

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms.

R. 11-02-019
(Filed February 24, 2011)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO
ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE BUSHEY**

I. INTRODUCTION

Pursuant to the Commission's Rule of Practice and Procedure 14.3(d), the City and County of San Francisco ("CCSF") submits this reply to opening comments on the Proposed Decision of Administrative Law Judge Bushey (the "Proposed Decision"). Specifically, CCSF responds to comments made by Pacific Gas & Electric ("PG&E"), San Diego Gas & Electric ("SDG&E") and Southern California Gas ("SoCalGas"), TURN, the Division of Ratepayer Advocates ("DRA"), and the Greenlining Institute.

The Opening Comments make clear that the Implementation Plans will address many highly technical issues. Given the importance of these issues to ensuring public safety, the Commission should provide greater guidance regarding how it intends to proceed with the Implementation Plans. In particular, the Proposed Decision should be modified to: (1) provide more detail on next steps, including the timing and content of workshops and written comments, and (2) prioritize safety concerns by requiring the interim safety measures to be implemented expeditiously. The Commission should also defer decisions on ratemaking until a later date.

II. DISCUSSION

A. Next Steps For Developing the Implementation Plan.

TURN, Greenlining, and SDG&E and SoCalGas each highlight the need for additional details in terms of how the Implementation Plans should be put into effect. TURN suggests holding workshops both before and after operators file and serve a proposed Implementation Plan. TURN also asserts that the Implementation Plan should not be a consensus document. Greenlining states that the Commission should clarify the next steps, including its anticipated process, and a rough timeline for allowing parties and the Commission to comment on the proposed Implementation Plans. SDG&E and SoCalGas propose a three-track system for developing and executing Implementation Plans. For the reasons described below, CCSF supports holding technical workshops and allowing for written comments on the Implementation Plan.

CCSF agrees that substantive workshops will be useful. Workshops can provide guidance to help the utilities, Commission staff and the public understand how the Implementation Plans should be carried out. The Opening Comments identify a number of areas where additional guidance from the Commission will be needed, including: how pipeline segments are chosen for testing or replacement;¹ when a pipeline should be retrofitted to allow for in-line inspection or automated or remote shut-off valves;² what minimum interim safety measures are being enforced;³ and when alternative inspection technologies should be employed.⁴ Given the number and importance of issues to be addressed, the Proposed Decision should provide greater clarity regarding the next steps for the Implementation Plan.

For example, PG&E proposes to modify the Proposed Decision to allow operators, after notice to the Consumer Protection and Safety Division ("CPSD"), "to use alternative inspection technologies capable of detecting flaws/anomalies at a detection level yielding a safety factor

¹ TURN Opening Comments at p. 2.

² *Id.*

³ CCSF Opening Comments at p. 2.

⁴ PG&E Opening Comments at p. 4.

that would not result in a pipeline rupture due to material, fabrication or corrosion threats”⁵ where a pressure test would create interruption of service. CCSF notes that the Proposed Decision already contemplates the use of alternative technologies.⁶ PG&E’s proposal, however, highlights the need for greater guidance as to when such alternative technologies should be employed. It may be reasonable to allow use of alternative inspection technologies where circumstances preclude the use of pressure testing or replacement, but the issues of which facts should give rise to the need for alternative technologies, how an alternative technology should be selected, and which technologies are best suited to address certain operational challenges,⁷ are appropriate subjects for technical workshops. There is no record for the Commission to decide this type of issue now. Further, it may be more appropriate for CPSD or the Commission to affirmatively approve any use of alternative inspection technologies rather than merely receiving a 30-day notice.

In addition to holding workshops, the Commission should provide for written comments on the Implementation Plans.

As the Commission crafts the next steps for the Implementation Plan, CCSF urges the Commission to act swiftly. The Commission must balance the need to develop and vet Implementation Plans with the need to address immediate safety concerns. To this end, CCSF suggests that the Commission identify interim safety measures should be implemented first, and supports TURN’s proposal that the operators begin “the most pressing or obvious testing immediately.”⁸

⁵ PG&E Opening Comments at p. 4.

⁶ The Proposed Decision states that the Implementation Plan “may include alternatives that demonstrably achieve the same standard of safety.” Proposed Decision at p. 1.

⁷ PG&E proposes a number of technologies, including “high resolution magnetic flux leakage (MFL), pigging tools combined with transverse flux inspection (TFI), crack detection tools, and direct assessment testing (close interval survey (CIS)/direct current voltage gradient (DCVG).” It is not clear, however, that using a pigging tool combined with TFI would lessen the need to take a pipeline out of service to perform the test.

⁸ TURN Opening Comments at p. 5.

B. Ratemaking Concerns.

Both TURN and DRA urge the Commission to not make any premature decisions regarding ratemaking issues at this time. CCSF agrees with DRA that with regard to PG&E, the Commission cannot determine an allocation of costs between the company and ratepayers before the NTSB has concluded its investigation into the root cause of the San Bruno incident. CCSF also supports TURN's comment that in the future the Commission may set a lower rate of return based on the risk profile of an entire company, or deem that pipeline segments retired prior to their expected service life are abandoned for the purposes of cost recovery. CCSF agrees that the Commission may determine that prior operational decisions caused the urgent need for substantial safety expenditures. In the event of such a finding, ratepayers should not be burdened with such costs.

Deferring any decision on ratemaking for costs incurred in the Implementation Plan also aligns with the OIR's intent to more broadly address how the Commission can prioritize safety through ratemaking.⁹ Ratemaking decisions should be addressed at a later date and in coordination with other ratemaking concerns contemplated by the OIR.

June 6, 2011

Respectfully submitted,

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⁹ The Commission stated there that it would consider options "to better align ratemaking policies, practices, and incentives to elevate safety considerations and maintain utility management focus on the „nuts and bolts“ details of prudent utility operations." OIR at p. 4.

CERTIFICATE OF SERVICE

I, Paula Fernandez, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4623.

On June 6, 2011, I served the **REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE BUSHEY** by electronic mail on all parties on the service list R.11-02-019.

Addressees without email were served as follows:

BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on June 6, 2011, at San Francisco, California.

/s/

Paula Fernandez