

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)

**MOTION
OF THE DIVISION OF RATEPAYER ADVOCATES
FOR RECONSIDERATION OF SCOPING MEMO AND
RULING OF THE ASSIGNED COMMISSIONER
AND TO REVISE PROCEDURAL SCHEDULE**

I. INTRODUCTION

In accordance with Rule 11.1 of the Rule of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") respectfully submits this motion for reconsideration of the Scoping Memo and Ruling of the Assigned Commissioner ("Scoping Memo"), issued on June 16, 2011 in the above-captioned proceeding, the Commission's natural gas pipeline safety rulemaking, and to revise the procedural schedule adopted in the Scoping Memo.

In Decision ("D.") 11-06-017 in this proceeding, the Commission ordered Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), Southern California Gas Company ("SoCalGas") and Southwest Gas Corporation ("SWGAS") to "develop and file for Commission consideration [a] Natural Gas Transmission Pipeline Comprehensive Pressure Testing Plan (Implementation Plan[]) to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipeline[s] that have not been pressure tested."¹ The utilities filed their

¹D.11-06-017, p. 1.

respective Implementation Plans and served supporting testimony on August 26, 2011. The Scoping Memo has set October 17, 2011 as the date for DRA and other intervenors to serve prepared testimony regarding the Implementation Plans and supporting testimony. DRA believes it will be unable to meet this deadline because of the considerable amount of review and analysis required, and because of the time needed for DRA to attempt to retain an expert witness in natural gas pipeline integrity management. Therefore, DRA requests that the procedural schedule be revised to provide more adequate time for analysis and testimony preparation. DRA requests that the date for intervenor testimony be extended 120 days, to February 15, 2012.

II. DISCUSSION

The utilities' proposed Implementation Plans are complex and involve large amounts of money in capital expenditure investments and expenses, particularly those of PG&E and SoCalGas/SDG&E ("Sempra"). PG&E forecasts spending approximately \$2.2 billion to implement Phase 1 of its Plan in 2011-2014, with associated revenue requirements of about \$247 million in 2012, \$221 million in 2013, and \$300 million in 2014.² PG&E's request is comparable to the revenue requirements previously adopted in PG&E's Gas Accord V settlement agreement over the period 2011 through 2014. During the Gas Accord V settlement period, PG&E's revenue requirements will amount to \$2.2 billion. Sempra's direct capital forecasts for implementation of its Plan in 2012-2015 are approximately \$1.2 billion for SoCalGas and \$229 million for SDG&E, and the O&M forecasts for 2012-2015 are approximately \$256 million for SoCalGas and \$7 million for SDG&E.³ When these Sempra direct costs are loaded with overhead, escalation, and other necessary costs to support the investment, the combined total costs over the 2012-2015 period are approximately \$1.9 billion. The Sempra revenue requirements over the 2012-2015 period are approximately \$648 million, and for the entire recovery

² See PG&E Implementation Plan, p. 5.

³ See SoCalGas/SDG&E Prepared Testimony, p. 6.

period through 2023 and beyond are estimated at \$11.9 billion.⁴ As the Commission stated in D.11-06-017, “We anticipate that extensive hearings will be necessary to fully vet the plans and to evaluate the rate impacts.”⁵ Indeed, the process of evaluating the utilities’ Implementation Plans is akin to a rate case, or three rate cases at the same time. While the parties here may not be dealing with as many expense and capital categories as in a general rate case (“GRC”), the dollar amounts at issue are comparably large and equally merit thorough and careful review, particularly when ratepayers potentially could bear the burden of such costs. As such, DRA is treating the utilities’ Implementation Plan filings as essentially rate case applications, where DRA will evaluate the utilities’ forecasts of capital and O&M expenses and may make recommendations for adjustments in certain areas.

Under the current schedule, intervenor testimony is due approximately seven weeks after the filing of the Implementation Plans. Seven weeks is not adequate time to prepare rate case-type testimony. PG&E’s requested revenue requirement increases are of a similarly large magnitude as the gas distribution, transmission and storage revenue requirement increases recently authorized in D.11-05-018 for gas distribution and D.11-04-031 for gas transmission and storage. For each of those cases, the parties were provided up to nine months to investigate, evaluate and develop their forecasts and reports. In Sempra’s pending GRC, DRA served its prepared direct testimony about one year after the tendering of the notice of intent to file a GRC application. PG&E’s supporting testimony is fairly voluminous, consisting of 10 chapters, as well as workpapers. Sempra mailed their workpapers to DRA on September 7 and DRA received the workpapers on September 13; DRA is still waiting to receive the active spreadsheets of the workpapers in Excel format. DRA has begun propounding data requests to PG&E and SoCalGas/SDG&E, and DRA anticipates that it will have more data requests for those utilities and also possibly for SWGas. DRA is experiencing

⁴ See SoCalGas/SDG&E Prepared Testimony, Table X-5, p. 124.

⁵ D.11-06-017, p. 23.

continued resource constraints: the Natural Gas Section has been severely depleted following the San Bruno accident with staff retirements and the remaining staff also working on Sempra's GRC and other gas matters. DRA has four staff assigned to the "mini rate case" portion of this proceeding, compared with 14 witnesses for PG&E and seven for SoCalGas/SDG&E. PG&E also used expert consultants in the preparation of its Implementation Plan.⁶ The magnitude of the costs and associated revenue requirements of the Implementation Plans underscore the need to give DRA and other intervenors more time rather than less to review the utilities' proposals.

In addition to the cost recovery and ratemaking issues, there are the technical aspects of the Implementation Plans that the Commission should "fully vet." For example, it would be useful to have independent expert opinion on whether a particular utility's "decision tree" truly is the best approach; whether there are "alternatives that demonstrably achieve the same standard of safety"⁷ that were not included in the utilities' preferred implementation plans; and whether certain activities included in the plans are already being undertaken by the utilities pursuant to existing pipeline integrity programs under currently authorized funding. DRA does not have in-house technical expertise on gas pipeline integrity management and safety, which is a very specialized field. DRA would like to have the benefit of a technical expert to evaluate the utilities' Implementation Plans, but the process of attempting to retain such an expert will take longer than the time currently provided for testimony. DRA could not begin this process in earnest until the utilities' actual Implementation Plans were available. The technical experts will need to have the opportunity to review these actual filings in order to provide DRA with a reasonably good proposal to undertake preparing expert witness testimony. While DRA received previews of PG&E and Sempra's plans, those presentations were fairly high-level in nature and did not provide the in-depth, specific details that the formal

⁶ See PG&E Prepared Testimony, Attachments 3C, 3E and 4B, for the Kiefner & Associates, Inc. Final Report, the Gulf Interstate Engineering Estimate Basis Memorandum, and the EN Engineering Automatic Shut-off Valve and Remote Control Valve Assessment Report, respectively.

⁷ D.11-06-017, p. 1.

filings contained and that were needed to determine the scope of work of DRA's potential expert witness for purposes of the State contracting process requirements. Also time-consuming is the process of identifying candidates who can offer rates acceptable to DRA or who have no conflicts of interest existing.

III. RELIEF REQUESTED

DRA requests that the date for the service of intervenor testimony be extended 120 days, to February 15, 2012, and that the remainder of the procedural schedule for this portion of the proceeding be adjusted accordingly. The revised schedule provides adequate time for this phase of the rulemaking to be resolved within 18 months of the issuance of the Scoping Memo, pursuant to Public Utilities Code section 1701.5.

IV. CONCLUSION

The current procedural schedule does not provide adequate time for DRA to prepare responsive testimony that is based on thorough review of the utilities' Implementation Plans. For the reasons stated above, DRA respectfully requests that the procedural schedule be revised as proposed by DRA.

Respectfully submitted,

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