

**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)

**OPENING COMMENTS OF THE UTILITY REFORM NETWORK ON
PROPOSED RULE CHANGES TO GENERAL ORDER 112-E**

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July 18, 2014

I. INTRODUCTION

Pursuant to the July 8, 2014 Ruling of Administrative Law Judge Bushey, The Utility Reform Network (“TURN”) submits these Opening Comments regarding proposed revisions to General Order (“GO”) 112-E developed by the Commission’s Safety and Enforcement Division (“SED”).

For the most part, the substantive proposed changes would sensibly enhance reporting requirements to improve the Commission’s oversight of gas safety. In addition, some of the proposals would make important clarifications, including clarifications regarding recordkeeping requirements in proposed Sections 101.4 and 145.1 proposed by TURN that we are pleased have been included in the proposed rule changes.

TURN’s comments focus on two proposed rules: (1) proposed Section 143.1(b), which would require that transmission pipelines be surveyed for leaks twice per year; and (2) proposed Section 123.2(k), which would appear to give SED authority that should be reserved to the Commission to order modifications to the Gas Safety Plans required by Section 961(b).¹

II. BEFORE ADOPTING A RULE TO REQUIRE OPERATORS TO SURVEY TRANSMISSION LINES FOR LEAKS TWICE PER YEAR, THE COMMISSION SHOULD DEVELOP A RECORD SHOWING THAT ANY ADDITIONAL COSTS ARE COMMENSURATE WITH THE RISK REDUCTION BENEFITS

Proposed Rule 143.1(b) would require operators to perform gas leakage surveys for transmission pipelines at least twice per year, at intervals not exceeding 7 ½ months.²

¹ All statutory references are to the Public Utilities Code, unless otherwise indicated.

² TURN focuses on this proposed rule change because, unlike most of the other changes that affect mostly information reporting and recordkeeping, Rule 143.1(b) appears to have the potential to require significant operational changes.

To the best of TURN's knowledge, this draft is the first time this rule change has been proposed in the proceeding.

TURN certainly sees the potential safety benefits of such a rule change, and does not wish these comments to be construed as opposition to the proposal. However, TURN is not aware of any evidence in the record of this proceeding regarding any additional costs that would result from this new rule and urges the Commission to obtain such cost information before making its decision.

Section 963(b)(3) confirms that the Commission and gas operators should make safety the top priority, "consistent with the principle of just and reasonable cost-based rates." As one element of ensuring the just and reasonable rates required by Sections 451 and 963(b)(3), the Commission requires that the costs to provide utility services be commensurate with the benefits and that they be cost-effective.³ In the gas safety context, the Commission has stressed that it will continue to "closely scrutinize the costs to be imposed on ratepayers" and is committed to "ensuring that California's working families and businesses pay only for necessary safety improvements."⁴

Such scrutiny is more important now that it has ever been, as evidenced by the threatened massive increases to PG&E's gas rates. On top of the significant PSEP rate increases that PG&E ratepayers are already paying, PG&E has proposed further huge revenue requirement increases in its 2014 General Rate Case and the 2015 Gas Transmission and Storage case that would increase residential customer bills an additional 45% by 2017. Ensuring the affordability of gas service is itself an undeniable safety issue, as gas is essential for heating our homes and cooking our food.

³ D.10-06-047, pp. 2-3; D.10-06-048, pp. 2-3.

⁴ D.12-12-030, p. 13, quoting D.11-06-017.

Accordingly, in order to determine whether the proposed rule change meets the Commission's reasonableness standards, the Commission needs a record that estimates the costs that would result from the change so that the Commission can confirm that the costs are commensurate with the expected benefits. Obtaining such information need not be difficult or time-consuming. The Commission should order any rate-regulated operator that would be affected by this rule change to make an informational filing that (1) describes whether the proposed change would require leak surveys for any pipeline that would be more frequent than what the operator currently performs; and (2) if so, quantifies and explains the expected additional expenses and/or capital costs that would result. Any other party that may have information relevant to these questions, such as labor representatives, should also be allowed to submit information. Following the submission of such information, parties should be allowed to comment on the informational filings and specifically the issue of whether the costs are commensurate with the benefits.

Obtaining cost information from the gas utilities would also serve the important purpose of preventing surprise rate increase requests in future rate cases. The Commission and parties will have a better ability to ensure that utilities carry out any increased work resulting from this rule change at reasonable cost if estimated cost impact information is provided in the record of this case.

III. ADOPTION AND MODIFICATION OF GAS SAFETY PLANS IS A DUTY RESERVED TO THE COMMISSION

Proposed Section 123.2(k) would require utilities to make any change to the Gas Safety Plan mandated by Section 961(b) that is identified by SED. This rule would appear to allow SED, by itself, to direct a utility to add new elements to such Plans that

utilities would then be required to implement. Consistent with Section 961(b)(1), utilities would then be expected seek to recover any resulting additional costs from ratepayers. While SED appropriately has considerable investigative and enforcement power, TURN is concerned that this rule would give SED the authority to direct utilities to carry out potentially costly new programs, without the benefit of a public record regarding costs and benefits (as discussed in the previous section of these comments) and a Commission decision based on such a record.

Section 961(b) is clear that “the commission” is responsible for approving the initial Gas Safety Plans and the periodic updated Plans required by the statute. The Commission cannot delegate its discretionary duty to determine the just and reasonable scope of work to be required under these Plans to SED or any other individual or division within the Commission.

Accordingly, TURN recommends that proposed Section 123.2(k)(2) be modified to read as follows: “Each Utility Operator must make any modifications to its Gas Safety Plan ~~identified by the Commission’s Safety and Enforcement Division, or its successor~~ ordered *by the Commission.*”

IV. CONCLUSION

TURN appreciates the opportunity to submit these comments.

July 18, 2014

Respectfully submitted,

_____/s/_____

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