

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)

**DIVISION OF RATEPAYER ADVOCATES' COMMENTS ON
TECHNICAL REPORT OF THE CONSUMER PROTECTION AND SAFETY
DIVISION AND RESPONSE TO SUPPLEMENT TO REQUEST FOR
MEMORANDUM ACCOUNT OF SOUTHERN CALIFORNIA GAS COMPANY
AND SAN DIEGO GAS & ELECTRIC COMPANY**

I. INTRODUCTION

In accordance with the Amended Scoping Memo and Ruling of the Assigned Commissioner issued in the above-captioned proceeding on November 2, 2011, as amended by the Administrative Law Judge's Ruling Modifying Schedule and Granting Motions for Party Status issued on January 5, 2012, the Division of Ratepayer Advocates ("DRA") hereby submits its comments on the Consumer Protection and Safety Division's ("CPSD") technical report¹ on the Pipeline Safety Enhancement Plan ("PSEP" or "Plan") of Southern California Gas Company ("SoCalGas") and San Diego Gas & Electric Company ("SDG&E") (jointly, "Sempra" or "the Sempra Utilities"). DRA also submits its response to the Sempra Utilities' supplement to their motion for a memorandum account related to the costs of the proposed PSEP.²

¹ See Rulemaking ("R.") 11-02-019, Technical Report of the Consumer Protection and Safety Division Regarding the Southern California Gas Company and San Diego Gas and Electric Company Pipeline Safety Enhancement Plan ("CPSD Report"), Jan. 17, 2012.

² See R.11-02-019 and Application 11-11-002, Comments of Southern California Gas Company (U904G) and San Diego Gas & Electric Company (U 902 M) In Response to Assigned Commissioner's Rulings

II. INITIAL COMMENTS ON CPSD TECHNICAL REPORT

DRA commends CPSD on its technical analysis of SoCalGas and SDG&E's PSEP. DRA is conducting its own review of the Sempra Utilities' proposals, and DRA will present its testimony regarding Sempra's Plan either in this proceeding or in Sempra's pending Triennial Cost Allocation Proceeding ("TCAP"), Application 11-11-002. DRA offers the following preliminary comments on CPSD's Report.

A. PSEP Pipeline Testing and Replacement Decision Process

DRA needs to further analyze Sempra's proposed prioritization and decision process; however, DRA generally agrees with CPSD that the prioritization process could be enhanced.³ DRA agrees with CPSD's finding that Sempra should re-evaluate its proposed decision tree to determine if certain low-stress, pre-1946, non-piggable pipe can be pressure tested rather than replaced.⁴ Sempra's proposal to replace all pre-1946, non-piggable pipelines appears to be unsupported. CPSD notes that "D.11-06-017 does not mandate that all non-piggable, pre-1946 pipe, be replaced."⁵ DRA intends to present an analysis of this issue in its testimony. DRA agrees with CPSD's finding that for pipe that has been evaluated and identified to be replaced, the decision process should prioritize the replacement of pre-1946, non-piggable pipeline.⁶ The CPSD Report does not appear to address the possibility of missing or insufficient pressure test records for pre-1946 vintage pipe; DRA intends to conduct further analysis pertaining to the lack of sufficient pressure test records.

B. CPSD Sample Review of Segment Prioritization Results

Based on a review of four sample segments to be selected for Phase 1 pressure-testing or replacement, CPSD finds:

and Supplement to Request for Memorandum Account ("Sempra Supplement"), Jan. 13, 2012.

³ See CPSD Report at 10.

⁴ See CPSD Report at 10-11.

⁵ CPSD Report at 11.

⁶ See CPSD Report at 11.

The projects sampled by CPSD raise a concern a concern that some of the Companies' prioritized projects, especially the large project related to Line 1600 included in the PSEP for Phase 1, may not be targeting the highest priority pipe segments. CPSD believes that that a significant portion of the estimated costs for these projects appear to be inappropriately targeted towards testing or replacing low priority pipe.⁷

DRA generally agrees with CPSD's findings and will further review the issues in preparation for its testimony on Sempra's Plan.

C. CPSD Review of Valve Enhancement Process

CPSD finds that "[t]he additional enhancement measures related to automated valves, as proposed by the Companies, would improve current performance and CPSD recommends that the CPUC allow the Companies to proceed with their proposal to install telemetry facilities and backflow prevention devices at all locations as planned."⁸ CPSD recommends that:

If the CPUC is willing to accept some risk of false closure, the number of automated valves proposed in the PSEP could be reduced with the installation of [automatic shut-off valves], at intervals longer than those being proposed by the Companies for [remote controlled shut-off valve] installations, and still ensure that gas flow is stopped within 30 minutes of a full breach of the pipeline.⁹

DRA is currently analyzing Sempra's valve proposals and will present its analysis and recommendations in testimony.

D. Other Methods Proposed to Validate Pipeline Strength In Lieu of Pressure Testing or Replacement

DRA agrees with CPSD's findings that Sempra's proposal to run a transverse field inspection ("TFI") tool prior to pressure testing is not necessary to meet the requirements mandated by D.11-06-017 and that Sempra has not justified running a TFI tool on all

⁷ CPSD Report at 12-13.

⁸ CPSD Report at 16.

⁹ CPSD Report at 16.

piggable lines prior to pressure testing.¹⁰ DRA will present its analysis regarding this issue in its prepared testimony. DRA will explore the potential impacts on Sempra's Integrity Management Program ("IMP") of Sempra's proposed pressure testing and replacement, and alternative testing methods. DRA generally supports CPSD's finding regarding potential opportunities to coordinate Sempra's IMP and PSEP activities.¹¹ DRA will present its analysis of this issue in testimony. CPSD finds that the Commission "should require static pressure tests as a validation method."¹² CPSD recommends that segments shorter than 1,000 feet "should be pressure tested or replaced rather than directly examined replaced rather than directly examined in light of the limited cost savings associated with direct examination for these shorts."¹³ DRA will be reviewing both of these issues further and will present any recommendations in its testimony.

E. Technological Enhancements for Incident Detection

DRA generally supports CPSD's findings regarding the installation of methane leak detection technology.¹⁴ DRA supports CPSD's finding that new technology should be tested through a pilot program prior to wide-scale system deployment.¹⁵ DRA will explore this issue further and present its analysis and recommendations in prepared testimony.

F. Program Management Office

DRA is reviewing this issue and will present any recommendations in its testimony.

G. Line Downtime and Interim Measures

Regarding Sempra's estimates of line downtime or "clearance" times, CPSD finds: "Discretionary activities, such as removal of wrinkle bends or Oxy-Acetylene Girth

¹⁰ See CPSD Report at 18-19.

¹¹ See CPSD Report at 19.

¹² CPSD Report at 19-20.

¹³ CPSD Report at 20-21.

¹⁴ See CPSD Report at 21-22.

¹⁵ See CPSD Report at 22.

welds, may be drivers of the extensive clearance times the Companies have identified for pressure tests which are then used as the basis for replacing a segment rather than performing a pressure test on it.”¹⁶ Regarding interim measures such as patrolling for third-party excavations near an operator’s pipeline, CPSD finds that “[s]ome cost savings could be realized by changing the frequency of patrols to semi-annual from bi-monthly.”¹⁷ DRA supports CPSD’s findings regarding the above issues and will present its analysis on these topics in testimony.

H. Cost Responsibility

CPSD finds that, “If the Companies cannot provide records showing that the 20 miles of pipeline segments installed between July 1, 1961 and 1970 were tested and documented per GO 112 requirements, the segments lacking documentation must be tested or replaced at the Companies’ expense.”¹⁸ DRA supports the underlying logic of CPSD’s finding that the costs of testing and replacing pipe for which Sempra lacks sufficient pressure test records should be borne by shareholders rather than by ratepayers. DRA will present its recommendations regarding cost responsibility in its testimony.

III. RESPONSE TO SEMPRA SUPPLEMENT TO MEMORANDUM ACCOUNT REQUEST

SoCalGas and SDG&E first requested authority to establish the Pipeline Safety and Reliability Memorandum Account by a motion filed on May 4, 2011.¹⁹ DRA opposed that motion in a response filed on May 20, 2011.²⁰ DRA continues to recommend that the Commission deny the Sempra Utilities’ memorandum account request.

¹⁶ CPSD Report at 23.

¹⁷ CPSD Report at 23.

¹⁸ CPSD Report at 24.

¹⁹ See R.11-02-019, Motion of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) for Authorization to Establish Pipeline Safety and Reliability Memorandum Account (“Motion”), May 4, 2011.

²⁰ See R.11-02-019, Response of the Division of Ratepayer Advocates to Motion of Southern California Gas Company and San Diego Gas & Electric Company for Authorization to Establish Pipeline Safety and Reliability Memorandum Account (“DRA Response”), May 19, 2011.

In its response to the motion, DRA stated:

The Commission in Resolution G-3454 questioned the need to establish a memorandum account prior to adoption of any regulations in this Rulemaking. Sempra's motion here is likewise premature, and instead should follow actual adoption of any new mandates or requirements in this Rulemaking and determination of their specific costs, and a showing by Sempra that those costs are incremental to existing programs. In addition, the memorandum account, if approved, should be effective from the date of Commission approval rather than, as Sempra proposes, retroactively to the date the Rulemaking was issued.²¹

Sempra's supplement to its motion does not alleviate the concern expressed by DRA and other parties²² that costs could be authorized for activities that already are currently funded under existing programs for pipeline maintenance and integrity management. Sempra's supplement does not comprise a sufficient showing that the stated costs are truly incremental. Sempra states that the "estimates of direct costs are preliminary and could vary."²³ SoCalGas and SDG&E, and other parties such as DRA, have not opposed transferring to the TCAP the "reasonableness and ratemaking review"²⁴ of the Sempra Plan. The determination of the technical soundness of the proposed Plan and the reasonableness of the associated costs has yet to take place and Sempra has not made its showing justifying the reasonableness of the technical and cost aspects of the proposed PSEP.

In the meantime, the Sempra Utilities do not need a memorandum account or assurance of cost recovery to make management decisions to meet their ongoing

²¹ DRA Response at 3; *see* Commission Resolution G-3453, denying without prejudice PG&E Advice Letter 3171-G to establish Gas Preliminary Statement CH, Natural Gas Transmission Pipeline Safety Memorandum Account, May 5, 2011, at 7.

²² *See* R.11-02-019, Response of Disability Rights Advocates and The Utility Reform Network to Motions of Southern California Gas Company, San Diego Gas & Electric Company, and Pacific Gas and Electric Company to Establish Memorandum Accounts, May 19, 2011, at 5: "DisabRA and TURN urge the Commission to be vigilant that any costs recorded in newly established memorandum accounts truly are incremental to costs for which funds have already been allocated in these other proceedings."

²³ Sempra Supplement at 6.

²⁴ *See, e.g.*, Sempra Supplement at 3.

obligation to provide safe and reliable service. As the Commission has stated, the utilities are “obliged to exercise competent managerial discretion and make the necessary capital expenditures and capital repairs and maintenance even if those expenditures exceed test year forecasts. Test year ratemaking is not a guarantee of full recovery or of fully expending the amounts as forecast. The ‘regulatory compact,’ is that in exchange for a reasonable opportunity of earning a fair return, ratepayers pay the adopted rates and the utility does what is necessary to provide safe and reliable service.”²⁵

Lastly, SoCalGas and SDG&E agree that the TCAP is an appropriate forum in which to evaluate their Plan and “urge the Commission to consider both the technical aspects of our proposed plan and the ratemaking aspects of our proposed plan in the same forum.”²⁶ As such, it would make little sense to deem the memorandum account, if approved, effective from the date of the Rulemaking’s issuance, as the Sempra Utilities have proposed; rather, the memorandum account, if approved, should be effective from the date it was authorized.

IV. CONCLUSION

DRA appreciates the opportunity to offer preliminary comments on CPSD’s Technical Report regarding Sempra’s PSEP. DRA continues to oppose Sempra’s request to establish the proposed memorandum account, for the reasons discussed in this filing and in DRA’s response to Sempra’s initial motion.

²⁵ Decision 09-03-025, *mimeo.* at 324.

²⁶ Sempra Supplement at 3-4.

Respectfully submitted,

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