

**SAN DIEGO GAS & ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY
PIPELINE SAFETY & RELIABILITY PROJECT (PSRP)
(A.15-09-013)
(DATA REQUEST ORA-61)**

**Date Requested: January 12, 2017
Date Responded: January 27, 2017**

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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Subject: Cost-Effective Analysis (CEA) criteria of evaluation alternatives

QUESTION 1:

On the CEA1 on page 49 point 3.2 Utility operational control of asset, which is defined as “ability to control the physical asset by SDG&E,” please answer

- a. Why do SoCalGas and SDG&E consider that Utility control of asset provides a benefit?
- b. What is the basis of the assumption that utility have control of asset has more or less benefit than control by another party?
- c. What is the basis of choosing the scale for scoring the projects against this benefit as 5 and 1 reflecting that if the utility has operational control is five times the benefit when it does not?
- d. Is there any evidence in SDG&E’s or SoCalGas’ system of any third party operated pipeline being less reliable operationally than the utility operated pipeline?

RESPONSE 1:

- a. When reliability and system integrity is a concern, SoCalGas and SDG&E believe that an asset on their system and within their operational control is preferable to an asset outside of the utilities’ control. An on-system asset does not depend upon customers utilizing that asset by scheduling supply or upon upstream customers, which may divert gas supply, nor is flowrate in that asset bound by the North American Energy Standards Board (NAESB) scheduling cycles. An on-system asset also eliminates the risk of an outage dictated solely by the schedule and requirement of an upstream entity – assets that SoCalGas and SDG&E do not operate and control will not necessarily be utilized the way that is needed at the time it is needed, in order to support SoCalGas’ and SDG&E’s system reliability. In addition, assets that are outside of the United States of America are subject to, and may be affected by disputes with, sovereign foreign governments, and are not subject to CPUC or FERC controls, regulations and oversight.
- b. Please refer to the response to Question 1(a) above.
- c. The 1-5 benefit score is not meant to imply that a benefit scored a five is five times better than a benefit scored a 1. Rather the scoring in this case indicates that it is more beneficial for the utility to have control of the asset than if it does not have control of the asset.
- d. As explained in the response to Question 1(a) above, assets that are under the operational control of an outside party operate under the schedule and business need of that outside party, which may not correspond to the needs of the Utilities and their

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customers. An example of this is a comparison of California producer supplies and underground storage supplies on the SoCalGas system. Delivery of local California production is a function of the worldwide market price for oil, and that combined with the business needs of each individual producer, results in an unreliable gas supply. On the other hand, underground storage withdrawal is under the operational control of the SoCalGas Gas Control Department, which manages that supply to conform to the needs of SoCalGas/SDG&E system and maintain reliability.

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QUESTION 2:

The Joint Assigned Commissioner and Administrative Law Judge’s Ruling, dated January 22, 2016 at page 12 states “The analysis will quantify specific benefits including: (1) increased safety; (2) increased reliability; (3) increased operational flexibility; (4) increased system capacity; (5) increased ability for gas storage by line packing; (6) reduction in the price of gas for ratepayers; and (7) other benefits identified by the Applicant. All benefits must be quantified”. The CEA at page 54 states, under subsection E, “Increased Gas Storage through Line Pack”, that “All additional pipelines on the SDG&E system incrementally increase the system line pack to greater or lesser extents. Line pack simply provides an operational buffer to changes in customer demand, and any incremental benefit that line pack provides is implicitly captured by the potential increases in system capacity provided in Section D above.

- a. Since any incremental benefit that line pack provides is implicitly captured by the potential increases in system capacity, please explain what benefits that the “Line Pack Criterion” provides that are not already captured by the “System Capacity” criterion. If the “Line Pack Criterion” captures no additional benefits than those in the “System Capacity” Criterion, please say so.
- b. As the benefits scores for “System Capacity” and “Gas Storage thru Line Pack” on Table 10 are exactly the same for every identified alternative, please:
 - 1. Identify all differences in how these two criteria were applied for purposes of scoring the alternatives.
 - 2. Identify all similarities in how these two criteria were applied for purposes of scoring the alternatives.

RESPONSE 2:

- a. Line pack does not provide any incremental benefit than the benefits implicitly captured by the potential increases in system capacity.
- b. Line pack does not provide any incremental benefit than the benefits implicitly captured by the potential increases in system capacity. Table 10 on page 35 does identify scores for Line Pack for each alternative; however, the Benefit Evaluation Model does not include the Line Pack Score in the calculation of the Total Average Score in Table 10 on page 35. This can be verified in the CEA workpapers: Application 15-00-013 Volume III Workpapers Benefits Scoring Model on the summary page in the formula in cell C39.

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QUESTION 3:

In Response to ORA-18 Question 2g, SoCalGas/SDG&E clarified that “Reduction in gas prices to ratepayers” refers to reduction in gas commodity costs.” With this response in mind and also, in the CEA2 on page 54 point 6.1 and Table 23 together show that no change in gas prices to ratepayers is expected for any of the options except for two of the alternatives where an increase in gas prices is expected for ratepayers. With these points in mind, please provide:

- a. The basis for assigning a score of 1 (meaning an increase in gas prices to ratepayers is expected) to the Otay Mesa alternatives and LNG storage alternatives. Specifically, has SoCalGas/SDG&E identified the costs associated with these alternatives? If so, please provide the costs, and all documentation showing such costs.
- b. The basis for assigning a score of 3 (meaning no change in gas prices to ratepayers expected) to all other alternatives. Has any supporting documentation been provided where a conclusion was reached that an alternative would not result in an expected change to ratepayers? Provide documentation showing this.
- c. Please confirm that where a score of 3 is assigned to an alternative, there is no consideration of the construction costs to ratepayers related to that alternative. By construction costs, ORA means this in the broadest possible sense, including right-of-way, permitting, environmental review, design, surveying, contingencies, and all other costs related to making the project operational. Please confirm that none of these costs are considered when assigning a score of 3 to an alternative.
- d. Please provide the working definition of “gas prices to ratepayers” as used in the CEA. For example, does the definition include the cost of gas commodity prices to ratepayers? Does the definition include the cost of gas transportation prices to ratepayers? Does the definition include other costs? If so, please identify all such costs.
- e. For each of the items provided in the definition of “gas prices to ratepayers” in response to question 3d, please provide the rationale for its inclusion.
- f. If gas transportation prices to ratepayer were excluded from the definition of “gas prices to ratepayers”, please explain why.

RESPONSE 3:

- a. The basis for assigning higher costs to the Otay Mesa alternatives is based on price premiums paid in the past for delivered quantities, at that point whether sourced from the El Paso Natural Gas (EPNG) South Mainline or the Energia Costa Azul (ECA) Liquefied Natural Gas (LNG) facility. Customers purchasing gas supply at Otay Mesa should reasonably expect to cover these costs incorporated within the price paid for deliveries purchased there. The LNG storage alternative assumes purchase of LNG, which is more costly than gas. As provided in response to ORA DR-34, question 2b.

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(t)he delivered price for Alternative G: LNG Storage (Peak-Shaver) Alternative is approximately \$0.925 per gallon. This results in an LNG cost per dekatherm of \$ 11.20 (1 LNG gallon = 82,644 BTU = 0.0826 decatherm).

- b. The other alternatives either cause the avoidance of gas purchases or increase the Backbone Transportation Service (BTS) rate on the SoCalGas and SDG&E system. There is no documentation illustrating that there would a change in the price of gas.
- c. Yes.
- d. Gas prices to ratepayers as used in the CEA are limited to prices charged for natural gas at SoCalGas and SDG&E system receipt points. This definition does not consider increases in BTS rates from backbone system investments or for electric rate increases for alternatives requiring utility electric system investments.
- e. Please see the response to Question 3(a) above.
- f. The cost and savings for the Proposed Project and Alternatives and comparison across projects is already captured in the CEA. Any potential "Reduction in Gas Price for Ratepayers" not already captured in the CEA could only be realized from potential impacts to commodity costs to ratepayers resulting from the Proposed Project and Alternatives.

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QUESTION 4:

Please refer to Table 10 on page 35 of the CEA ("Table 10"). Here, seven benefits criteria are provided, including: Safety, Reliability, Operational Flexibility, System Capacity, Gas Storage thru Line Pack, Reduction in Gas Price for Ratepayers, and Other Benefits.

- a. Are all of these criteria weighted equally?
- b. If so, what is the rationale for weighting the criteria equally?
- c. If not, what was the rationale for the different weightings?
- d. Please provide the weighting of each criterion relative to the others.

RESPONSE 4:

- a. Yes, all of the criteria are weighted equally.
- b. All criteria are weighted equally so as to avoid artificially inflating any one benefit score.
- c. N/A
- d. N/A

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QUESTION 5:

Table 10 includes “Total Average of Scores” entry under the “Benefits Criteria” column. In ORA-58 Question 2, Applicants were asked to explain the calculation of “Total Average of Scores.” Please provide a detailed response for ORA-58 Question 2.

In addition, please also provide the definition of this box, and explain how the numbers in this row were derived, including any formulas or equations used.

RESPONSE 5:

As described on page 34 of the CEA:

“The scoring criteria are generally applied on a 1 to 5 scale. In the scoring benefits model, 1 is the lowest (worst) score and 5 is the highest (best) score. The scores were averaged within each of the seven benefit categories and then those seven average scores were summed to determine the final benefit score for the Proposed Project and the Alternatives.”

For example, Table 10 shows that the Proposed Project received the following scores:

- Safety = 4.6 (see Benefits Evaluation Model workpapers. Score on Table 10 is shown rounded to 5)
- Reliability = 5
- Operational Flexibility= 5
- System Capacity = 5
- Gas Storage through Line Pack = 5
- Reduction in Gas Price for Ratepayers = 3
- Other Benefits = 5

Total Score 32.6

However, the score for "Gas Storage through Line Pack" is not included in the total score for the Proposed Project, or any of the Alternative projects, because any incremental benefit that line pack provides is implicitly captured by the potential increases in system capacity (see CEA, page 54). Therefore, if the score for Gas Storage for Line Pack were included in the total the CEA would be double-counting the system capacity score.

Total Score excluding Gas Storage through Line Pack: $32.6 - 5 = 27.6$ (as shown on Table 10)

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Therefore, the definition of "Total of Average of Scores" refers to the sum of the average scores less the score for Gas Storage through Line Pack.