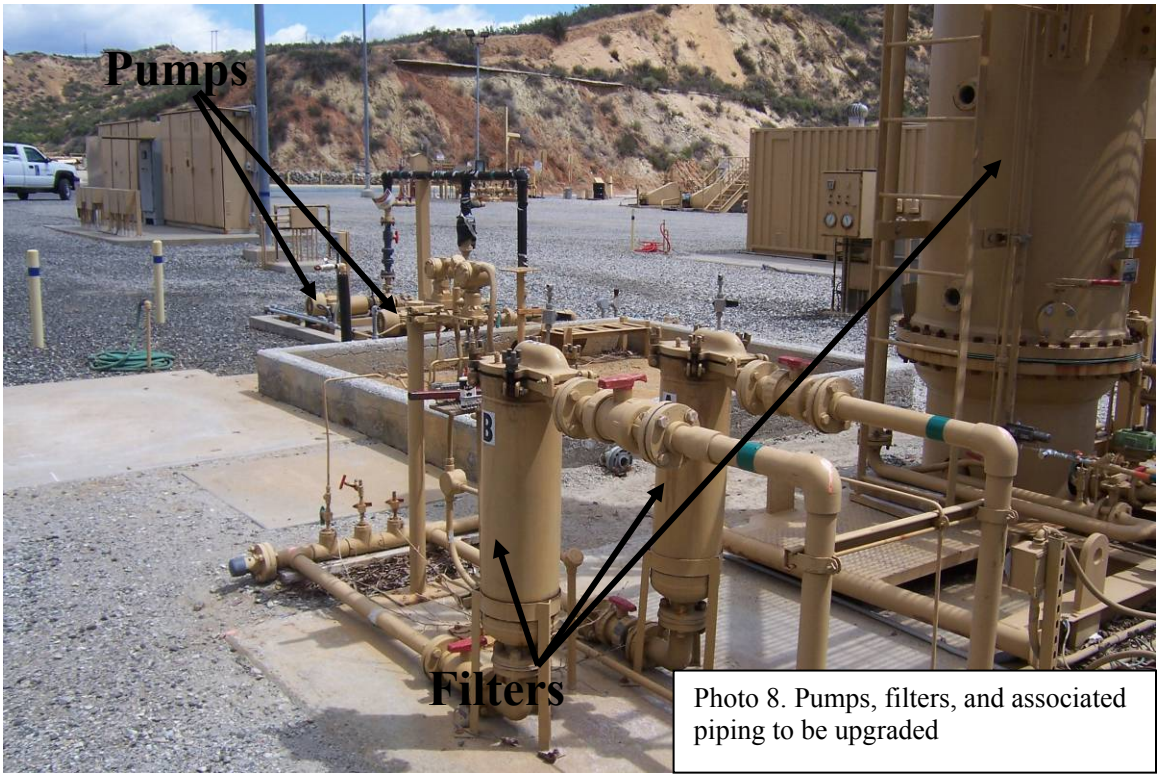


Photo 8. Pumps, filters, and associated piping to be upgraded

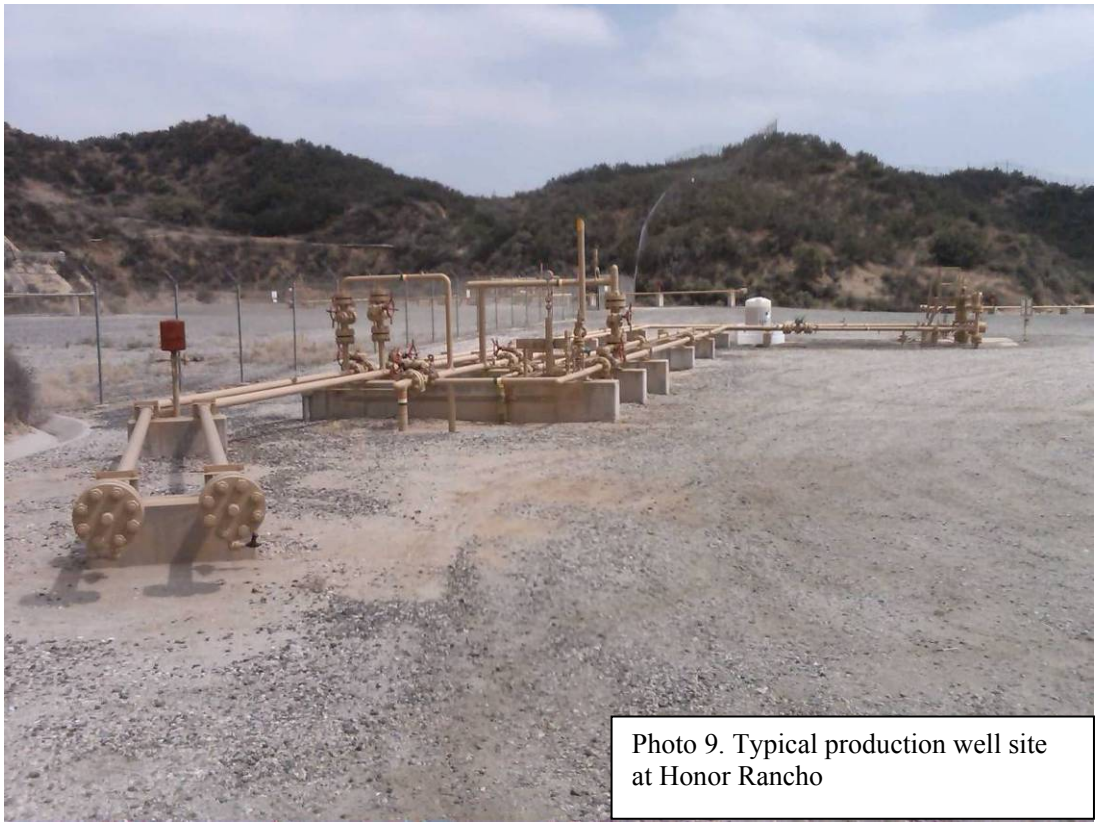


Photo 9. Typical production well site at Honor Rancho

Photo 10. Typical brine injection well site at Honor Rancho

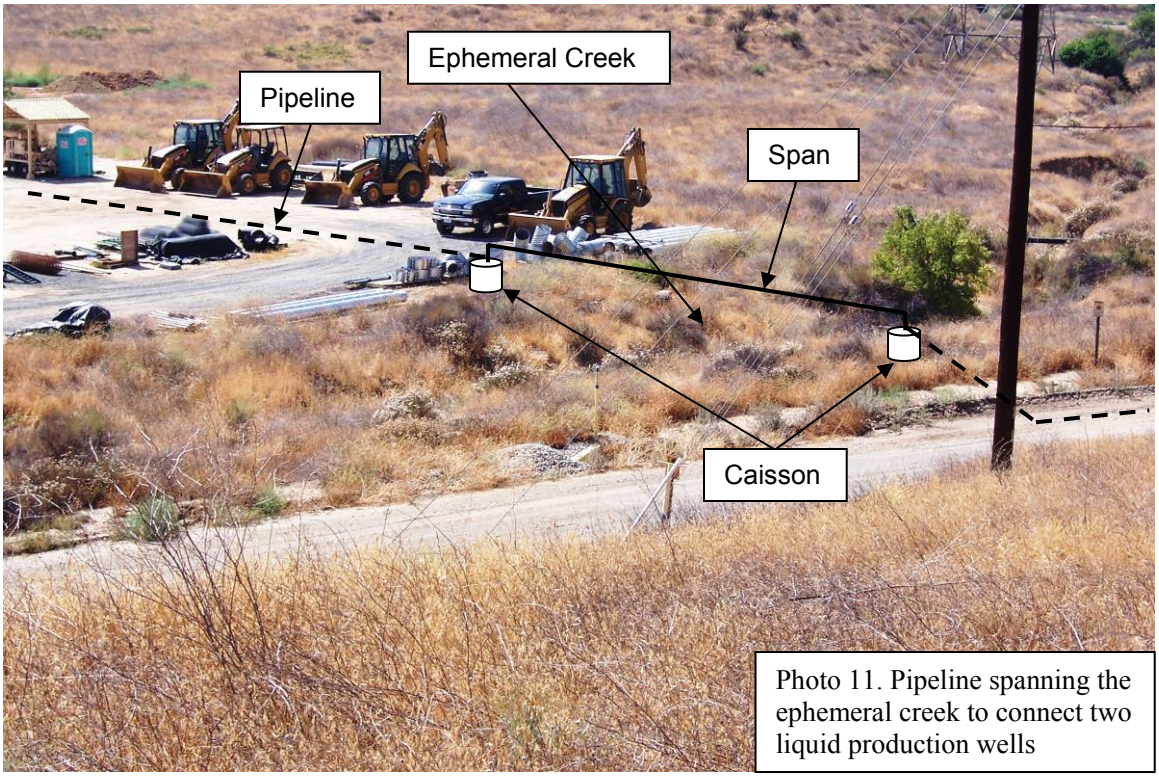


Photo 11. Pipeline spanning the ephemeral creek to connect two liquid production wells

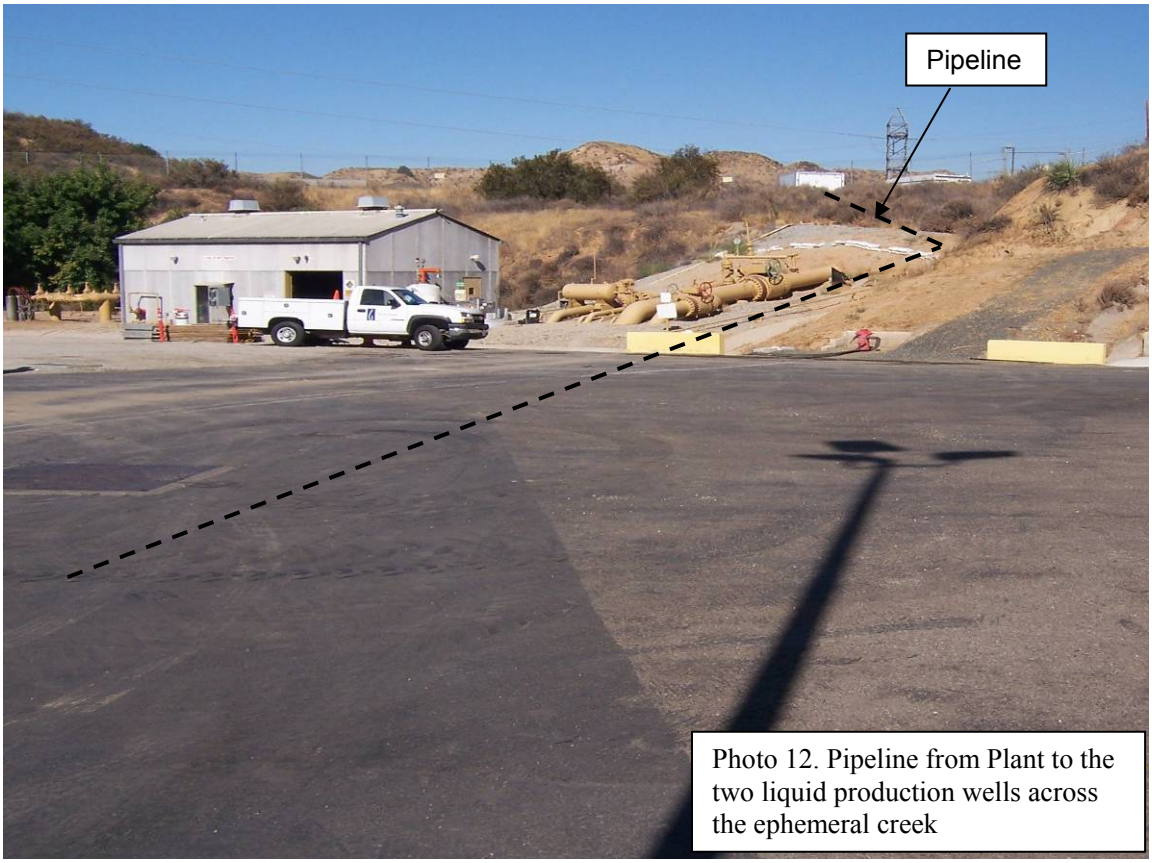


Photo 12. Pipeline from Plant to the two liquid production wells across the ephemeral creek

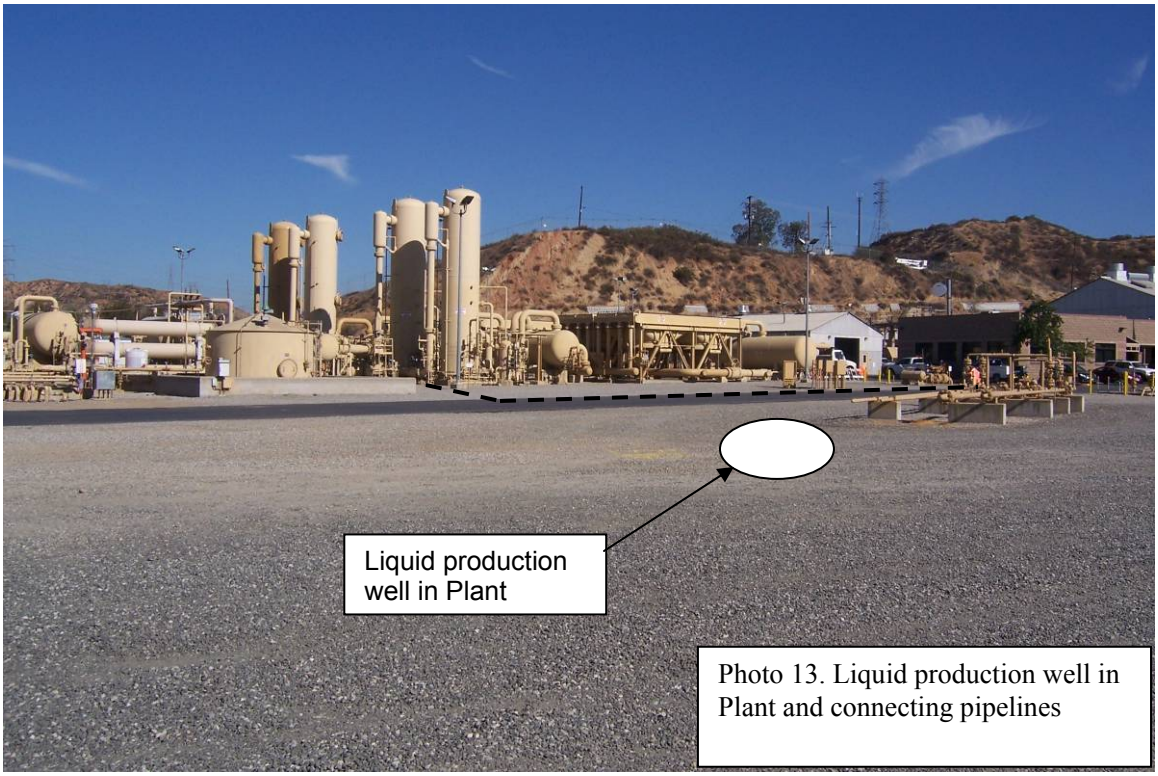


Photo 13. Liquid production well in Plant and connecting pipelines

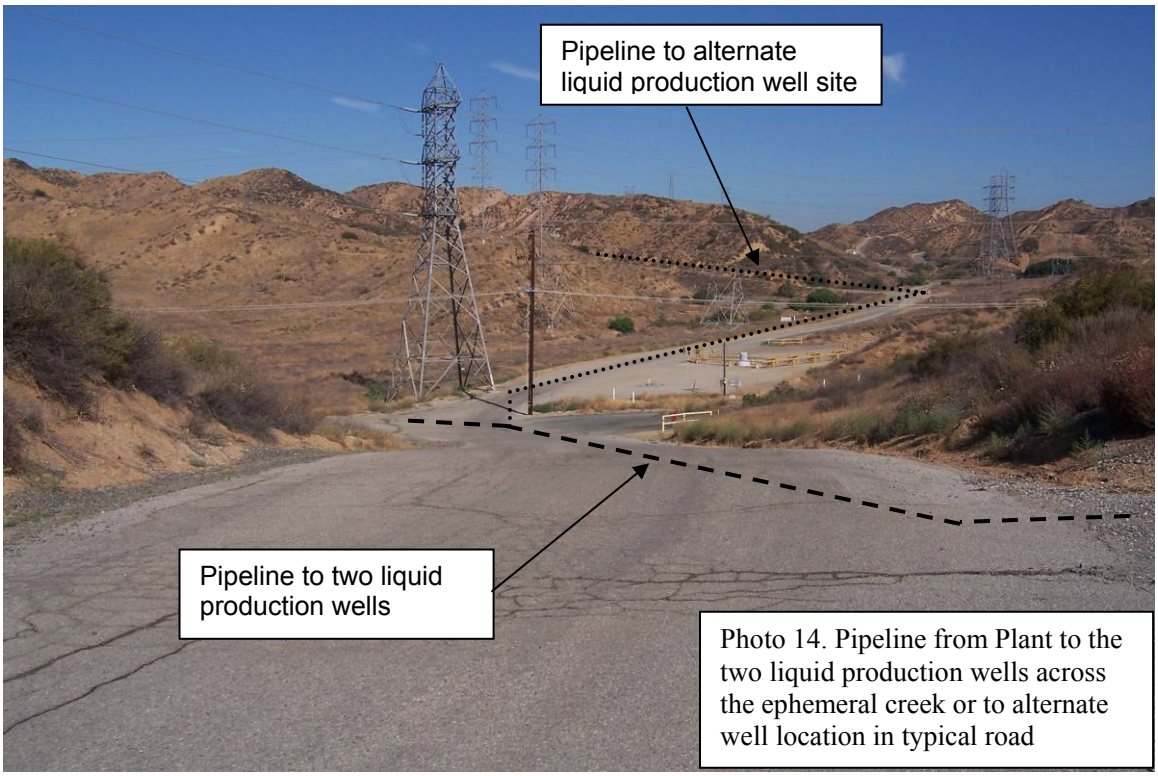


Photo 14. Pipeline from Plant to the two liquid production wells across the ephemeral creek or to alternate well location in typical road

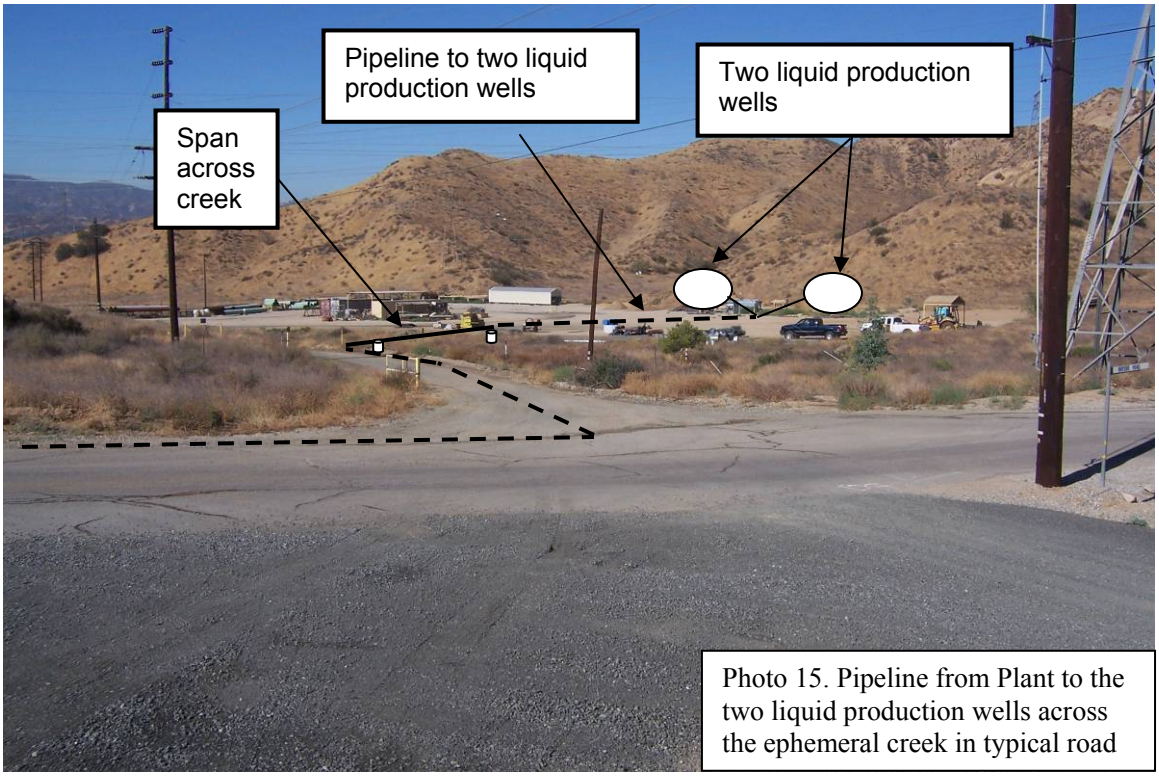


Photo 15. Pipeline from Plant to the two liquid production wells across the ephemeral creek in typical road

1.2 EXISTING FACILITIES

SoCalGas owns and operates the Honor Rancho underground natural gas storage facility. Approximately 50% of the facility is located in the City of Santa Clarita with the remainder located in unincorporated Los Angeles County. SoCalGas owns in fee the portion within the City and leases the remainder via a long term lease with the County.

SoCalGas uses underground storage to balance gas supply with demand. Approximately 90% of the natural gas used in Southern California comes from out of state, primarily Texas, New Mexico, Wyoming and Canada. This supply arrives at a relatively steady rate year round, while the demand varies with weather. Gas is typically injected into storage in the summer and withdrawn in the winter.

The use of storage enables SoCalGas to dramatically lower the cost of service to customers. On peak winter days approximately 60% of the gas supply comes from storage, significantly reducing the size and number of pipelines required to meet the peak load. Storage also enables gas to be purchased during low demand periods when the price is much lower and injected for later use.

SoCalGas uses a naturally occurring depleted oil reservoir to store natural gas. The reservoir is located between 10,000 and 11,000 feet underground and consists of porous and permeable sandstone that is sealed by several thousand feet of impermeable shale caprock. Gas is stored in the tiny pore spaces between sand grains. Figure 1.1-3 shows the location of exiting wells at Honor Rancho.

1.2.1 History of Oil/Gas Field

The reservoir at the Honor Rancho field held oil and gas under pressure for millions of years prior to discovery in the 1950s by Texaco Inc. The permitted storage pressure in the existing storage reservoir is limited to less than the naturally occurring pressure that was found at the time of the discovery of the oil field.

The field was acquired by SoCalGas from Texaco in 1975, after a majority of the recoverable oil had been produced, and converted to natural gas storage operations. SoCalGas continues to produce crude oil as a byproduct of its storage operations, and the revenue from selling the oil is used as an offset to costs in order to lower gas rates for SoCalGas' customers.

Currently there are 41 wells at Honor Rancho, consisting of 23 original oil producing wells and 18 wells drilled by SoCalGas. Figure 1.1-3 shows the location of the new and existing wells. At the end of the first injection cycle (in 1975), the gas inventory was approximately 17.5 Bcf at a reservoir pressure of 4400 psig. Currently, the working gas inventory at the Honor Rancho field is 23 Bcf at the previously mentioned bottom hole pressure.

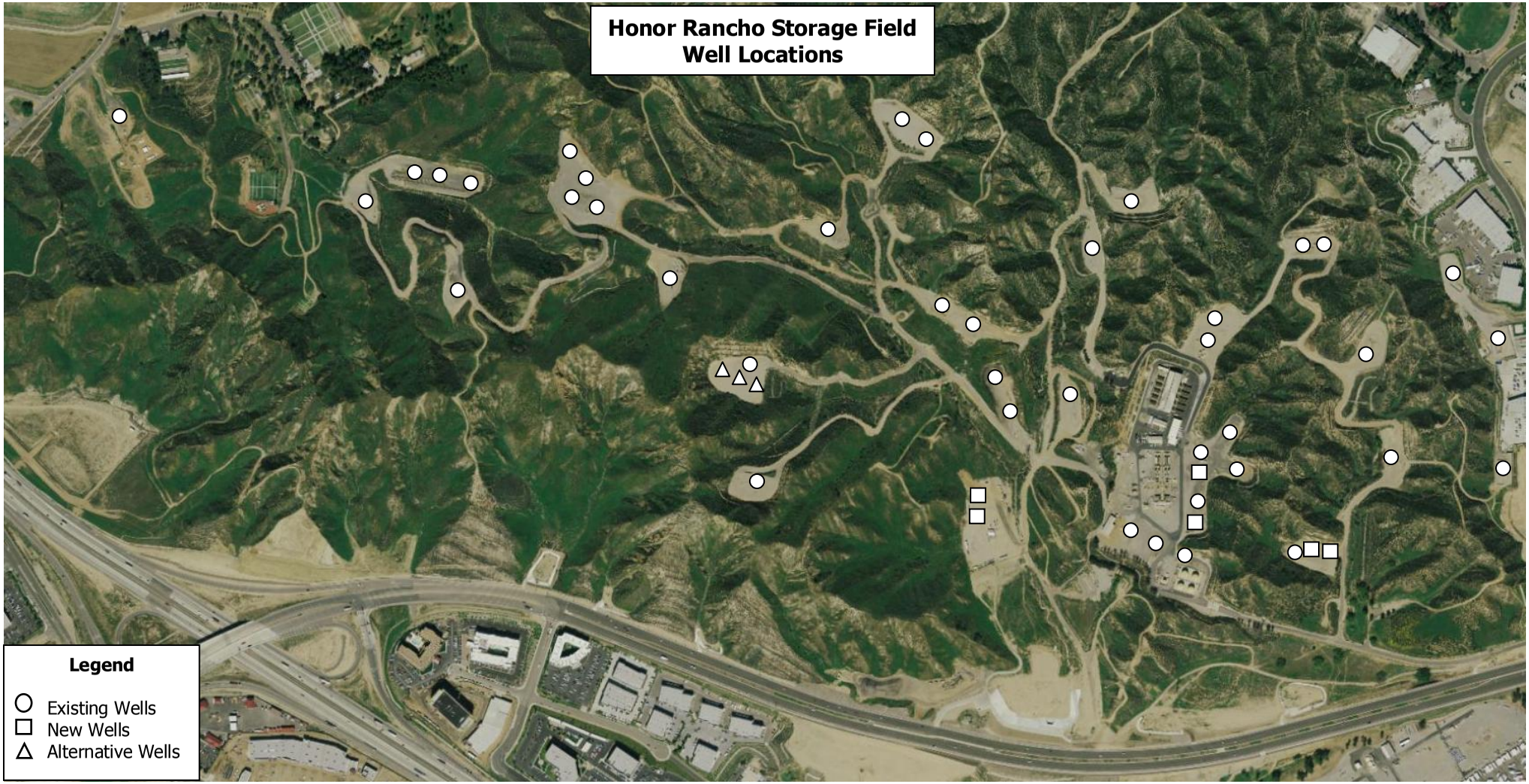
1.2.2 Subsurface Reservoir Description

The overlying stratigraphy of the Honor Rancho Storage Field is Pilocene-Plistocene, Pilocene and Upper Miocene sediments consisting of the Saugus/Upper Pico Formations (Pliocene-Plistocene), the Yule Zone/Lower Pico formation (Pliocene), the San Gabriel and the Rancho Formations (Upper Miocene). The types of rock in these formations typically include sandstone, siltstone and shale. The production zone of the storage field comes from a geologic structure known as a faulted homocline. The permitted natural gas storage zone, which is known as the Wayside 13 sand, consists of conglomeratic trubidite channel sands. The cap rock overlying the Wayside 13, is approximately 2000 feet thick, consisting primarily of shale and siltstone with occasional sandstone and conglomerate bodies. The porosity of the Wayside 13 ranges from 6-10 percent and the permeability ranges from14-20 millidarcies (mD). The thickness of the Wayside 13 ranges from 150-400 feet depending on the location in the reservoir.

1.2.3 Reservoir Injection / Withdrawal Wells and Connecting Flowlines

The Storage Field has 39 injection/withdrawal wells and 2 brine injection wells. The depth of the storage zone ranges from 9,000 feet to 11,000 feet. The average depth of the wells is approximately 10,000 feet measured depth. The well sizes vary; however, most of the wells are completed with either 7-inch or 9-5/8-inch diameter production casing. Oil and gas production comes from Upper Miocene sediments in the Wayside 13 zone, as described above. The drive mechanism of the existing storage reservoir is a gas-cap drive. The maximum withdrawal rate of a typical natural gas storage well in the Honor Rancho field can be up to 80 million cubic feet per day (MMcfd) at the maximum allowable field pressure. The maximum injection wellhead pressure is 3,600 psig.

Figure 1.1-3 Location of New and Existing Wells



1.2.4 Well-Head Sites

The existing storage wells will not be impacted as a result of this project. There are no plans to abandon any wells or construct any monitoring/test wells as part of this project.

1.2.5 Produced Water and Other Associated Products

Produced water and crude oil are removed from the withdrawal gas stream at the main facility separators. Water, oil, and hydrocarbon condensate are also produced in the dehydration process and the compression cycle. The stream flows to Dehydration/Brine Processing Plant where dissolved gasses are separated through a two-stage pressure cut.

Produced water then flows through a wash tank and a surge tank. Residual oil is skimmed from the wash tank and surge tank and is sent back to the gathering plant for reprocessing. Finally, the produced brine flows from the surge tank through the media filters to the injection pumps where it is pumped into one of two California Department of Conservation's Division of Oil, Gas, and Geothermal Resources (DOGGR) permitted brine injection wells.

1.2.6 Electric Distribution System

The existing facility self-generates the majority of electricity required to operate, however, there is an existing Southern California Edison Company (SCE) distribution service to power the office building which will be upgraded from 0.225 megawatts (MW) to 1.3 MW to support the electric submersible pumps in the three production wells.

1.3 PROJECT OBJECTIVE

On December 4, 2008, SoCalGas entered into a settlement in Phase 1 of its 2009 Biennial Cost Allocation Proceeding (BCAP Phase 1 Settlement). As part of the BCAP Phase 1 Settlement, SoCalGas agreed to "make commercially reasonable efforts to expand storage inventory capacity by 7.0 Bcf over the period 2009 – 2014. The Commission approved the settlement in D.08-12-020, finding that the provisions of the BCAP Phase 1 Settlement relating to this expansion of storage inventory capacity were "reasonable and in the public interest." The main objective of the project is to achieve the goals of the BCAP Phase 1 Settlement. The proposed project will expand storage inventory by 5 Bcf.

1.4 PROJECT OVERVIEW

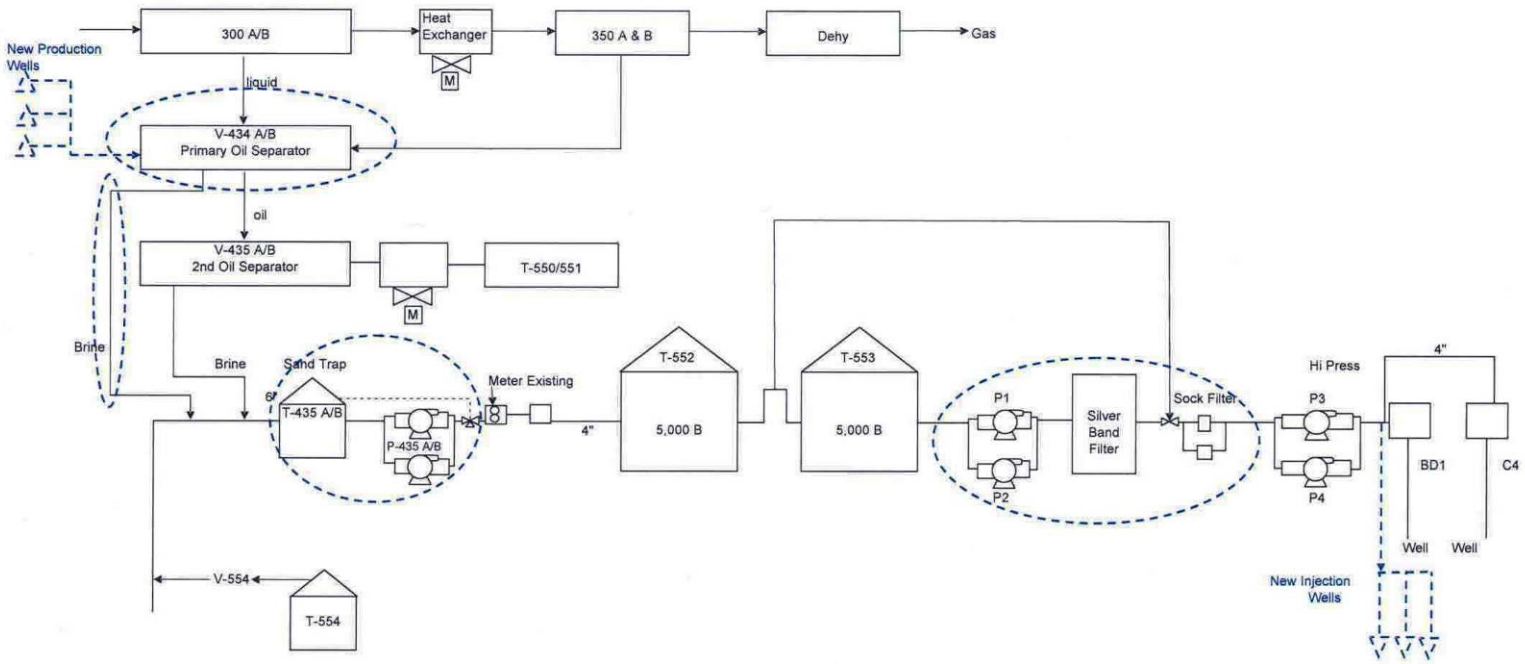
SoCalGas plans to drill up to six new wells (three liquid production wells and three liquid injection wells), install associated piping to connect the wells to the existing processing plant and modify existing process equipment and surface liquid handling facilities. The plant modification will provide capacity to process the increased liquids production and to improve the quality of the processed brine. The plant upgrades will modify existing plant equipment, electrical, piping, civil, and controls infrastructure. Figure 1.1-4 shows the current process flow with the dashed lines representing the areas to be constructed or

modified. All facilities and expansion activities will take place within the Honor Rancho facility's existing property boundaries.

The existing gas handling facilities are sufficient to cycle this increased volume of storage inventory. Maintaining an effective deliverability rate will require the eventual injection of 1.5 Bcf of cushion gas. The economics of storage development has traditionally managed the balance between the cost of cushion gas and the cost of added withdrawal wells. By maintaining the pressure with additional cushion gas or adding well capacity the same withdrawal rate can be maintained. The project plan relies on cushion gas costing $7.67 per million cubic feet.

No more than six wells will be required, regardless of the cost of cushion gas versus well use. Recent developments in horizontal wells and multiple lateral completion techniques provide an alternative to the cushion gas requirement should the price of gas increase and negatively impact the project. Once the liquid has been removed from the reservoir the liquid production wells will be available for subsurface recompletion for gas withdrawal if needed.

Figure 1.1-4 System Process Flow Diagram



1.5 PROJECT COMPONENTS

This section provides additional description and detail of the components described in the previous section.

The proposed project components include drilling up to three new liquid production wells and up to three new brine injection wells (for a total of up to six operational wells), installing associated piping to connect the wells to the existing processing plant, and modifying existing process equipment (separators, sediment tanks, filtration, pumps and associated piping). Table 1.5-1 contains a summary of the project components.

Table 1.5-1 Summary of Project Components

1.5.1 Liquid Production Wells
1.5.2 Brine Injection Wells
1.5.3 Gathering Lines
1.5.4 Dehydration/Brine Processing Plant Modifications
1.5.5 Electrical Upgrades

1.5.1 Liquid Production Wells

SoCalGas will need to drill new wells to remove liquids from the working gas reservoir. The liquid production wells will be completed in the reservoir near the original oil-water contact. The reservoir held oil and gas under pressure for millions of years down to the original oil-water contact, and as long as the gas-liquid contact in the reservoir is not lowered below this point, reservoir integrity will be assured. The production wells will be drilled as horizontal wells as deep as possible, while staying above the original oil-water contact in order to minimize premature gas breakthrough.

One of the three liquid production wells will be drilled in the existing plant area that is approximately 100 feet by 100 feet as shown in Photos 2 and 13. The other two will be drilled at a previously disturbed site approximately 330 feet by 500 feet as shown in Figure 1.1-2 and in Photo 1.

The liquid production wells will be drilled in the Wayside 13 permitted natural gas storage zone, to approximately 10,000-12,000 feet in measured depth depending on the field geology. Details of the Wayside 13 zone can be found in Section 1.2.2.

Alternate Liquid Production Well Site

If alternate wells must be drilled, they will be permitted and drilled at the alternate well site shown in Photo 3 in accordance with DOGGR regulations. The alternate well site location is approximately 2,500 feet west of the planned location for two liquid production wells as shown in Figure 1.1-1 with a well pad size of approximately 300 feet

by 230 feet. Piping from this site to the plant area would be installed in previously disturbed access roads with the exception of one small area (*see* Photo 12) near the Plant.

The alternate site for the liquid production wells is proposed in the event of an unforeseen change in plans should SoCalGas discover during the well drilling operations that the geologic target(s) are inadequate (*i.e.* poor formation thickness, formation rock type, formation permeability, etc.), or that there is a permeability barrier, or if other geological issues arise. Moving the location of the well site to the west may make another reservoir target more accessible. Due to the distance from the plant area, this location was not chosen as a primary location for the wells.

If additional wells are required, they will be permitted and drilled at the alternate well site shown in Photo 3 in accordance with DOGGR regulations. This location is approximately 2,500 feet west of the planned location for two liquid production wells as shown in Figure 1.1-1 with a well pad size of approximately 300 feet by 230 feet. In addition, the piping from this site to the plant area will be installed in previously disturbed access roads with the exception of one small area (*see* Photo 12) near the plant. Due to the distance from the plant area, this location was not chosen as a primary location for the wells.

1.5.2 Brine Injection Wells

There are currently two existing brine injection wells at Honor Rancho which also utilize sandstone intervals in the Pico Formation. The wells are operated by SoCalGas and are permitted by DOGGR. One well is located in the existing plant area. It was permitted by DOGGR in 1989 and 4.4 million barrels of brine water have been injected into the well since 1989. The well is currently utilized for the existing storage field brine injection requirements. The second well is located on the east side of the field and was converted from an idle production well to a brine injection well and injection tested in 2008, however, it has not operated in continuous brine injection service to date.

The first of three new brine injection wells will be located in the existing plant area adjacent to one of the existing storage wells. This well will be drilled in an area that is approximately 100 feet by 100 feet. The remaining two new brine injection wells will be located immediately adjacent to each other on the same pad as one of the existing brine injection wells as shown in Photo 4. The well pad for these two new brine injection wells is approximately 200 feet by 400 feet. The proposed locations of the wells are also shown in Figure 1.1-2.

The combined liquid production from the three new liquid production wells and the existing storage operations will yield an estimated total of 4,500 barrels per day of brine injection demand. This brine production rate is expected to continue for approximately 5 years, after which the brine production rate will decline over time as the Wayside 13 storage zone begins to further dry out and the additional storage reservoir space is created.

The produced Wayside 13 zone brine will be injected into sandstone intervals within the Saugus and Pico Formations, which contain discrete units of native saline, brackish water. The injection depths for the produced brine are anticipated to be between 5,000 feet and 8,000 feet below ground surface. The new Class II brine injection wells will be permitted by DOGGR.

The project is expected to require up to three new brine injection wells. If alternate wells are required due to poor formation quality (*i.e.* low permeability) or other geological issues, they will be permitted and drilled on existing well pads in accordance with DOGGR regulations.

1.5.3 Gathering Lines

Liquids from the production wells will be transported to the Primary Oil Separators in the Dehydration/Brine Processing Plant using a 4-inch diameter high pressure pipeline. Approximately 900 feet of pipeline will be needed to connect the two wells at the Fire Training area with the separators. This line will be buried with the exception of an ephemeral creek crossing where it will span approximately 40 feet across the creek and a short section entering the Plant area. The third well will require approximately 100 feet of piping to connect it to the separators. If the alternate well site is used, the additional footage of 4-inch diameter pipe from the proposed well location will be approximately 2,500 feet and will be installed in the existing road.

The brine injection wells will use 3-inch diameter high pressure pipelines to connect to the existing piping. These lines will also be buried from the well to the existing piping. All pipelines will be designed and constructed according to DOT 49 CFR 192 and Company standards.

1.5.4 Brine Processing Modifications

Plant equipment modifications are required to process the increased liquid production from the new wells. Currently, a high production day typically involves approximately 2,000 barrels per day of total fluid. This high production period typically lasts from a few days to a few weeks late in the withdrawal season, when liquid encroachment into the reservoir is occurring. Expanding the working inventory consistent with the BCAP Phase 1 Settlement schedule will require production of 4,500 barrels per day on a continuous basis for approximately 5 years.

The fluid produced must be processed and filtered before it can be injected into the brine injection wells. SoCalGas has an existing system that processes all produced fluids; however, this system will need to be modified to handle the increased volumes. Although physically large enough to handle the increased fluids, four existing vessels and two existing tanks will need internal modifications (*e.g.*, relocate weirs, add perforated plates, install cyclonic inlets, install outlet collector piping, etc.,) to efficiently separate and process the increased fluid volume. In addition to modifying this equipment, several small pumps and filters will need to be replaced to process the higher fluid volumes.

Replacing these pumps and filters as well as modifying the internals of the vessels and tanks are considered to be minor and routine in nature.

1.5.5 Electrical Upgrades

The Honor Rancho facility currently provides a majority of its own electrical power with local generation for its plant operations, and also has an existing electric supply from SCE's local distribution system to provide back-up power for critical equipment. The Honor Rancho facility has enough electrical generation capacity to continue to operate the plant equipment loads under the expansion; however, an expansion of the existing 0.225 MW distribution electric service to 1.3 MW will be required to operate the three submersible pumps which will be installed in each liquid production well.

1.6 RIGHT OF WAY REQUIREMENTS

The proposed wells, gathering line and plant modifications are located on private property owned by SoCalGas and therefore will not require any new Right Of Way agreements.

1.7 CONSTRUCTION

This section describes the project construction schedule, staging, access requirement, personnel and equipment requirements, as well as descriptions of the specific construction elements of each major project component including:

- Well Pad Preparation, Drilling, Surface Facilities
- Brine Processing Plant Modifications
- Installation of Gathering Lines

1.7.1 Construction Schedule

Construction activities will generally occur Monday through Friday in compliance with local requirements, except for well drilling which will be 24 hours a day, 7 days a week. Each well will take approximately 20 days to construct and construction will be continuous until all six wells have been completed. Following approval of the CPCN, SoCalGas intends to begin construction in January 2010 and complete construction in the first quarter of 2011.

A preliminary construction schedule is shown on Figure 1.7-1. An estimated 14 months is required to construct the project components. Construction will be sequenced to minimize the overall construction timeframe and to ensure that construction emissions remain below levels of significance.

1.7.2 Equipment and Material Staging Areas

Equipment staging areas located within the Storage Field will provide staging areas for equipment, piping, materials, and worker parking as shown on Figure 1.7-2. These locations include a combination of existing graveled well sites and storage areas.

Construction at well sites will be accomplished within existing well pad areas. If necessary, additional material staging for well drilling and facility construction is available at other existing well pads and other developed sites within the Storage Field.

Figure 1.7-1 Project Schedule

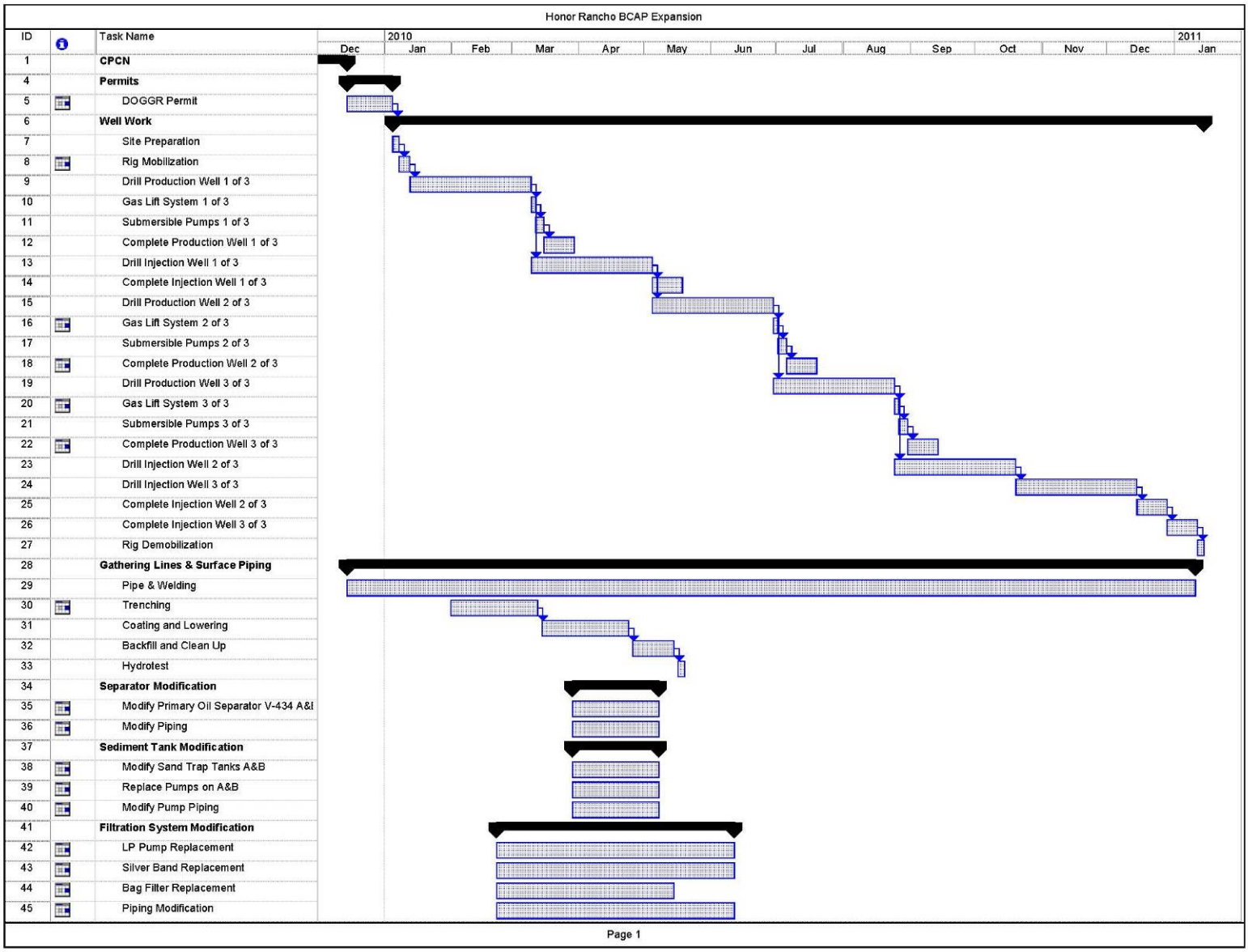
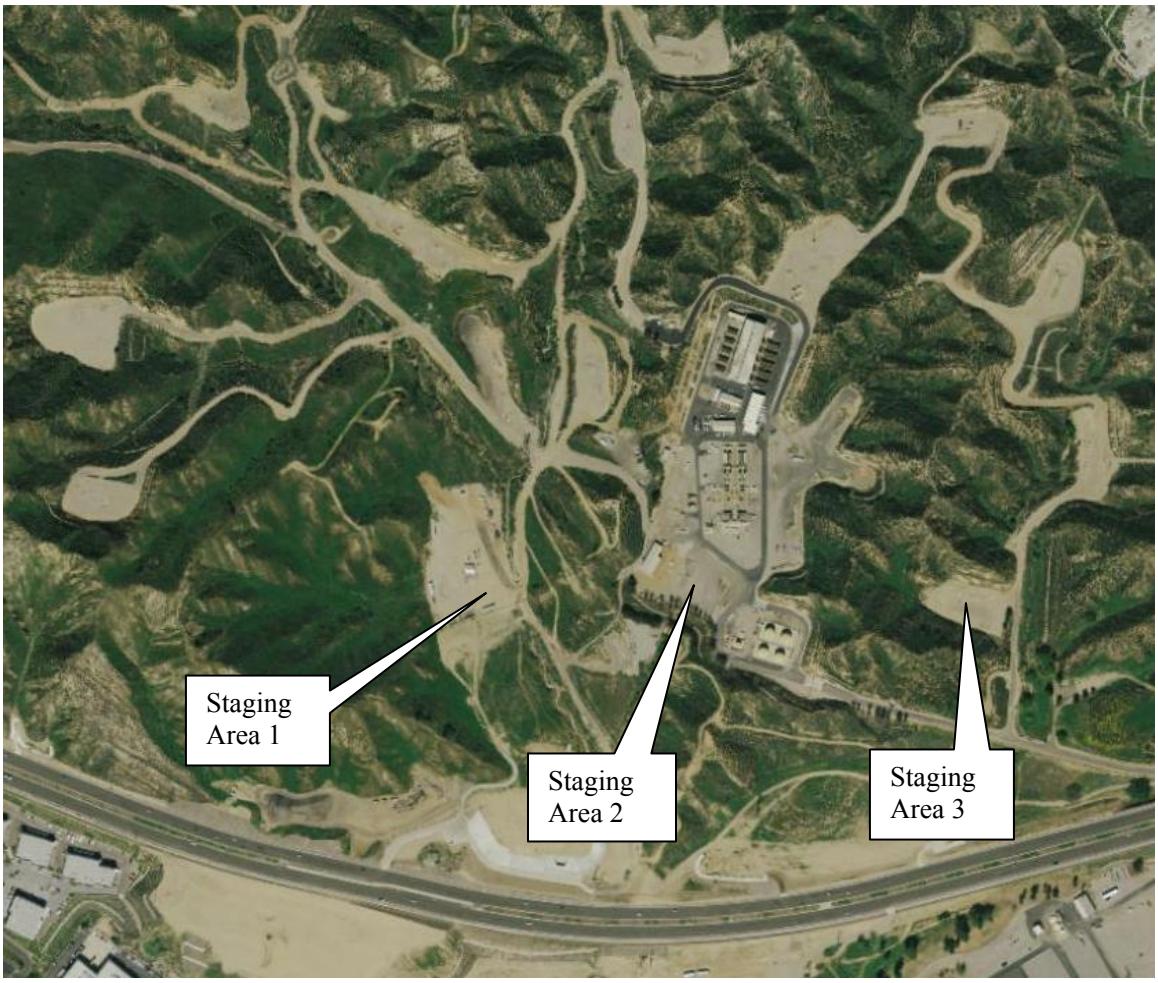


Figure 1.7-2 Equipment and Material Staging Areas



1.7.3 Access Roads and Construction Vehicle Circulation

The existing road network within the Storage Field will provide access to the proposed well sites and plant modifications. Construction of new piping between the wells and processing plant will not require any new roads.

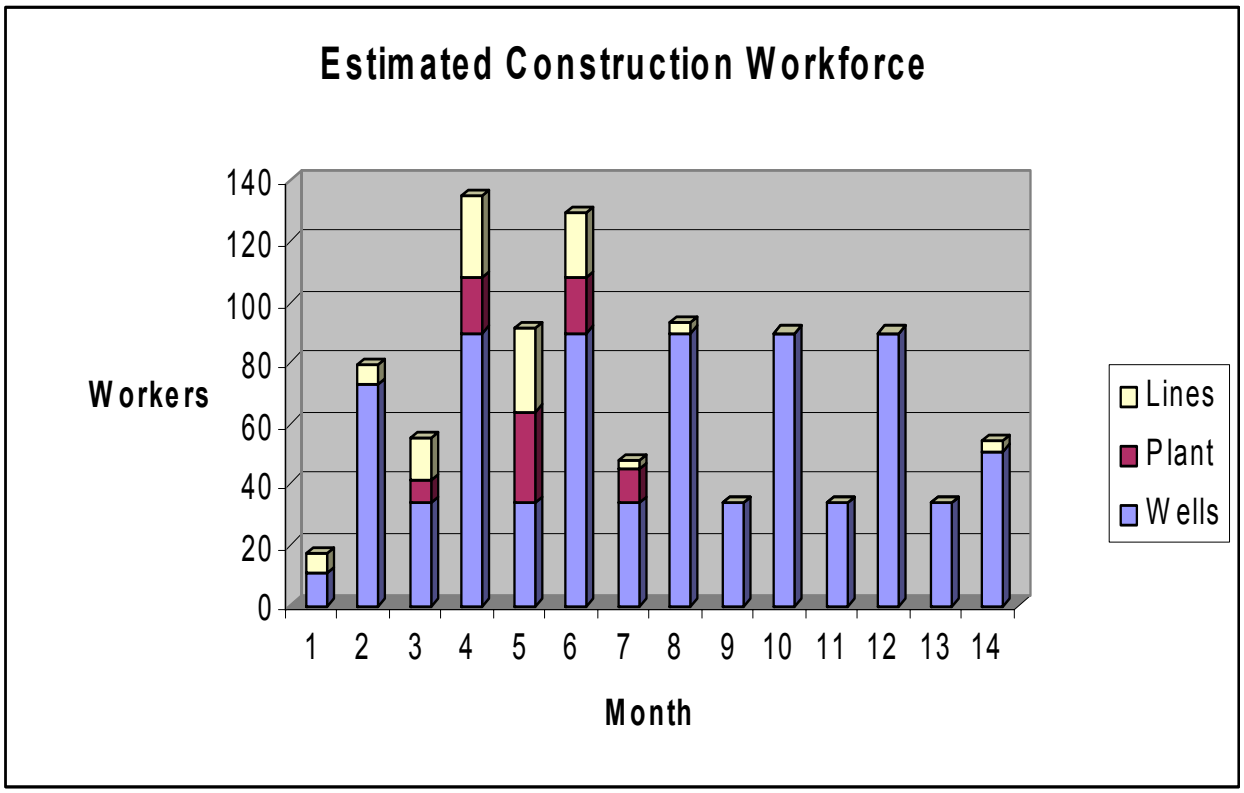
1.7.4 Construction Workforce and Equipment

Two Project Managers have been assigned to this project, one will be responsible for well operations and the other will be responsible for surface piping and plant modifications. Workforce estimates are shown in Figure 1.7-3 by month. The project will create temporary construction related jobs over the 14 month period. The workforce will vary month to month and the work will take place in different locations (*i.e.*, well pads or plant area) simultaneously. During months 1 through 3, the average daily workforce is estimated to peak at 79. During months 4 through 7, the average daily workforce will peak at approximately 135. During months 8 through 14, the workforce is expected to

decline and fluctuate monthly from 90 to 30 workers. This change is associated with the completion of wells.

It is anticipated that approximately 20 percent of the workers with relevant technical expertise will be from Los Angeles, Orange, and Ventura Counties. The temporary construction labor force (approximately 80 percent) will likely be from the Bakersfield area and may reside in or near the City of Santa Clarita and County of Los Angeles during the well site operations.

Figure 1.7-3 Construction Workforce Estimates



Standard mechanical construction equipment will be used to prepare the work sites and install the proposed equipment. Tables 1.7-1 through 1.7-3 provide preliminary lists of construction equipment requirements for the various construction components.

Table 1.7-1 Well Pad Preparation, Drilling, and Surface Facilities Estimated Equipment

Activity	Quantity of Equipment
Initial Preparation	1 - Grader 5 - Gravel Truck 1 - Bucket Rig 1 - Flat Bed Truck 1 - Cement Truck 1 - Backhoe 1 - Stinger Crane
Well Drilling Setup	15 - Flatbed Hauling Truck – Rig (Only 2 to 3 days) 2 - Crane 6 - Crew Truck 2 - Welding Truck 1 - Tank Hauling Truck 6 - Flatbed Hauling Truck (Misc)
Drilling	1 - Drilling Rig 1 - Cement Pump Truck 1 - Cement Mixing Truck 1 - Cement Mixing Crew Truck 1 - Wireline Logging Truck 1 - Wireline Logging Crew Truck 2 - Vacuum Truck 1 - Diesel Fuel Truck 1 - Casing Pickup/Laydown Machine 1 - Casing Crew Truck 1 - Stinger Truck 1 - Drilling Tools Service Truck 1 - Forklift 1 - Backhoe 1 - 225 kW Portable Generator 1 - Water Truck 5 - Flatbed Hauling Truck – Misc 7 - Trailers - Living/Office 1 - Welding Truck 1 - Drilling Rig Maintenance Truck 2 - Solids Hauling Truck
Well Completion	1 - Mobile Workover Rig 1 - Mobile Workover Rig Pump 1 - Mobile Workover Rig Generator 1 - Wireline Perforating Truck 1 - Wireline Perforating Crew Truck 1 - ESP Service Company Truck 1 - Vacuum Truck 1 - Stinger Truck 1 - Forklift 1 - 225 kW Portable Generator 6 - Flatbed Hauling Truck – Misc 1 - Welding Truck 2 - Solids Hauling Truck

Table 1.7-2 Brine Processing Plant Modification Estimated Equipment

Activity	Quantity of Equipment
Separator Modifications	1 - Welding Truck 2 - Pickup Truck 1 - Air Compressor
Sediment Tank Modifications	1 - Welding Truck 2 - Pickup Truck 1 - Stinger Crane 1 - Flatbed Truck 1 - Air Compressor
Filtration System Modifications	1 - Welding Truck 2 - Pickup Truck 1 - Stinger Crane 1 - Flatbed Truck
Associated Piping and Pumps	1 - Welding Truck 2 - Pickup Truck 1 - Stinger Crane 1 - X-Ray Rig 1 - Backhoe

Table 1.7-3 Gathering Lines and Surface Construction Estimated Equipment

Activity	Quantity of Equipment
Trench Crew	1 - Backhoe 1 - Dump Truck 2 - Pickup Truck 1 - Water Truck 1 - Air Compressor
Pipe and Welding Crews	1 - Stinger Crane 1 - Flatbed Truck 2 - Welding Truck 2 - Pickup Truck 1 - Water Truck
X-Ray Crew	1 - X-Ray Rig
Coating and Lowering Crew	1 - Side Boom 1 - Backhoe 2 - Pickup Truck
Backfill and Clean Up Crew	1 - Backhoe 1 - Dump Truck 2 - Pickup Truck 1 - Water Truck

1.7.5 Well Pad Preparation, Drill, Surface Facilities

Well pad construction consists of three phases: preparation of the well pad sites for drilling equipment, drilling wells, and installation of well pad surface facilities. Construction of the wells is estimated to take up to 13 months, subject to weather conditions.

Well Pad Preparation - Each well pad will be leveled by applying additional gravel to accommodate drilling equipment. Drainage and runoff will be contoured to a collection point in order to control storm water discharge.

Drilling - Well drilling is the boring of a well either vertically or at increasing angles up to horizontal. Up to three liquid production wells and three brine injection wells will be drilled in this project. Total depths of the wells will vary depending on the exact depth of the reservoir at each specific well location.

Once a given wellsite is prepared and contoured, the mobile drilling rig and associated equipment and tanks will be driven to the pad and constructed. The type of drilling rig which will be used is self-contained and will be moved to each well upon completion of a prior the well. The typical equipment associated with the drilling rig includes the derrick, rig floor, drawworks, substructure, mud system, pipe racks, changing quarters, tool pusher trailer, and power units.

The associated service equipment (*i.e.*, cementing trucks, wireline trucks, etc.) and materials (*i.e.*, casing, drilling mud, etc.,) will be typically delivered during daylight hours whenever possible. The drilling rig will operate 24 hours per day, 7 days per week while each well is in the drilling process. There will be two, 12-hour personnel shifts each day. After the drilling portion of a well is completed, the drilling rig will be partially dismantled and relocated to the next well and reassembled. The completion rig will be moved onto the newly drilled well and setup to "complete" the well. The completion rig typically operates a crew on one 12 hr shift and the equipment and the crew typically work only during daylight hours during the well completion operations.

Drilling activities involve the use of the rig's rotary table to turn the drilling bit. As the bit advances deeper into the subsurface, additional pipe is added in the pipe segments. Lengths of pipe are taken up from the pipe rack and held in place until the rig operator is ready to attach the new pipe segments. After conducting safety checks, the rotary table is stopped, the drill string is unscrewed, and new lengths are added. The system is repressurized and drilling continues. Drilling mud is used to lubricate the bit, to transport drill cuttings from the bottom of the hole to the surface, as well as control the down-hole formation pressure. All fluids used for the drilling operation will be contained in temporary mobile 500 barrel tanks or 55-gallon drums stored within a containment area. Brine and mud circulation systems are based on closed-loop designs, which result in no wellsite earthen sumps or discharge to any earthen sump. Once the well has been drilled and completed, the ancillary valving, piping, and monitoring equipment is installed and

tested. A list of equipment used in the well drilling and well completion process is listed in Table 1.7-1.

Surface Facilities New surface facilities will be constructed at each well site when the well is completed. New surface facilities will include the wellhead and production tree, lateral piping and valves, as well as an electrical panel at each production well.

1.7.6 Brine Processing Plant Modifications

The existing liquid handling equipment can process the brine far more effectively with only minor additions to the system. Experience with the existing brine volumes at Honor Rancho has demonstrated that improved surface process is the cost-effective means of handling the brine. These system improvements reduce the more expensive down-hole maintenance over the life of the project.

The brine processing system is located within the Dehydration area and consists of two identical trains. On each of the two liquids processing trains, the internal components of two separators and a sediment tank will be modified to efficiently process the increased liquid flows, and the connecting pipes and pumps will be upgraded. In addition, the process also consists of a filtration system with filters, piping, and pumps which must also be upgraded. A list of equipment used for the plant modifications is listed in Table 1.7-2.

1.7.7 Installation of Gathering Lines

Fluids produced from the production wells will be piped to the liquids processing equipment located in the Dehydration area of the facility process via a buried steel 4-inch diameter line. In addition, the resulting brine water from the liquids processing equipment will use a 3-inch diameter line from the brine filtration area to the brine injection wells. All pipelines will be buried at a minimum depth of 3 feet.

Because the well pads are preexisting, construction of the gathering lines will begin with the project and will not interfere with the drilling operations. In addition, electrical lines to power the submersible pumps will be installed in the same trench with the gathering lines. Construction will continue for the project duration. Equipment needs for pipeline construction are listed in Table 1.7-3.

Preliminary gathering line locations are shown on Figure 1.1-2 in Section 1.1. The lines will follow existing roads between the well pads and the dehydration facility, and will be buried along their entire length except at the wellheads, a creek crossing, and a short section entering the Plant area. Due to the small diameter of the gathering lines, the pipeline trench will be approximately 4 to 5 feet deep by 2 feet wide. In addition, no special construction techniques such as horizontal boring methods will be required. The lines will be constructed using pipeline construction techniques as described in following section.

Surveying Right-of Way

The pipeline alignment will be surveyed and identified prior to beginning construction activity. Alignment identification will include staking the centerline of the pipeline, foreign line crossings, and the limits of the construction work area.

Underground Facilities Coordination

To avoid or minimize construction conflicts with existing utilities and public services, the Underground Service Alert (USA) system will be utilized and USA will be contacted at least two full working days before construction activity begins. USA will contact all owners of underground pipelines and utilities that are registered with USA and inform them that construction is about to begin in their service area. This notice allows the owners to mark the areas near the construction site so that these areas can be avoided during project construction.

Clearing and Grading

Two 10 feet by 20 feet areas will be cleared to allow the installation of caissons for pipe supports at the ephemeral creek crossing, as well as a 45 feet by 15 feet area near the Plant area (*see* Photos 11 and 12 respectively). No grading other than leveling the existing well pads with additional gravel is anticipated for this project.

Pipeline Trenching Methods

Trenching for the gathering lines will be accomplished with backhoes and hand digging. The trench will be excavated to a depth sufficient to provide the appropriate amount of cover, which generally will be a minimum of 4 feet over all pipelines.

Trench spoil will be stored next to the trench where possible or deposited in a spoil storage area at a designated previously disturbed site. The trench width for the pipeline will be approximately 24 inches; however, the trench may be wider in sandy areas to allow for unstable soils and a sloped trench wall. Based on the known geologic conditions in the project area, blasting will not be required.

Stringing, Welding, and Installation

The trucks will travel on existing roads to deliver pipe and skids to a designated previously disturbed area. When emptied of their cargo, the trucks will turn around in the same areas and any mud on the tires, wheels, and undercarriage that could be dropped in transit on public roads will be removed before the vehicles leave the facility. Pipe handling equipment such as a sideboom tractor and hydraulic cranes will be used to install the pipe in the trench.

Pipe ends (bevels) will be cleaned prior to welding by means of filing or wire brushing to remove rust, scale, and dirt. A sideboom crawler tractor or other suitable hoisting machine will lift each joint of pipe to abut and align with the bevel of the previous joint, and a suitable space for welding will be attained. Welders qualified by testing to the welding codes and SoCalGas requirements will apply an initial pass of weld and will progress to the next aligned joint as the first weld pass is applied. Subsequent welding passes may be applied by other welders following the initial pass, until satisfactory weld metal has been applied. Each pass, including the final pass, will be mechanically cleaned of slag by wire brush and/or grinding disc, and the welds will be radiographically or ultrasonically inspected for defects. Welds that are defective beyond SoCalGas' limits will be repaired by grinding out the defect and rewelding the objectionable area, or they will be removed and new material will be welded in.

Welding will be performed in accordance with the American Petroleum Institute Standard Number 1104, U.S. Department of Transportation (DOT) pipeline safety regulations 49 CFR Part 192 (latest editions), and SoCalGas' Standards. Completed welds will be visually and radiographically inspected in accordance with the same standards to determine the integrity of the welds.

After passing quality control checks, the weld areas (field joints) will be coated with either a powdered epoxy applied to induction-heated weld areas; with a liquid epoxy; or with a mastic sleeve that, when heated, will shrink to form a snug fit on the pipe, and the mastic will become viscous to eliminate air pockets and provide adhesion. The pipe will be visually checked for damaged coating (holidays), and damaged areas will be repaired by means of melting a stick form of epoxy onto the damaged area. After the last handling, an electrical coating tester attached to a girth spring will be passed along the entire length of the pipe, alerting audible signal presence of defects (holidays) in the pipe coating. These damages will be repaired prior to lowering the pipe into the trench.

Pipeline sections that are ready to be installed into the trench will be lowered in by means of nylon straps or wheeled "cradles" suspended from sideboom tractors or other hoisting equipment. The bottom of the trench will be padded with sand or fine-grained soils to prevent pipe wrap damage. Inspectors will ensure that the minimum required cover is attained.

Trench Backfilling

After the pipe is placed into the trench, the trench will be backfilled with the previously excavated material. If rock conditions exist in the project area, a layer of rock-free soil will be placed over the pipe to protect the coating, the soil will be compacted to SoCalGas' Standards, and the backfill operation will be completed. Any leftover soil will be stored at the facility.

Horizontal, Conventional, or Slick Boring

The project will not require any horizontal, conventional, or slicking boring. However, an auger will be used to drill 18 to 24 inch diameter holes for the caissons installation to span the creek.

Hydrostatic Testing

Following installation, the integrity of each segment of the pipeline will be assessed by hydrostatic testing (*i.e.*, testing the pipe with pressurized water). Hydrostatic testing will be conducted in accordance with the requirements of the DOT pipeline safety regulations 49 CFR Part 192 and the Company's Standard. The source of water will be from the City of Santa Clarita. A hydrotest plan will be developed that includes appropriate disposal and treatment methods.

1.8 OPERATION AND MAINTENANCE PROCEDURES

Liquid Production and Injection Well Site Monitoring and Control

The flow of liquids from the new production wells will be metered so that the characteristics and performance of the reservoir may be properly monitored. Wellheads will be equipped with emergency shutdown valves to close off the flow to the brine processing facility under certain preset conditions (*e.g.*, fire, excessive flow, abnormal pressure, etc.).

The flow of liquids to the new brine injection wells will be metered during operations so that the characteristics and performance of the injection operations may be properly monitored. The facilities will be equipped with emergency shutdown systems to close off the flow of water from the surface storage tanks to the injection well facility, and under certain conditions (excessive flow, abnormal pressure, etc.) from the wells to the surface storage tanks.

Moreover, the existing Operation and Maintenance procedures currently in place at the facility will ensure all new wells, piping, and equipment upgrades will function in a safe and efficient manner.

1.9 SUMMARY OF DESIGN, CONSTRUCTION, AND OPERATION BEST MANAGEMENT PRACTICES

This section lists several main elements of the project best management program, and lists specific design features, construction methods, and operational procedures that will be implemented for the project. Collectively, these measures are intended to avoid and/or minimize potential safety risks and environmental impacts.

1.9.1 Construction Staging and Designated Work Zones

Before ground-disturbing activities are initiated, construction work areas will be clearly staked and flagged to ensure all equipment and work activities are confined to designated work zones.

1.9.2 Underground Utility Plan

Prior to trenching, known pipelines, telephone cables, and other underground structures will be located. All necessary precautions will be taken to protect the underground structures from damage as a result of the construction work. The DigAlert System will be used to identify the foreign underground structures. The owners of all foreign underground structures will be notified in writing of the proposed project excavation work and will be telephoned again prior to excavating near their facilities. The underground structures will normally be crossed by ditching under them unless the owner of the pipeline(s) allows the natural gas pipeline to be installed over them. The trench will be hand dug in areas in close proximity to existing pipelines. A minimum clearance of 1 foot will be maintained where feasible between such foreign lines or structures and the project pipeline, unless otherwise specified. Where this clearance is not feasible, special procedures will be followed to protect existing structures. Pipe and/or pipe coating damaged by the construction work will be repaired. Special care will be taken to protect other pipelines and coatings in the vicinity of new construction.

Where there are existing high priority subsurface installations, the requirements of SB 1359 (Chapter 651, Statutes of 2006) will be followed. This law provides a process for identifying and delineating high priority subsurface installations, prior to construction activities occurring near these installations.

1.9.3 Injection Plan

DOGGR is the lead agency for the wells drilled into an underground gas storage facility as well as the brine injection wells. The Honor Rancho Storage Field is a DOGGR approved and permitted underground gas storage field. SoCalGas will submit for approval, the necessary Notice of Intention to Drill New Well forms as required for each new well drilled. All the data obtained during the drilling and completion operations as well as the ongoing liquid production data, brine disposal data and well integrity verification requirements will be submitted to DOGGR district deputy as per the DOGGR permit requirements.

1.9.4 Air Quality Protection

The facility is located in the South Coast Air Basin, within the jurisdiction of the South Coast Air Quality Management District (SCAQMD). The SCAQMD is the regional government agency responsible for air pollution control in Los Angeles County and issues permits governing the operation of equipment that emits or controls the emission of air pollution. Excavation, grading or earth moving activities may produce fugitive

dust which is subject to AQMD Rule 403. Any fugitive dusts will be mitigated by wetting or covering stockpiles. In addition, the drilling rig and the associated equipment used during the proposed project will be CARB certified equipment. For the equipment larger than 50 horsepower, the facility collects copies of all contractor fuel usage and equipment run time logs as per our normal operating procedure.

Although the state and local agencies do not place any limits on Greenhouse Gas (GHG) emissions that result from construction operations including vehicle trips, idling trucks, or equipment, such activities will be monitored with the intent to reduce the potential for such emissions.

1.9.5 Noise Control Plan

Construction will comply with applicable Los Angeles County and City of Santa Clarita noise regulations. Construction will typically occur during daytime hours weekdays and Saturdays. In cases where night-time construction will be necessary (*e.g.* during well drilling), best management practices will be followed to minimize construction noise that may impact sensitive receptors. Additional design features could include use of quieter equipment or further insulation of noise-generating equipment.

1.9.6 Hazardous Materials

This project will manage waste, hazardous and non-hazardous, as defined by regulations and SoCalGas best management practices. In addition, the following measures will be incorporated into the construction contract specifications to address any hazardous materials generated from construction-related activities:

- All waste will be disposed of to an appropriate disposal or recycling facility
- Diesel fuel and petroleum-based lubricants will be stored only at designated staging areas
- All hazardous material spills or threatened releases, including those of petroleum products such as gasoline, diesel, and hydraulic fluid, regardless of the quantity spilled, will be immediately reported if the spill has entered or threatens to enter a water of the state, or has caused injury to a person or threatens injury to public health
- A Hazardous Materials Contingency Plan will be implemented if an accidental spill occurs or if any subsurface hazardous materials are encountered during construction. Provisions outlined in this plan will include phone numbers of county and state agencies and primary, secondary, and final cleanup procedures

Buried hazardous materials may be encountered during construction. Generally the materials would be identified visually or by the detection of an odor. If such materials are encountered, several standard procedures will be implemented, including:

- Identification of contaminated soils or water
- Remedial Action
- Training and Site Security
- Notification Procedures
- Storage, Removal, and Disposal

1.9.7 Fire Management

SoCalGas recognizes the potential for increased fire risk during construction activities and will develop fire management measures as part of the construction safety and emergency response plan for use during construction. The plan will include notification procedures and emergency fire precautions, such as the following:

- All internal combustion engines, stationary and mobile, shall be equipped with spark arresters, meeting applicable regulatory standards
- Spark arresters shall be in good working order
- Light trucks and cars with factory-installed (type) mufflers, in good condition, may be used on roads where the roadway is cleared of all vegetation
- "No Smoking" signs and fire rules shall be posted on the project bulletin board at all contractor field offices and areas visible to employees
- Equipment parking areas and small stationary engine sites shall be cleared of all extraneous flammable materials
- Fire extinguishers shall be accessible at all areas during construction activities

1.9.8 Biological Resources

The proposed activities are primarily within developed areas; however, two small areas of native vegetation will be permanently impacted as a result of new pipeline installation. In addition, the attached Biological Technical Report (Appendix F of the **APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY TO AMEND ITS CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE HONOR RANCHO NATURAL GAS STORAGE FACILITY** document) has identified five special status species that have the potential to occur at or near the project site. Therefore the following best management practices are proposed to avoid and minimize impacts to biological resources to the extent feasible.

- If project activities occur during the bird nesting season (February 1 to September 1) a qualified biologist shall perform a pre-activity survey for nesting birds. If nesting birds are detected within the project vicinity the biologist will determine if work can occur without causing nesting failure.
- Staking and flagging identified in Section 1.9.1 will be installed in a manner that will minimize impacts to vegetation.
- Staging and storage areas shall be located in previously disturbed areas and outside of any existing drainages.
- No equipment maintenance or refueling activities shall occur within or near existing drainages.

- All food and trash that could attract opportunistic predators, such as ravens and feral dogs and cats, shall be kept in covered containers and be disposed of on a regular basis.
- No pets or firearms shall be allowed on the job site.

1.9.9 Cultural Resources

An Archaeological Literature Search Report prepared in June 2007 for a previous project did not identify any historic or prehistoric resources within the Honor Rancho facility; therefore, no impacts to significant archaeological resources are anticipated. However, in the unlikely event that archaeological resources are encountered during project activities all work in the vicinity of the find shall halt until a qualified consultant can evaluate the find.

1.9.10 Paleontological Resources

No impacts to significant paleontological resources are anticipated because of the disturbed condition of the project site and the shallow depth of excavations. However, in the unlikely event that paleontological resources are encountered during project activities all work in the vicinity of the find shall halt until a qualified consultant can evaluate the find.

1.9.11 Aesthetics/Visual Resources

The topographic characteristics (surrounded by hills) of the Honor Rancho facility and the distance to the nearest sensitive receptor (> 500 feet) eliminate or minimize aesthetic/visual impacts. Therefore, no best management practices are required.

1.9.12 Site Restoration

Upon completion of the project:

- All areas disturbed by project activities shall be returned to pre-construction contours to the extent feasible.
- Areas of native vegetation affected by project activities shall be re-vegetated with a native seed mix of grasses and forbs.

Implement Erosion and Sediment Control Practices

Erosion and sediment control measures are used to reduce the amount of soil that is displaced or transported from a land area and to control the discharge of soil particles. The following standard erosion and sediment control measures and practices will be used during and after construction to control accelerated soil erosion and sedimentation:

- Minimize site disturbance
- Perform initial cleanup
- Install temporary erosion control features
- Compact subsurface backfill material
- Apply an Appropriate Seed Mix

These measures are described below and are routinely implemented in the construction industry. They have been successful for projects involving surface and subsurface disturbances similar to those proposed in this project.

Minimize Site Disturbance. The most basic way to avoid erosion is to minimize site disturbance. Construction contractors will be directed to:

- Remove only the vegetation that it is absolutely necessary to remove
- Avoid off-road vehicle use outside the work zone
- Avoid excessive trips along the access or public roads
- Instruct all personnel on storm water pollution prevention concepts to ensure that all are conscious of how their actions affect the potential for erosion and sedimentation

Construction inspectors will be on site during all construction activities and will reinforce the importance of confining all vehicular traffic to the existing access roads.

Spoil From Well Drilling Operation. The non-hazardous drill cuttings will be stored in either steel shale pits or plastic lined roll off bins until the cuttings are either land farmed on site (upon receipt of a Regional Water Quality Control Board permit) or hauled to a company approved non-hazardous landfill. The temporary liquids storage (drilling mud or brine) will be contained in a series of steel closed top, 500 barrel Baker Tanks pending disposal at a permitted oil field wastewater disposal facility. The plan will be to reuse the drilling mud systems from well to well as much as possible to minimize liquid wastes.

Perform Initial Cleanup. The contractors will be directed to perform initial site cleanup immediately following construction activities. Initial cleanup includes removing debris and spoils and restoring original contours

Compact Subsurface Backfill Material. Proper compaction of subsurface soil serves as an erosion control measure. Properly compacted trench furrows help prevent surface and subsurface migration of water along the plow or trench furrow and prevent trench settlement.

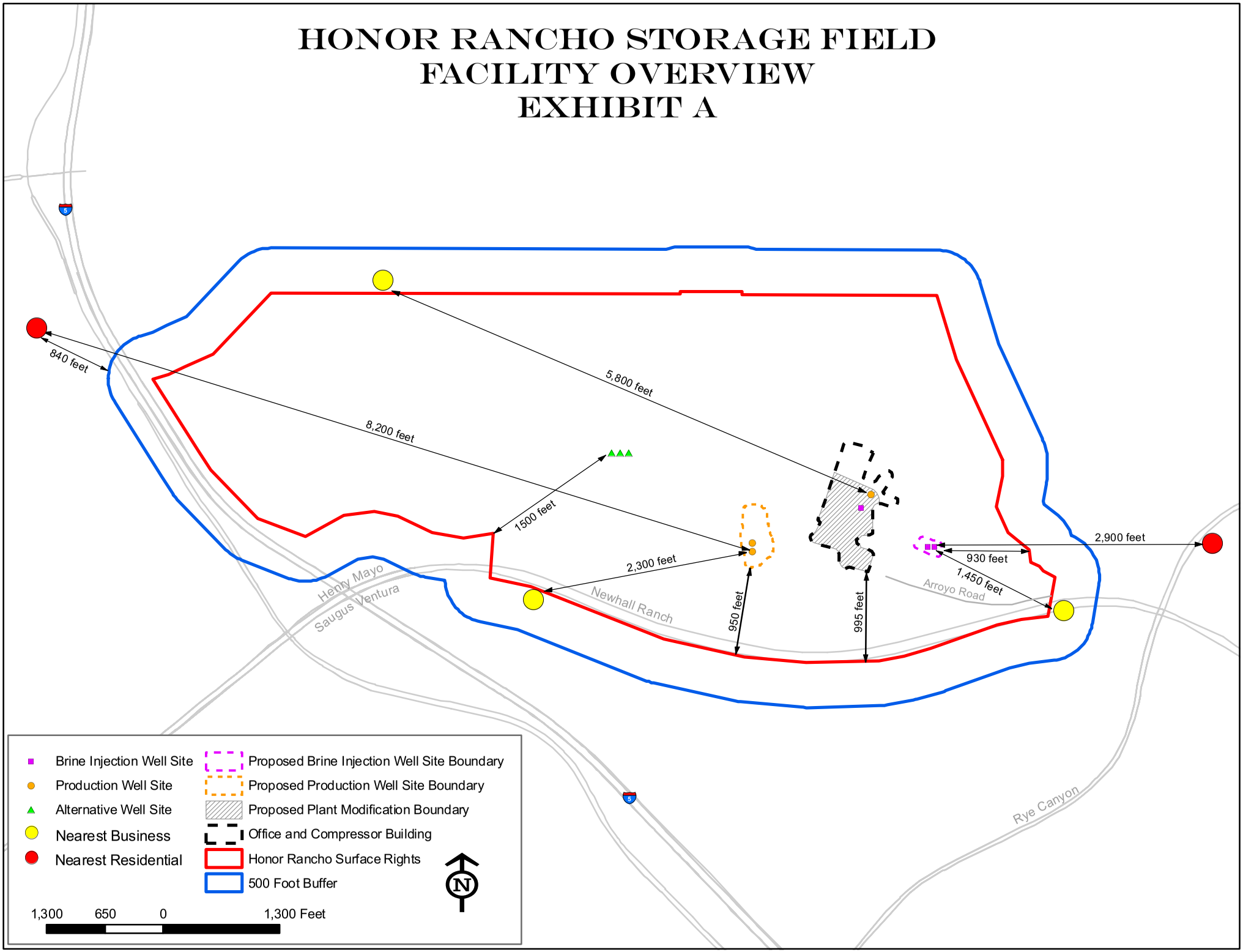
Apply an Appropriate Seed Mix. Seeding consists of sowing soil-stabilizing grasses on areas disturbed by construction activities. Vegetation serves to control both erosion and sedimentation. The root structure of the vegetation holds soil in place to resist erosion. Grasses slow the flow of surface water, allowing suspended particles to settle. All disturbed areas will be reseeded immediately after construction activities are completed. Reseeding will use species that are appropriate to the site.

1.10 REQUIRED PERMITS AND PLANS

This project will require a permit from DOGGR for well drilling and operations.

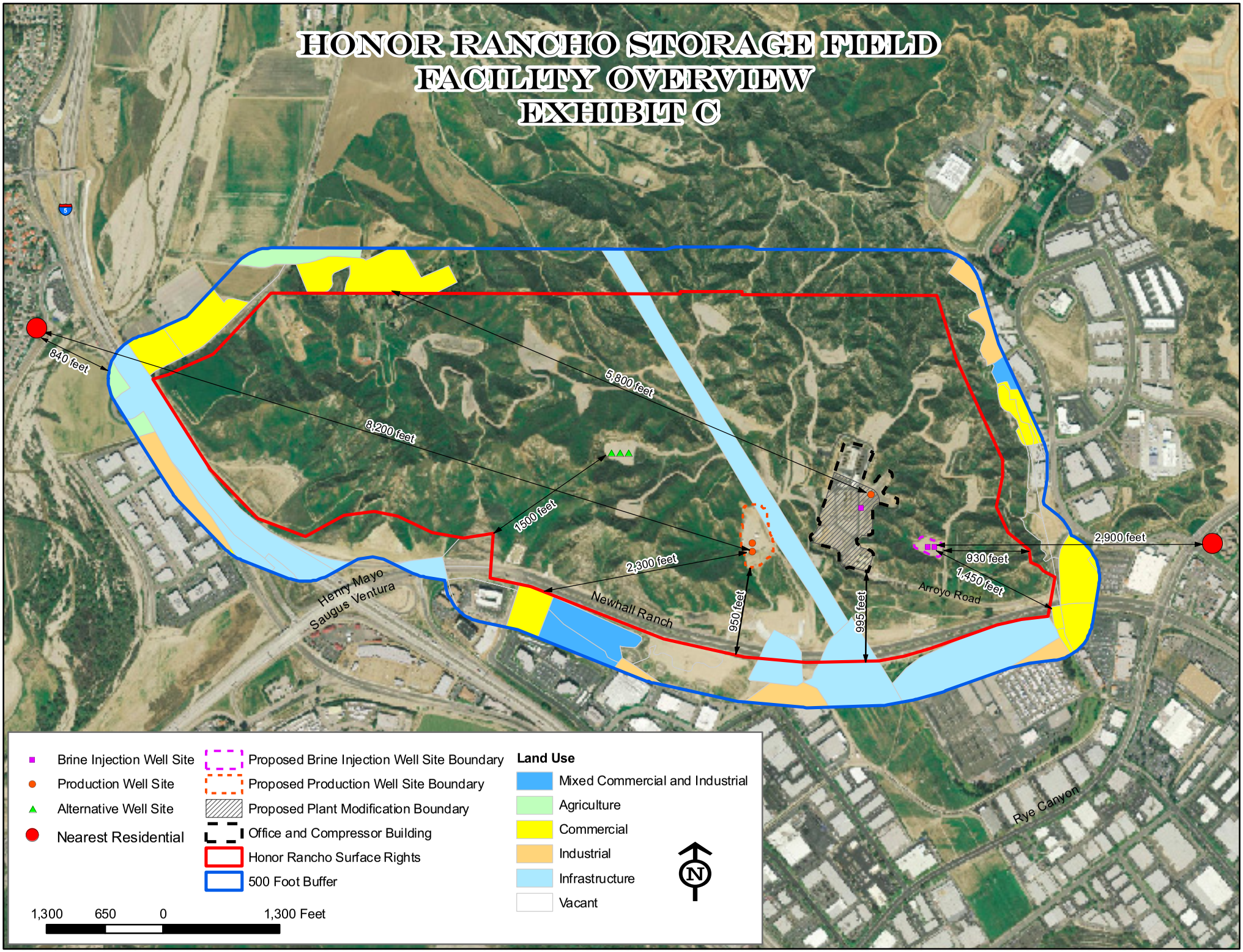
Appendix B

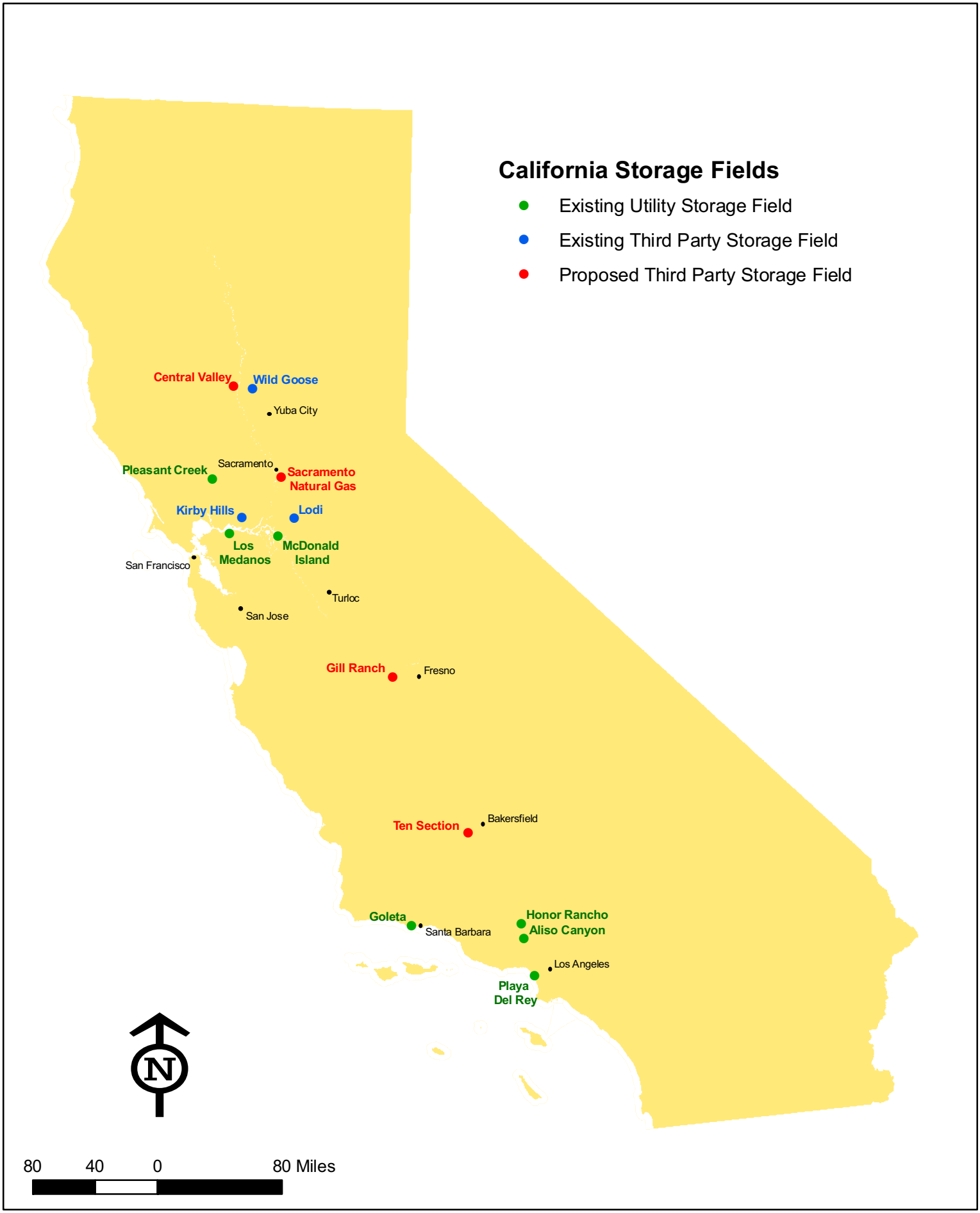
HONOR RANCHO STORAGE FIELD
FACILITY OVERVIEW
EXHIBIT A



HONOR RANCHO STORAGE FIELD
FACILITY OVERVIEW
EXHIBIT B

HONOR RANCHO STORAGE FIELD
FACILITY OVERVIEW
EXHIBIT C




California Storage Fields
Existing Utility Storage Field
Existing Third Party Storage Field
Proposed Third Party Storage Field
Central Valley
Wild Goose
Yuba City
Pleasant Creek
Sacramento
Sacramento Natural Gas
Kirby Hills
Lodi
Los Medanos
McDonald Island
San Francisco
Turloc
San Jose
Gill Ranch
Fresno
Ten Section
Bakersfield
Goleta
Santa Barbara
Honor Rancho
Aliso Canyon
Los Angeles
Playa Del Rey
N
80 40 0 80 Miles

LEGEND TO MAP OF NATURAL GAS STORAGE SITES IN CALIFORNIA

Owners of California Storage Fields

Existing Utility Storage	**Owner**
Aliso Canyon	Southern California Gas Co.
Honor Rancho	Southern California Gas Co.
Goleta	Southern California Gas Co.
Playa Del Rey	Southern California Gas Co.
McDonald Island	Pacific Gas and Electric Co.
Pleasant Creek	Pacific Gas and Electric Co.
Los Medanos	Pacific Gas and Electric Co.
Existing Third Party Storage	**Owner**
Lodi	Lodi Gas Storage, LLC
Kirby Hills	Lodi Gas Storage, LLC
Wild Goose	Wild Goose Storage, LLC
Proposed Third Party Storage	**Owner(s)**
Gill Ranch	Gill Ranch Storage, LLC (75%) and Pacific Gas and Electric Co. (25%)
Sacramento Natural Gas	Sacramento Natural Gas Storage, LLC
Central Valley	Central Valley Gas Storage, LLC
Ten Section	Tricor Ten Section Hub, LLC

Appendix C

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2009
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	$918
2	Operating Expenses	849
3	Net Operating Income	$68
4	Weighted Average Rate Base	$2,715
5	Rate of Return*	8.68%

*Authorized Cost of Capital

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2009

	1. UTILITY PLANT	2009
101	UTILITY PLANT IN SERVICE	$8,501,530,431
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	220,428,943
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,549,406,702)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(16,554,703)
117	GAS STORED-UNDERGROUND	55,521,950
	TOTAL NET UTILITY PLANT	5,211,519,919

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	123,507,428
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(97,273,219)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	18,122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	1,000,000
	TOTAL OTHER PROPERTY AND INVESTMENTS	27,252,331

Data from SPL as of May 28, 2009

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2009

3. CURRENT AND ACCRUED ASSETS

		2009
131	CASH	26,384,490
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	93,075
136	TEMPORARY CASH INVESTMENTS	566,600,000
141	NOTES RECEIVABLE	81,222
142	CUSTOMER ACCOUNTS RECEIVABLE	481,826,091
143	OTHER ACCOUNTS RECEIVABLE	14,261,208
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(7,511,256)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	506,336
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	(9,206,049)
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	27,609,809
155	MERCHANDISE	1,573
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	(354,314)
164	GAS STORED	14,227,958
165	PREPAYMENTS	6,745,733
171	INTEREST AND DIVIDENDS RECEIVABLE	358,605
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	21,643,670
175	DERIVATIVE INSTRUMENT ASSETS	7,867,266
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	8,281,596
	TOTAL CURRENT AND ACCRUED ASSETS	1,159,417,013

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	6,038,260
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,058,349,211
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	-
184	CLEARING ACCOUNTS	380,911
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	35,739,425
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	29,314,998
190	ACCUMULATED DEFERRED INCOME TAXES	347,733,720
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	1,477,556,525
	TOTAL ASSETS AND OTHER DEBITS	$ 7,875,745,788

Data from SPL as of May 28, 2009

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2009

5. PROPRIETARY CAPITAL

		2009
201	COMMON STOCK ISSUED	834,888,907
204	PREFERRED STOCK ISSUED	21,551,075
207	PREMIUM ON CAPITAL STOCK	-
208	OTHER PAID-IN CAPITAL	-
210	GAIN ON RETIRED CAPITAL STOCK	9,722
211	MISCELLANEOUS PAID-IN CAPITAL	31,306,680
214	CAPITAL STOCK EXPENSE	(143,261)
216	UNAPPROPRIATED RETAINED EARNINGS	690,021,779
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(27,272,589)
	TOTAL PROPRIETARY CAPITAL	1,550,362,313

6. LONG-TERM DEBT

221	BONDS	1,350,000,000
224	OTHER LONG-TERM DEBT	12,475,533
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(2,184,289)
	TOTAL LONG-TERM DEBT	1,360,291,244

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	96,213,544
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	876,063,157
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	604,522,376
	TOTAL OTHER NONCURRENT LIABILITIES	1,576,799,077

Data from SPL as of May 28, 2009

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2009

8. CURRENT AND ACCRUED LIABILITES

		2009
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	296,853,878
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	20,946,660
235	CUSTOMER DEPOSITS	104,756,797
236	TAXES ACCRUED	26,179,231
237	INTEREST ACCRUED	23,044,420
238	DIVIDENDS DECLARED	323,265
241	TAX COLLECTIONS PAYABLE	21,048,233
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	173,112,234
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244	DERIVATIVE INSTRUMENT LIABILITIES	107,626
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	666,372,344

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	98,746,532
253	OTHER DEFERRED CREDITS	202,173,719
254	OTHER REGULATORY LIABILITIES	1,846,517,567
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	29,672,762
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	193,996,870
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	350,813,360
	TOTAL DEFERRED CREDITS	2,721,920,810
	TOTAL LIABILITIES AND OTHER CREDITS	$ 7,875,745,788

Data from SPL as of May 28, 2009

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2009

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		$917,558,659
401	OPERATING EXPENSES	$688,035,592	
402	MAINTENANCE EXPENSES	29,540,753	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	72,471,413	
408.1	TAXES OTHER THAN INCOME TAXES	17,853,250	
409.1	INCOME TAXES	31,373,638	
410.1	PROVISION FOR DEFERRED INCOME TAXES	12,275,535	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(1,711,570)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(671,865)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	(868)	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		849,165,878
	NET OPERATING INCOME		68,392,781

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	24,829	
418	NONOPERATING RENTAL INCOME	(104,089)	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	(1,434,605)	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	(2,407,007)	
421	MISCELLANEOUS NONOPERATING INCOME	(56,545)	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	(3,977,417)	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	874,762	
		874,762	
408.2	TAXES OTHER THAN INCOME TAXES	24,543	
409.2	INCOME TAXES	(1,220,764)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(3,953,784)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(20,368)	
420	INVESTMENT TAX CREDITS	(2,720)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(5,173,093)	
	TOTAL OTHER INCOME AND DEDUCTIONS		(8,275,748)
	INCOME BEFORE INTEREST CHARGES		76,668,529
	NET INTEREST CHARGES*		16,956,485
	NET INCOME		$59,712,044

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. ($1,248,533)*

Data from SPL as of May 28, 2009

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2009

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$630,633,001
NET INCOME (FROM PRECEDING PAGE)	59,712,044
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(323,266)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$690,021,779

SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
MARCH 31, 2009

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	160,000	shares	Par Value $4,000,000
Preferred Stock	840,000	shares	Par Value $21,000,000
Preferred Stock	5,000,000	shares	Without Par Value
Preference Stock	5,000,000	shares	Without Par Value
Common Stock	100,000,000	shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK				
	6.0%	79,011	shares	$1,975,275
	6.0%	783,032	shares	19,575,800
COMMON STOCK		91,300,000	shares	834,888,907

(b) Terms of Preferred Stock:
Full information as to this item is given in connection with Application Nos. 96-09-036 and 06-07-012, to which references are hereby made.

(c) Brief Description of Mortgage:
Full information as to this item is given in Application Nos. 03-07-008 and 06-07-012 to which references are hereby made.

(d) Number and Amount of Bonds Authorized and Issued:

First Mortgage Bonds:	Nominal Date of Issue	Par Value Authorized and Issued	Par Value Outstanding	Interest Paid in 2008
4.80% Series GG, due 2012	10-02-02	250,000,000	250,000,000	12,000,000
5.45% Series HH, due 2018	10-14-03	250,000,000	250,000,000	13,625,000
Var % Series II, due 2011	12-15-03	250,000,000	250,000,000	10,937,500
Var% Series JJ, due 2009	12-10-04	100,000,000	100,000,000	3,649,673
5.75% Series KK, due 2035	11-18-05	250,000,000	250,000,000	14,375,000
5.50% Series LL, due 2014	11-21-08	250,000,000	250,000,000	0
Other Long-Term Debt				
4.750% SFr. Foreign Interest Payment Securities	05-14-06	7,877,038	7,475,533	355,091
5.67% Medium-Term Note, due 2028	01-15-98	5,000,000	5,000,000	283,500

SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
MARCH 31, 2009

Other Indebtedness:	Date of Issue	Date of Maturity	Interest Rate	Outstanding	Interest Paid in 2008
Commercial Paper & ST Bank Loans	11/01/04	08/15/11	Various	0	$306,048

Amounts and Rates of Dividends Declared:
The amounts and rates of dividends during the past five fiscal years are as follows:

Preferred Stock	Shares Outstanding @ 12-31-08	Dividends Declared 2004	2005	2006	2007	2008	
6.0%	79,011	$118,516	$118,516	$118,516	$118,516	$118,516	
6.0%	783,032	1,174,548	1,174,548	1,174,548	1,174,548	1,174,548	
	862,043	$1,293,064	$1,293,064	$1,293,064	$1,293,064	$1,293,064	
Common Stock Amount		$200,000,000	$200,000,000	$150,000,000	$250,000,000	$250,000,000	[1]

A balance sheet and a statement of income and retained earnings of Applicant for the three months ended March 31, 2009, are attached hereto.

[1] Southern California Gas Company dividend to parent company, Sempra Energy.

Appendix D

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation
As of March 31, 2009

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	$ 76,457	$ -	76,457
302	Franchise and Consents	545,693	$ -	545,693
	Total Intangible Assets	$ 622,150	$ -	$ 622,150
UNDERGROUND STORAGE:				
350	Land	$ 5,150,548	$ -	5,150,548
350	Storage Rights	17,740,334	16,542,439	1,197,894
350	Rights-of-Way	25,354	12,404	12,950
351	Structures and Improvements	32,861,441	17,070,089	15,791,352
352	Wells	200,649,072	131,802,280	68,846,792
353	Lines	82,204,909	91,223,310	(9,018,401)
354	Compressor Station and Equipment	105,358,541	64,853,026	40,505,514
355	Measuring And Regulator Equipment	5,190,038	1,611,196	3,578,842
356	Purification Equipment	79,529,837	57,002,095	22,527,742
357	Other Equipment	12,613,838	2,584,674	10,029,164
	Total Underground Storage	$ 541,323,911	$ 382,701,514	$ 158,622,397
TRANSMISSION PLANT- OTHER:				
365	Land	$ 2,666,000	$ -	2,666,000
365	Land Rights	20,456,148	12,994,190	7,461,958
366	Structures and Improvements	29,560,102	19,990,092	9,570,010
367	Mains	963,981,765	487,728,543	476,253,222
368	Compressor Station and Equipment	174,703,578	94,892,474	79,811,104
369	Measuring And Regulator Equipment	44,933,557	24,849,037	20,084,520
371	Other Equipment	3,990,850	1,999,335	1,991,515
	Total Transmission Plant	$ 1,240,292,000	$ 642,453,671	$ 597,838,329
DISTRIBUTION PLANT:				
374	Land	$ 28,254,507	$ -	28,254,507
374	Land Rights	2,646,609	12,264	2,634,345
375	Structures and Improvements	196,922,411	49,379,882	147,542,529
376	Mains	2,832,578,636	1,605,124,428	1,227,454,208
378	Measuring And Regulator Equipment	61,551,391	42,404,595	19,146,796
380	Services	1,956,095,315	1,564,948,799	391,146,516
381	Meters	406,918,942	117,836,434	289,082,507
382	Meter Installation	247,196,195	146,808,197	100,387,998
383	House Regulators	110,463,228	45,108,543	65,354,685
387	Other Equipment	22,797,930	18,413,595	4,384,335
	Total Distribution Plant	$ 5,865,425,164	$ 3,590,036,738	$ 2,275,388,426
GENERAL PLANT:				
389	Land	$ 1,243,021	$ -	1,243,021
389	Land Rights	74,300	-	74,300
390	Structures and Improvements	114,056,419	95,473,031	18,583,388
391	Office Furniture and Equipment	371,467,849	212,120,560	159,347,289
392	Transportation Equipment	497,239	(211,045)	708,284
393	Stores Equipment	67,916	67,255	661
394	Shop and Garage Equipment	52,211,380	22,893,735	29,317,645
395	Laboratory Equipment	6,650,179	3,993,835	2,656,345
396	Construction Equipment	94,507	68,556	25,951
397	Communication Equipments	60,017,262	29,765,000	30,252,262
398	Miscellaneous Equipment	3,830,321	(1,619,771)	5,450,092
	Total General Plant	$ 610,210,394	$ 362,551,156	$ 247,659,238
	Grand Total	$ 8,257,873,619	$ 4,977,743,079	$ 3,280,130,540

Appendix E

ATTACHMENT C
Southern California Gas Company Total Regulatory Capitalization
March 31, 2009
($ Millions)

No.	Interest % 03/09	Bond	Maturity	Principal ($ millions)
1	4.80%	Series GG	10/01/12	250.0
2	5.45%	Series HH	04/15/18	250.0
3	4.38%	Series II	01/15/11	250.0
4	Variable	Series JJ	12/01/09	100.0
5	5.75%	Series KK	11/15/35	250.0
6	5.50%	Series LL	03/15/34	250.0
Total First Mortgage Bonds				**1,350.0**
Other Long-Term Debt				
7	4.75%	Swiss Francs	05/14/16	7.5
8	5.67%	Medium Term Note	01/18/28	5.0
Total Other Long-Term Debt				**12.5**
Long-Term Debt before Unamortized premiums, issue expenses & loss on reacquired debt net of tax				**1,362.5**
		Unamortized discount less premium		(2.2)
		Unamortized issued expense		(6.0)
		Unamortized loss on reacquired debt net of tax		(17.3)
Long-Term Debt net of Unamortized premuims, issue expenses & loss on reacquired debt net of tax				**1,337.0**
Equity Capital				
Common Stock Equity				**1,448.8**
Preferred Stock Equity				**101.6**
Total Equity				**1,550.4**
Total Regulatory Capitalization				**2,887.4**

Appendix F

Biological Technical Report

Honor Rancho Well Installation Project

Introduction

Southern California Gas (SCG) is proposing to install two new well locations and accompanying pipelines at the Honor Rancho natural gas storage field, in Valencia, California (**Figure 1**). The wells will be installed in a fire training area and the pipelines will connect the wells to the main plant, shown in **Figure 2**. The pipeline and wells will be installed within the boundaries of the storage field and will be primarily in existing roads and disturbed areas. However, the lines will cross two vegetated areas that support habitat for special status species. This report analyzes the project impacts to these areas, identified in **Figure 2**.

Purpose

The purpose of this biological technical report is to determine the presence of special status species identified by the California Department of Fish and Game (CDFG), U.S. Fish and Wildlife Service (FWS), or the California Native Plant Society (CNPS); identify habitat for the species; and determine if sensitive habitats or vegetation communities would be adversely affected by the proposed project.

Location

The Honor Rancho Storage Field is located at 25205 W. Rye Canyon Road in Valencia, California. The proposed pipeline will run from the main dehydration plant site to the two new well locations in the fire training area. Both well locations are within previously disturbed areas and required no further biological analysis. Due to the majority of the pipeline constructed within existing roadways, only two locations (Site 1 and Site 2) were analyzed in the field, shown in **Figure 2**. These two locations are where ground disturbance will impact vegetation and habitat for wildlife species.

Methods and Sources

The analysis of existing conditions of biological resources included a site reconnaissance survey, a search of the California Department of Fish and Game's (CDFG) California Natural Diversity Database (CNDDB) for the "Newhall" 7.5' USGS quad, a review of SCG GIS database (SCG 2006), and a literature review. A site visit was conducted by Environmental Specialist Brad Lane and SCG Biologist Tim Armstrong on April 24, 2009. Additional surveys were done on June 24, 2009, and June 26, 2009 for a botanical inventory and wildlife survey within the project area. The potential presence of sensitive species within the project area was evaluated by reviewing federally and state listed plant and animal species identified by the SCG GIS database as potentially occurring within the Honor Rancho Storage Field.

Figure 1

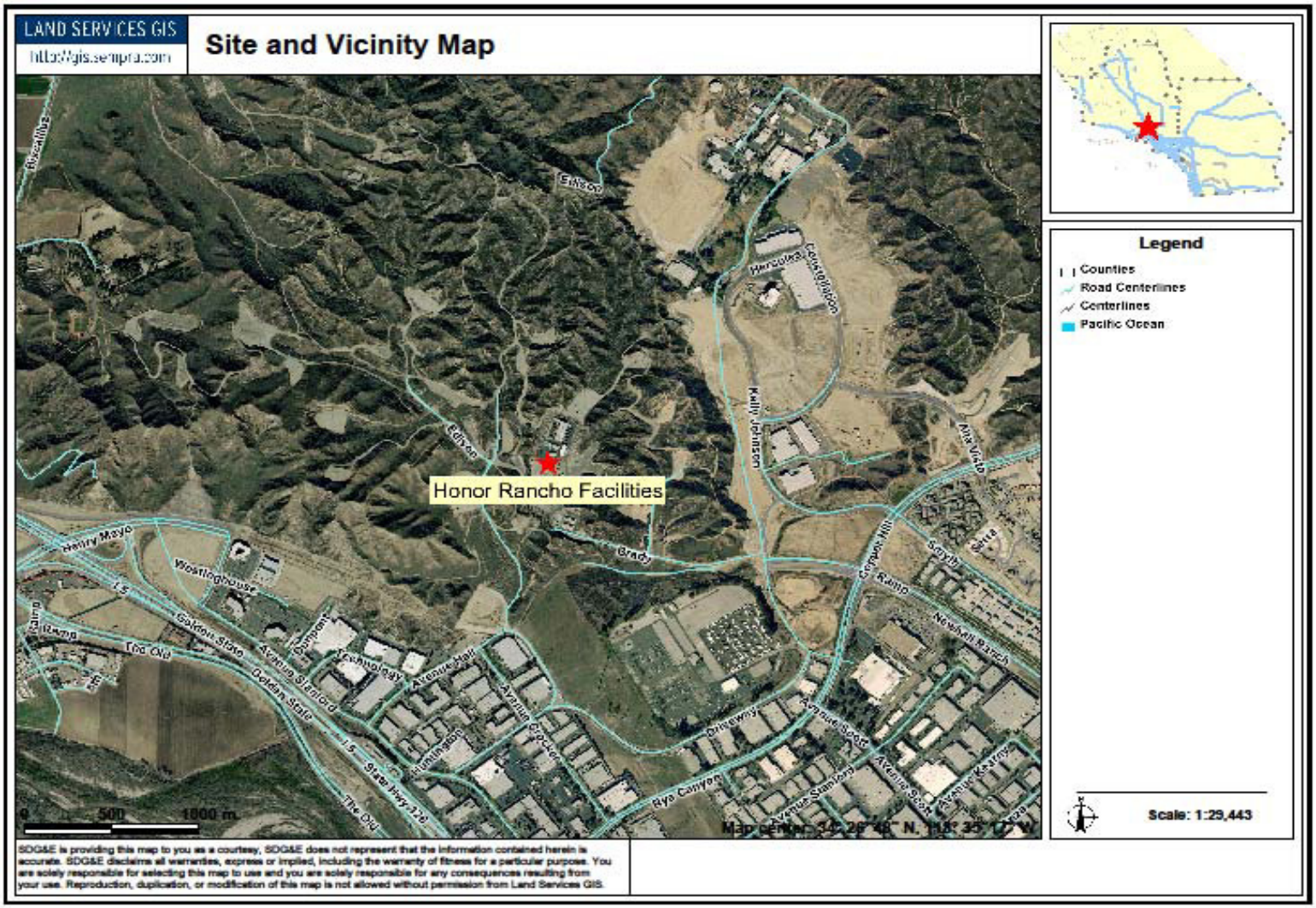
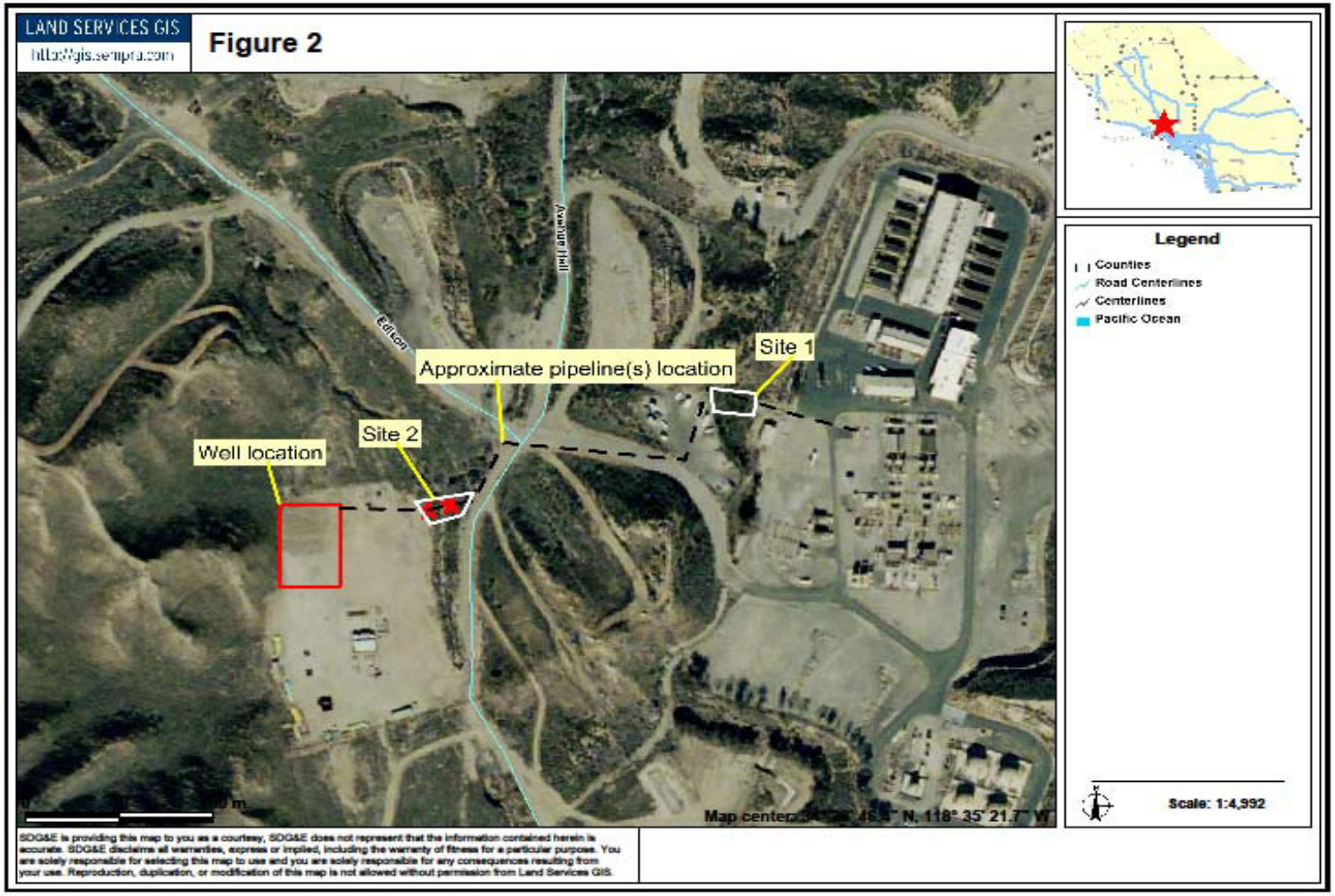

LAND SERVICES GIS
http://gis.sempra.com
Site and Vicinity Map
Honor Rancho Facilities
Legend
Counties
Road Centerlines
Centerlines
Pacific Ocean
Scale: 1:29,443
0
500
1000 m
SDG&E is providing this map to you as a courtesy. SDG&E does not represent that the information contained herein is accurate. SDG&E disclaims all warranties, express or implied, including the warranty of fitness for a particular purpose. You are solely responsible for selecting this map to use and you are solely responsible for any consequences resulting from your use. Reproduction, duplication, or modification of this map is not allowed without permission from Land Services GIS.

Figure 2


LAND SERVICES GIS
Figure 2
Approximate pipeline(s) location
Site 1
Site 2
Well location
Edison
Avenue Hill
Legend
Counties
Road Centerlines
Centerlines
Pacific Ocean
Scale: 1:4,992
SDG&E is providing this map to you as a courtesy, SDG&E does not represent that the information contained herein is accurate. SDG&E disclaims all warranties, express or implied, including the warranty of fitness for a particular purpose. You are solely responsible for selecting this map to use and you are solely responsible for any consequences resulting from your use. Reproduction, duplication, or modification of this map is not allowed without permission from Land Services GIS.

Habitat requirements of species identified for the project area were cross-referenced with the site conditions within the project area to determine which species potentially occur in the vicinity of the proposed project.

Existing Conditions of Biological Resources

The following subsections provide a summary of vegetation within the project area, wildlife species occurring within the project areas, and sensitive species potentially occurring within the vicinity of the project.

Site 1 is disturbed sage-scrub habitat immediately adjacent to the main facilities of the plant. The habitat is surrounded by pavement and gravel on the east, a large patch of black mustard (*Brassica nigra*) to the north, continuous sage scrub for approximately 75 feet to the south and an equipment storage yard on the west (**Figure 3**). The area is dominated by the two shrubs California sagebrush (*Artemisia californica*) and California Buckwheat (*Eriogonum fasciculatum*). The underbrush and associated species consists of black sage (*Salvia mellifera*), deerweed (*Lotus scoparius*), Phacelia (*Phacelia* spp.), chaparral yucca (*Yucca whipplei*), red brome (*Bromus madritensis* ssp. *rubens*), black mustard, tocalote (*Centaurea melitensis*), and silver puffs (*Uropappus lindleyi*). Photos of Site 1 are shown in **Figure 3**.

Site 2 is a disturbed area consisting of Mediterranean grass (*Schismus barbatus*), red brome, shortpod mustard (*Hirschfeldia incana*), tocalote, turkey mullein (*Eremocarpus setigerus*), California buckwheat, sagebrush, California aster (*Lessingia filaginifolia*), soap plant (*Chlorogalum pomeridianum*), vulpia (*Vulpia microstachys*), caterpillar phacelia (*Phacelia cicutaria*), fiddleneck (*Amsinckia intermedia*), horseweed (*Conyza canadensis*), Russian thistle (*Salsola tragus*), and filaree (*Erodium cicutarium*). The site is approximately 20-30 feet wide with an ephemeral creek running through the middle; the channel is approximately four feet wide. The site has been disturbed by evidence of a pipeline corridor that runs through the eastern side. Photos of Site 2 are shown in **Figure 4**.

Wildlife

Wildlife species are identified by track, scat, calls, or visual observation. Species observed during the site visits included scrub jay (*Aphelocoma californica*), American crow (*Corvus brachyrhynchos*), wrentit (*Chamaea fasciata*), bushtit (*Psaltriparus minimus*), deer (*Odocoileus hemionus*), coyote (*Canis latrans*), side-blotched lizard (*Uta stansburiana)*, whiptail (*Cnemidophorus* sp.), and western fence lizard (*Sceloporus occidentalis*).

Figure 3 – Site 1 Photos

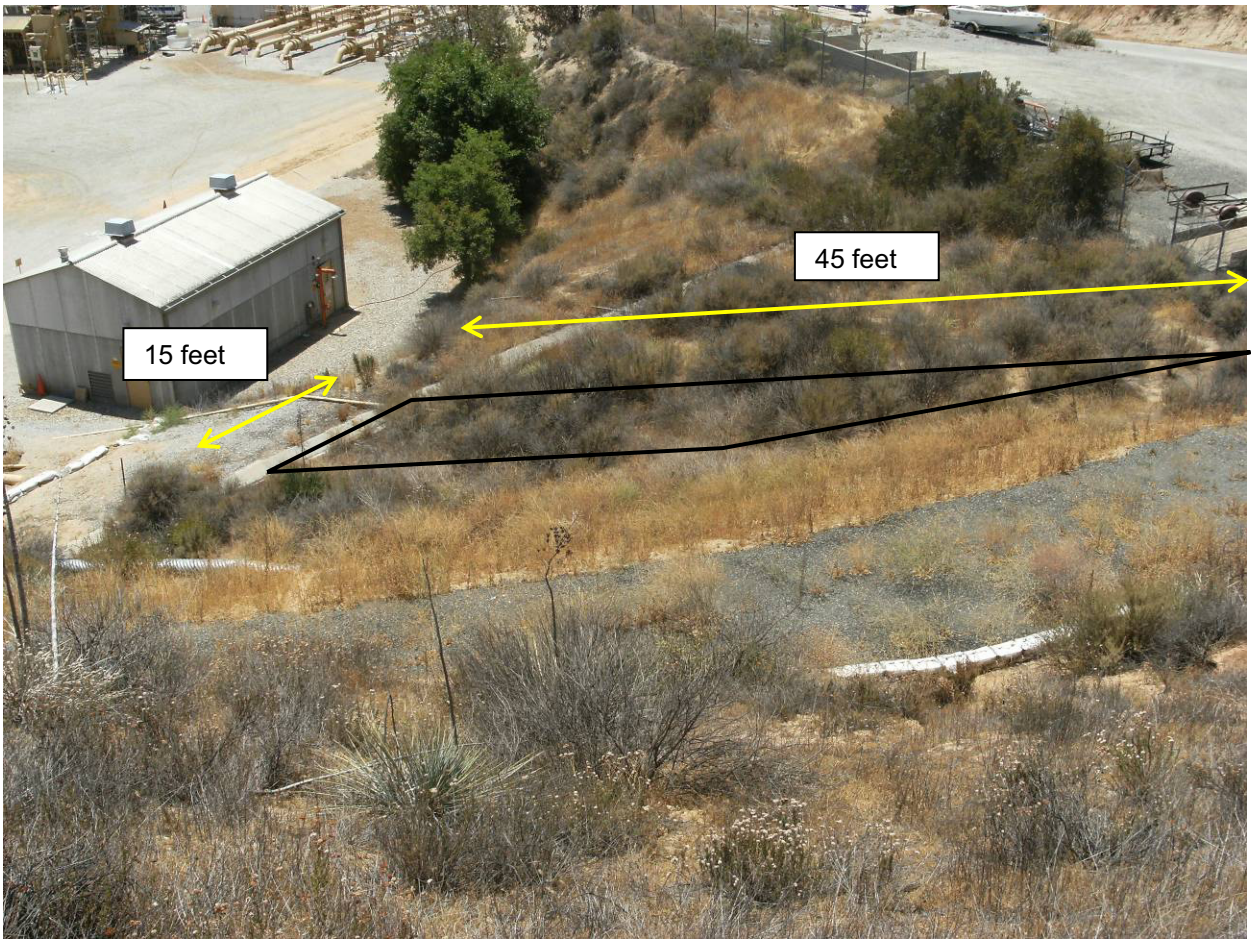


Photo 1: The proposed pipeline alignment will be located in the polygon shown in the photo. The 15-foot wide by 45-foot long area required includes room for spoils pile and trenching.

Figure 3 – Site 1 Photos

Photo 2: Photo is taken from the top of the hill, adjacent to the fence where the coastal sage scrub community ends. The alignment will be located to the right of the photo and will then cross the streets of the plant to tie into the dehydration section.

Figure 4 – Site 2 Photos

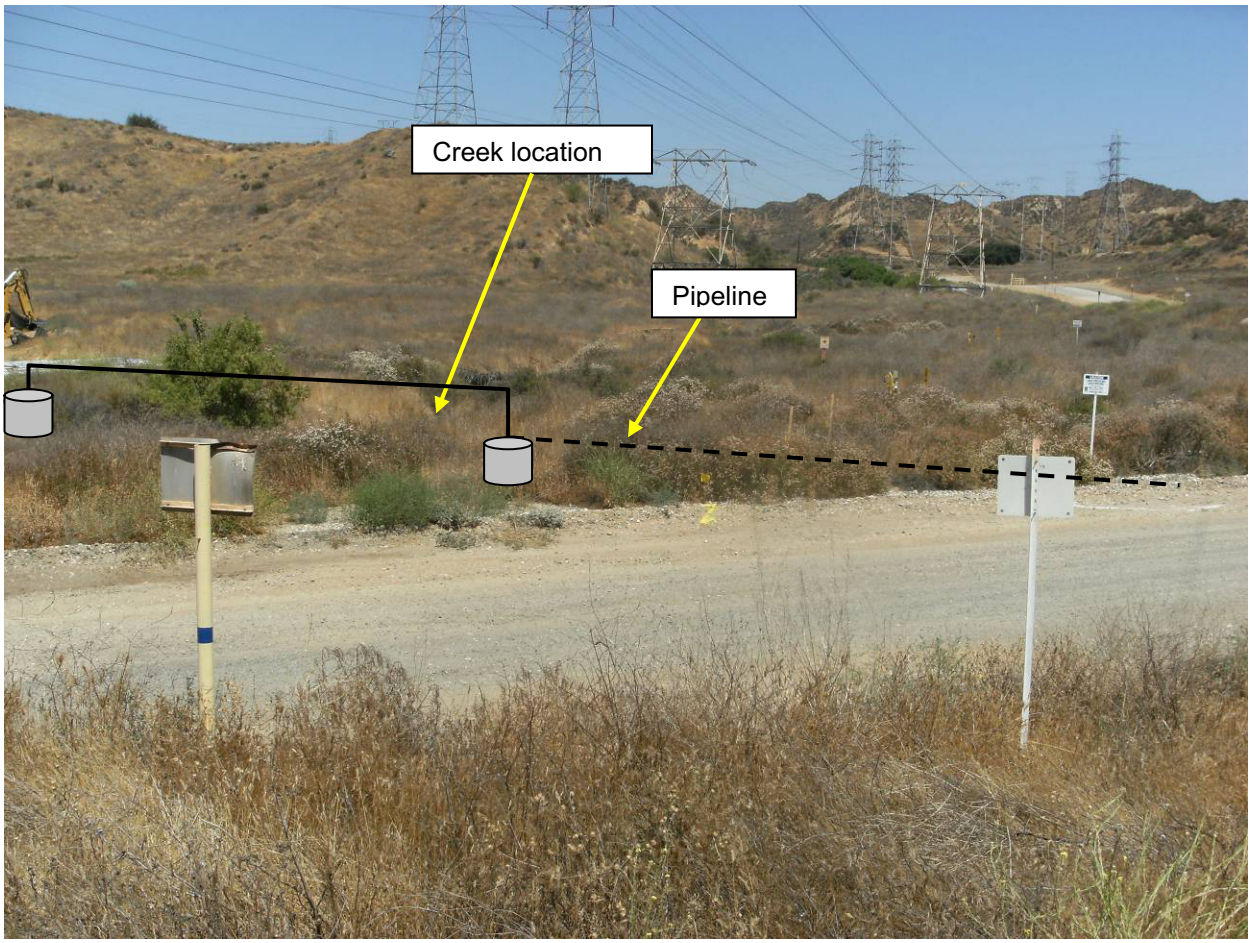


Photo 3: Approximate location of the pipeline span and caisson locations. The “corridor” of other pipelines can be seen in the center of the picture with the lines crossing the street in the foreground.

Figure 4 – Site Photos

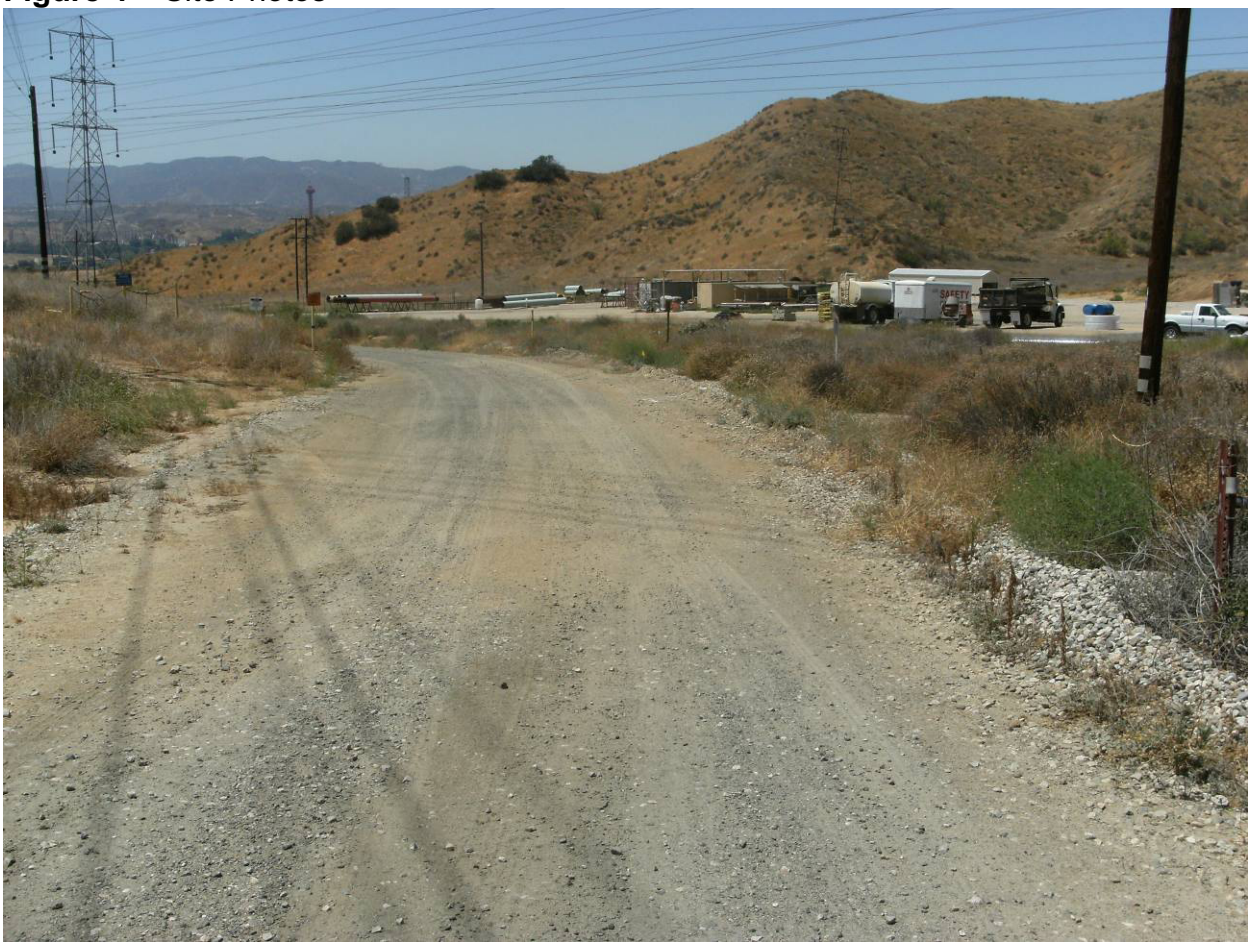


Photo 4: Western view of the location where the pipeline would cross site two. The pipeline corridor is just beyond the telephone pole in the right side of the photo. The extreme right side of the photo is the new well locations.

Sensitive Species

Table 1 presents sensitive species identified as potentially occurring in the general area of the Honor Rancho Storage Field Project, including federally (US Fish and Wildlife Service) and state (CDFG) listed and candidate species; state species of concern (CDFG); and California Native Plant Society (CNPS) rare, threatened, or endangered plants. The species list is based on the California Natural Diversity Database (CNDDB) compilation of occurrences in the "Newhall" 7.5' USGS quad. Of the nineteen sensitive species identified as potentially occurring within the vicinity of the proposed project, fourteen are not likely to be present due to the lack of suitable habitat, lack of suitable nesting habitat, not observed on the project site (recognizable outside of the blooming season and/or not observed during the survey done in the blooming period), or the project site is outside of the known range of the species occurrence. These 14 species not likely to be present in the alignment of the project include:

- *Antrozus pallidus*, pallid bat;
- *Euderma maculatum*, spotted bat;
- *Vireo bellii pusilus*, Least Bell's vireo;
- *Berberis nevinii*, Nevin's barberry;
- *California macrophylla*, round-leaved filaree;
- *Calochortus clavatus var. gracillis*, slender Mariposa lily;
- *Calochortus plummerae*, Plummer's Mariposa lily;
- *Calystegia peirsonii*, Pierson's morning glory;
- *Chorizanthe parryi* var. *fernandina*, San Fernando Valley spineflower;
- *Dodecahema leptoceras*, slender-horned spineflower;
- *Harpagonella palmeri*, Palmer's grappling hook;
- *Helianthus nuttallii* ssp. *parishii*, Los Angeles sunflower;
- *Opuntia basilaris* var. *brachyclada*, short-jointed beavertail;
- *Senecio aphanactis,* chaparral ragwort.

Table 1 shows the habitat descriptions and likelihood of occurrence for each of the species. The remaining five species are identified as potentially occurring within the vicinity of the project area and are addressed in this report.

***Lepus californicus bennettii* - San Diego black-tailed jackrabbit**

The Honor Rancho facilities provide suitable habitat for the species with the presence of coastal sage scrub and grassland habitat. CNDDB reports the species (element occurrence index 65775) approximately 2.6 miles southeast of Castaic Lake in the Newhall quad. The occurrence is dated 2005 and is approximately 4 miles northeast of the facilities.

***Phrynosoma coronatum blainvillii*, Coast horned lizard**

Coast horned lizards are found within coastal sage communities and have been documented from 5 locations in the Newhall quad. The occurrences are typically within 4-5 miles of the project site.

Table 1: Sensitive Species Potentially Occurring within the Honor Rancho Storage Field Project

Scientific Name	Common Name	Listing Status			General Habitat Description	Likelihood of Occurrence
		Federal	State	Other		
Mammals						
Antrozus pallidus	Pallid bat	—	CSC	—	Rocky outcrops, near dry open areas.	High; Both Site 1 and Site 2 are within foraging habitat but do not provide suitable roosting habitat.
Euderma maculatum	Spotted bat	—	CSC	—	Highland ponderosa pine regions.	Unlikely; suitable habitat not found on-site.
Lepus californicus bennettii	San Diego black-tailed jackrabbit	—	CSC	—	Shrub habitat and open grass areas provide habitat for the species.	Moderate; Site 1 provides potential cover for the species, though not observed on the site visit. Site 2 only provides open dispersal habitat for the species.
Reptiles						
Phrynosoma coronatum blainvillii	Coast horned lizard	—	CSC	—	Frequents a variety of habitats-scrubland, grassland, coniferous forests, and broadleaf woodlands. Requires open areas for basking.	Moderate; Both sites provide suitable habitat for the species. They were not observed on the project site or in the vicinity. Harvester ants were noted in the vicinity of the sites.
Birds						
Ammodramus savannarum	Grasshopper sparrow	—	CSC	—	Dry or well-drained grassland, especially native grasslands with a mixture of grasses and forbs for nesting and foraging.	Low; Site 2 provides marginal habitat for the species due to the abundant amount of red brome on the site.
Athene cunicularia	Burrowing owl	—	CSC	—	Open grassland with tall areas for perching. Ground squirrel burrows are required for nesting.	Moderate; Site 2 is within an open area suitable for the species. The species was not observed on-site.
Polioptila californica californica	Coastal California gnatcatcher	FT	CSC	—	Occur near sage scrub, low growing, dry-season deciduous plants	Unlikely; suitable habitat at site is low quality; protocol surveys in the vicinity have not detected the presence of the species in the vicinity.
Vireo bellii pusilus	Least Bell's vireo	FE	CE	—	Willow thickets and riparian areas with shrubs that provide suitable nesting habitats within a meter of the ground.	Low; The sites do not provide suitable habitat for the species.
Plants						

Scientific Name	Common Name	Listing Status			General Habitat Description	Likelihood of Occurrence
		Federal	State	Other		
Berberis nevinii	Nevin's barberry	FE	CE	CNPS 1B.1	Chaparral, cismontane woodland, coastal scrub, and sandy or gravelly soils of riparian scrub.	None; The species was not observed within the vicinity of Site 1 or Site 2.
California macrophylla	Round-leaved filaree	—	—	CNPS 1B.1	Cismontane woodland, clay soils of valley and foothill grassland, blooms March – June.	Low; The species was not observed on either of the sites and has a low potential to occur on the site due to lack of soil requirements.
Calochortus clavatus var. *gracillis*	Slender mariposa lily	—	—	CNPS 1B.2	Chaparral and coastal scrub with shaded foothill canyons; often on grassy slopes within other habitat (elevation 1377-2493 feet), blooms March – June.	High; Three documented occurrences within the Newhall quad. The site does provide suitable habitat, though the species was not observed.
Calochortus plummerae	Plummer's mariposa lily	—	—	CNPS 1B.2	Chaparral, foothill woodland, yellow pine forest, coastal sage scrub, and valley grassland on rocky and sandy sites, usually of granitic or alluvial material, blooms May – July.	Unlikely; no documented occurrence in the vicinity of the project within the last century.
Calystegia peirsonii	Pierson's morning glory	—	—	CNPS 4.2	Chaparral, chenopod scrub, cismontane woodland, coastal scrub, lower montane coniferous forest, granitic rock of valley and foothill grasslands, blooms April – June.	Moderate; The species was not observed on the survey.
Chorizanthe parryi var. *fernandina*	San Fernando Valley spineflower	FC	SE	CNPS 1B.1	Restricted to open sites < 50% plant cover in coastal sage scrub and chaparral, blooms April –July.	Unlikely; suitable habitat not present on-site
Dodecahema leptoceras	Slender-horned spineflower	FE	SE	CNPS 1B.1	Occurs in alluvial fans, floodplains, stream terraces, washes and associated benches; generally restricted to open areas in alluvial fan scrub, blooms April – June.	Unlikely; suitable habitat not present on-site
Harpagonella palmeri	Palmer's grappling hook	—	—	CNPS 4.2	Chaparral, coastal scrub and clay soils of valley and foothill grassland, blooms March – May.	Moderate; The species was not observed on the survey.
Helianthus nuttallii ssp. *parishii*	Los Angeles sunflower	—	—	CNPS 1A	Marshes and swamps, blooms August – October.	None; Suitable habitat is not present in the vicinity of the site.
Opuntia basilaris var. *brachyclada*	Short-jointed beavertail	—	—	CNPS 1B.2	Chaparral, Joshua tree woodland, Mojavean desert scrub, pinyon and juniper woodland, blooms April – June.	High; The subspecies was not observed on site. *Opuntia basilaris* was observed on site.

Scientific Name	Common Name	Listing Status			General Habitat Description	Likelihood of Occurrence
		Federal	State	Other		
Senecio aphanactis	Chaparral ragwort	—	—	CNPS 2.2	Chaparral, cismontane woodland, and coastal scrub, blooms January – April.	Moderate; The species was not observed on the survey.

Federal Status:
FC – federal candidate species;
FE – federally endangered;
FT – federally threatened species;

State Status:
SE – state endangered;
SR – state rare;
CSC – California Species of Special Concern;

Other:
CNPS 1A – California Native Plant Society listed as presumed extinct in California.
CNPS 1B –California Native Plant Society listed rare, threatened, or endangered plants in California and elsewhere.
CNPS 1B – California Native Plant Society listed rare, threatened, or endangered plants in California and elsewhere.
CNPS 2 – California Native Plant Society listed as rare and endangered plants in California but common elsewhere.
CNPS 4 – California Native Plant Society listed as plants of limited distribution.
Modifiers to the CNPS listing status:
.1; Seriously endangered in California (over 80% of occurrences threatened / high degree and immediacy of threat).
.2; Fairly endangered in California (20-80% occurrences threatened).

Sources: California Natural Diversity Database (v. 3.1.0), 2003; California Native Plant Society, Inventory of Rare and Endangered Plants (v. 7-09b 4-10-09); California Wildlife Habitat Relationships System (v. 8.2).

***Ammodramus savannarum*, grasshopper sparrow**
A pair of grassohopper sparrows were observed in the Tapia Canyon region in 2005, element occurrence index 70257. The occurrence is approximately 3.7 miles northeast of the site. Habitat description for the species is described as grassland with scattered shrubs; some native grasses present.

***Athene cunicularia*, burrowing owl**
An occurrence of burrowing owls (EO index 72241) is documented in Hasley Canyon, approximately 2 miles west of the project site. The occurrence is from a sparsely vegetated alluvial wash area with a grassy mesa area to the west. Ground squirrel burrows are reported as numerous along a bluff.

***Polioptila californica californica*, California coastal gnatcatcher**
Critical habitat for the California gnatcatcher is designated nearly five miles to the east of the Honor Rancho facilities. The nearest CNDDB occurrence (EO index 69797) for the Newhall quad is roughly midway between the facilities and the designated critical habitat.

A protocol level survey for the California coastal gnatcatcher was conducted along the Southern California Edison (SCE) easement and Antelope-Pardee 500-kilovolt (kV) Transmission Line northeast of Interstate 5 in the City of Santa Clarita and unincorporated portions of Los Angeles County, California in 2007 and 2008. The survey area is nearly a half mile to the east of Honor Rancho and extends northeast along the Antelope-Pardee 500 kV line. The survey area covered approximately 150 acres of scrub habitat along approximately four linear miles. No coastal California gnatcatchers were detected during any of the six focused gnatcatcher surveys in 2007 and 2008.

Project Impacts

The majority of the project features are within existing roadways and existing well pads. The two sites analyzed for potential impacts to special status species were determined not to contain special status species.

Site 1 is characterized as disturbed coastal sage community. Due to the location being adjacent to the main facilities and the fragmented nature of the community it is not expected to provide suitable nesting habitat for the California coastal gnatcatcher. The other four species: burrowing owl, grasshopper sparrow, coast horned lizard, and San Diego black-tailed jackrabbit are not anticipated to utilize the site for nesting. The site was surveyed for rare plants on 4-24-2009, 06-24-2009, and 06-29-2009, without evidence of state or federal protected species.

Project related impacts to Site 1 include open trenching a 24-inch wide trench through approximately 45 feet of disturbed sage community, shown in **Figure 3**, photo 1. The area required includes 15-feet by 45-feet (irregular polygon) in length, for an area of 500 ft^2 or 0.011 acres.

Site 2 will require clearing an area on each side of the ephemeral creek, (**Figure 4**) for the installation of the two caissons to support the pipeline. Each area will be approximately 10 feet by 20 feet for clearing, and an area of 3 feet by 3 feet for the permanent impacts of each caisson. The total area required will be 200 ft^2 and 9 ft^2, respectively. Site 2 does not provide suitable habitat for special status species and was also surveyed on the April and June site visits. **Table 2** provides a summary of vegetation community impacts.

Table 2 Site Specific Impacts

Site	Temporary Impacts	Permanent
Site 1	500 ft^2 / 0.011 acre	500 ft^2/ 0.011 acre
Site 2	400 ft^2 / 0.0091 acre	18 ft^2 / 0.0004 acre
Total	900 ft^2/ 0.0201 acre	518 ft^2 / 0.0114 acre

Recommendations

The following best management practices should be implemented to avoid and/or minimize potential impacts to biological resources:

- Prior to the start of the project activity, a biologist should perform a pre-construction survey for nesting birds, if the project is to be constructed within the February 15 – September 1 nesting season, commencing in 2010. If nesting birds are discovered in the vicinity of the project site, the biologist shall determine whether work can begin without causing nest abandonment or failure.
- Prior to the start of vegetation clearing, the scheduled area for clearing shall be flagged to identify the limits of vegetation clearing.
- Upon project completion, temporarily cleared areas shall be re-vegetated with a native seed mix of grasses and forbs.
- Staging/storage areas should be located outside of the drainage at Site 2 and should not occur in vegetated areas of either site.
- No equipment maintenance or refueling activities should occur within or near the drainages.
- Standard BMPs shall include maintaining a clean worksite, keep food and trash contained, and no pets or firearms on the job site.
- A SWPPP shall be implemented if construction is greater than an acre and to occur within the rainy season of October 1 – May 1.

Conclusion

Southern California Gas Company is proposing to add an additional two wells and the accompanying pipelines at the Honor Rancho Storage field. The proposed pipeline installation will be primarily within developed areas. However, there are two areas identified for disturbance and analyzed in this technical report, identified as Site 1 and Site 2.

The project area does provide suitable habitat for five special status species but is not anticipated to impact these species, due to the small size of the project footprint,

location of the proposed disturbance areas, and negative field surveys for special status species. Permanent impacts of the project will be 0.0004 acres for the 3-foot by 3-foot caissons installation at Site 2 and approximately 0.01 acres of impacts at site 1. The impacts at Site 1 are considered permanent due to maintaining access to the pipeline. Native seed mix shall be broadcasted over the disturbed area to prevent soil erosion. This will inhibit the coastal sage scrub community from reestablishing over the new lines.

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **Application of Southern California Gas Company to Amend its Certificate of Public Convenience and Necessity for the Honor Rancho Natural Gas Storage Facility** on all parties identified in the attached service list by electronic mail, by U.S. mail to those without an email address, and by Federal Express to Commissioner Simon and ALJ Wong.

Dated this 13th day of July 2009, at Los Angeles, California.

/s/ Rose Mary Ruiz
Rose Mary Ruiz

CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists - Proceeding: A0802001 - Last changed: June 24, 2009

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