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

RESPONSE OF THE UTILITY REFORM NETWORK

IN SUPPORT OF

THE DRA MOTION TO REVISE PROCEDURAL SCHEDULE

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September 22, 2011

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IN SUPPORT OF
THE DRA MOTION TO REVISE PROCEDURAL SCHEDULE

Pursuant to Rule 11.1 the Utility Reform Network (TURN) submits this reply to the "Motion of the Division of Ratepayer Advocates for Reconsideration of Scoping Memo and Ruling of the Assigned Commissioner and to Revise Procedural Schedule," filed on September 20, 2011.

TURN strongly supports the request of the Division of Ratepayer Advocates to extend the due date for intervenor testimony by 120 days so as to allow the DRA to contract with outside experts to conduct a review of the Gas Implementation Plans submitted by the state's natural gas utilities, including the three large gas IOUs – PG&E, SoCalGas and SDG&E (collectively Sempra).

The DRA Motion cogently explains why these massive investment applications resemble full-blown rate cases. Without significant DRA participation, these plans will not get the close scrutiny they deserve. At the risk of repeating some of the observations made by the DRA, TURN provides the following two tables to highlight some of the key features of the PG&E and Sempra applications, with respect to scope and costs.

Table 1: Pipeline Program Scope and Cost

	Miles Pipe to Be Replaced	Miles Pipe to be Hydro Tested	ILI inspection miles	Capital plus Expense for Pipeline Work
PG&E[1]	186	783	234	$1,335,800,000
Sempra[2]	175	177	721	$1,260,000,000

Table 2: Valve Program Scope and Cost

	Valves to be Installed	Valves to be Automated or Upgraded	Capital and Expense for Valve Work
PG&E[3]	50	178	$143,600,000
Sempra[4]	20	541	$379,000,000

[1] PG&E numbers are for Phase 1 (2011-2014). Sources: Testimony, pages 1-4 and 1-5, and Tables 1-2 and 1-3.

[2] Sempra numbers are for Phase 1A (2012-2015). Sources: Testimony, Table IV-5, Phase 1A (the two "177" figures are intentional); and Tables IX-1 and IX-2.

[3] PG&E number for Phase 1 (2011-2014). Source: Testimony, Tables 4-1 and 4-4.

[4] Sempra numbers are for entire Phase 1 (2012-2021), since TURN did not yet (though our review is just starting) find a breakout of valve work scope for Phase 1A. Source: Testimony Tables V-1, IX-1 and IX-2.

There are several key issues that must be addressed to evaluate the utilities' plans with respect to ensuring safe operations and minimizing potential costs, including the following:

- Are the utilities proposing an adequate effort to ensure the safety of the pipeline system, especially considering older pipelines in populated high consequence areas that have been exempted from federal and state testing requirements?
- Does the utilities' decision-making process result in a proper division between replacement versus hydrostatic testing?
- Are the utilities appropriately including in-line inspections in their plans? Are they over-relying on ILI? Why are there such differences in the proportion of hydrotesting v. ILI between PG&E and Sempra?
- Are the valve automation programs appropriate? Why is PG&E proposing an apparently much larger number of new valve installations?[5]
- Are the utilities doing enough, or are they doing too much, so as to increase costs unnecessarily?
- Are the utilities duplicating work already authorized in rate cases?
- Is PG&E's cost-sharing proposal adequate? What is the basis for a proper cost-sharing formula?
- Is Sempra's proposal to allocate these costs disproportionately to residential customers appropriate? Does it result in too high costs?

[5] It is difficult to compare the two valve proposals until we get a better breakout of installations by year for Sempra.

TURN has contracted with one outside expert. However, we have so far focused primarily on PG&E's implementation plan, and we can by no means evaluate this plan fully in the allotted time. Moreover, our primary expert for addressing cost recovery, cost sharing and cost allocation issues has been fully occupied with the three ongoing general rate cases.[6]

But even though our concern is focused on PG&E, it is not the only utility with an Implementation Plan. A cursory review of the plans shows that the potential cost implications are as large for Sempra, which is proposing similar expenditures, though doing much less hydrotesting (and much more ILI inspection). And Sempra, which recommended embedded cost allocation of its backbone transmission system in its last firm access rights case, is now proposing to allocate the costs for this work on an equal percent of authorized margin method, which is heavily weighted by distribution cost allocation.

In short, TURN supports the request by the Division of Ratepayer Advocates, as we believe that significant input from the DRA will be necessary to properly review, analyze and evaluate these plans.

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[6] Testimony in the Sempra rate case is due today, September 22, 2011. Opening Briefs in the SCE rate case are due September 26, 2011.

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Respectfully submitted,

By: ________/s/________________

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