

**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)

**REPLY COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) IN RESPONSE TO
COMMENTS ON PROPOSED DECISION TRANSFERRING CONSIDERATION OF
PIPELINE SAFETY ENHANCEMENT PLAN TO THE TRIENNIAL COST
ALLOCATION PROCEEDING**

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Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) submit the following comments in response to the comments filed by The Utility Reform Network (TURN), the City and County of San Francisco (CCSF) and the Division of Ratepayer Advocates (DRA) on the Proposed Decision Transferring Consideration of Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans of San Diego Gas & Electric Company and Southern California Gas Company to the Triennial Cost Allocation Proceeding, filed March 20, 2012 (Proposed Decision), pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the Commission). As set forth in our opening comments, SoCalGas and SDG&E support the Proposed Decision, which transfers consideration of our proposed Pipeline Safety Enhancement Plan to our pending Triennial Cost Allocation Proceeding and grants our pending motion to establish a memorandum account for the purpose of recording the incremental costs of implementing our proposed Pipeline Safety Enhancement Plan. As discussed further below, all of the parties that submitted comments on the Proposed Decision agree with SoCalGas and SDG&E that the Commission

should not adopt language in the Proposed Decision that would predetermine factual and policy issues that are currently pending before the Commission in this Rulemaking. DRA, however, appears to misconstrue the procedural significance of the Commission’s decision to authorize the establishment of a memorandum account. The Commission’s decision will enable the Commission to consider, at a later time, whether the recorded costs are reasonable and whether SoCalGas and SDG&E should be authorized to recover those costs from our customers. Accordingly, DRA’s recommended revisions to the Proposed Decision should not be adopted.

I. The Parties Agree that the Proposed Decision Should Not Predetermine Factual and Policy Issues Now Pending Before the Commission.

In our opening comments, SoCalGas and SDG&E seek clarification of the Proposed Decision to make clear that the Proposed Decision does not predetermine issues related to the National Transportation Safety Board’s use of the phrase “traceable, verifiable and complete” in January 3, 2011 safety recommendations issued to Pacific Gas and Electric Company (PG&E). Similarly requests were submitted by TURN and CCSF. While CCSF does not oppose the outcome of the Proposed Decision, CCSF submitted comments urging the Commission “to make two changes to the language of the Proposed Decision in order to avoid the appearance of prejudging issues that are contested on the record of this proceeding. One issue is whether and to what extent the Commission imposed ‘new’ obligations on the gas utilities in D.11-06-017. The second issue concerns the appropriate weight to be given the Technical Report of CPSD on the utilities’ implementation plans.”¹ Similarly, “TURN does not oppose the outcomes of the PD, but recommends that certain aspects of the PD’s analysis that are unnecessary to the decision be modified to avoid giving any appearance that the Commission is prematurely resolving issues that are hotly contested, both with respect to the Implementation Plans of SDG&E and SoCalGas and also with respect to the Implementation Plan of [PG&E].”² Although DRA submitted

¹ Comments of CCSF on the Proposed Decision, pp. 1-2.

² Comments of TURN on the Proposed Decision, p. 1.

comments in opposition to the Proposed Decision’s authorization to establish memorandum accounts, DRA’s comments similarly argue that the Commission should not “prejudge” issues to be determined in connection with the review of SoCalGas and SDG&E’s proposed Pipeline Safety Enhancement Plan.

Accordingly, all parties that submitted opening comments are in agreement that the Proposed Decision should be clarified to make clear that the Proposed Decision does not predetermine issues that have yet to be resolved within this Rulemaking and/or the Triennial Cost Allocation Proceeding. Consistent with that principle, SoCalGas and SDG&E support the changes proposed by TURN and CCSF, which are consistent with their own request. For the reasons discussed below, however, SoCalGas and SDG&E do not support the modifications requested by DRA.

II. DRA’s Recommended Revisions to the Proposed Decision Appear to be Based on a Misunderstanding of the Impact of the Commission’s Decision.

The Proposed Decision authorizes “SDG&E and SoCalGas to create a memorandum account in which to record the incremental costs of implementing the Pipeline Safety Enhancement Plan.”² In granting this authorization, the Proposed Decision already adequately addresses the concerns raised by DRA, explaining that “[t]he Commission will consider whether such properly recorded costs are reasonable and which costs, if any, may be recovered from ratepayers in revenue requirement at a later time in the Triennial Cost Allocation Proceeding.” Accordingly, DRA’s allegation that the Proposed Decision predetermines issues related to potential cost recovery are not well founded and DRA’s recommendation to deny SoCalGas and SDG&E authority to record the costs of implementing their Proposed Pipeline Safety Enhancement Plan should not be adopted.

² Proposed Decision, p. 7.

III. To the Extent DRA Seeks to Collaterally Attack Decision 11-06-017, Its Recommended Revisions Are Procedurally Improper.

DRA argues that “there is no evidence to support the conclusion that SoCalGas or SDG&E have ‘. . . an immediate need to make any significant expenditures unforeseen since their last rate case.’”⁴ And further argues that “[a]t this point, there is no evidence at all; just the utilities’ completely untested Plan.”⁵ DRA’s argument appears to be a collateral attack on Decision 11-06-017, in which the Commission previously concluded that “all natural gas transmission pipelines in service in California must be brought into compliance with modern standards for safety. Historic exemptions must come to an end with an orderly and cost-conscience implementation plan.”⁶ Based on this determination, the Commission ordered all California natural gas pipeline operators to prepare implementation plans to either pressure test or replace all segments of natural gas pipelines that were not pressure tested or lack sufficient details related to the performance of any such test “as soon as practicable.”⁷ The Proposed Decision provides a procedural mechanism for SoCalGas and SDG&E to comply with the directives of Decision 11-06-017 “as soon as practicable,” while preserving the ability of the Commission to consider whether any costs recorded in the memorandum accounts are reasonable and may be recovered from customers.

IV. Conclusion

SoCalGas and SDG&E support the Proposed Decision, which transfers consideration of our proposed Pipeline Safety Enhancement Plan to our pending Triennial Cost Allocation Proceeding and grants our pending motion to establish a memorandum account for the purpose of tracking costs associated with the directives set forth in this rulemaking. For the reasons set

⁴ Comments of DRA on the Proposed Decision, p. 4.

⁵ *Id.*

⁶ D.11-06-017, p. 18.

⁷ *Id.*

forth above, SoCalGas and SDG&E support the proposed revisions requested by TURN and CCSF, but do not support adoption of DRA's recommended revisions.

Respectfully submitted,

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