

**SAN DIEGO GAS & ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY
PIPELINE SAFETY & RELIABILITY PROJECT (PSRP)
(A.15-09-013)
(DATA REQUEST ORA-65)**

**Date Requested: January 19, 2017
Date Responded: February 6, 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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QUESTION 1:

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

On page 6 of the CEA, figure 1 demonstrates the benefit score and the net cost for the proposed project and the alternative projects. ORA understands the selection criteria of the best project is based on the project that scored the highest benefit, which is the proposed project. The criteria of selection did not include the transportation costs of gas, and did not consider or compare the highest benefit per dollar of cost across each alternative.

- a. Please confirm that ORA understanding is true. Otherwise explain.
- b. If ORA's understanding is true, please explain how the net cost factored into the scoring criteria?
- c. Did the CEA identify a minimum set of benefits that each alternative must meet to be scored? If so, please identify them, including page number. If not, why not? If there was a minimum set of benefits, please show where they are in the CEA, and identify which alternatives did not meet them, and why.
- d. Please confirm that the net cost is the net cost only for the non-pressure test alternatives, and that the pressure test alternative is based on the total cost, not the net cost.

RESPONSE 1:

- a. Confirmed. Please note, Figure 1 of the CEA generally represents the comparison of benefits and net costs for the Proposed Project and the Alternatives.
- b. The net cost does not factor into the scoring criteria. The Proposed Project and each Alternative project is rated on two different scales: 1) net project cost and 2) benefit score. The two scales are represented on the two axes in CEA Figure 1.
- c. No, there is no minimum set of benefits. The projects evaluated in the CEA are those that were set forth in the January 22, 2016 Assigned Commissioner and Administrative Law Judge's Ruling (Ruling) on pages 12 – 14. The benefits against which the projects were evaluated are also set forth in the Ruling on page 12.

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- d. All information related to cost shown on the subject figure represents net costs. The derivation of net cost is shown in Figure 8 at page 32 of the Cost Effectiveness Analysis (CEA). The Net Cost for the proposed project and all the alternatives (including Alternative B, the Hydrotest Alternative) are all calculated the same way by summing the Fixed Cost plus the Total O&M Cost plus any Avoided Cost. It should be noted that Alternative B does not result in any identified avoided costs; therefore, there is no avoided cost credit to apply to that alternative in the net cost calculation. Further discussion of avoided costs can be found in the CEA starting at page 27.

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QUESTION 2:

On the CEA on page 6, figure 1 demonstrates Otay Mesa alternatives associated with a \$877 million net cost. After reviewing page 32, table 8 of the CEA, ORA understands that the amount of \$977 million represents the high end cost of Otay Mesa alternatives.

- a. Is ORA's understanding accurate?
- b. If so, please provide figure 1 showing Otay Mesa alternatives with the low-end cost and expected cost.
- c. Please provide the basis for the expected cost, such as available documentation, including but not limited to cost estimates and their justification.

RESPONSE 2:

- a. No. The estimate was presented as an approximation of high-end expansion costs on the North Baja, Gasoducto Rosarito and TGN systems. An accurate representation requires the input of those pipelines in response to an RFP that has not yet been approved.
- b. SDG&E and SoCalGas (Applicants) object this Question on the grounds that it calls for information not in Applicants' possession, custody or control, calls for speculation, and would be unduly burdensome to create. As Applicants have pointed out before, Applicants are not the owners or operators of any of the pipelines in the North Baja pipeline system, and are limited by the Commission's affiliate transaction rules in obtaining relevant information. Further, Sempra affiliates own certain of the relevant pipelines and, given the Commission's rules on affiliate transactions, Applicants do not believe it is appropriate to contact such affiliates without specific Commission direction to do so. To do so, the Commission would need to provide the Applicants specific direction to contact affiliates for the necessary information. Subject to and without waiving their objections, Applicants respond as follows:

With respect to the "low end" cost, as set forth in the Prepared Direct Testimony of Gwen Marelli at page 7, "The Utilities estimate that the low end cost would be approximately \$45 million per year based on current rates." This estimate was deemed to be the low end because it assumes that 400 MMcf/d capacity would be made available at the current

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tariff rate, not reflecting any cost if some such capacity were obtained from existing holders of such capacity or any increased cost in the construction of new pipeline capacity. Applicants have no information that such assumptions are reasonable. As noted, Applicants used the high end cost estimate in the CEA, as basing the cost of Alternative E/F on the estimated cost of new construction has fewer uncertainties. Because Applicants did not use the low end cost for the CEA analysis, Applicants did not perform the calculations necessary to consider its cost on an equivalent basis.

With respect to the “expected cost,” Applicants require information to be provided by either: 1) existing pipeline shippers willing to release their firm capacity rights on the North Baja pipeline system (comprised of three pipelines, North Baja Pipeline, Gasoducto Rosarito and TGN), and the quantity to be made available, and/or 2) a request to North Baja Pipeline, Gasoducto Rosarito and TGN for the cost of expansion capacity in excess of the quantities available to meet the specified amounts. Applicants do not have sufficient knowledge of the North Baja pipeline system’s design and operation to better determine what improvements may be required to expand capacity and prepare precise cost estimates for those improvements and associated transportation rates.

- c. Please see response to Question 2(b) above.

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QUESTION 3:

On page 25, the CEA states “In evaluating the Otay Mesa Alternatives, the Applicants identified both a low end cost and a high end cost for building out capacity to provide service under these Alternatives. The low end cost is based on existing rates for the pipelines and rates for facilities in service since 2002. The high end cost is based on recently published pipeline costs for projects proposed or awarded for construction in Arizona and Northern Mexico. The high end cost assumes the North Baja Pipeline System and Gasoducto Rosarito System are looped from Ehrenberg to TGN.”

The Joint Assigned Commissioner and Administrative Law Judge’s Ruling dated January 22, 2016, on page 13 provides, “E) Non-Physical (Contractual) or Minimal-Footprint Solutions Not included in PEA. Address multi-year contracting for capacity and supplies; Southern system minimum flow requirement; operational flow order/system balancing; and tariff discounts.”

- a. ORA’s understanding is that alternative “E” should not involve any construction or pipeline expansion. Please confirm this is correct. If not, please explain.
- b. Please state and explain all assumptions that were made to create the cost estimate to alternative “E”.
- c. Is contracting to receive capacity through Otay Mesa possible? If not, please explain.
- d. If alternative E was selected and authorized by the Commission, what would the minimum and maximum capacities (in mmcf/d) that could be contracted to be received through the Otay Mesa receipt point?

RESPONSE 3:

- a. Applicants object to this Question as calling for a legal conclusion and speculation as to what the Joint Assigned Commissioner and Administrative Law Judge meant by the Ruling’s description of Alternative E. Subject to and without waiving their objections, Applicants respond as follows. Applicants’ understanding is not the same as ORA’s understanding. The Ruling’s description of Alternative E includes “non-physical (contractual) or minimal footprint solutions.” As Applicants understand Alternative E as a potential alternative to the Proposed Project, a contractual solution is not available. As explained in the CEA at page 13, Alternative F is indistinguishable in terms of costs and

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benefits to Alternative E because both alternatives rely upon the use of Otay Mesa capacity in place of the Proposed Project and require the same physical construction of new pipeline facilities via an expansion of the North Baja Pipeline system in order to deliver 400 MMcfd, which would provide some but not all of the reliability benefit of the Proposed Project. As such, Applicants did not provide a separate cost breakdown for Alternative E and Alternative F because they would be the same.

The breakdown of the estimated fixed and operating costs and the assumptions supporting the estimated costs for Alternative E/F are provided in:

- Workpapers supporting the Prepared Direct Testimony of Neil Navin. See response to Question 1 of ORA DR 3, PSRP_Alt_Workpaper, summary schedule and the Capital Workpaper, “Option E/F – Otay Mesa Alternative”
 - Prepared Direct Testimony of Gwen Marelli, page 7, lines 2-11.
- b. Please see response to Question 3 (a) above and the response to Question 1 of ORA DR 41 for how the costs for Alternatives E and F were prepared and the methodology that was used.
- c. Applicants object that this Question is vague and ambiguous in terms of “capacity” and “through Otay Mesa.” Subject to and without waiving their objection, Applicants respond as follows. Customers can contract for firm receipt point access rights on the SoCalGas and SDG&E systems under Rate Schedule G-BTS at the TGN Otay Mesa system receipt point. Applicants do not opine on whether capacity is available on the North Baja pipeline system to deliver gas to SDG&E’s Otay Mesa receipt point, when, in what quantities, or at what cost.
- d. Applicants object that this Question is vague and ambiguous in terms of “to be received through the Otay Mesa receipt point.” Subject to and without waiving their objection, Applicants respond as follows. The capacity of the Otay Mesa receipt point is up to 400 MMcfd. Applicants do not opine on whether capacity is available on the North Baja pipeline system to deliver gas to SDG&E’s Otay Mesa receipt point, when, in what quantities, or at what cost.

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QUESTION 4:

Regarding pages 42-45 of the CEA:

- a. Table 14 presents scores regarding increased reliability benefits. Are the five evaluating factors in Table 14 weighted equally? (For reference, the five evaluating factors include: 2.1 Redundancy to natural gas transmission system, 2.2 Curtailment impact to core gas customers, 2.3 Curtailment impact to electric generation (EG) gas customers, 2.4 Curtailment to non-core, non-EG gas customers and 2.5 Curtailment impact to electric customers). If they are not weighted equally, please explain and reference the specific areas where the weighting is identified.
- b. On page 42, Section 2.1 is “Redundancy to natural gas transmission system”. In this Section, what is the difference between a score of 4, “Complete redundancy for line 3010, and a score of 5, “Complete redundancy for line 3010 or Moreno Compressor station”? Please explain.
- c. Given that Section 2.1 assigns a score of 2 to any alternative that maintains the existing level of system redundancy, does SoCalGas/SDG&E believe that alternatives receiving a score of 1, “Reduced Level of System Redundancy”, should be disqualified? If not, please explain.

RESPONSE 4:

- a. None of the benefits are weighted.
- b. The Prepared Direct Testimony of David Bisi (at pages 6 through 9) discusses redundancy issues in depth. Specifically, at page 6, Mr. Bisi explains: “As previously stated, the integrity of the SDG&E system is highly dependent upon two transmission assets: Line 3010 and the Moreno Compressor Station. An outage at either of these two facilities may impact the Utilities’ ability to maintain continuous service to their customers...” Providing redundancy to only one of these two critical transmission assets (Line 3010) is scored as 4. Providing redundancy to either of these critical transmission assets: Line 3010 or Moreno Compressor Station is greater benefit and scores a 5.
- c. Applicants consider alternatives that reduce redundancy and overall system reliability to be imprudent. Ultimately, it is up to the Commission to determine which alternatives are disqualified.