

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)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON
DECISION MANDATING PIPELINE SAFETY
IMPLEMENTATION PLAN, DISALLOWING COSTS, AND
AUTHORIZING MEMORANDUM ACCOUNT**

I. INTRODUCTION

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission, the Division of Ratepayer Advocates (DRA) hereby submits its comments on the Proposed Decision (PD) of Administrative Law Judge Bushey approving Southwest Gas Corporation's pipeline safety implementation plan, disallowing certain costs and authorizing the recording of other costs in a memorandum account.

DRA recommends correcting an apparent wording error in the discussion of cost responsibility regarding the Victor Valley Transmission System.

**II. VICTOR VALLEY PRESSURE TEST COSTS SHOULD BE
ASSIGNED TO SOUTHWEST GAS**

Southwest Gas must replace, rather than pressure test, its entire Victor Valley Transmission System because Southwest Gas has failed to maintain complete and accurate records.¹ Thus, the PD correctly finds that, with regard to the Victor Valley

¹ See PD, pp. 12-13; Conclusions of Law 6 and 7.

Transmission System, “Southwest Gas ratepayers should not be required to bear the higher cost of replacement rather than pressure testing of pipeline due to Southwest Gas’ imprudence.”² The PD then states: “Accordingly, we find that the costs of pressure testing should be assigned to *ratepayers*, and shareholders should bear the incremental costs of replacement of the Victor Valley Transmission System.”³ This is contrary to the PD’s conclusion, immediately following, which correctly states: “Therefore, we conclude that *shareholders* are responsible for the \$3.75 million in estimated pressure testing costs, which must be deducted from the \$7.1 million in replacement costs, leaving approximately \$3.4 million to be recorded in plant in service for inclusion in revenue requirement.”⁴ The incorrect statement should be revised accordingly.

III. CONCLUSION

DRA respectfully requests that the Commission adopt DRA’s proposed corrections to the PD, set forth in Appendix A to these comments.

Respectfully submitted,

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² PD, p. 13.

³ PD, p. 13, emphasis added; *see* Conclusion of Law 8.

⁴ PD, p. 14, emphasis added; *see* Ordering Paragraph 3 (“Southwest Gas ... must limit the amounts recorded ... to ... the actual capital cost and expense of replacing the Victor Valley system, less \$3.75 million.”).

**APPENDIX A
DRA CORRECTIONS TO PD**

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Accordingly, we find that the costs of pressure testing should be assigned to ~~ratepayers~~ shareholders, and shareholders should bear the share of incremental costs of replacement of the Victor Valley Transmission System equal to the estimated cost of pressure testing.

Conclusion of Law 8:

Southwest Gas ~~ratepayers~~ shareholders should bear the costs of pressure testing, ~~and~~ ~~shareholders should bear~~ The incremental costs equivalent to the cost of pressure testing should be deducted from the total capital costs for replacement of the Victor Valley Transmission System.