

**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

**SOUTHERN CALIFORNIA GENERATION COALITION
RESPONSE IN SUPPORT OF
MOTION OF THE DIVISION OF RATEPAYER ADVOCATES
FOR REVISION OF PROCEDURAL SCHEDULE**

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Dated: September 23, 2011

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In accordance with Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Southern California Generation Coalition (“SCGC”) respectfully submits this response in support of the September 20, 2011 motion of the Division of Ratepayer Advocates (“DRA”) for revision of the procedural schedule set forth in the June 16, 2011 Scoping Memo in this proceeding. The Scoping Memo provided for interested parties to serve testimony by October 17, 2011, in response to the Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans (“Plans”) filed on August 26, 2011, by Southern California Gas Company (“SoCalGas”), San Diego Gas & Electric Company (“SDG&E”), and Pacific Gas & Electric Company (“PG&E”).¹ DRA requests an additional 120 days until February 15, 2012 to file responsive testimony.

For the reasons discussed in DRA’s motion and below, SCGC supports DRA’s motion. This proceeding involves proposals by California’s three major utilities to spend billions of

¹ Scoping Memo; R.11-02-019, P 5 (June 16, 2011) (“Scoping Memo”).

dollars on safety enhancements. The Commission stated in its June 9, 2011 Decision ordering the utilities to file the Plans that “extensive hearings will be necessary to fully vet the plans and to evaluate the rate impacts.”² The extension requested by DRA is necessary to give parties a reasonable opportunity to fully vet the Plans and to evaluate rate impacts as envisioned by the Commission in D.11-06-017.

In addition to granting the relief requested by DRA, SCGC recommends that the Commission also consider revising the Scoping Memo to permit parties to file cross-answering testimony on the date established for respondents to file rebuttal testimony. Also, SCGC recommends that the Scoping Memo be revised so that at least a month will be allowed for hearings as opposed to the five days allowed in the Scoping Memo.³

I. BACKGROUND.

In D.11-06-017, the Commission directed the California gas utilities to file the Plans “to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipelines that have not been pressure tested.”⁴ The Commission recognized that a “key question” would be funding. The Commission said: “Obtaining the greatest amount of safety value, i.e., reducing safety risk, for ratepayer expenditures will be an overarching Commission goal in reviewing the plans presented by the gas transmission system operators.”⁵

SoCalGas and SDG&E propose to fund their Plans by raising rates. They propose a cumulative revenue requirement of \$656 million for the years 2011-2015 for their Plans.⁶ The cumulative revenue requirement impact over the life of the Plans would be \$11.85 billion.⁷

² D.11-06-017 at 23 (June 9, 2011).

³ Scoping Memo at 5 (June 16, 2011).

⁴ D.11-06-017 at 1.

⁵ D.11-02-019 at 22.

⁶ SoCalGas/SDG&E Plan, Testimony at 124 (Table X-5).

PG&E proposes that shareholders bear the 2011 revenue requirement of its Plan but that ratepayers bear the revenue requirement for each year after 2011. For the years 2012-2014 PG&E projects a cumulative revenue requirement of \$769 million.⁸

II. ADDITIONAL TIME IS NEEDED TO FULLY VET THE PLANS AND TO EVALUATE THE RATE IMPACTS.

Parties need more time than allowed under the Scoping Memo to “fully vet the plans and to evaluate the rate impacts” as the Commission recognized as being necessary in D.11-06-017.

A. Technical Expert.

In order to “fully vet” the plans, parties need a technical expert. DRA correctly observes that gas pipeline integrity management and safety “is a very specialized field.”⁹ DRA proposes to hire a technical expert to evaluate the Plans but says that the process for obtaining the expert “will take longer than the time currently provided for testimony” because DRA could not begin the process in earnest until the Plans were actually submitted on August 26, 2011.¹⁰

Given the difficulty of finding a technical expert that would be able to provide credible expert testimony on the Plans on this proceeding, SCGC expects that it as well as others will rely heavily upon the review of the Plans by DRA’s expert. Thus, the extension is necessary so that both the Commission and interested parties will have the benefit of the DRA expert’s review.

B. “Proposed Case” and “Base Case.”

Additionally, time is required to “fully vet” the Plans of SoCalGas and SDG&E to determine the appropriateness of the SoCalGas/SDG&E “Proposed Case” in contrast to their “Base Case”. The SoCalGas/SDG&E “Base Case” would cover the activities that the utilities

⁷ *Ibid.*

⁸ PG&E Plan, Testimony at 9-2 (Table 9-1).

⁹ DRA Motion at 4.

¹⁰ *Ibid.*

see as being required by D.11-06-017. The total direct investment in capital and operations and maintenance (“O&M”) expense for 2011-2015 would be \$1.4 billion.¹¹ SoCalGas/SDG&E also present a “Proposed Case” in which the 2011-2015 investment would increase to \$1.7 billion. The appropriateness of pursuing the Proposed Case in contrast to the Base Case should be fully vetted in this proceeding.

C. Relationship to General Rate Case.

Both the Proposed Case and the Base Case should be fully vetted to eliminate any duplication of expenditures that are covered in the SoCalGas/SDG&E general rate case that is currently pending before the Commission in the consolidated proceeding, A.10-12-005 and A.10-12-006.

Likewise, the timing of the investments that SoCalGas/SDG&E propose under both the Base Case and the Proposed Case should be fully examined to determine whether any of the proposed investments should be deferred so that they can be considered in the SoCalGas/SDG&E general rate case that will follow the currently pending Test Year 2012 case.

D. Rate Impact.

It will also be necessary to evaluate the rate impact of the Plans, particularly given the Commission’s specific direction that the Plans should be designed to be obtained the greatest amount of “safety value” in return for the rate burden that will be imposed on ratepayers.

SCGC has been diligent in its attempt to better assess the rate impact of the SoCalGas/SDG&E Plans. SCGC has already submitted four data requests to SoCalGas/SDG&E. However, even though nearly a month has elapsed since the utilities filed their Plans on August

¹¹ SoCalGas/SDG&E Plan at 106-107.

26, 2011, SCGC's witness, Catherine E. Yap, has not yet received Excel files that will enable her to "fully vet" the Plans.

Additionally, SCGC has been told by SoCalGas/SDG&E that certain requests by SCGC cannot be met because of the time that would be required to respond to the requests. In a meet-and-confer today, September 23, 2011, regarding SCGC Data Request 2, SoCalGas/SDG&E told SCGC that it would take up to three weeks to divide the transmission revenue requirement associated with the Base Case and the Proposed Case between the backbone sub-function and the local transmission sub-function. Thus, SoCalGas/SDG&E would not be able to provide the response until about the time that SCGC's testimony would be due under the current schedule, October 17, 2011.

III. RELIEF REQUESTED.

SCGC strongly supports DRA's proposal to extend the deadline for parties to file their responsive testimony by 120 days to February 15, 2012. The extension of time as warranted given the extraordinary scope of this proceeding, encompassing major investments by all three major California gas utilities, and given the unique nature of this proceeding, involving highly technical safety analyses that are beyond the scope of a normal rate proceeding.

Additionally, SCGC recommends that parties be given an opportunity for cross-answering testimony. It is likely the various parties will have differing views regarding, particularly, cost allocation. It would benefit the Commission if parties would have an opportunity to respond to each other. Cross-answering testimony should be due on the same date that the respondents file their rebuttal testimony to avoid any need to further extend the procedural schedule.

Lastly, given the Commission's commitment to the public that there would be "extensive hearings" regarding the Plans, SCGC recommends that the five days allowed in the Scoping

Memo for hearings be extended to a month. Five days of hearings can hardly be called “extensive.” The Scoping Memo in the currently pending SoCalGas/SDG&E general rate case provides for 18 days of hearings.¹² This case is essentially like a general rate case in terms of the scope and magnitude of investment that is being proposed, and it involves PG&E as well as SoCalGas/SDG&E. Thus, at least a month should be allowed for the hearing.

IV. CONCLUSION.

For the reasons set forth above, SCGC recommends that the Commission grant DRA’s motion and extend the date for parties to submit their responsive testimony to February 15, 2012. SCGC also recommends that the Commission permit cross-answering testimony on the date established for respondents to file rebuttal testimony, and SCGC recommends that at least a month be allowed for the “extensive hearings” that the Commission anticipates will be necessary in this proceeding.

Respectfully submitted,

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Dated: September 23, 2011

¹² Scoping Memo, A.10-12-005 and A.10-12-006, P 14 (March 2, 2011).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the **SOUTHERN CALIFORNIA GENERATION COALITION RESPONSE IN SUPPORT OF MOTION OF THE DIVISION OF RATEPAYER ADVOCATES FOR REVISION OF PROCEDURAL SCHEDULE** on all parties of record in R.11-02-019 by serving a copy to each party by electronic mail, or by mailing a properly addressed copy by first-class mail with postage prepaid to each party unable to accept service by electronic mail.

Executed on September 23, 2011, at Los Angeles, California.

/s/ Sylvia Cantos

Sylvia Cantos

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