

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 OF THE OFFICE OF RATEPAYER ADVOCATES
IN SUPPORT OF SAN CARLOS'S REQUEST FOR COMPENSATION**

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Pursuant to Rule 11.1(f) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules) the Office of Ratepayer Advocates (ORA) submits its reply to Pacific Gas and Electric Company's (PG&E) respond to the City of San Carlos's (City) motion for an order directing PG&E to compensate the City for all of its costs associated with participation in the Order to Show Cause proceedings in Rulemaking (R.) 11-02-019 (OSC).

ORA supports the City's motion for costs provided that such costs are paid by PG&E shareholders, not ratepayers. The City is correct that its participation in the OSC is not optional, but has been necessitated by PG&E's continued inability to maintain adequate records to ensure the safety of its gas transmission pipeline system that runs through the City's streets. Because PG&E's errors and omissions have triggered the need for the City's participation, it is appropriate, consistent with the policy established in Public Utilities Code § 463, that PG&E shareholders, not ratepayers should absorb these costs.¹

Respectfully submitted,

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/s/ TRACI BONE

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¹ Section 463 requires the Commission to disallow direct and indirect expenses related to the unreasonable errors or omissions of a utility costing more than \$50 million:

[T]he commission shall disallow expenses reflecting the direct or indirect costs resulting from any unreasonable error or omission relating to the planning, construction, or operation of any portion of the corporation's plant which cost, or is estimated to have cost, more than fifty million dollars (\$50,000,000)

While not applicable to the instant case, the section provides policy guidance that it is not appropriate to permit costs resulting from unreasonable utility errors and omissions to be charged to ratepayers.