

TURN DATA REQUEST-048
SDG&E-SOCALGAS 2019 GRC – A.17-11-007/8
SDG&E_SOCALGAS RESPONSE
DATE RECEIVED: APRIL 18, 2018
DATE RESPONDED: MAY 3, 2018

Exhibit Reference: SCG 07

Witnesses: Bermel/Musich

Subject: North South/Morongo

1. In SCG-07, at page MAB-1 the testimony identifies SoCalGas's request to recover "the expense associated with the development and presentation to the Commission of the North-South Project." In a footnote, SoCalGas states that the costs were moved to O&M expense "in accordance with standard accounting practices," and cites FASB Statement of Financial Accounting Standards No. 90, Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs, and FASB Accounting Standards Codification ASC 980-360-35.

- a. Please identify each specific subsection under the cited FASB materials that SoCalGas relied upon to support its accounting treatment of the North-South Project costs for which it seeks rate recovery in this proceeding.
- b. Please provide all documentation of SoCalGas's determination as to whether the utility would be able to recover the North-South Project costs, as that determination is described in FASB Accounting Standards Codification 980-360-35-2 and 980-360-35-3.
- c. Please identify with specificity the O&M accounts to which the North-South Project costs were moved to, including but not limited to the amount moved to each account and the date on which the amount was moved to the account.

Utility Response 1:

- a. The following sections of ASC 980-360-35 support SoCalGas' accounting treatment of the North-South Project costs:

ASC 980-360-35-1

When it becomes probable (likely to occur) that an operating asset or an asset under construction will be abandoned, the cost of that asset shall be removed from construction work-in-process or plant-in-service.

ASC 980-360-35-2

The entity shall determine whether recovery of any allowed cost is likely to be provided with either of the following:

- a. *Full return on investment during the period from the time when abandonment becomes probable to the time when recovery is completed*
- b. *Partial or no return on investment during that period.*

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ASC 980-360-35-3

That determination shall focus on the facts and circumstances related to the specific abandonment and shall also consider the past practice and current policies of the applicable regulatory jurisdiction on abandonment situations. Based on that determination, the entity shall account for the cost of the abandoned plant as follows:

- a. Full return on investment is likely to be provided. Any disallowance of all or part of the cost of the abandoned plant that is both probable and reasonably estimable (as defined in Topic 450) shall be recognized as a loss, and the carrying basis of the recorded asset shall be correspondingly reduced. The remainder of the cost of the abandoned plant shall be reported as a separate new asset.*

- b. SoCalGas objects to this request on the grounds that the phrase “all documentation of SoCalGas’s determination” is vague and ambiguous. SoCalGas further objects to this request to the extent it seeks material protected under the attorney-client privilege and work product doctrine. Subject to and without waiving the foregoing objections, SoCalGas responds as follows:

Please see SCG-07, page 30 to 32 for “documentation of SoCalGas’ determination as to whether the utility would be able to recover North-South project costs...”

- c. Please see attachment “North-South Journal Entries (Confidential).pdf” for details. **This attachment constitutes Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-D, and D.17-09-023.**

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2. In SCG-07, at page MAB-1 the testimony identifies SoCalGas's request to recover "the expense associated with the development and presentation to the Commission of the North-South Project." The testimony also states that the costs "are further supported in the O&M workpapers of Beth Musich in Exhibit SCG-06-WP," with a footnote referencing in particular §III, pt. C (2GT002.000) of those workpapers.

a. Please confirm that the footnote was referencing pages 27-39 of Exhibit SCG-06-WP. If the footnote was referencing workpapers that are different or in addition to those pages, please identify by specific page number the different or additional workpapers.

b. Other than the reference to the "Southern Gas System Reliability – Project Abandonment Cost Recovery" at page 31 of the workpapers, please identify with specificity each page of the cited workpapers that supports the request to recover the expense associated with the development and presentation to the Commission of the North-South Project.

Utility Response 2:

- a. The cost associated with the North-South Project are reflected within the tables and graphs appearing in the referenced workpaper pages, specifically at pages 27, 29 and 30, under the year 2019 headings.

Additionally, at page 31 of the referenced workpaper section, the North-South Project is also listed with a specific line item reference of "RefID# TP2RXL20170309111133876" (Southern Gas System Reliability – Project Abandonment Cost Recovery).

- b. Nothing in addition to the referenced workpapers and response 2a.

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3. In SCG-07, at page MAB-31, the testimony states, “The costs incurred by SoCalGas and SDG&E in conceiving and pursuing the North-South Project and undertaking activities in furtherance of the Commission-ordered CEQA review are reasonable (please see detailed Gas Transmission Operation workpapers in Ex. SCG-06-WP).” Please confirm that the workpapers being referenced are those that appear at pages 27-39 of Exhibit SCG-06-WP. If the statement was referencing workpapers that are different or in addition to those pages, please identify by specific page number the different or additional workpapers.

Utility Response 3:

Nothing in addition to the referenced workpapers and response 2a.

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4. In its response to TURN/SCGC Data Request-09, Question 2, SoCalGas stated, in part, “In A.13-12-013, SoCalGas presented a cost estimate for ‘engineering study’ type activities for a Moreno-to-Whitewater pipeline project. . . . The ‘engineering study’ costs associated with the projects were estimated to be approximately \$10 million in 2013 dollars.”

- a. Please identify by volume and page number where SoCalGas presented the cost estimate in its testimony and workpapers in A.13-12-013.
- b. Please identify each item from Appendix C to the direct testimony of David Buczkowski in A.13-12-012 that SoCalGas included in its development of the \$10 million “engineering study” cost provided in the data request response referenced above. For each item, please state the amount of the estimate.
- c. Please confirm that the pre-construction costs incurred through the month of December 2013 totaled \$477,433, as stated in SoCalGas’s response to DR-TURN-Morongo-3 in A.16-12-011. (A copy of the SoCalGas response from A.16-12-011 is attached to this request.) If SoCalGas is unable to confirm this amount, please state the amount of pre-construction costs incurred through the month of December 2013.
- d. For the pre-construction costs incurred through the month of December 2013, please provide SoCalGas’s best estimate of the portion that is reasonably allocated to the Moreno-to-Whitewater pipeline project.

Utility Response 4:

- a. SoCalGas objects to the request to the extent it would require SoCalGas to search its files for matters of public record in CPUC proceedings (i.e., decisions and orders). This information is equally available to TURN. Subject to and without waiving the foregoing objection, SoCalGas responds as follows:

SoCalGas presented the cost estimate for a Moreno to Whitewater pipeline project in the following testimony and workpapers in Application (A.)13-12-013:

- Direct Testimony of David Buczkowski, December 20, 2013, page 9.
- Supplemental Direct Testimony of David Buczkowski, March 28, 2014, pages 8-10.
- Supplemental Direct Testimony of David Buczkowski, March 28, 2014, Attachment A / Attachment VII, pages 32-49.
- Direct Cost and Schedule Workpapers Witness David Buczkowski, pages WP-24 to WP-35.

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- b. The cost estimate for activities relating to an “engineering study” for a Moreno to Whitewater pipeline project are based on costs and activities for years 2014 through 2016, as provided in the documents reference in response 4a. Please see tables below for a breakdown of the \$10 million in estimated costs for an “engineering study” as provided in Appendix C to the direct testimony of David Buczkowski in A.13-12-013.

Category	Costs (\$MM)
I. Material Costs	
Pipe & Coating	\$0.0
Pipe Delivery	\$0.0
Ells	\$0.0
Valves	\$0.0
Other Materials	\$0.0
Freight	\$0.0
Odorization	\$0.0
Tax	\$0.0
Total	\$0.0

II. Construction Costs	
Mobilization	\$0.0
Unload –Stockpile Pipe	\$0.0
Load Pipe – Haul to right-of-way	\$0.0
County Paved Roads	\$0.0
Narrow Right-of-Way	\$0.0
Mountain Terrain	\$0.0
Cross Country	\$0.0
Materials Handling	\$0.0
Conventional Bores	\$0.0
HDD Bores	\$0.0
Mainline Valves	\$0.0
Launcher/receiver	\$0.0
Caliper Survey	\$0.0
X-Ray Services	\$0.0
Hydro Testing and Drying	\$0.0
Demobilization	\$0.0
Construction Management	\$0.0
Total	\$0.0

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III. Other Costs		
	ROW Acquisition	\$0.4
	Legal Services	\$0.9
	Public Relations	\$0.4
	Environmental/Permitting	\$2.2
	Geotechnical Investigation	\$0.2
	Survey	\$1.1
	Ministerial Permits	\$0.0
	Engineering	\$2.4
	SCADA	\$0.0
	As-built	\$0.0
	ROW Intrusion Monitoring	\$0.0
	Methane Detection	\$0.0
	Pressure Limiting Stations	\$0.0
	Company Labor	\$1.8
	Contingency	\$0.7
	Total	\$10.0
	Project Total	\$10.0

*Note: Projected Years 1-3 costs.
Dollars in millions, values are rounded.*

- c. Confirmed.
- d. No costs incurred for a Moreno to Whitewater pipeline project are included in the pre-construction costs incurred through the month of December 2013 as stated in SoCalGas' response to DR-TURN-Morongo-3 in A.16-12-011. Furthermore, no costs incurred for a Moreno to Whitewater pipeline project are included in SoCalGas' requested recovery for North-South Project costs.

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5. In SCG-07, page MAB-2, SoCalGas states, “Two SoCalGas organizations – Gas Transmission and Major Projects – are responsible for planning and executing key base-business projects and activities that support the ongoing reliability of SoCalGas’ transmission operations.” Where a gas transmission pipeline project requires preparation of an application seeking California PUC approval, is one of the responsibilities of these two organizations assisting with the preparation of such an application?

Utility Response 5:

Yes.