IP DATA REQUEST
IP DR-02
SOCALGAS/SDG&E 2012 GRC – A.10-12-006/005
SOCALGAS/SDG&E RESPONSE
DATE RECEIVED: JULY 6, 2011
DATE RESPONDED: JULY 15, 2011

1. Question 2.1 of the Indicated Producers' first data request asked for a list of factors that SoCalGas/SDG&E used to distinguish local transmission pipelines from backbone transmission pipelines on page 5 of Gary Lenart's workpapers. In response, SoCalGas stated that "*[n]o proposals to the categorization of backbone or local transmission costs for cost allocation / rate design purposes are being made in this GRC application. The distinction between local and backbone transmission lines is the same as that approved in the last Biennial Cost Allocation Proceeding (BCAP) Decision (D.09-11-006) and no change to this distinction is being proposed in this GRC application*." Question 2.5.3 asked SoCalGas to identify by number pipelines classified as backbone transmission. Notwithstanding the fact that SoCalGas is not proposing to change the categorization of pipelines from the last BCAP,

   1.1. Identify, by number, each pipeline whose costs will be recovered in the backbone transmission revenue requirement.

   1.2. Identify by number each pipeline whose costs will be recovered in the local transmission revenue requirement.

   1.3. Identify by number each pipeline whose costs will be recovered in both the backbone and local transmission revenue requirement.

   1.4. Clarify whether the categorization of transmission pipelines as local or backbone transmission (or both) in this case varies from how pipelines were categorized in the system integration decision (D.06-04-033).

Response 01:

1.1 Since the FAR Update decision to allocate $135 million to the backbone transmission function was the result of a settlement agreement, it is not possible to provide the requested information.

1.2 See response to 1.1.

1.3 See response to 1.1

1.4 Transmission pipelines are not categorized in this case as either local or backbone.

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2. Question 2.9 of the Indicated Producers' first data request inquires whether the backbone transmission revenue requirement established in this proceeding can affect SoCalGas' proposal in the 2011 Triennial Cost Allocation Proceeding. In response SoCalGas stated that "*[w]hile the 2011 Triennial Cost Allocation Proceeding (TCAP) may be affected by this GRC application due to the new revenue requirement authorized by a decision, it is not possible to determine the affect [sic] on any proposals in the TCAP because it has not yet been filed*." Assuming a final decision is issued in this case before SoCalGas has to file its 2011 TCAP application and a revenue requirement is known, will SoCalGas' proposal in the 2011 TCAP reflect the revenue requirements adopted in this case? If so, please explain how. If not, explain why not. If SoCalGas is uncertain of the answer, identify the factors or circumstances that will influence the ultimate conclusion.

Response 02:

The question of how a revised GRC revenue requirement will be reflected in SoCalGas' TCAP will be dealt with by SoCalGas in the TCAP application itself. SoCalGas has not yet prepared that application, so it is not clear right now what particular factors or circumstances will affect this issue.

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3. Question 2.10 of the Indicated Producers' first data request asks whether the revenue requirement established in this case will form the basis for a "*bottoms up*" study that may be required by a final FAR Update decision. SoCalGas' response notes that "*[t]his depends on whether or not a decision has been received in this GRC application and the revenue requirement is then known, before an application is filed in the 2011 TCAP*."

3.1 Assuming a final decision is issued in this case before SoCalGas has to file its 2011 TCAP application and a revenue requirement is known, will the revenue requirement adopted in this proceeding influence the categorization of pipelines as backbone and local transmission in the "bottoms up" functionalization study that is required by the FAR Update decision (D.11-04-032)? If yes, please explain how the revenue requirement adopted in this proceeding will affect the categorization of pipelines as backbone or local transmission in the upcoming functionalization study

3.2 Assume that a final decision has not been issued in this case before SoCalGas has to file its 2011 TCAP application. Can the adoption of a final decision alter the SoCalGas' application and recommendations in the TCAP proceeding? If so, please explain how. If not, explain why not.

Response 03:

3.1 No, the revenue requirement adopted in this proceeding will not influence the categorization of pipelines as backbone and local transmission in the functionalization study described in the FAR Update decision (D.11-04-032).

3.2 It is impossible to speculate at this time as to what elements of a final GRC decision might or might not influence any of the positions SoCalGas might take in the TCAP.

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4. In Question 5 of DRA's data request, DRA-SCG-044-MZX, DRA asks SoCalGas to reconcile the Sustainable SoCalGas Program $160,000 figure in Mr. Stanford's workpapers with the $130,000 figure referenced in Ms. Wright's testimony. In response Tuong Tan provided the following response: "*The $160,000 figure in Mr. Stanford's workpapers should be corrected/ updated to show $130,000. As SoCalGas was developing the Sustainable SoCal Program, we originally considered $36/ton of CO2 as the cap and trade value which provides an estimated $160,000 in annual GHG credits. The cap and trade value was then revised to $30/ton of CO2 and is consistent with the 2009 MPR model. With a cap and trade value of $30/ton of CO2, the resulting annual GHG credits are $130,000. The update was made to Ms Wright's testimony but was mistakenly not made to Mr. Stanford's workpapers*." In Question 10 of this same data request response, SoCalGas clarified that "*the estimated cost to produce pipeline quality biogas from digester raw biogas (generated from small to mid size wastewater treatment plants) and inject it into SoCalGas' pipeline network is $14.31/MMBtu*." In other words, "*[u]sing the conversion factor of 1 MMCF = 1,000 MMBtu, the resulting cost is $14,310 per million cubic feet of pipeline quality gas*."

4.1 Has SoCalGas quantified the total costs associated with the Sustainable SoCalGas Program? If so, please provide the workpapers and materials that reflect this calculation.

SoCalGas Response 4.1:

Based on the project lifecycle analysis attached below, SoCalGas estimates a total cost of $10.861 million (see "Financials" worksheet), which includes direct and indirect costs associated with capital and annual operating & maintenance costs over 15 years of expected equipment life. The estimated total lifecycle costs for the Sustainable SoCal program reflecting four biogas conditioning systems is $43.444 million.

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Response prepared by: Gillian A. Wright

Response to Question 4 (Continued)

4.2 Assuming the same quantities of biogas procurement that support the $130,000 annual cost avoidance figure, quantify the total costs that would be associated with the Sustainable SoCalGas Program on an annual basis.

SoCalGas Response 04:

The levelized annual revenue requirement that supports the $130,000 annual cost avoidance figure is approximately $1.322 million (for a 300 scfm biogas conditioning system). See "Financials" worksheet, cell E52 of the attachment in response 4.1 above.

4.3 Question 9 of DRA's data request, DRA-SCG-044-MZX, DRA asks SoCalGas about the current source of gas used for company facilities and CNG fleet vehicles. SoCalGas indicated that "*[t]he gas used for company facilities and CNG fleet vehicles is purchased as part of the SoCalGas' core portfolio, which is 100% natural gas*."

4.3.1 Are the costs associated this supply of gas tracked separately from other gas supplies procured for the core customer class?

SoCalGas Response 4.3.1:

100% of the gas costs associated with SoCalGas' core portfolio is initially booked to the Gas Purchase Account. Subsequently, the costs associated with "Other Company Use Gas" are determined based on monthly gas consumption volume and the weighted average cost of gas for the core portfolio and separately balanced in the appropriate regulatory accounts as adopted in the Phase 2 decision of the last BCAP (D.09-11-006).

4.3.2 Are the costs associated with this supply of gas currently allocated to other customer classes? If so, please identify the customer classes.

SoCalGas Response 4.3.2:

Yes, the costs associated with "Other Company Use Gas" are allocated to all customers based on the Equal Cents per Therm method adopted in the Phase 2 decision of the last BCAP. Also, see response 4.4.2 of IP-SCG-DR-01.

Response to Question 4.3 (Continued)

4.3.3 How will the Sustainable SoCalGas Program change the manner in which fuel for company facilities and CNG fleet vehicles is allocated to customer classes?

SoCalGas Response 4.3.3:

As indicated in response 4.4.2 of IP-SCG-DR-01, the avoided costs for natural gas commodity will be reflected in reduced costs for "Other Company Use Gas," but will not change the allocation methodology to customer classes.

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5. Question 4.2.2 of the Indicated Producers' first data request asks for the criteria that will be used to select customers chosen for installation of the biogas conditioning system. In response, SoCalGas provided its selection criteria.

5.1 Under the program, would SoCalGas or the potential wastewater treatment plant own the generated biomethane?

SoCalGas Response 5.1:

SoCalGas will own the generated biomethane.

5.2 If the wastewater treatment plant would own the generated biomethane, identify the criteria will be used to establish the price at which SoCalGas would purchase the biomethane?

SoCalGas Response 5.2:

Not applicable, as the wastewater plant will not own the generated biomethane.

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6. Question 4.2.4 of the Indicated Producers' first data request asks whether any of SoCalGas/SDG&E's affiliates are involved in biomethane production, biomethane distribution, or biomethane marketing. In response SoCalGas indicated that "*[u]nder the current proposal, none of SoCalGas/SDG&E's affiliates would be involved in the Sustainable SoCal Program*."

   6.1 Would the proposed Sustainable SoCal Program allow SoCalGas/SDG&E affiliates currently involved in biomethane production, biomethane distribution, or biomethane marketing to be involved in Program in the future?

SoCalGas Response 6.1:

See response to Question 6.2 below.

   6.2 Are any of SoCalGas/SDG&E's affiliates currently involved in biomethane production, biomethane distribution, or biomethane marketing? If so, identify the number of affiliates involved and clarify the nature of their biomethane activities.

SoCalGas Response 6.2:

There are strict Affiliate Transaction Rules that prohibit the sharing of non-public information between utilities and their affiliates. Based on what is publicly available today, SoCalGas is unaware of any SoCalGas/SDG&E affiliates that are currently involved in biomethane production, biomethane distribution, or biomethane marketing.

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7. Question 4.3.1 of the Indicated Producers' first data request asks whether "*cleaning*" of the producer biogas to pipeline quality will be provided using the biogas conditioning system. It also inquires about the equipment required, the associated cost and revenue requirement. In response, SoCalGas clarified that "*the 'cleaning' is provided through the biogas conditioning system*" SoCalGas did not provide the associated cost and revenue requirement. Is the cost associated with the "*cleaning*" of producer biogas to pipeline quality $14.31/MMbtu? If not, please provide the cost.

SoCalGas Response 7:

Yes, the average lifecycle cost associated with the 'cleaning' of producer biogas is $14.31/MMbtu (based on 300 scfm of producer biogas).

Response prepared by: Gillian A. Wright