

**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

(U 39 G)

Rulemaking 11-02-019

**RESPONSE OF PACIFIC GAS AND ELECTRIC COMPANY
TO DRA MOTION FOR RECONSIDERATION OF THE SCOPING MEMO AND TO
REVISE PROCEDURAL SCHEDULE**

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Dated: October 3, 2011

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Pursuant to Rule 11.3 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) submits its response to the Division of Ratepayer Advocates' (DRA) September 20, 2011 motion to revise the Scoping Memo and delay the procedural schedule. PG&E opposes DRA's request for a four month delay. It is inconsistent with the safety imperative that led the Commission to require the gas utilities to submit Implementation Plans and that led to the establishment of the current schedule.

On June 9, 2011, the Commission ordered all California natural gas utilities to submit by August 26, 2011, Implementation Plans to either pressure test or replace all segments of natural gas pipelines which were not previously tested or lacked sufficient documentation. The Commission stated that this directive was "necessary to ensure safe operations and to restore public trust." (D.11-06-017, p. 17.) The NTSB recommendations in its San Bruno Accident Report support the Commission's decision to eliminate grandfathering of pre-1970s pipe and to do so with a sense of urgency.

The procedural schedule issued by the Assigned Commissioner and Presiding Administrative Law Judge on June 16, 2011, properly balances these important public safety considerations with the need to provide adequate time for public comment and review of the Implementation Plans and associated ratemaking proposals. The Commission convened public workshops in June, 2011, to provide an early opportunity for understanding the utilities proposals and providing initial feedback on the scope of proposed safety enhancements. PG&E has conducted additional outreach meetings with parties to brief them on its Implementation Plan and we are responding on an expedited basis to a number of formal discovery requests. The current procedural schedule, set over three and one-half months ago, was adopted without objection from any party. DRA has not identified any changed circumstances that would warrant modification of the Scoping Memorandum and slowing down the process. On the other hand, the NTSB Report underscores the importance of expediting review of the Implementation Plans, not to consider additional delays.

PG&E is committed to completing the important safety work directed by the Commission as soon as possible. As we said in our Implementation Plan filing, we are not waiting for Commission approval to proceed. We have successfully completed over forty pressure tests and by year's end our pressure testing program will verify the safety of more than 140 miles of transmission pipeline. We have begun and are continuing, without delay, our program of pressure testing, pipeline replacement, automatic valve installation and MAOP validation work in 2012 as contemplated in our Implementation Plan.

Because PG&E's work is proceeding, it is important the Commission issue a decision on the Implementation Plans as soon as possible so that any changes in work scope or priority specified by the Commission can be incorporated on a timely basis. Prompt Commission action

will ensure that PG&E is pursuing its safety work in accordance with the priorities desired by the Commission.

If the Commission nonetheless determines that some delay in the procedural schedule is warranted, an approximately six week delay would provide significant additional time for DRA and other parties to prepare their responses, accommodate end-of-year holiday constraints and still position the Commission to issue a decision on the Implementation Plans in the first quarter of 2012. PG&E proposes the following alternative schedule:

	Existing Schedule	Revised Schedule
Testimony	October 17, 2011	November 28, 2011
Rebuttal	October 28, 2011	December 19, 2011
Hearings	November 7-10, 14, 2011	January 9 – 13, 16-17, 2012
Briefs	To be set at conclusion of hearings	

As we have said a number of times before, we are doing the safety work even though the Commission has not yet put in place any mechanism for potential cost recovery and, as directed by the Commission, our Implementation Plan included a substantial shareholder contribution to the forecast costs. Until the Commission decides on the final cost recovery, it should not – by its inaction – preclude PG&E and the other utilities from even seeking recovery. Thus, we ask the Commission to act on PG&E’s May 5, 2011, Motion to Establish Memorandum Account. The scope of this proceeding includes cost recovery and the Motion to Establish Memorandum Account does not limit the CPUC’s future discretion. Rather, it simply requests authority to record and track Implementation Plan expenditures to preserve the opportunity for the Commission to address cost recovery for 2012 expenditures in its final decision on the Implementation Plan. The Commission’s decision to eliminate grandfathering of pre-1970s pipe and require all of California’s gas utilities to pressure or replace pipelines without complete

records of a pressure test is an industry-changing event was not contemplated when rates were set in prior rate cases.

In conclusion, PG&E requests that the Commission deny DRA's request for a four month delay in the procedural schedule given the significant public safety concerns and the need to complete Implementation Plan safety work as soon as possible. Alternatively, a six week delay would provide substantial additional time for parties to prepare their responses and would still allow the Commission to issue a decision in the first quarter of 2012. Finally, PG&E requests that the Commission grant PG&E's May 5th motion for a memorandum account authorizing PG&E to record and track 2012 Implementation Plan costs for later Commission consideration.

Respectfully submitted,

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