



SOCALGAS-SDG&E BRIEFING

PIPELINE SAFETY ENHANCEMENT PLAN

August 17, 2011

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Key Features of Pipeline Safety Enhancement Plan

- PSEP includes all transmission pipelines (approximately 4,000 miles)
 - Phase 1 addresses approx 950 miles over 10 years
 - Phase 2 addresses remaining system

- Proposing 10-year plan for phase 1
 - Test or replace pipelines in populated areas that do not have documentation of a sufficient strength test, have certain construction/fabrication threats
 - Upgrade or replace existing valves to enable remote control capabilities by Gas Control Center
 - Install new technologies to enhance safety of system - incident detection / avoidance
 - Includes cost for new pipelines needed to allow for pressure testing of existing pipelines
 - Schedule assumes final decision in Q1 2012 and that planning is initiated in 2011

- Research in progress to determine pipeline segments beyond the NTSB criteria miles that need to be replaced or pressure tested



Proposed Phase 1 Implementation Plan Pipeline & Valve Summary

Implementation Plan - Proposed Case	Phase 1A				Phase 1B		Total
	2012	2013	2014	2015	2012 - 2015	2016 - 2021	
Capital							
Pipeline Replacement (miles)	29	88	88	88	294	249	544
Valves Installed	29	29	29	29	114	171	285
O&M							
Hydrotesting (miles)	72	96	96	96	361	45	406
ILI (miles)	133	178	178	178	667	-	667

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Key Principles of Decision Making Process for Pipeline Replacement or Pressure Testing

- ❑ Replacement and pressure testing options are being assessed on a case-by-case basis at both the segment level and as part of the integrated transmission pipeline system
- ❑ Primary factors taken into consideration include:
 1. Customer and public impacts
 2. Construction methods used
 3. Relative cost of alternatives
- ❑ Key factor is whether existing pipeline can be taken out of service for 4-6 weeks for pressure testing.
 - If a secondary pipeline is needed, the existing pipe may still require pressure testing if the line will be retained
 - Secondary lines may require new routes which can raise significant permitting and environmental issues.

Replace or upgrade existing valves. Employ new technologies for incident detection and prevention

- Order requires consideration of improved shut-off valves
- Propose to replace or upgrade existing valves to enable remote control capabilities by Gas Control
- Proposed Criteria
 - All Pipelines ≥ 20 " diameter
 - Pipelines 12" - 20" diameter with $\geq 30\%$ SMYS
 - Spacing ~ 8 miles
 - Earthquake faults, etc.
- Other Considerations
 - Pipeline evacuation time
 - Outage management
- Opportunity to apply new technologies to enhance safety of system and apply new monitoring technologies to pipeline system for incident detection and prevention

Significant Challenges and Uncertainties Could have a Significant Impact on Implementation Plan

- Continuity of gas service to customers
 - Hydrostatic testing takes pipelines out of service for a minimum of 4 - 6 weeks
 - Risk of test failure requiring pipeline segment replacement
 - Limited annual window for hydrostatic testing due to winter and summer capacity requirements
- Expect significant community issues
- Expect significant permitting issues
 - Environmental: CEQA, land use, water quality
 - Local government agency permitting and requirements
- Material availability
- Availability of qualified construction work force

Proposed Decision Tree

Prioritized Schedule Based on Risk Assessment and Maintaining Service Reliability Decision Tree - Proposed Case

Sub-Prioritization Methodology

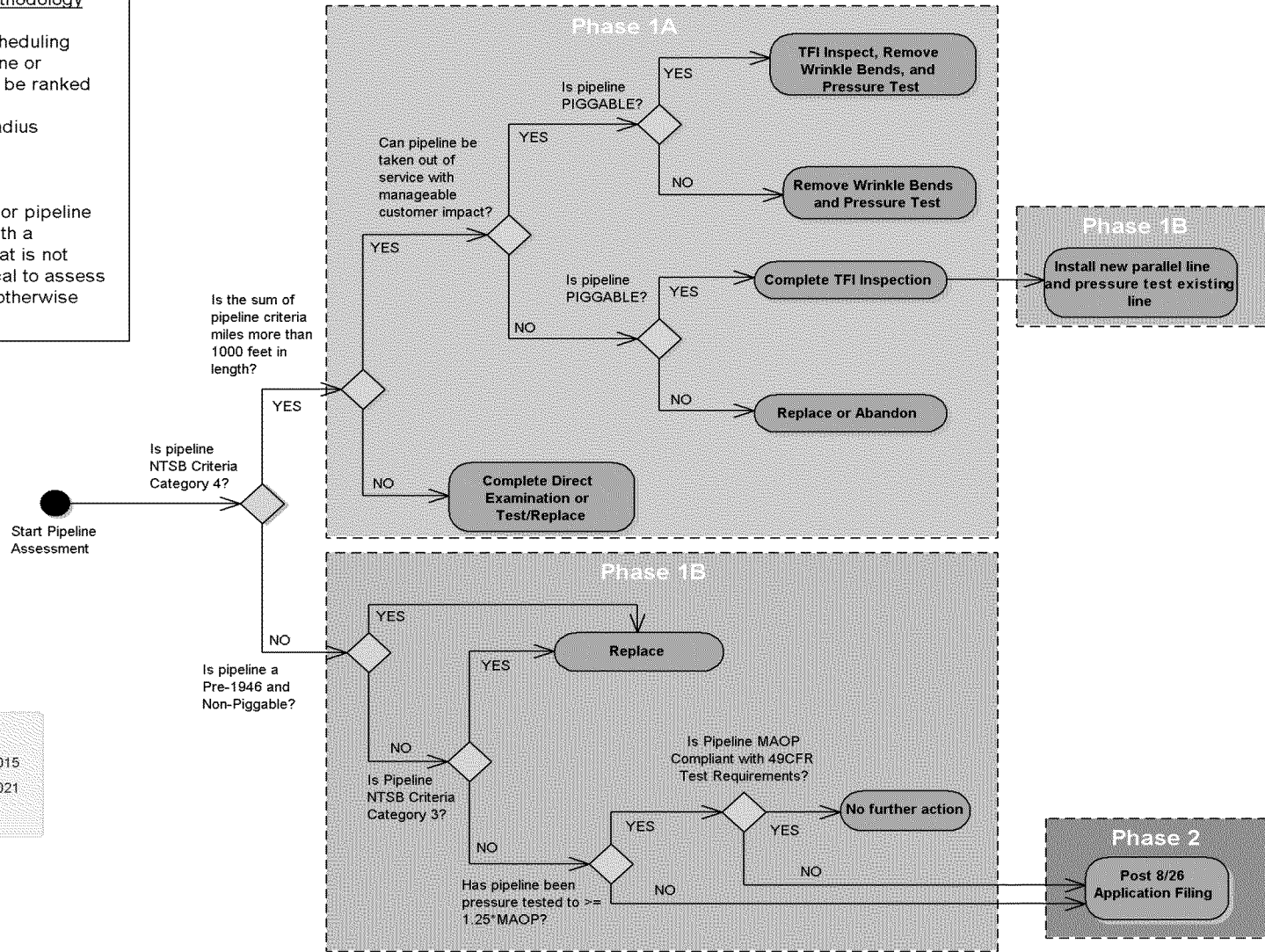
Within each of the scheduling priorities, each pipeline or pipeline segment will be ranked based upon:

- 1) Potential impact radius
- 2) Long Seam Type
- 3) %SMYS

Note 1: Any pipeline or pipeline segment identified with a construction threat that is not practical or economical to assess shall be replaced or otherwise addressed.

Legend

- Phase 1A: 2012 - 2015
- Phase 1B: 2016 - 2021
- Phase 2: TBD



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Proposed Ratemaking

Funding

- PSEP requests funding for Phase 1A only (2012 - 2015). Cost forecasts are still under development.
- Phase 1B (2016+) should coincide with the next General Rate Case and funding may be requested in that proceeding.
- Phase 2 scope, schedule, and funding will be addressed at a later time.

Cost Recovery

- Capital expenditures are rate based with the annual revenue requirement determined in the currently authorized manner
- Revenue requirement and O&M are collected in rates via a safety surcharge

Illustrative Bill/Rate Impacts for Phase 1A

- Illustrative impacts based on the following Phase 1A costs for demonstration purposes
 - \$2 billion capital and \$250 million O&M (2012 – 2015)
- Propose to allocate costs to customer classes based on an Equal Percentage of Authorized Margin (EPAM)

	Current Rates		Incremental Impact of PSEP			
			Default Allocation		Customer Count	EPAM
	SCG A	SDG&E B	SCG C	SDG&E D	E	F
Monthly Safety Surcharge (\$/mo)						
Avg Residential Bill	\$39.08	\$38.76	\$1.99	\$2.06	\$4.21	\$3.36
Volumetric Safety Surcharge (\$/th)						
Core C&I	\$0.315	\$0.249	\$0.043	\$0.045	\$0.011	\$0.042
NGV	\$0.089	\$0.087	\$0.029	\$0.029	\$0.00012	\$0.012
Noncore C&I-D	\$0.074	\$0.140	\$0.034	\$0.024	\$0.00004	\$0.012
EG-D	\$0.039	\$0.038	\$0.031	\$0.031	\$0.00002	\$0.005
TLS	\$0.025	\$0.025	\$0.020	\$0.020	\$0.000001	\$0.003

Notes:

- 1) Reflects Year 2015 at completion of Phase 1A
- 2) Current rates remain constant, does not include other forecasts (GRC, AMI, Aliso)
- 3) Columns E and F would apply equally to SCG and SDG&E

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Illustrative Impacts on Existing Public Purpose Program Rates

- ❑ Standard CARE discount of 20% will be offered
- ❑ Approximately 1.9 million customers are CARE Participants
 - This illustratively results in increases to the CARE program of \$15 - \$20 million/year
 - These costs are collected in Public Purpose Program Rates

	Current Rates SCG A	Incremental Impact of PSEP	
		Customer Count B	EPAM C
Monthly Safety Surcharge (\$/mo)			
Non-CARE Surcharge		\$4.21	\$3.36
CARE Surcharge		\$3.37	\$2.69
PPPS Rates (\$/th)			
SCG			
Residential	\$0.077	\$0.004	\$0.003
Core C&I	\$0.068	\$0.004	\$0.003
Noncore C&I	\$0.035	\$0.004	\$0.003
SDG&E			
Residential	\$0.076	\$0.004	\$0.004
Core C&I	\$0.120	\$0.004	\$0.004
Noncore C&I	\$0.114	\$0.004	\$0.004

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