

**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)

(NOT CONSOLIDATED)

In the Matter of the Application of San Diego Gas & Electric Company (U902G) and Southern California Gas Company (U904G) for Authority to Revise Their Rates Effective January 1, 2013, in Their Triennial Cost Allocation Proceeding.

Application 11-11-002
(Filed November 1, 2011)

**SOUTHERN CALIFORNIA GENERATION COALITION
COMMENT ON REASSIGNMENT OF
SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY
PIPELINE SAFETY ENHANCEMENT PLAN
REASONABLENESS AND RATEMAKING ISSUES
TO TRIENNIAL COST ALLOCATION PROCEEDING**

Norman A. Pedersen, Esq.
HANNA AND MORTON LLP
444 South Flower Street, Suite 1500
Los Angeles, California 90071-2916
Telephone: (213) 430-2510
Facsimile: (213) 623-3379
E-mail: npedersen@hanmor.com

Attorney for the **SOUTHERN CALIFORNIA
GENERATION COALITION**

Dated: January 13, 2012

**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)

(NOT CONSOLIDATED)

In the Matter of the Application of San Diego Gas & Electric Company (U902G) and Southern California Gas Company (U904G) for Authority to Revise Their Rates Effective January 1, 2013, in Their Triennial Cost Allocation Proceeding.

Application 11-11-002
(Filed November 1, 2011)

**SOUTHERN CALIFORNIA GENERATION COALITION
COMMENT ON REASSIGNMENT OF
SOUTHERN CALIFORNIA GAS COMPANY AND
SAN DIEGO GAS & ELECTRIC COMPANY
PIPELINE SAFETY ENHANCEMENT PLAN
REASONABLENESS AND RATEMAKING ISSUES
TO TRIENNIAL COST ALLOCATION PROCEEDING**

In accordance with the Assigned Commissioner's Ruling dated December 21, 2011, in the captioned proceedings (not consolidated), the Southern California Generation Coalition ("SCGC") hereby comments in support of the Assigned Commissioner's determination that the Southern California Gas Company ("SoCalGas") and San Diego Gas & Electric Company ("SDG&E") Pipeline Safety Enhancement Plan ("PSEP") reasonableness and ratemaking issues should be reassigned from Rulemaking ("R.") 11-02-019 to Application ("A.") 11-11-002, the currently pending SoCalGas/SDG&E Triennial Cost Allocation Proceeding ("TCAP").

I. BACKGROUND.

On June 9, 2011, the Commission issued Decision (“D.”) 11-06-017 in R.11-02-019 requiring all California natural gas transmission system operators to file and serve implementation plans to pressure test or replace all transmission pipeline without reliable records of pressure testing. On August 26, 2011, SoCalGas, SDG&E, Pacific Gas & Electric Company (“PG&E”), and Southwest Gas Corporation (“Southwest Gas”) filed implementation plans. To date, all reasonableness and ratemaking issues regarding the implementation plans of the four utilities have continued to be within the scope of R.11-02-019.

In his ruling dated December 21, 2011, in R.11-02-019 and A.11-11-002 (not consolidated), Assigned Commissioner Florio expressed his belief that the reasonableness and ratemaking issues regarding the SoCalGas/SDG&E implementation plans should be reassigned from R.11-02-019 to A.11-11-002:

Upon further review, I now believe that the pending Triennial Cost Allocation Proceeding recently filed as application (A).11-11-002 is the most logical proceeding for the SDG&E and SoCalGas reasonableness and ratemaking review. That proceeding deals with cost allocation and rate design and therefore it would be beneficial to reassign the implementation plans to it to take advantage of the evidentiary record and policy decisions emerging there.¹

Assigned Commissioner Florio stated that on January 13, 2011, “parties should comment on the question of reassignment of the reasonableness and ratemaking issues to the Cost Allocation Proceeding versus the pending or a future general rate case.”² The effect of reassigning the SoCalGas/SDG&E implementation plan reasonableness and ratemaking issues to the TCAP in

¹ Assigned Commissioner’s Ruling at 2 (December 21, 2011).

² *Ibid.*

A.11-11-002 would be to leave the issues regarding the PG&E and Southwest Gas implementation plans in R.11-02-019.

II. SCGC SUPPORT FOR REASSIGNMENT.

SCGC supports reassignment of the SoCalGas/SDG&E implementation plan issues from R.11-02-019 to a separate SoCalGas/SDG&E proceeding. The enormous potential revenue requirement impact of the SoCalGas/SDG&E implementation plans warrants consideration of their implementation plans separately from consideration of the PG&E and Southwest Gas plans. SoCalGas/SDG&E project that the ultimate revenue requirement impact of their proposed implementation plans would be \$9,421,000,000 for SoCalGas and \$1,429,000,000 for SDG&E.³

Additionally, the SoCalGas/SDG&E implementation plans raise reasonableness issues that are different from the proposals of PG&E and Southwest Gas. For example, SoCalGas/SDG&E propose both a “Proposed Case” and a “Base Case” which are differentiated by features that are not included in the PG&E or Southwest Gas implementation plans.

Lastly, SoCalGas/SDG&E implementation plans involve ratemaking issues that are different from those that may arise in considering the PG&E or Southwest Gas implementation plans. For example, issues regarding shareholder contributions may arise in considering the PG&E implementation plan due to the San Bruno tragedy as well as other developments that are unique to PG&E that may not arise in the course of considering the SoCalGas/SDG&E implementation plans.

III. SCGC SUPPORT FOR REASSIGNMENT TO THE TCAP.

If the SoCalGas/SDG&E implementation plan issues are to be reassigned from R.11-02-019 to a separate SoCalGas/SDG&E proceeding, that proceeding should be the TCAP rather than

³ SoCalGas/SDG&E PSEP, p. 62, Table T, “Revenue Requirement Summary from Proposed Case” (August 26, 2011, resubmitted December 2, 2011).

the SoCalGas/SDG&E Test Year (“TY”) 2012 General Rate Case (“GRC”) in A.10-12-005 and A.10-12-006 (consolidated). Hearings in the GRC began on November 30, 2011, and are scheduled to conclude on January 27, 2012. It is already clear that a final Commission decision will not be reached in the GRC until many months after rates based a TY 2012 revenue requirement were to take effect, January 1, 2012. Conversely, the TCAP is just beginning. Protests are due on January 13, 2012, and the initial prehearing conference is scheduled for January 30, 2012. Insofar as the TCAP is the fresher case, it would be a better home for reassigned SoCalGas/SDG&E implementation plan issues.

Also, both the TCAP and the SoCalGas/SDG&E implementation plan issues involve cost allocation issues. Thus, the subject matter of the TCAP is similar to at least a substantial portion of the subject matter of the SoCalGas/SDG&E implementation plans.

Accordingly, SCGC supports reassignment of the SoCalGas/SDG&E implementation plan issues to the TCAP. SCGC recognizes that the reassignment may necessitate phasing of the TCAP in A.11-11-002. Such procedural issues have been designated by Administrative Law Judge Long for consideration at the prehearing conference scheduled for January 30, 2012, in A.11-11-002: “We can discuss the timing of the Pipeline Safety issues at the Prehearing Conference but I suspect we would have two phases; the triennial cost allocation as filed and then the safety related costs.”⁴

⁴ Email from ALJ Long to A.11-11-002 parties (January 9, 2012).

IV. CONCLUSION.

Accordingly, for the reasons set forth above, SCGC urges the Commission to reassign the SoCalGas/SDG&E implementation plan reasonableness and ratemaking issues from R.11-02-019 to A.11-11-002.

Respectfully submitted,

/s/ Norman A. Pedersen

Norman A. Pedersen, Esq.
HANNA AND MORTON LLP
444 South Flower Street, Suite 1500
Los Angeles, California 90071-2916
Telephone: (213) 430-2510
Facsimile: (213) 623-3379
E-mail: npedersen@hanmor.com

Attorney for the **SOUTHERN CALIFORNIA
GENERATION COALITION**

Dated: January 13, 2011