

**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)

**NOTICE OF EX PARTE COMMUNICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) and
SAN DIEGO GAS AND ELECTRIC COMPANY (U 902 M)**

Brian C. Prusnek

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Dated: August 18, 2011

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In accordance with Rule 8.3 of the Commission's Rules of Practice and Procedure, Southern California Gas Company ("SoCalGas") and San Diego Gas and Electric ("SDG&E") hereby gives notice of the following *Ex Parte* communication in the above proceeding.

On Wednesday, August 17, 2011, at 10:00am in the Commission's offices in San Francisco, Brian Prusnek, Director of Regulatory Affairs, met with Sepideh Khosrowjah, Chief of Staff to Commissioner Florio. The communication was initiated by SoCalGas and SDG&E to discuss the companies' Pipeline Safety Implementation Plan ("PSEP") that will be filed on August 26, 2011. The meeting lasted approximately 50 minutes. Communication was oral and written. Mr. Prusnek discussed the attached presentation (which was originally prepared on August 3rd), but noted that some aspects of the presentation may change between August 3rd and when the PSEP is filed.

Dated this 18th day of August, 2011, at San Francisco, California.

Respectfully submitted,

By: /s/ Brian C Prusnek
Brian C. Prusnek

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SOCALGAS-SDG&E BRIEFING

PIPELINE SAFETY ENHANCEMENT PLAN

August 17, 2011

Confidential Draft for Discussion Purposes Only-May be Modified in Advance of Filing

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Key Features of Pipeline Safety Enhancement Plan

- ffi PSEP includes all transmission pipelines (approximately 4,000 miles)
 - Phase 1 addresses approx 950 miles over 10 years
 - Phase 2 addresses remaining system
- ffi Proposing 10-year plan for phase 1
 - Test or replace pipelines in populated areas that do not have documentation of a sufficient strength test, have certain construction/fabrication threats
 - Upgrade or replace existing valves to enable remote control capabilities by Gas Control Center
 - Install new technologies to enhance safety of system - incident detection / avoidance
 - Includes cost for new pipelines needed to allow for pressure testing of existing pipelines
 - Schedule assumes final decision in Q1 2012 and that planning is initiated in 2011
- ffi Research in progress to determine pipeline segments beyond the NTSB criteria miles that need to be replaced or pressure tested



Proposed Phase 1 Implementation Plan Pipeline & Valve Summary

Implementation Plan - Proposed Case	Phase 1A					Phase 1B	Total
	2012	2013	2014	2015	2012 - 2015	2016 - 2021	
Capital							
Pipeline Replacement (miles)	29	88	88	88	294	249	544
Valves Installed	29	29	29	29	114	171	285
O&M							
Hydrotesting (miles)	72	96	96	96	361	45	406
ILI (miles)	133	178	178	178	667	-	667

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Key Principles of Decision Making Process for Pipeline Replacement or Pressure Testing

- ffi Replacement and pressure testing options are being assessed on a case-by-case basis at both the segment level and as part of the integrated transmission pipeline system
- ffi Primary factors taken into consideration include:
 1. Customer and public impacts
 2. Construction methods used
 3. Relative cost of alternatives
- ffi Key factor is whether existing pipeline can be taken out of service for 4-6 weeks for pressure testing.
 - If a secondary pipeline is needed, the existing pipe may still require pressure testing if the line will be retained
 - Secondary lines may require new routes which can raise significant permitting and environmental issues.

Replace or upgrade existing valves. Employ new technologies for incident detection and prevention

- ffi Order requires consideration of improved shut-off valves
- ffi Propose to replace or upgrade existing valves to enable remote control capabilities by Gas Control
- ffi Proposed Criteria
 - All Pipelines \geq 20" diameter
 - Pipelines 12" - 20" diameter with \geq 30% SMYS
 - Spacing ~ 8 miles
 - Earthquake faults, etc.
- ffi Other Considerations
 - Pipeline evacuation time
 - Outage management
- ffi Opportunity to apply new technologies to enhance safety of system and apply new monitoring technologies to pipeline system for incident detection and prevention

Significant Challenges and Uncertainties Could have a Significant Impact on Implementation Plan

- Continuity of gas service to customers
 - Hydrostatic testing takes pipelines out of service for a minimum of 4 - 6 weeks
 - Risk of test failure requiring pipeline segment replacement
 - Limited annual window for hydrostatic testing due to winter and summer capacity requirements
- Expect significant community issues
- Expect significant permitting issues
 - Environmental: CEQA, land use, water quality
 - Local government agency permitting and requirements
- Material availability
- Availability of qualified construction work force

Proposed Decision Tree

Prioritized Schedule Based on Risk Assessment and Maintaining Service Reliability Decision Tree - Proposed Case

Sub-Prioritization Methodology

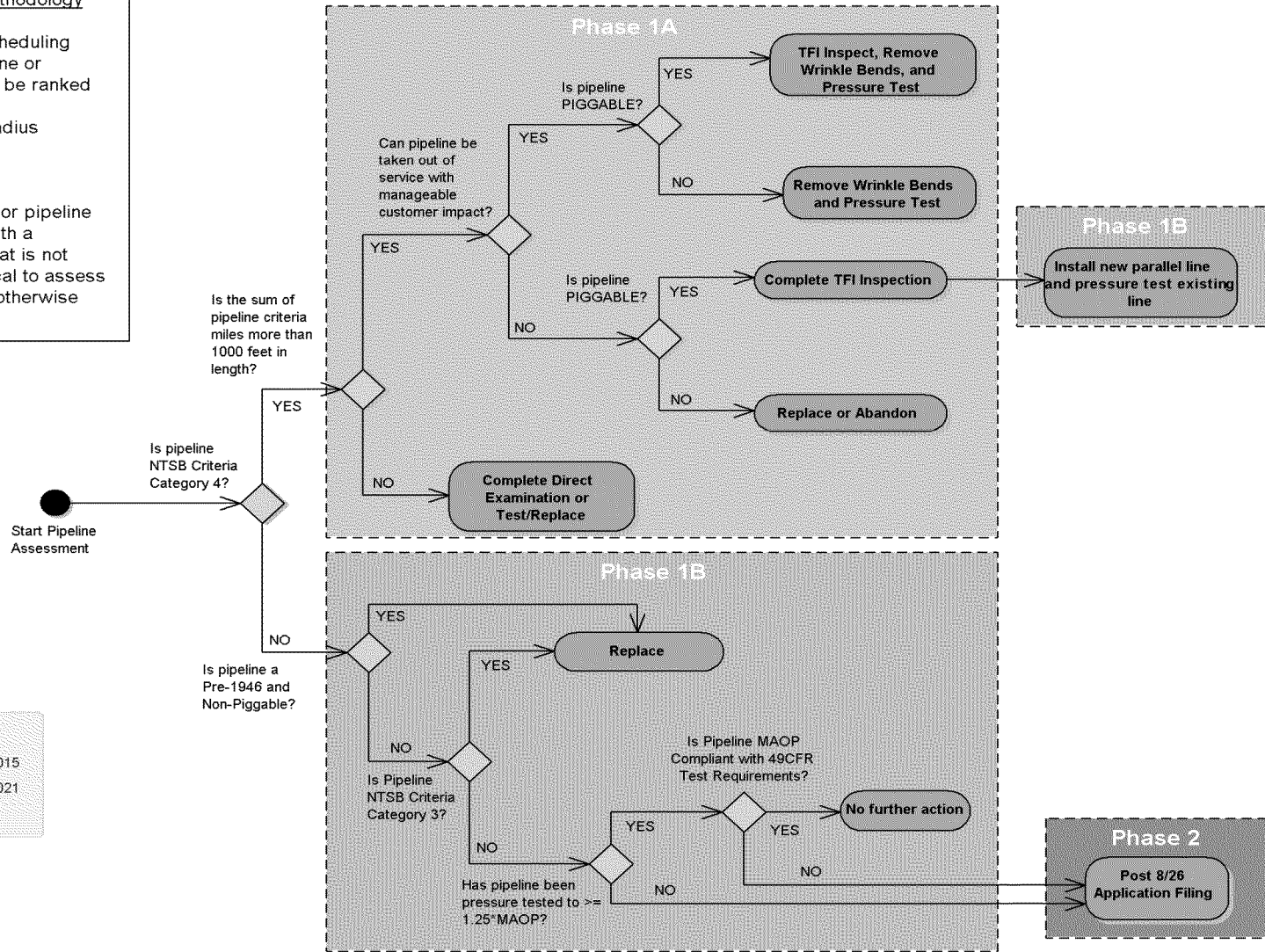
Within each of the scheduling priorities, each pipeline or pipeline segment will be ranked based upon:

- 1) Potential impact radius
- 2) Long Seam Type
- 3) %SMYS

Note 1: Any pipeline or pipeline segment identified with a construction threat that is not practical or economical to assess shall be replaced or otherwise addressed.

Legend

- Phase 1A: 2012 - 2015
- Phase 1B: 2016 - 2021
- Phase 2: TBD



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Proposed Ratemaking

ffi Funding

- PSEP requests funding for Phase 1A only (2012 - 2015). Cost forecasts are still under development.
- Phase 1B (2016+) should coincide with the next General Rate Case and funding may be requested in that proceeding.
- Phase 2 scope, schedule, and funding will be addressed at a later time.

ffi Cost Recovery

- Capital expenditures are rate based with the annual revenue requirement determined in the currently authorized manner
- Revenue requirement and O&M are collected in rates via a safety surcharge

Illustrative Bill/Rate Impacts for Phase 1A

- ffi Illustrative impacts based on the following Phase 1A costs for demonstration purposes
 - \$2 billion capital and \$250 million O&M (2012 – 2015)
- ffi Propose to allocate costs to customer classes based on an Equal Percentage of Authorized Margin (EPAM)

	Current Rates		Incremental Impact of PSEP			
			Default Allocation		Customer Count	EPAM
	SCG A	SDG&E B	SCG C	SDG&E D	E	F
Monthly Safety Surcharge (\$/mo)						
Avg Residential Bill	\$39.08	\$38.76	\$1.99	\$2.06	\$4.21	\$3.36
Volumetric Safety Surcharge (\$/th)						
Core C&I	\$0.315	\$0.249	\$0.043	\$0.045	\$0.011	\$0.042
NGV	\$0.089	\$0.087	\$0.029	\$0.029	\$0.00012	\$0.012
Noncore C&I-D	\$0.074	\$0.140	\$0.034	\$0.024	\$0.00004	\$0.012
EG-D	\$0.039	\$0.038	\$0.031	\$0.031	\$0.00002	\$0.005
TLS	\$0.025	\$0.025	\$0.020	\$0.020	\$0.000001	\$0.003

Notes:

- 1) Reflects Year 2015 at completion of Phase 1A
- 2) Current rates remain constant, does not include other forecasts (GRC, AMI, Aliso)
- 3) Columns E and F would apply equally to SCG and SDG&E

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Illustrative Impacts on Existing Public Purpose Program Rates

- ffi Standard CARE discount of 20% will be offered
- ffi Approximately 1.9 million customers are CARE Participants
 - This illustratively results in increases to the CARE program of \$15 - \$20 million/year
 - These costs are collected in Public Purpose Program Rates

	Current Rates SCG A	Incremental Impact of PSEP	
		Customer Count B	EPAM C
Monthly Safety Surcharge (\$/mo)			
Non-CARE Surcharge		\$4.21	\$3.36
CARE Surcharge		\$3.37	\$2.69
PPPS Rates (\$/th)			
SCG			
Residential	\$0.077	\$0.004	\$0.003
Core C&I	\$0.068	\$0.004	\$0.003
Noncore C&I	\$0.035	\$0.004	\$0.003
SDG&E			
Residential	\$0.076	\$0.004	\$0.004
Core C&I	\$0.120	\$0.004	\$0.004
Noncore C&I	\$0.114	\$0.004	\$0.004