

**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
(Filed February 24, 2011)

**SOUTHERN CALIFORNIA GENERATION COALITION
MOTION TO COMPEL A BREAKDOWN
OF SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY
PIPELINE SAFETY REVENUE REQUIREMENTS
BETWEEN BACKBONE TRANSMISSION
AND LOCAL TRANSMISSION**

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In accordance with Rule 11.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Southern California Generation Coalition ("SCGC") respectfully submits this motion to compel the Southern California Gas Company ("SoCalGas") and San Diego Gas & Electric Company ("SDG&E") to respond to data requests for a breakdown of their Pipeline Safety Enhancement Plan ("PSEP") transmission revenue requirements between the backbone transmission system and the local transmission system for Phases 1(A) and 1(B) of the PSEP under both the SoCalGas/SDG&E Proposed Case and the SoCalGas/SDG&E Base Case. As discussed below, SCGC has been trying for over three months to obtain the breakdown between backbone transmission and local transmission with no success. The breakdown is precisely the type of information that the Commission should have available to it in deciding how to allocate the PSEP revenue requirements among various customer classes.

I. BACKGROUND: THE SOCALGAS/SDG&E PSEP.

SoCalGas and SDG&E propose to divide their PSEP work into two phases, Phase 1 extending through the ten years 2012-2021 and Phase 2 extending from 2016 to an undetermined date in the future.¹ Phase 1, in turn, is divided into Phase 1(A) covering the period 2012-2015 and Phase 1(B) covering the period 2016- 2021.² SoCalGas/SDG&E provide direct cost estimates and revenue requirements for both a “Proposed Case” and a “Base Case” for Phases 1(A) and 1(B). According to SoCalGas/SDG&E, the Proposed Case “includes elements not required under the Commission’s June 9 Decision.”³ SoCalGas/SDG&E now seek cost recovery for Phase 1(A), leaving cost recovery for Phase 1(B) and Phase 2 to be sought in subsequent general rate cases (“GRCs”).⁴

The Phase 1(A) Proposed Case PSEP revenue requirements for the years 2011 through 2015 are \$594 million for SoCalGas and \$62 million for SDG&E.⁵ The 2011 through 2015 PSEP revenue requirements for the Base Case are \$518 million for SoCalGas and \$58 million for SDG&E.⁶ SoCalGas and SDG&E propose to recover the PSEP revenue requirements through PSEP Surcharges that would be billed as a flat monthly surcharge for residential customers and a volumetric surcharge for non-residential customers.⁷ SoCalGas/SDG&E do not propose to impose a PSEP Surcharge on customers that take Backbone Transportation Service (“BTS”) under Rate Schedule G-BTS.⁸

¹ PSEP at 17.

² *Ibid.*

³ PSEP at 43; D.11-06-017 (June 9, 2011).

⁴ *Ibid.*

⁵ PSEP at 58-59.

⁶ PSEP at 62.

⁷ PSEP at 64-67.

⁸ *Ibid.*

Backbone Transportation Service is “the service of transporting gas at receipt points over the SDG&E/SoCalGas backbone transmission lines for delivery to the SDG&E/SoCalGas city gate....”⁹ The backbone transmission revenue requirement is recovered through BTS rates. Currently, under a settlement approved in D.11-04-032, the backbone transmission revenue requirement for SoCalGas/SDG&E is \$135.0 million.¹⁰

SoCalGas/SDG&E propose extensive PSEP work on their transmission pipelines including pressure testing, pipe replacements, in-line inspections, and the installation of remote control and automatic shut-off valves. A large portion of the projected work is expected to occur on the SoCalGas/SDG&E backbone transmission system. While SoCalGas/SDG&E have provided data to SCGC that divides PSEP transmission pipeline direct costs between backbone transmission and local transmission, they do not break down the associated PSEP transmission revenue requirement between backbone transmission and local transmission.

Access to SoCalGas/SDG&E’s rate model is necessary to calculate and accurately break down the PSEP transmission revenue requirements between backbone transmission and local transmission. SoCalGas/SDG&E refuse to run their model to provide a breakdown of the PSEP revenue requirements between backbone transmission and local transmission, and they refuse to provide their model to SCGC’s witness, Catherine E. Yap, so that she can run the model to accurately calculate the breakdown between backbone transmission and local transmission.

II. SCGC DATA REQUESTS FOR A BREAKDOWN OF THE PSEP TRANSMISSION REVENUE REQUIREMENTS BETWEEN BACKBONE TRANSMISSION AND LOCAL TRANSMISSION.

Given that SoCalGas has separate rates for transportation service on the backbone transmission system upstream of the SoCalGas city gate and for transportation service for end-

⁹ D.11-04-032 at 17 (April 14, 2011).

use customers downstream of the city gate, an obvious question is how the PSEP transmission revenue requirements under Phases 1(A) and (B) under SoCalGas/SDG&E's Proposed Case and Base Case break down between backbone transmission and local transmission. SCGC has sought the breakdown for over three months without success.

A. SCGC's August 26, 2011 Second Data Request.

Shortly after SoCalGas/SDG&E filed the PSEP on August 26, 2011, SCGC submitted its Second Data Request to SoCalGas requesting a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission:

- 2.1. Please provide a breakdown in dollars between the backbone and local transmission systems (as defined in the tables below) of the revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1A under the Proposed Case.
- 2.2. Please provide a breakdown in dollars between the backbone and local transmission systems (as defined in the tables below) of the revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1A under the Base Case.
- 2.3. Please provide a breakdown in dollars between the backbone and local transmission systems (as defined in the tables below) of the revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1B under the Proposed Case.
- 2.4. Please provide a breakdown in dollars between the backbone and local transmission systems (as defined in the tables below) of the revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1B under the Base Case.¹¹

¹⁰ *Ibid* at 19.

¹¹ SCGC Second Data Request to SoCalGas (September 13, 2011).

SoCalGas/SDG&E objected to questions 2.1 through 2.4 in SCGC’s Second Data Request. They refused to provide a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission, saying “it would require several weeks of effort to model the revenue requirement” to produce a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission:

Pursuant to Rule 10.1 of the Rules of Practice and Procedure of the California Public Utilities Commission, SoCalGas and SDG&E object to this request on the grounds that the burden, expense or intrusiveness of the request clearly outweighs the likelihood that the information sought will lead to the discovery of admissible evidence.

SoCalGas and SDG&E apply FERC’s definition of storage, distribution and transmission for utility accounting and ratemaking purposes. Therefore, SoCalGas and SDG&E can readily provide a response to these questions with respect to distribution, storage and *transmission as a whole*. FERC does not, however, distinguish between backbone and local transmission—these are CPUC distinctions on the SoCalGas and PG&E systems. Furthermore, there is no officially recognized CPUC classification of SoCalGas’ pipelines into these two categories because the \$135 million allocated to backbone is the result of a black box settlement in the Phase 2 BCAP. In the upcoming TCAP, SoCalGas will propose the classification of gas pipelines into local or backbone facility categories using the table of line numbers at the beginning of this data request. SDG&E’s entire transmission system is backbone.

Answering SCGC’s request for the segregation of SoCalGas’ backbone and local transmission would be unduly burdensome because it would require several weeks of effort to model the revenue requirement using the above definition. The revenue requirement set forth in the filing was developed on a FERC account basis.

B. September 23, 2011 Meet-and-Confer and SCGC’s Fourth Data Request.

On September 23, 2011, even before receiving SoCalGas/SDG&E’ objection to SCGC’s Second Data Request questions 2.1 through 2.4, SCGC met and conferred with SoCalGas/SDG&E representatives about the Second Data Request questions 2.1 through 2.4.

SoCalGas/SDG&E told SCGC that it would take about three weeks to model the transmission revenue requirements to produce a breakdown of the revenue requirements between backbone transmission and local transmission.

As of September 23, 2011, the due date for intervenor testimony in this proceeding was October 17, 2011. There was not sufficient time to have SoCalGas run its model to produce a breakdown of the PSEP transmission revenue requirements between the backbone transmission and local transmission subfunctions, so SCGC inquired about whether the breakdown of PSEP transmission direct costs in percentage terms between backbone transmission and local transmission would be a reasonable proxy for the breakdown of PSEP transmission revenue requirements between backbone transmission and local transmission. On September 23, 2011, SCGC sent its Fourth Data Request to SoCalGas/SDG&E asking for confirmation of whether the breakdown of PSEP transmission direct costs between backbone and local transmission would be a reasonable proxy for the breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission:

- 4.1.1. Please state whether a breakdown of direct PSEP transmission costs (both O&M and capital) in percentage terms between backbone and local transmission would provide a reasonable breakdown of total PSEP transmission revenue requirement in percentage terms between backbone and local transmission.
- 4.1.2. If the answer to the previous questions is “no,” please explain in detail what factors would prevent the breakdown of direct costs from being a good approximation of the breakdown of revenue requirement.

In responding to SCGC’s Fourth Data Request, SoCalGas/SDG&E told SCGC that they could not confirm that the proportion of direct backbone and local transmission costs would be a reasonable proxy for the split of the overall transmission revenue requirements between backbone transmission and local transmission:

RESPONSE 4.1.1:

Without breaking out the costs and modeling the revenue requirements explicitly, SoCalGas is unable to determine whether the proportion of direct backbone and local transmission costs would be a reasonable estimate of the proportion of related revenue requirements. This analysis was not performed in preparation for this filing.

RESPONSE 4.1.2:

Because SoCalGas has not performed such an analysis, it is not known whether factors such as the potential varying annual proportions of local and backbone forecasted direct costs during 2012-2021 and tax treatment of some CapEx (bonus depreciation and self-developed software) would have a significant impact on the potential results.

C. SCGC's October 10, 2011 Ninth Data Request.

On September 30, 2011, while SCGC was awaiting a response to its Fourth Data Request from SoCalGas/SDG&E, Administrative Law Judge ("ALJ") Bushey e-mailed a notice to parties suspending the October 17, 2011 deadline for intervenor testimony. Given that additional time was now available to prepare testimony, SCGC sent a Ninth Data Request to SoCalGas on October 10, 2011, renewing SCGC's request for a breakdown of the PSEP transmission revenue requirements between backbone and local transmission as had been requested in SCGC's August 26, 2011 Second Data Request. SCGC's Ninth Data Request contained the following questions 9.1.1 mirroring questions 2.1 through 2.4 in SCGC's Second Data Request:

- 9.1.1 Please provide a breakdown in dollars between the following functions, backbone transmission, local transmission, distribution, and storage, of the SoCalGas and SDG&E combined revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1A under the Proposed Case. Please use the FERC definition of functions in answering this question. Please show the SDG&E revenue requirement separately from the SoCalGas revenue requirement.

- 9.1.2. Please provide a breakdown in dollars between the following functions, backbone transmission, local transmission, distribution, and storage, of the SoCalGas and SDG&E combined revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1A under the Base Case. Please use the FERC definition of functions in answering this question. Please show the SDG&E revenue requirement separately from the SoCalGas revenue requirement.
- 9.1.3. Please provide a breakdown in dollars between the following functions, backbone transmission, local transmission, distribution, and storage, of the SoCalGas and SDG&E combined revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1B under the Proposed Case. Please use the FERC definition of functions in answering this question. Please show the SDG&E revenue requirement separately from the SoCalGas revenue requirement.
- 9.1.4. Please provide a breakdown in dollars between the following functions, backbone transmission, local transmission, distribution, and storage, of the SoCalGas and SDG&E combined revenue requirement associated with all pipeline safety enhancement work proposed in this application to take place during Phase 1B under the Base Case. Please use the FERC definition of functions in answering this question. Please show the SDG&E revenue requirement separately from the SoCalGas revenue requirement.

SoCalGas/SDG&E responded to SCGC's Ninth Data Request questions 9.1.1 through 9.1.4 on October 25, 2011. SoCalGas/SDG&E's response consisted of nothing more than a referral to the SoCalGas/SDG&E response to the Second Data Request questions 2.1 through 2.4 in which SoCalGas/SDG&E objected to the Second Data Request questions.

SoCalGas/SDG&E's response to SCGC's Ninth Data Request questions 9.1.1 through 9.1.4 was as follows:

RESPONSE 9.1.1:

See response to SCGC data request question 2.1.

RESPONSE 9.1.2:

See response to SCGC data request questions 2.2.

RESPONSE 9.1.3:

See response to SCGC data request questions 2.3.

RESPONSE 9.1.4:

See response to SCGC data request questions 2.4.

D. November 18, 2011 Meet-and-Confer.

SCGC and SoCalGas/SDG&E met and conferred about the response to the Ninth Data Request on November 11, 2011. SoCalGas/SDG&E told SCGC that the meeting would need to be postponed because SoCalGas witness Gary Lenart was not available that day. SCGC agreed to the postponement and conferred with SoCalGas/SDG&E with witness Lenart present on November 18, 2011.

The November 18, 2011 meet-and-confer was unsuccessful. The SoCalGas/SDG&E representatives stated that they would not run their revenue requirement model to breakdown the PSEP transmission revenue requirements between backbone transmission and local transmission. SCGC asked whether SoCalGas would provide their model to SCGC's consultant, Catherine E. Yap, so that she could run the model to break down the PSEP transmission revenue requirements between backbone transmission and local transmission. SoCalGas refused to provide the model to Ms. Yap.

E. December 2, 2011 Supplemental Testimony.

SCGC continued to hope that SoCalGas/SDG&E might provide a breakdown of PSEP transmission revenue requirements between backbone transmission and local transmission. On

November 2, 2011, Assigned Commissioner Florio issued an Amended Scoping Memo instructing the utilities to serve supplemental testimony on December 2, 2011: “each of the utilities must serve no later than December 2, 2011, supplemental testimony that illustrates the rate impacts on various classes of customers if the same cost allocation and rate design principles used in the most recently adopted cost allocation or gas accord decision for those companies were to be employed here.”¹² The Amended Scoping Memo directed that the PSEP transmission revenue requirements should be broken down between backbone transmission and local transmission as SCGC had repeatedly requested in its data requests: “Such testimony should treat the costs proposed in the Implementation Plans as normal backbone or local transmission costs, as appropriate, consistent with past practices.”¹³

In spite of the Assigned Commissioner’s directive that the utilities must break down their PSEP transmission revenue requirements between backbone transmission and local transmission, the Supplemental Testimony that SoCalGas/SDG&E filed on December 2, 2011, did not contain the breakdown. SoCalGas/SDG&E admitted: “Transmission function costs are normally recovered through (i) end-use transportation rates; and (ii) the backbone transmission rate.”¹⁴ However, SoCalGas/SDG&E did not provide a breakdown of PSEP transmission revenue requirements between backbone transmission and local transmission, and they continued to allocate the entire PSEP revenue requirements among end-use transportation customer classes with nothing being allocated to the Backbone Transportation Service customer class.

¹² Amended Scoping Memo and Ruling of the Assigned Commissioner at 5, R.11.02-019 (November 2, 2011).

¹³ *Ibid.*

¹⁴ Supplemental Testimony of Southern California Gas Company and San Diego Gas & Electric Company in Support of Proposed Natural Pipeline Safety Enhancement Plan, Supplemental Testimony of Gary Lenart, p 1, (December 2, 2011).

III. SCGC NOW MOVES TO COMPEL SOCALGAS/SDG&E TO RESPOND TO SCGC'S DATA REQUESTS FOR A BREAKDOWN OF PSEP TRANSMISSION REVENUE REQUIREMENTS BETWEEN BACKBONE TRANSMISSION AND LOCAL TRANSMISSION.

Given SoCalGas/SDG&E's persistent refusal for three months to provide a breakdown of their transmission revenue requirements between backbone transmission and local transmission, SCGC now moves to compel a response from SoCalGas/SDG&E.

SCGC understands that Rule 11.3 of the Commission's Rules of Practice and Procedure that a motion to compel "is not eligible for resolution unless the parties in dispute have previously met and conferred in a good faith effort to informally resolve the dispute." SCGC believes it cannot be reasonably claimed that SCGC has failed to make a good faith attempt at an informal resolution of its discovery dispute with SoCalGas/SDG&E. SCGC has tendered three data requests and has met and conferred with SoCalGas/SDG&E multiple times over a course of more than three months to no avail. Additionally, the Assigned Commissioner sought a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission in the Amended Scoping Plan, likewise to no avail.

The information sought by SCGC would clearly be of value to the Commission. SoCalGas/SDG&E are proposing that the entire PSEP transmission revenue requirements be recovered from end-use customers with nothing being recovered from Backbone Transportation Service customers. It would clearly be of interest to the Commission to know how much of the PSEP transmission revenue requirements is associated with backbone transmission. That is undoubtedly why the November 2, 2011 Revised Scoping Memo required that the December 2, 2011 Supplemental Testimony "should treat the costs proposed in the Implementation Plans as normal backbone and local transmission costs, as appropriate, consistent with past practices."

Even though the Amended Scoping Memo explicitly required that SoCalGas/SDG&E provide precisely the information that SCGC has sought over the last three months, SoCalGas/SDG&E have continued their refusal to provide a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission. The Commission should not permit SoCalGas/SDG&E to continue to intransigently refuse to provide clearly relevant information that would benefit the Commission when the Commission gets to the point of considering the proper allocation of PSEP transmission revenue requirements among customer classes, including the Backbone Transportation Service class.

IV. CONCLUSION.

For the reasons set forth above, SCGC respectfully requests that the Commission grant this motion to compel SoCalGas/SDG&E to provide a breakdown of the PSEP transmission revenue requirements between backbone transmission and local transmission for periods 1(A) and (B) for both the Proposed Case and the Base Case as requested in SCGC's data requests questions 2.1 through 2.4 on September 13, 2011. As required by Rule 11.3(a), Attachment A to this motion contains a proposed ruling that indicates the relief requested.

Respectfully submitted,

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RULING ON MOTION TO COMPEL

Pursuant to Rule 11.3 of the Commission's Rules of Practice and Procedure, this Ruling grants the Southern California Generation Coalition ("SCGC") Motion to Compel the Southern California Gas Company ("SoCalGas") and the San Diego Gas & Electric Company ("SDG&E") to respond to the Southern California Generation Coalition's August 26, 2011 Second Data Request questions 2.1 through 2.4 to provide a breakdown of the SoCalGas/SDG&E Pipeline Safety Enhancement Plan transmission revenue requirements between backbone transmission and local transmission for periods 1(A) and (B) for the SoCalGas/SDG&E Proposed Case and the SoCalGas/SDG&E Base Case. The breakdown should be provided to SCGC in the form of a working spreadsheet with formulas and links intact. The response should be provided within three calendar weeks of the date of this Ruling.

Administrative Law Judge Maribeth A. Bushey