

**SAN DIEGO GAS & ELECTRIC COMPANY  
SOUTHERN CALIFORNIA GAS COMPANY  
PIPELINE SAFETY & RELIABILITY PROJECT (PSRP)  
(A.15-09-013)  
(DATA REQUEST ORA-24)  
Date Requested: July 28, 2016  
Date Responded: August 11, 2016**

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**PRELIMINARY STATEMENT**

1. These responses and objections are made without prejudice to, and are not a waiver of, SDG&E and SoCalGas' right to rely on other facts or documents in these proceedings.
2. By making the accompanying responses and objections to these requests for data, SDG&E and SoCalGas does not waive, and hereby expressly reserves, its right to assert any and all objections as to the admissibility of such responses into evidence in this action, or in any other proceedings, on any and all grounds including, but not limited to, competency, relevancy, materiality, and privilege. Further, SDG&E and SoCalGas makes the responses and objections herein without in any way implying that it considers the requests, and responses to the requests, to be relevant or material to the subject matter of this action.
3. SDG&E and SoCalGas will produce responses only to the extent that such response is based upon personal knowledge or documents in the possession, custody, or control of SDG&E and SoCalGas. SDG&E and SoCalGas possession, custody, or control does not include any constructive possession that may be conferred by SDG&E or SoCalGas' right or power to compel the production of documents or information from third parties or to request their production from other divisions of the Commission.
4. A response stating an objection shall not be deemed or construed that there are, in fact, responsive information or documents which may be applicable to the data request, or that SDG&E and SoCalGas acquiesces in the characterization of the premise, conduct or activities contained in the data request, or definitions and/or instructions applicable to the data request.
5. SDG&E and SoCalGas objects to the production of documents or information protected by the attorney-client communication privilege or the attorney work product doctrine.
6. SDG&E and SoCalGas expressly reserve the right to supplement, clarify, revise, or correct any or all of the responses and objections herein, and to assert additional objections or privileges, in one or more subsequent supplemental response(s).
7. SDG&E and SoCalGas will make available for inspection at their offices any responsive documents. Alternatively, SDG&E and SoCalGas will produce copies of the documents. SDG&E and SoCalGas will Bates-number such documents only if SDG&E and SoCalGas deem it necessary to ensure proper identification of the source of such documents.
8. Publicly available information and documents including, but not limited to, newspaper clippings, court papers, and materials available on the Internet, will not be produced.

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9. SDG&E and SoCalGas object to any assertion that the data requests are continuing in nature and will respond only upon the information and documents available after a reasonably diligent search on the date of its responses. However, SDG&E and SoCalGas will supplement its answers to include information acquired after serving its responses to the Data Requests if it obtains information upon the basis of which it learns that its response was incorrect or incomplete when made.
10. In accordance with the CPUC's Discovery: Custom And Practice Guidelines, SDG&E and SoCalGas will endeavor to respond to ORA's data requests by the identified response date or within 10 business days. If it cannot do so, it will so inform ORA.
11. SDG&E and SoCalGas object to any ORA contact of SDG&E and SoCalGas officers or employees, who are represented by counsel. ORA may seek to contact such persons only through counsel.
12. SDG&E and SoCalGas objects to ORA's instruction to send copies of responses to entities other than ORA.

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**QUESTION 1:**

In discussing the de-rate of Line 1600 to distribution service, page 15 of Mr. Navin's testimony states "ten regulator stations would no longer be needed between Line 1600 and the distribution system downstream." Page 21 of Mr. Navin's testimony states "The Proposed Project scope includes the de-rating of Line 1600 for continued operation as a distribution asset." The Project Schedule in Attachment VIII shows Line 1600 De-rate Construction beginning the third quarter of year 2020 through the end of the first quarter of 2021 when construction is expected to be completed.

- (a) Is it accurate to assume that ongoing O&M expenses on Line 1600 will continue to be incurred until the line is no longer in service as a transmission asset? Please respond first with a yes or no and then state whether Sempra expects to continue to incur the Line 1600 annual O&M expenses on the transmission asset until at least the end of the 2<sup>nd</sup> quarter of year 2020 based on the project schedule shown in Attachment VIII.
- (b) Please provide the continuing amount of annual O&M expenses expected to be incurred on Line 1600 as a transmission asset based on historical data for Line 1600 in the last five years. Please state whether the same amount of annual O&M expense is assumed under the Hydro test Alternative (Line 1600) and the Replace Line 1600 In-Place Alternative. If different, please provide the different O&M expense assumptions and explain the basis for a different assumption.
- (c) Please clarify whether your response to item (b) above includes the ten regulator stations that would no longer be needed with the de-rate of Line 1600.
- (d) Is it accurate to assume that the annual amount of O&M expenses on Line 1600 as a transmission asset in your response to item (b) will continue to be recovered in existing transmission tariff rates unless Sempra submits a filing to the Commission to have the de-rated line be in service as a distribution asset and the tariffs changed accordingly? Please respond first with a yes or no, and then explain your answer.
- (e) Please provide an estimate of the annual amount of O&M costs of the de-rated Line 1600 as a distribution asset that is assumed in the CEA for all alternatives that include the Line 1600 de-rate.

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- (f) Based on your response to items (b) and (e) above, please compare the estimated annual amount of O&M expenses and explain why it is reasonable for the amount of annual O&M expenses to be different between Line 1600 functioning as a transmission asset and as a distribution asset.
- (g) Please state whether Sempra currently includes Line 1600 in its implementation of the Transmission Integrity Management Program (TIMP).
- (h) When Line 1600 is de-rated to a distribution line function, please state whether Sempra expects to include Line 1600 in its implementation of the Distribution Integrity Management Program (DIMP).
- (i) Please state whether the program costs of the TIMP and the DIMP are excluded from the estimates of annual O&M expenses for Line 1600.

**RESPONSE 1:**

- a. Yes. SDG&E and SoCalGas expect to continue to incur the Line 1600 annual O&M expenses on the transmission asset until at least the end of the 2<sup>nd</sup> quarter of 2020 based on the project schedule shown in Attachment VIII of the Prepared Direct Testimony of Neil Navin.
- b. SDG&E does not track O&M by specific pipeline. It is estimated that costs associated with recurring annual O&M activities for Line 1600 total approximately \$250,000 to \$300,000. This excludes large periodic expenses, such as In Line Inspection (ILI) runs, associated validation activities and follow up repairs. If Line 1600 was to be hydrotested and kept in service, or a new "in-place" line constructed, it is anticipated that similar levels of O&M would continue to be incurred.
- c. Yes.
- d. Yes; however, SDG&E and SoCalGas do not intend to request a tariff/rate change the instant Line 1600 is reclassified to a distribution asset. Rather, the tariff/rate change would occur in SoCalGas' and SDG&E's next Triennial Cost Allocation Proceeding (TCAP) following the reclassification, based on a new embedded cost study.
- e. No O&M was assumed for the de-rated Line 1600 in the Cost-Effectiveness Analysis (CEA) for the Proposed Project or any Alternatives. The regular recurring costs to maintain Line 1600 in its current configuration compared to its de-rated configuration are similar and anticipated to be in the \$250,000 to \$300,000 range annually.

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- f. As stated in the responses to 1(b) and 1(e) above, the costs for regular recurring O&M of Line 1600 are anticipated to be similar regardless of the configurations being discussed in this Application. In all scenarios, Line 1600 will still need recurring O&M activities such as: leak patrols; cathodic protection inspection and maintenance; atmospheric corrosion inspection on non-buried components; locate and mark activities; valve inspection and maintenance; inspection and maintenance on pressure control devices; inspection and maintenance of Supervisory and Data Acquisition (SCADA) equipment.
- g. Yes.
- h. Yes.
- i. Yes, TIMP and DIMP costs are excluded from the estimates of annual O&M expenses for Line 1600.

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**QUESTION 2:**

Attachment B PSRP of Mr. Navin's testimony describe Line 1600 as a high pressure natural gas transmission line owned and operated by SDG&E. Pages 25-26 of Mr. Navin's testimony explain that "The Proposed Project will result in ongoing O&M expenses for the new pipeline after being placed into service." Mr. Navin states "Pipeline operations and compliance activities, including valve maintenance and cathodic protection, will incur ongoing expense, estimated to be approximately \$240,000 annually. As discussed in the Prepared Direct Testimony of John A.Roy, recovery of this ongoing O&M expenses is not included in the proposed revenue requirement for this Application; however, the post-construction O&M expenses will be recorded in the requested PSRP Memorandum Account." Mr. Roy's testimony at p.1 proposes "to record and subsequently recover the incremental costs associated with the Proposed Project by establishing: 1) a new SDG&E PSRP Memorandum Account (PSRPMA); and 2) an amortization methodology for the PSRPMA undercollected balance for recovery in rates." In turn, Mr. Roy states "The Prepared Direct Testimony of Michael Woodruff discusses SDG&E and SoCalGas' forecasted revenue requirement for Line 3602 costs and Line 1600 de-rate costs." Mr. Woodruff's testimony at p.5 states at "Tables 5A and 5B summarize the forecasted revenue requirement for SDG&E to construct the project. The forecasted revenue requirement captures costs necessary to support the investment, including the fully escalated and loaded costs shown in Table 4A/4B." Tables 4A and 4B show total Line 3602 and Line 1600 de-rate at fully escalated and loaded costs of \$528.5 million and \$29.5 million, respectively. Footnotes 7 and 8 on p.5 state the exclusion of AFUDC and capital property taxes from Tables 4A/4B. Table 5A in Mr. Woodruff's testimony shows the Line 3602 revenue requirements summary, which displays each year from 2014 through 2019 without any revenue requirement throughout, the year 2020 with \$3.5Million, year 2021 with \$85.9 million, the year 2022 with \$85.6 million, the year 2023 with \$82.8 million, and the year 2024 thereafter with \$1,729.9 million, for a combined total amount of \$1,987.8 million of Line 3602 revenue requirements. In the same testimony, Table 5B shows the Line 1600 de-rate revenue requirement summary, which displays each year from 2014 through 2019 without any revenue requirement, the year 2021 with \$4.0 million, the year 2022 with \$4.7 million, the year 2023 with \$4.8 million, and the year 2024 thereafter with \$98.4 million, for a combined total amount of \$111.9 million of Line 1600 de-rate revenue requirements. At p.6, Mr. Woodruff states "SDG&E will compute the actual capital and operations and maintenance (O&M) costs and associated revenue requirement." The detailed breakdown of Line 3602 and Line 1600 de-rate annual revenue requirements is shown in Mr. Woodruff's workpapers which start from the year 2014 through the year 2063. The line designated for O&M costs are shown with zero amounts for annual revenue requirements in Mr. Woodruff's workpapers.

- (a) Please explain whether the above statements in Mr. Navin's testimony should be understood to mean ongoing O&M expenses of approximately \$240,000 annually are

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estimated to include complete incremental expenses for the Line 3602 Proposed Project. For example, is it accurate that overhead costs associated with incremental labor and additional procurement activities for the Project are included in the \$240,000, while existing overhead costs that would have been ongoing already even absent the Proposed Project are not? If this is the case, please explain. In addition, please clarify whether the \$240,000 in annual O&M expenses consists only of the net of any ongoing cost recovery from the existing Line 1600 included in current rates, or whether the \$240,00 also includes the expected Line 1600 annual O&M expense as a de-rated distribution line.

- (b) Please provide the support for the estimated \$240,000 in annual O&M cost, including the calculation that results in \$240,000 annually.
- (c) Please explain whether the above statements mean the estimated O&M expenses of approx. \$240,000 on the Proposed Project will not be included in the proposed revenue requirements and rates but instead the O&M cost recovery will be made part of costs recorded in the proposed PSRP Memorandum Account discussed in Mr. Roy's testimony. Please provide the basis and the rationale for this treatment of the Proposed Project's O&M expense costs.
- (d) Similar to item (c) above, please clarify whether the estimated O&M expenses of Line 1600 de-rate provided in your response to Question 1 above will not be included in the proposed revenue requirements and rates but instead the O&M cost recovery will be made part of costs recorded in the proposed PSRP Memorandum Account.
- (e) If approved and authorized by the Commission as requested, please clarify based on Mr. Woodruff's statements above, that the Proposed Project's revenue requirements, including the Line 1600 de-rate, are forecast revenue requirements of SDG&E, whether these forecast revenues are contemplated to be the responsibility of SDG&E ratepayers rather than jointly with SoCalGas' ratepayers? Please response with a yes or no, and then explain your answer.
- (f) Please confirm that the forecast annual revenue requirements for the Proposed Project Line 3602 and the Line 1600 de-rate shown in Mr. Woodruff's Tables 5A and 5B and workpapers assumes the fully loaded total project costs shown in Tables 4A and 4B, which do not include two items of the capitalized property taxes and AFUDC, as noted in Footnotes 7 and 8. If so, please explain why it would be reasonable to exclude the latter two items from the forecast revenue requirements. Otherwise, please provide the forecast annual revenue requirements for the Proposed Project Line 3602 and Line 1600 De-rate assuming the fully loaded total project costs including the capitalized property taxes and AFUDC.

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- (g) Based on Mr. Roy's testimony that seeks to establish Memorandum Accounts for the PSRP, is it accurate to assume that Sempra's Application herein requests Commission approval to recover all actual capital and O&M expense cost amounts to be incurred for the Proposed Project, including the Line 1600 de-rate?
- (h) Is it possible for each of the recorded actual amounts to exceed each of the forecast fully loaded costs shown in Tables 4A and 4B of Mr. Woodruff's testimony? If yes, please explain.

**RESPONSE 2:**

- a. Ongoing O&M expenses estimated at \$240,000 annually are incremental costs. Estimated costs were calculated based on units requiring maintenance, unique to the proposed Line 3602 alignment.
- b. The attachment contains **confidential information and/or protected materials provided pursuant to applicable provisions of GO 66-C and PUC Section 583**. Please refer to the attached file, which provides the information and calculations used to develop the estimate discussed in the response to 2(a) above.
- c. The O&M referenced in this question is not included in the calculation of revenue requirement filed with this Application. It is anticipated that any ongoing O&M will be included in future GRCs.
- d. Please see response to question 2(c) above.
- e. Yes, the forecasted revenue requirements for the Line 1600 de-rate are contemplated to be the responsibility of SDG&E ratepayers. Please see the Prepared Direct Testimony of Jason Bonnett for additional details on how the Proposed Project costs would be allocated to ratepayers.
- f. Yes, the revenue requirements in Tables 5A and 5B of the Prepared Direct Testimony of Michael Woodruff are based on the fully loaded total project costs shown in Tables 4A and 4B of Mr. Woodruff's testimony. However, allowance for funds used during construction (AFUDC) and capitalized property taxes are captured as part of the revenue requirement calculation so there is no additional revenue requirement for these items beyond the revenue requirements shown in tables 5A and 5B.
- g. Mr. Roy's testimony proposes a new SDG&E PSRP Memorandum Account (PSRPMA) that will consist of two subaccounts, Line 3602 Costs and Line 1600 De-Rate Costs, which would

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record incremental costs not recovered in the revenue requirement. The costs referenced are incremental capital-related and O&M costs not recovered in the revenue requirement. The Prepared Direct Testimony of Michael Woodruff discusses SDG&E's forecasted revenue requirement for Line 3602 costs and Line 1600 de-rate costs.

- h. The fully loaded costs in Tables 4A and 4B of Mr. Woodruff's testimony are estimates and it is possible that actual costs will vary from these estimates.

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**QUESTION 3:**

Table 2 of Mr. Navin's testimony at p.17 shows the Proposed Project estimated direct costs for Line 3602 scope at \$426.8 million and Line 1600 de-rate total direct costs at \$15.1 million, or a combined total direct cost for the Proposed Project in the amount of \$441.9 million. Attachment VI of Mr. Navin's testimony shows total project costs of the PSRP in the amount of \$426,763,972, broken down into \$382,399,642 for estimated direct costs and \$44,364,330 in contingencies. In Mr. Woodruff's testimony, Table 3A shows Line 3602 direct costs summary each year from 2014 through 2021, and a total direct cost of \$426.8 million. Also, Table 3B of Mr. Woodruff's testimony shows Line 1600 de-rate direct costs each year from 2017 through 2022, and a total direct cost of \$12.8 million. The range of escalation rates are shown in Tables 1A and 1B of Mr. Woodruff's testimony while "overhead loaders (illustrative)" are shown in Tables 2A and 2B.

- (a) Please explain the reason for the difference in the amounts shown for Line 1600 de-rate between Table 2 of Mr. Navin's testimony and Table 3B of Mr. Woodruff's testimony.
- (b) Please explain which table accurately reflects the total direct costs associated with the Line 1600 de-rate.
- (c) As noted in the previous Question 2, Tables 4A and 4B of Mr. Woodruff's testimony show total Line 3602 and Line 1600 de-rate at fully escalated and loaded costs of \$528.5 million and \$29.5 million, respectively. Compared to Table 3A of the same testimony, Table 4A is a notably higher by slightly over \$101 million with the escalation and loaders included. Similarly, compared to Table 3B, the Line 1600 de-rate fully escalated and loaded costs shown in Table 4B is more than two times higher than the amounts shown in Table 3B. Please provide the specific annual escalation rates assumed for purposes of Tables 4A and 4B with the range reflected in Table 1A and 1B.
- (d) Please explain what the term "overhead loaders (illustrative)" represent.

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**RESPONSE 3:**

- a. An explanation for the difference in the amounts was provided in the Prepared Direct Testimony of Michael Woodruff at page 1, footnote 2.
- b. Tables 1, 2 and 5 of the Prepared Direct Testimony of Neil Navin accurately reflect the total direct costs associated with Line 1600 de-rate.
- c. Annual escalation rates were provided in witness Woodruff's workpapers.
- d. "Overhead loaders (illustrative)" indicates that the loaders used for SDG&E's and SoCalGas' calculations are projections while actual overhead costs will be applied at the time of the direct spend.

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**QUESTION 4:**

Table 1 of Attachment B in Mr. Navin's testimony shows the three options 1-3 with respect to different periods for hydro testing of Line 1600. As described, option 1 is indicated to take 33 months, option 2 is indicated to take 28 months, and option 3 is indicated to take 18 months. The total direct costs of each option are also shown in Table 1: option 1 is shown in the amount of \$112.9 million, option 2 is shown in the amount of \$112.7 million and option 3 is shown in the amount of \$111.5 million. The difference between the least and most expensive option is in the amount of \$1.4 million. At page 3 of Attachment B, Mr. Navin states that option 1 is the preferred option to minimize customer impacts.

- (a) Please explain whether the amounts of total direct costs shown in Table 1 of the three options, which differs only by \$1.4 million at the most, takes into account the differences in the implementation time period described above.
- (b) Please explain how the criteria "to minimize customer impacts" is quantified and treated in the CEA.

**RESPONSE 4:**

- a. Yes, the differences are due to the implementation time periods and multiple start and stops in the project.
- b. Criteria "to minimize customer impacts" are not quantified in the CEA.

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**QUESTION 5:**

Page 7 of Attachment B of Mr. Navin's testimony states "It is recognized that the use of reclaimed water has been required in past SDG&E projects. Significant jurisdictional details need to be assessed and resolved in order to use reclaimed water to test the entirety of Line 1600. Detailed examination of reclaimed water use will be performed in future studies."

- (a) Please explain whether the "past SDG&E projects" refer to all the hydro tests performed for SDG&E's PSEP to date?
- (b) Please clarify what is meant by the reference to "significant jurisdictional details need to be assessed and resolved."
- (c) Please explain whether the direct cost estimates shown in Table 1 of Attachment B in Mr. Navin's testimony assume the use of reclaimed water for hydro testing.
- (d) Please explain the cost implications of using reclaimed water versus no reclaimed water for hydro testing Line 1600.

**RESPONSE 5:**

- a. Not all hydrostatic tests performed for SDG&E's PSEP have used reclaimed water. To date, SDG&E has used approximately 412,400 gallons of water for PSEP hydrostatic tests. Of this, 368,200 gallons of water has been reclaimed water from two separate municipalities, while 44,200 gallons of potable water has been used.
- b. The jurisdictional details regarding reclaimed water usage needing to be assessed and resolved have recently changed to increase a greater jurisdictional area. On past SDG&E projects, used as a basis for the PSRP filing, the reclaimed water service jurisdictions were limited to two hydrogeologic areas. Reclaimed water usage was limited to hydrostatic testing, grading, and dust control, with temporary storage and testing locations used inside of project construction areas. At the time of this response, the use of reclaimed water has been expanded to be used anywhere within the County of San Diego, not to be constrained by specific hydrogeologic areas.
- c. No use of reclaimed water was assumed. Water source was assumed to be provided by nearby fire hydrants.

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- d. Choosing the best water source to use for hydrotesting is based on several factors. The first consideration is the location of the available source relative to the fill point for the hydrotest segment. Ideally, a source immediately adjacent to the test location where water could be directly piped into the hydrotest segment is best. Distant sources would require trucking, which can significantly drive up costs.

Typically, reclaimed water is cheaper to purchase than potable water, but when the costs and time to transport the reclaimed water to the test site are accounted for, it may not be the most cost-effective choice. Also, the availability of reclaimed water varies by agency, and may be limited in the more northern portions of Line 1600. Additionally, some jurisdictions have requirements regarding disposal, and they may only allow water to be disposed of in the jurisdiction if it is purchased in the jurisdiction. It is also important to note that some reclaimed water may not be of adequate quality to be suitable for use in hydrotesting (e.g., pH or constituents that may cause problems in disposal).

In the end, these factors are all considered as part of planning a hydrotest to determine the best overall solution for acquiring and disposing of hydrotest water.