

**SAN DIEGO GAS AND ELECTRIC COMPANY  
SOUTHERN CALIFORNIA GAS COMPANY  
2013 TRIENNIAL COST ALLOCATION PROCEEDING (A.11-11-002)  
(DATA REQUEST DRA-OCE-1)  
**REDACTED VERSION****

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**Exhibit Reference: Prepared Direct Testimony of Joel Mumford and Todd Van De Putte dated September 18, 2012**

**QUESTION OCE1-1:**

Please provide the inception and completion dates for the Honor Rancho Expansion Project.

**RESPONSE OCE1-1:**

2009 BCAP Settlement Approved (D.08-12-020): 12-04-2008  
CPCN Filed On (A.09-07-014): 7-12-2009  
CPCN Approved (D.10-04-034)-: 4-22-2010

Plant Construction Began: June 2010  
Plant Construction Completed: March 2011

Well Drilling Started: August 2010  
Well Drilling Completed: March 2012

All Project Wells In Service: May 2012

1<sup>st</sup> Cushion Gas Purchase: October 2011  
2<sup>nd</sup> Cushion Gas Purchase: October 2012  
3<sup>rd</sup> Cushion Gas Purchase: October 2013  
4<sup>th</sup> Cushion Gas Purchase: October 2014  
5<sup>th</sup> Cushion Gas Purchase: October 2015

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**QUESTION OCE1-2:**

On page 11 of the above exhibit reference, witness states that, “WEZU C2C was originally planned for 60 days to drill and complete at an estimated total direct well cost of \$6.6 million. The actual time to drill and complete the well was 138 days at an actual total direct well cost of \$14.2 million (\$15.5 million including overheads and AFUDC). The completion work was planned for 10 days and took 15 working days to complete. The cost overages were attributed to the total of four failed drilling assemblies in the well-hole (approximately \$1.3 million total) and the associated extra drilling project days (at \$75,000/day average, \$6.4 million total) to drill around the failed tools in order to complete the well”. Please provide all the job logs for this particular well.

**RESPONSE OCE1-2:**

Attached file contains the daily well drilling/completion reports which include the rig move-in, well location preparation, drilling, and completion operations for the well WEZU C2C. The daily reports include estimated direct costs and these daily reports are used for cost tracking/project management purposes during the project execution.



OCE1-2 -  
SoCalGas-Honor Ranc

Please note that the attached file contains confidential information and is being submitted to DRA under the provisions of General Order 66-C and Section 583 of the Public Utilities Code.

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**QUESTION OCE1-3:**

On page 11 of the above exhibit reference, witness states that, “As a result of these multiple directional drilling tool failures and the poor directional drilling equipment performance, the directional drilling contractor was released from the project and negotiations ensued with the directional drilling contractor to cost share the tool failures in order to mitigate the project cost overruns”. Please provide a copy of the contracts/agreements between SDG&E, SCG, the Directional Drilling Contractor referenced here and the new Directional Drilling Contractor hired to replace him.

**RESPONSE OCE1-3:**

The attached two files are the contracts for both of the directional drilling contractors used during the well drilling phase of the project.



OCE1-3a-



OCE1-3b -

Halliburton-Sperry-SCBaker-SCG-MSA-886C

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**QUESTION OCE1-4:**

Describe what competitive bidding process was used in the hiring process for all the contractors used in the project, and if not, please explain the process used fully.

**RESPONSE OCE1-4:**

Plant Construction Phase:

The well electrical, plant electrical, pipeline installation to well C-7 and ASME vessel modifications were all competitively bid. Due to delays in CPCN filing and approval process and to maintain the project requirement of completing the plant upgrades prior to the approaching winter withdrawal season, a Gas Company approved construction contractor with an existing service contract was utilized to perform the plant piping replacements.

Well Drilling Phase:

The drilling projects require numerous vendors/contractors to supply all of the services and the materials needed to complete the work. Given the highly variable process of drilling wells (many scope changes during the process), all of the services for the drilling work were provided via a time and materials contract basis where pricing was negotiated either via an existing vendor/SoCalGas MSA (Master Service Agreements) or via one time request for proposal/or pricing and availability request. Many of the smaller ancillary services were awarded the work based on the SoCalGas existing/pre-negotiated MSA and pricing agreements with the vendors.

The major, one time services such as the drilling rig (and drilling rig personnel), directional services, cementing services were selected and hired by SoCalGas utilizing a request for pricing/availability method and a price comparison/quality of service/equipment evaluation.

The materials (i.e. casing and tubing) for the all the wells were procured via a competitive bid process via the SoCalGas procurement group and the bids were requested and evaluated/awarded based on price, availability, quality of service and DBE commitment.

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**QUESTION OCE1-5:**

How much of the \$16,198,263 in over-run costs can be absorbed in the Capital budget that was approved in the last rate case for SoCalGas?

**RESPONSE OCE1-5:**

The Commission approved the Honor Rancho Expansion Project as a separate incremental project to be accounted for outside the GRC.

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**QUESTION OCE1-6:**

Using the Association for the Advancement of Cost Engineering (AACE) as a reference, what class of estimates was used to estimate the Commission approved cost of \$37.4M?

**RESPONSE OCE1-6:**

Although this system was not utilized for the Honor Rancho Expansion project, after review of the AACE International Recommended Practice No. 18R-97, it appears that a cost estimate Class 4 or 5 applies to the cost estimates for the various plant work.

In terms of the well drilling phase of the project, the AACE is not an applicable reference by which to classify the well drilling cost estimate component of this project as this portion of the project is not a facilities construction project. The cost estimate information provided in the Declaration of Jim Strader provided in A. 09-07-014 dated April 6, 2010 provides the methodology that was used by SoCalGas to arrive at the cost estimates for the wells. Generally speaking, the cost estimates are based on historical drilling/cost data from the drilling operations at the SoCalGas Storage fields.