

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)

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

**II. THE PD'S FINDING OF IMPRUDENCE WAS NOT IN ERROR**

Contrary to SWG's comments, the PD does not introduce a new standard for pipeline records maintenance.<sup>1</sup> The utilities' records keeping practices and their compliance or non-compliance with industry standards have been issues in this

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<sup>1</sup> See Opening Comments of Southwest Gas Corporation (U 905 G) on the August 5, 2013 Proposed Decision Mandating Safety Implementation Plan, Disallowing Costs, and Authorizing Memorandum Account, Aug. 26, 2013, p. 6. See also Opening Comments of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) on Proposed Decision Mandating Safety Implementation Plan, Disallowing Costs, and Authorizing Memorandum Account, Aug. 26, 2013, pp. 5-6.

proceeding since the outset. As stated in the PD, the Commission in Decision (D.) 11-06-017 “concluded that the historic [pressure testing] exemption and the utilities’ record-keeping deficiencies had resulted in circumstances inconsistent with the safety, health, comfort, and convenience of utility patrons, employees, and the public.”<sup>2</sup> In D.12-12-030, the Commission concluded that shareholders must bear the associated costs, where missing but required pressure test records require that pipe be pressure tested.<sup>3</sup>

DRA in its brief in this proceeding addressed the issue of SWG’s lack of pressure test records:

As a prudent manager of its system, SWG should have pressure tested its pipelines over the years, and should have kept records of those tests, as well as other maintenance history. As a utility with a statutory obligation to operate its system safely, SWG had an obligation to comply with industry standards developed to ensure safe operation of pipeline systems, including retention of all records required for safe operation.<sup>4</sup>

It is undisputed that SWG has no records for the Victor Valley Transmission system. As SWG’s prepared testimony states:

As previously mentioned, Southwest Gas does not know the pipeline specifications, and therefore assumes the minimum wall thickness, pipe grade and longitudinal joint factor. Furthermore, the installation practices are unknown including whether any radiographic examinations of butt welds were conducted. The pipeline also contains laterals to both existing and abandoned pressure limiting stations as well as components such as fitting caps that will require replacement prior to any pressure test. Though the 54 year old pipeline

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<sup>2</sup> PD, p. 4.

<sup>3</sup> D.12-12-030, Decision Mandating Pipeline Safety Implementation Plan, Disallowing Costs, Allocating Risk of Inefficient Construction Management to Shareholders, and Requiring Ongoing Improvement in Safety Engineering, Dec. 20, 2012, pp. 58-59.

<sup>4</sup> Brief of the Division of Ratepayer Advocates on Southwest Gas Corporation’s Implementation Plan (DRA Brief), June 15, 2012, p. 6.

has been safely operating at or near its MAOP of 250 psig for nearly 38 years, the Company does not believe it would be prudent to subject the pipeline to a hydrostatic strength test of 1.575 times its MAOP without the knowledge of these pipeline specifications.<sup>5</sup>

SWG has further confirmed that “7.1 miles of the 15.4 miles of pipeline classified as transmission in California under the CPUC jurisdiction does not meet the record requirements including pressure testing currently required by the Rulemaking.”<sup>6</sup>

Within the evidentiary record of this rulemaking, the Commission, in D.12-12-030, has previously determined the following:

The evidentiary record supports the factual finding that from 1956 on, PG&E’s practice was to comply with then-applicable industry standards for pre-service pressure testing, and that retaining records of such testing was part of the industry standard.

We further find that if PG&E had competently retained the pressure test records for pipeline installed from 1956 to 1961, we would have evidence that such pressure tests did, in fact, occur and this pipeline would not be included in the Implementation Plan.<sup>7</sup>

The same issue is addressed in Findings of Fact 17 and 18 as it pertains to PG&E.<sup>8</sup>

Conclusion of Law 16 of D.12-12-030 states:

It is reasonable to impose an equitable adjustment to the replacement cost of pipeline installed from January 1, 1956 to July 1, 1961, for which pressure test records are not available, but which require replacement rather than pressure testing. Such an equitable adjustment shall be equal to the forecasted cost of pressure testing the pipeline replacement included in rate base and revenue requirement.<sup>9</sup>

The PD is entirely consistent with the Commission’s findings and conclusions in D.12-12-030 as they apply to SWG’s inability to produce records of pre-service testing

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<sup>5</sup> Prepared Direct Testimony of Lynn Malloy, p. 4.

<sup>6</sup> See DRA Brief, Attachment A, SWG Response to DRA Data Request, Oct. 14, 2011, p. 7.

<sup>7</sup> D.12-12-030, p. 59.

<sup>8</sup> See D.12-12-030, p. 117.

<sup>9</sup> D.12-12-030, p. 117.

for the Victor Valley Transmission System. The PD does not err in determining that SWG's decision to replace rather pressure test was based, in part, "on the unknown material specifications of the pipe as well as unknown fittings and lateral pipelines in the Victor Valley Transmission System."<sup>10</sup> Accordingly, it is appropriate that SWG shareholders bear the incremental cost responsibility for replacement equal to the estimated cost of pressure testing. The claim of error in the opening comments of SWG and of Southern California Gas Company and San Diego Gas & Electric Company is without merit and should be rejected.

### III. CONCLUSION

For the reasons set forth in its opening and reply comments, DRA respectfully requests that its proposed modifications to the PD be adopted.

Respectfully submitted,

/s/ **MARION PELEO**

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**Marion Peleo**  
Staff Counsel

Attorney for the Division of Ratepayer  
Advocates

California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Phone: (415) 703-2130  
Fax: (415) 703-2262  
E-mail: [marion.pelco@cpuc.ca.gov](mailto:marion.pelco@cpuc.ca.gov)

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<sup>10</sup> PD, p. 13.