

SoCalGas and SDG&E's request for a Memorandum Account

(R.11-02-019)

Background

- SoCalGas and San Diego Gas & Electric (SCG/SDG&E) filed a motion for a memorandum account on May 4, 2011, to track incremental expenses that were not anticipated or included in our most recent GRCs. These costs are directly attributable to our efforts to comply with the directives and orders issued by the CPUC in the pipeline safety OIR, the NTSB recommendations incorporated in the OIR as well as any other legislative mandates related to pipeline safety that may become effective prior to our next GRC.
- Memo account should be made effective Feb 24, 2011, the date the OIR was issued, to capture all the relevant costs.
- The memo account only provides a means to *record* costs incurred and does not guarantee of cost recovery.

What costs are being incurred that would be placed in this memorandum account?

- We have already incurred incremental and unanticipated costs and expect to continue to do so prior to approval of our implementation plan, which will include a ratemaking proposal for those costs associated with the implementation plan. Approval of implementation plan is not expected before Q1 2012.
- Costs recorded to the memo account would include: records research related to NTSB recommendations; enhanced safety measures, such as additional leak surveys and pipeline patrols; incremental costs incurred to develop the implementation plan, including studies to determine those pipelines to be replaced or pressure tested, technical engineering studies related to placement and automation of valves; additional customer communication; and any hydrostatic testing or pipe replacement costs incurred as a result of our implementation plan.
- So far, SCG/SDG&E have incurred \$2.8 million on activities that are incremental to our GRC forecast and stem from R.11-02-019. These costs include:
 - Contractors for data mining MAOP validation documentation
 - Overtime for additional leak surveys
 - Overpressure protection equipment setting validation
 - Actions specified in our April 15th Report.
- We estimate that we will spend another \$4.3 million on these activities before any potential cost recovery approval in our implementation plan filing for a year end incremental total of \$7.1 million.

What is the impact of not receiving this memorandum account?

- The implementation plan will be filed on August 26th, 2011, in compliance with the CPUC's recent decision in this proceeding. The scope of the plan is unprecedented in its size and complexity. SCG/SDG&E are proposing a very aggressive schedule for their plan. Because the plan will be based on preliminary engineering and operational planning, team mobilization, organizational activities, planning, engineering, and

optimization specific for each project will be required before any construction activities can begin. Not beginning these efforts until after a decision is made in Q1 2012 (estimate) will delay the ultimate construction schedule. With a memo account, these activities could begin in advance of a CPUC decision.