

**ORA DATA REQUEST
ORA-SCG-017-LMW
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: NOVEMBER 27, 2017
DATE RESPONDED: DECEMBER 11, 2017**

Exhibit Reference: SCG-25, Workpapers

SDG&E Witness: Johnson

Subject: NERBA

Please provide the following:

1. Referring to SCG's testimony page DJ-17, there are new, emergent LDAR costs for requirements associated with CARB Oil and Gas and SB887 estimated in the amount of \$4,258,000 in TY2019. Based on this please answer/provide the following:
 - a. Confirm these costs will be part of the NERBA two way balancing account?
 - b. The support beyond the workpaper adjustments showing the various components and costs used to derive the estimate.

SoCalGas Response 1:

Response a:

Yes. The emergent LDAR costs forecasted for \$4,258,000 will be part of the NERBA two-way balancing account. In the process of preparing a response for this data request, it was determined that the actual forecasted amount for emergent LDAR costs were \$4,528,000 (see estimate details in response b below) or \$270,000 higher than the forecast entered in testimony and workpapers. The testimony of Darrell Johnson (Ex. SCG-25) will be footnoted to describe the discrepancy, but neither the revenue requirement nor results of operations will be updated to reflect the higher forecasts at this time.

Response b:

Cost estimates were made for 3 key areas identified in the regulation for both Underground Storage Facilities and Transmission Compressor Stations. The cost areas captured are: daily leak screening at storage wells, quarterly Leak Detection and Repair (LDAR), and replacement of reciprocating compressor rod packings. Costs are itemized in the table below:

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SoCalGas Response 1 Continued:

CARB Oil and Gas Compliance Item	Estimated Annual Cost
Daily (manual) leak screening – storage wells at 4 facilities	\$3,600,000
Quarterly Leak Detection and Repair – 9 Gas Transmission Facilities	\$180,000
Quarterly Leak Detection and Repair – 4 Underground Storage Facilities	\$620,000
Compressor Rod Packing Replacement (Transmission and Storage Facilities)	\$128,000
Estimated Annual Costs for the above activities	\$4,528,000

The cost estimates were derived from information provided by operations groups that had conducted similar activities as follows:

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SoCalGas Response 1 Continued:

Natural Gas Underground Storage Facility Monitoring Requirements - Daily Leak Screening

Historical cost information from the daily leak screening activities at the Aliso Canyon facility form the basis for costs estimates below. Records from the Storage Risk Management Team show that the facility spends approximately \$200,000/month for daily leak inspection activities conducted by three separate leak survey contractors.

$\$200,000 / \text{month} \times 12 \text{ months} = \$2,440,000/\text{year} (\$2.4 \text{ MM}/\text{year})$

The Storage Risk Management Team anticipated negotiation of lower rates in future years (due to longer contract periods). Future cost estimates for the Aliso Canyon Facility were adjusted down to \$1.8 MM/year.

Storage Risk Personnel estimated cost for a total of 6 additional leak detection teams to cover the additional 3 storage fields at a cost of \$600,000/year apiece.

Daily air monitoring at storage wells (annual cost)

• La Goleta	\$ 600,000
• Playa del Rey	\$ 600,000
• Honor Rancho	\$ 600,000
• <u>Aliso Canyon</u>	<u>\$ 1,800,000</u>
Total	\$3,600,000

Transmission and Storage Facility Leak Detection and Repair

Cost estimates for Leak Detection and Repair (LDAR) are derived from company historic EPA Subpart W Leak survey activities at select Storage Fields and Compressor Stations. Note that subpart W activities do not require repairs, thus only leak detection costs are estimated:

Underground Storage Leak Survey Costs

Aliso Canyon and Honor Rancho combined surveys (\$80k/year):

- Quarterly survey costs: 4 x \$80K \$320k/year

La Goleta and Playa del Rey (smaller storage fields - \$60k/year)

- Quarterly survey costs: 4 x \$60K \$240k/year

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SoCalGas Response 1 Continued:

- Compressor Services Technical Support: \$60K/year

Gas Transmission Leak Survey Cost

- Quarterly leak surveys covering 8 facilities \$100k/year
- Compressor Services Technical Support: \$80K/year

Storage:	\$320K + \$240K + \$60K	\$620K/year
Transmission:	\$100K + \$80K	\$180K/year
Total T&S survey cost estimate:		\$800K/year

Compressor Rod Packing Replacement:

Compressor Rod Packing replacement activities have historically been tracked due to participation in the EPA Gas STAR Program. The Air Quality Compressor Services Group had at that time estimated replacement costs to be approximately **\$8000/packing replacement**.

The annual number of rod packings replaced over the years has been around 16 packings/year

Estimated cost: \$8000/packing x 16 packings/year = **\$128,000/year**