

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company Proposing Cost of Service  
and Rates for Gas Transmission and  
Storage Services for the Period 2015 –  
2017 (U39G).

And Related Matter.

Application 13-12-012  
(Filed December 19, 2013)

Investigation 14-06-016

**RESPONSE OF THE INDICATED SHIPPERS TO JOINT MOTION OF  
SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC  
COMPANY TO CLARIFY APPLICATION OF 49 CFR 192.3  
BY CALIFORNIA PIPELINE OPERATORS**

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August 5, 2014

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Pursuant to Rule 11.3 of the California Public Utilities Commission’s Rules of Practice and Procedure, the Indicated Shippers<sup>1</sup> submit this response to Joint Motion of Southern California Gas Company and San Diego Gas & Electric Company to Clarify Application of 49 CFR 192.3 by California Pipeline Operators (Joint Motion) filed on July 21, 2014.

SoCalGas and SDG&E (Sempra Utilities) move to address in a generic proceeding, rather than in this case, the reasonableness of PG&E’s proposal to reclassify certain distribution pipelines as transmission pipelines.<sup>2</sup> The Indicated Shippers support the motion and request a ruling on the motion before August 11, the due date for intervenor testimony.

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<sup>1</sup> Member companies include Aera Energy LLC, Chevron U.S.A. Inc., Phillips 66 Company, Tesoro Refining & Marketing Company LLC, Shell Oil Products US and Occidental Energy Marketing Inc.

<sup>2</sup> Joint Motion of Southern California Gas Company and San Diego Gas & Electric Company to Clarify Application of 49 CFR 192.3 by California Pipeline Operators, July 21, 2014 (Joint Motion).

PG&E has proposed to reclassify 920 miles of distribution pipe as transmission pipe.<sup>3</sup> The reclassification “means these segments will be included on a more frequent maintenance and inspection schedule” under PG&E’s Transmission Integrity Management Plan (TIMP).<sup>4</sup> The proposal centers on PG&E’s interpretation of “distribution center,” a term that is undefined by the relevant federal safety standard, 49 CFR 192.3. PG&E explains:

*[t]he main change in this reclassification revolves around the physical location of the “distribution center” where the function changes from transporting gas to distributing it to two or more customers.<sup>5</sup>*

The reclassification will increase expenses borne by all ratepayers by \$18.2 million in Test Year 2015 and increase capital investment by \$8.4 million over the course of the Gas Transmission & Storage (GT&S) rate period.<sup>6</sup>

The Sempra Utilities disagree with PG&E’s definition of “distribution center” and request that the Commission take up the issue in R.11-02-019, the generic pipeline safety proceeding. The Sempra Utilities are concerned that moving pipelines from the Distribution Integrity Management Plan (DIMP) “may prompt the application of integrity management techniques that are not suited to the risk profile of distribution pipelines.”<sup>7</sup> The change thus “may not necessarily lead to a safer system.”<sup>8</sup> PG&E’s proposal is a substantial departure from the Sempra Utilities’ application of “distribution center,” and adoption of PG&E’s

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<sup>3</sup> PG&E Testimony, Vol. 1, Ch. 4 at 4-3.

<sup>4</sup> *Id.* at 4-4.

<sup>5</sup> *Id.* at 4-3.

<sup>6</sup> *Id.*

<sup>7</sup> Joint Motion, p. 6.

<sup>8</sup> *Id.* at 7.

definition would lead to inconsistent application of a federal standard in California. The Sempra Utilities urge the Commission to establish a consistent statewide interpretation to this key provision of federal safety regulations.<sup>9</sup>

The Indicated Shippers support the Joint Motion to enable uniform interpretation of federal safety regulations in California. Granting the Joint Motion also will eliminate the need to determine in this proceeding whether the 920 miles of pipeline at issue have also been addressed under PG&E's DIMP; if so, PG&E may be asking ratepayers to pay twice for integrity management of the same assets.

For the foregoing reasons, the Indicated Shippers support the Joint Motion's request for the transfer of the interpretation of "distribution center" under 49 CFR 192.3 from this proceeding to R.11-02-019. The Indicated Shippers request a ruling granting the motion prior to August 11, 2014, so intervenors may avoid serving unnecessary testimony.

Respectfully submitted,



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August 5, 2014

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<sup>9</sup> *Id.* at 8.